



**A LEADING COMPANY IN MOBILE DEVICE
DIAGNOSTICS AND SECURE DATA ERASURE SOLUTIONS**

INTRODUCTION

BLANCCO TECHNOLOGY GROUP IS THE GLOBAL MARKET LEADER IN DATA ERASURE. OUR SOFTWARE ENABLES ORGANISATIONS TO OPERATE SECURE, AUDITABLE DATA ERASURE PROCESSES ACROSS AN UNRIVALLED RANGE OF STAND-ALONE DEVICES AND NETWORKED STORAGE.

 See our Business Model on page 8

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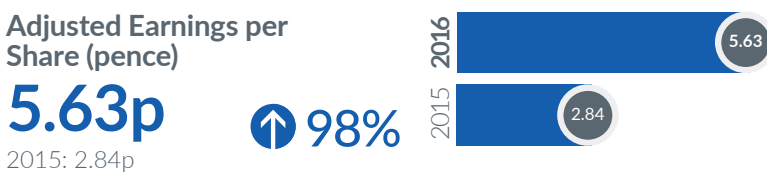
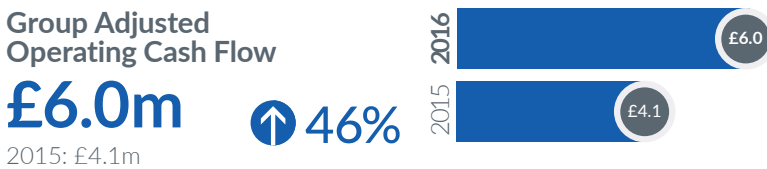
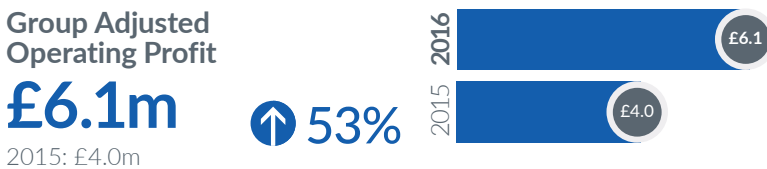
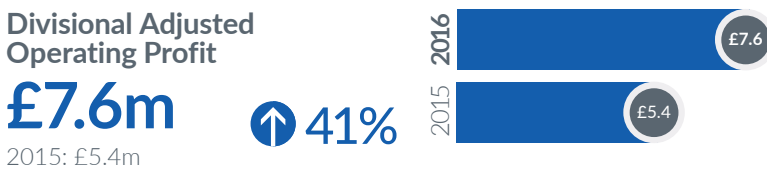
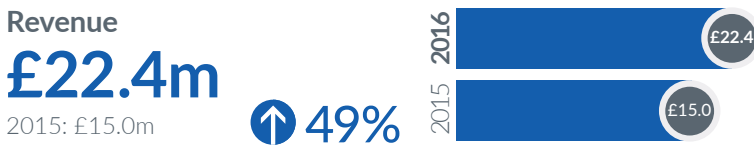
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HIGHLIGHTS

Blancco Technology Group has had a transformative year, delivering strong growth in sales and profitability, while becoming a stand-alone software business through the disposal of the Regenersis electronic repair business.




Operational Highlights

- Live Environment Erasure invoiced sales grew 188% to £2.3 million
- Mobile Erasure invoiced sales grew 42% to £3.7 million
- Average revenue per client* grew by 17% to £51,600
- Senior hires including Chief Strategy Officer, Chief Revenue Officer and new Chief Financial Officer
- Acquisition of Tabernus contributing to North American invoiced sales growth of 146%
- Acquisition of Xcaliber Technologies and win of a large diagnostics contract with a global mobile network operator

*for clients over €10,000

Navigating the Report

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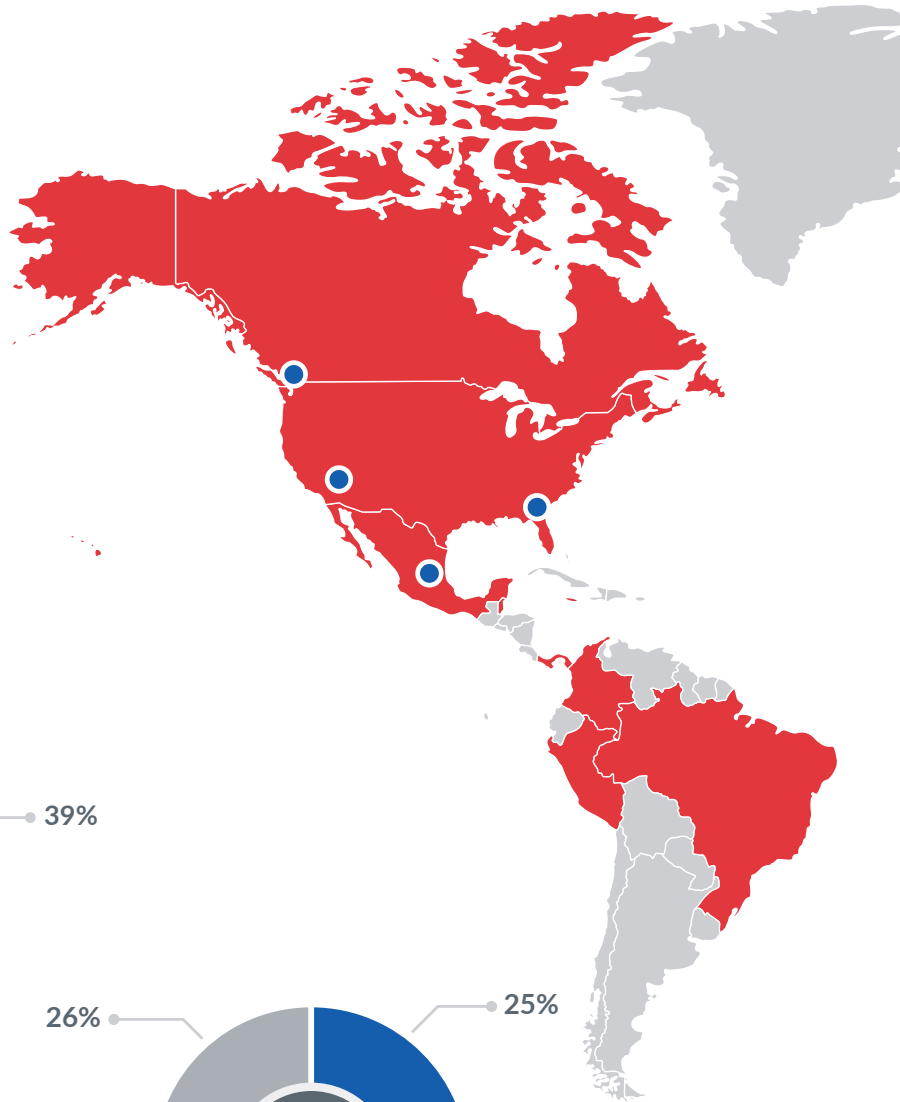
SECURE DATA ERASURE

SECURE DATA ERASURE GUARANTEES ABSOLUTE DATA SANITISATION OF ALL IT ASSETS INCLUDING SERVERS, DESKTOP/LAPTOP COMPUTERS, SMARTPHONES, TABLETS, SSDS AND VIRTUAL DRIVES.

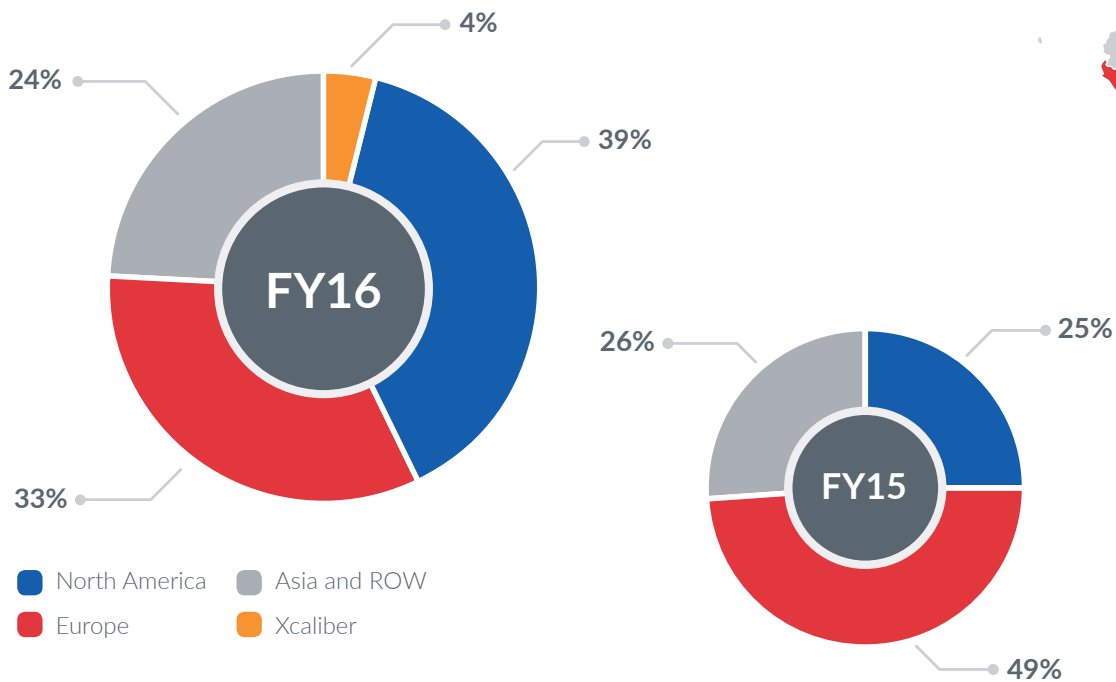


GROUP AT A GLANCE

Every organisation in the world has entered the digital era. As such, their success depends on effective data management throughout its life cycle from creation, to use, to big data mining, to archiving and end of life. Blancco is the only company to provide products for effective data hygiene throughout that life cycle.



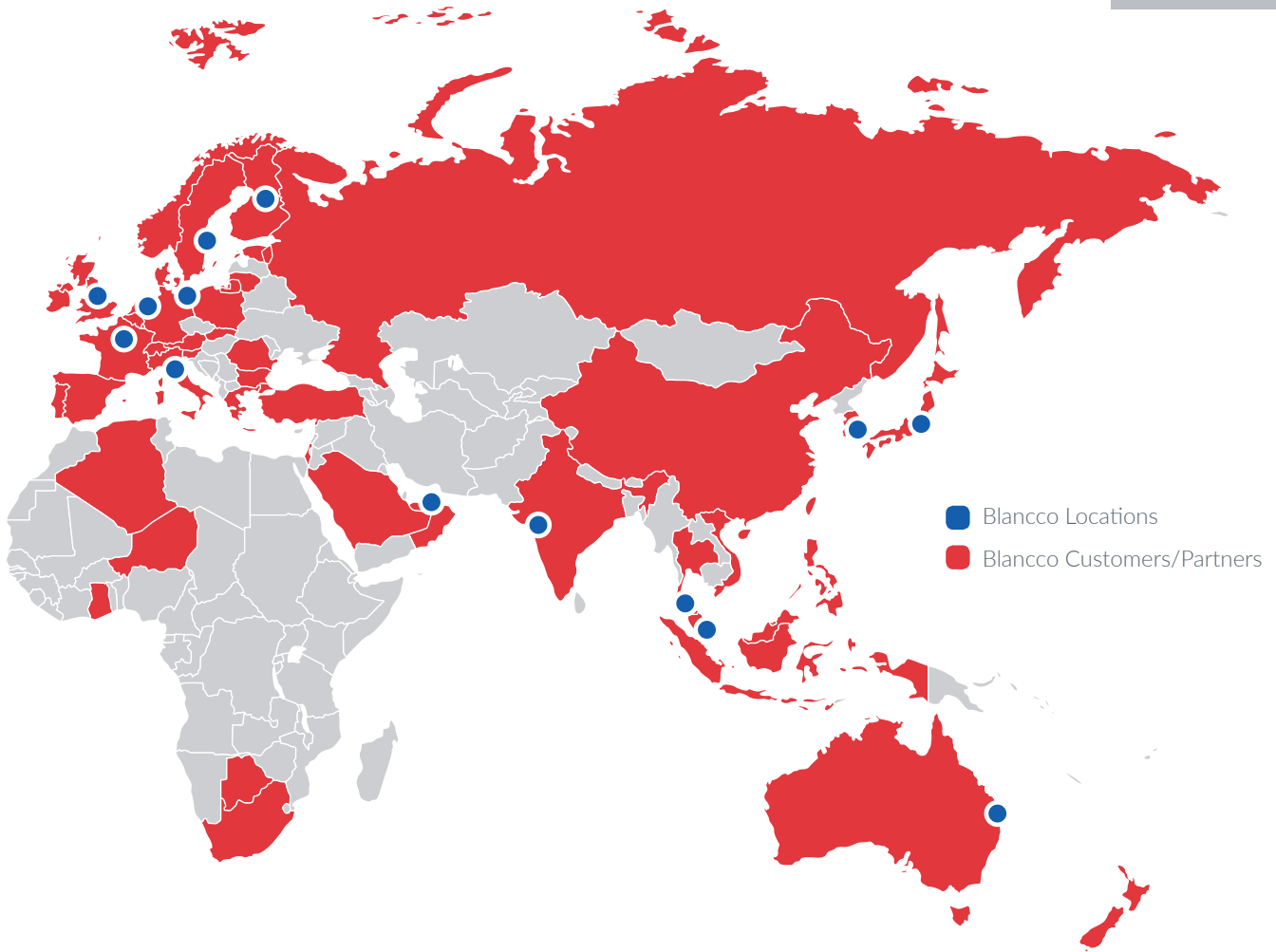
Invoiced Sales by Geography



About our Clients

Blancco's clients include blue-chip companies and organisations in sectors with the highest security requirements, including financial services, healthcare and defence. Due to the highly sensitive nature of these industries, disclosure of our clients is often prohibited.

Blancco serves private and public sector organisations with secure, auditable erasure both directly and through a range of service providers, such as IT Value Added Resellers (VARs), Managed Service Providers (MSPs) and IT Asset Disposal providers (ITADs).



Our Global Certifications, Approvals & Recommendations

Blancco’s erasure technology is certified by more than 18 independent bodies in 11 countries, meaning that we can ensure local regulation is applied across a global client footprint.



Certification Sécurité de Premier Niveau



UK Defence INFOSEC



U.S. Department of Defense



German BSI



Netherlands Communications Security Agency



Swedish Armed Forces



NATO



UK Communication Electronics Security Group



Common Criteria (ISO 15408)



Czech NSA



Japan's Refurb. IT Equipment Association



UK Disposal & Information Security Alliance



National Assoc. for Information Destruction

TÜV SÜD
Norwegian National Security Authority
The Polish Internal Security Agency

CHAIRMAN'S STATEMENT



“BLANCCO HAS DELIVERED ANOTHER STRONG YEAR OF GROWTH AGAINST A BACKDROP OF TRANSFORMATION AT THE GROUP LEVEL, WITH THE DISPOSAL OF THE REPAIR SERVICES BUSINESS. WE HAVE CONTINUED TO INVEST IN OUR PRODUCTS AND OUR TEAM, BOTH ORGANICALLY AND BY ACQUISITION, AND HAVE DEVELOPED A CLEAR STRATEGIC PLAN TO ACHIEVE A STEP CHANGE IN OUR PENETRATION OF THE VERY LARGE MARKET FOR DATA ERASURE.”

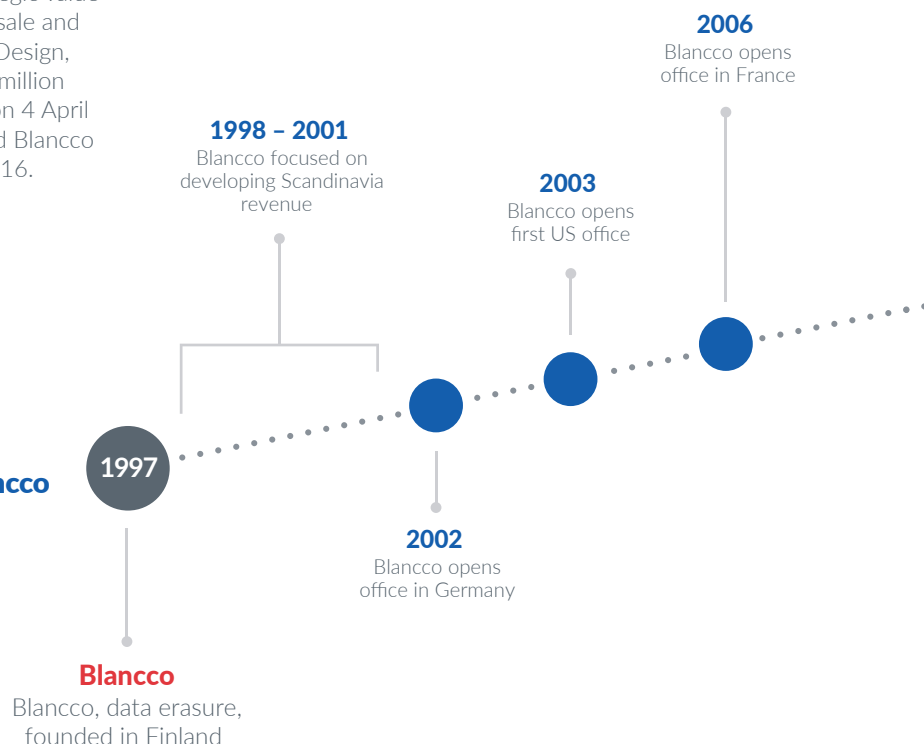
Matthew Peacock / Non-executive Chairman

I am pleased to introduce Blancco Technology Group's first full year results, for the year ended 30 June 2016. These results show strong improvements in revenue, operating result and earnings per share, which gives the Board confidence in the Group's new focus. The signature event of 2016 has undoubtedly been the change in the primary business activity of the Group from electronic repair services to data erasure and mobile diagnostics software. The results are reported and explained in Pat Clawson's first Chief Executive Officer's review below.

Over 2011 to 2016 the Group built its electronic repair services business, Regeneris, into one of the leading operators in its sector, with a broad geographical footprint capable of attracting the largest brands as its clients. The Board determined towards the end of financial year 2015 that it was the right time to realise value for these operations and to refocus the Group entirely on its software business. The optimal route to achieve this was clearly a disposal of the Repair Services Business to another repair sector consolidator which saw considerable strategic value in the transaction. In February, we announced a sale and purchase agreement with Communications Test Design, Inc., ("CTDI") for a cash consideration of €103.5 million (£79.9 million). This transaction was completed on 4 April 2016, and the Regeneris Plc entity was renamed Blancco Technology Group Plc (LON: BLTG) on 5 April 2016.

The disposal led to a £50 million return of capital to investors in May 2016, and leaves Blancco well resourced to exploit the opportunities in its sector. Most importantly, shareholders now have an undiluted exposure to the Software business. Blancco has demonstrated exceptional margins and revenue growth, attributable to its outstanding market position and the fast growing markets which it serves. Year on year revenue growth for the data erasure business was 29% in 2015 and 44% in 2016. These growth rates reflect the growing demand for data erasure due to compliance and security drivers, continued investments in sales and marketing, as well as complementary "bolt on" type acquisitions.

Where We Come From – Building Blancco

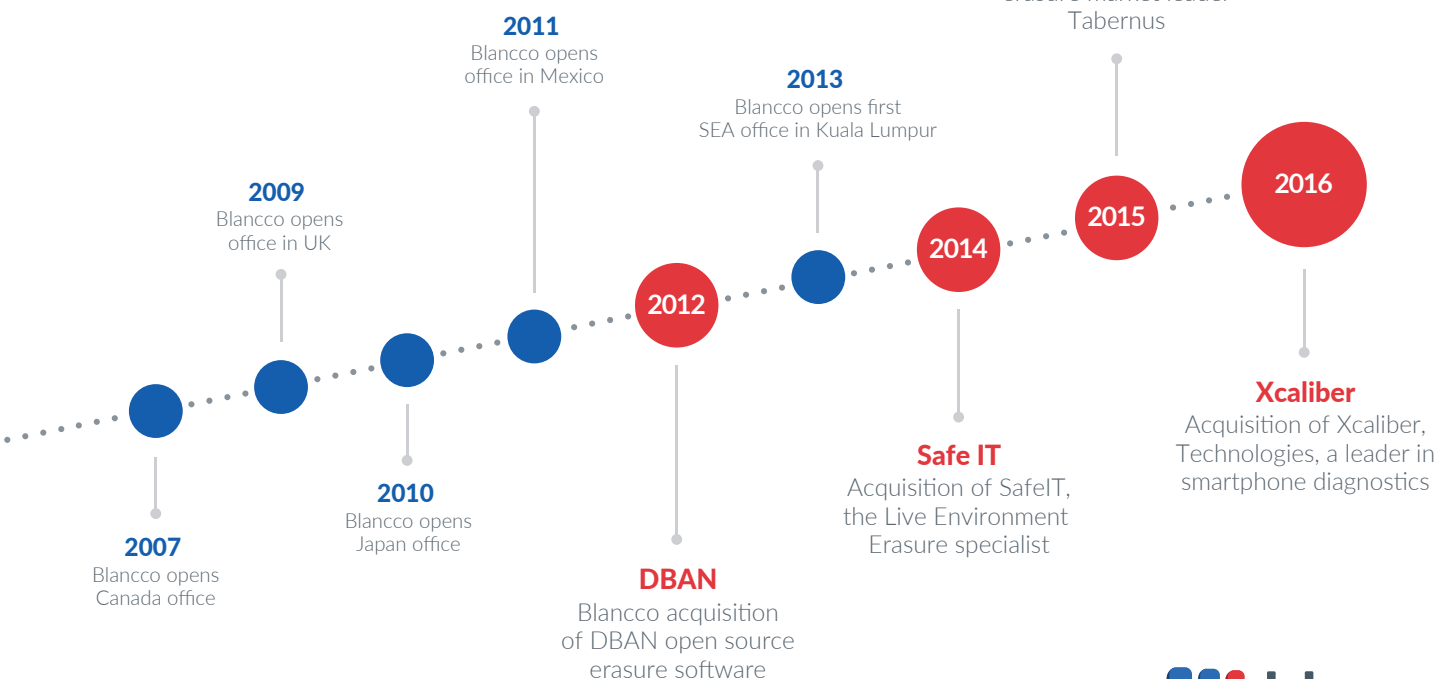


With the new focus on software has come changes to the composition of the Board. In October 2015, we welcomed a new Non-executive Director, Tom Skelton. Tom has deep software experience – he is currently the CEO of Surescripts, a US healthcare software business, and was previously a non-executive director of Micro Focus Plc. Ian Powell has retired from the Board and from his role as CEO of the Repair Services Business, and I would like to thank him for his role in the growth and subsequent disposal of this business. I announced in May 2016 my intention to become Non-executive, retaining my role as Chairman of the Board, while Pat Clawson becomes the Group's CEO. Keith Butcher joined the Group as CFO on 19 September 2016, taking over from Jog Dhody, who will resign from the Group following an orderly handover.

The outlook for the Group is positive, with continued strong demand for our data erasure and mobile diagnostics software, and an even stronger management team following several senior hires in 2016.

Matthew Peacock

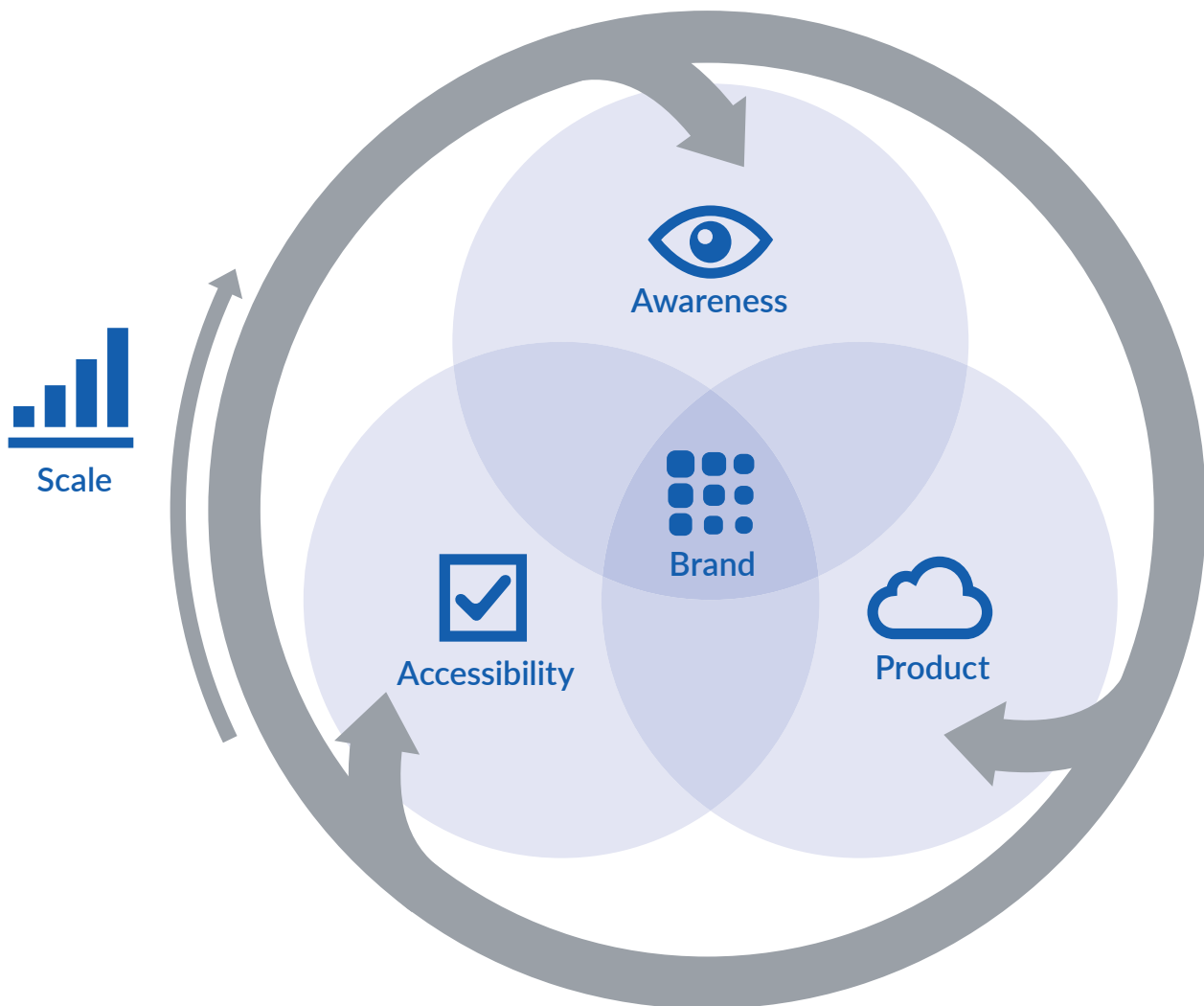
Non-executive Chairman
30 September 2016



BUSINESS MODEL

We are the market-leading, trusted brand for data erasure, many times larger and better known than our nearest competitors. Our scale enables us to invest to extend our lead in technology, product breadth, geographical reach, and brand awareness.

Our ability to create value for our shareholders is based on investing to protect and extend our market leading presence and brand.





Brand

The Blancco brand is our greatest asset, and the platform to maintain our position as the de facto standard for data erasure.

Blancco is privileged to have the leading brand and reputation for data erasure, generating large quantities of inbound sales leads and a major competitive advantage to winning business. Our investments in Product, Accessibility and Awareness all act to boost our brand power. Our brand also makes us the natural partner for IT industry leaders, as we seek to further our position as the de facto standard in erasure globally.



Scale

Our scale enables us to invest more resources than our competitors, maintaining our global leadership position in secure data erasure.

Blancco revenues are approximately ten times larger than our nearest competitor. Our global scale, combined with our brand, allows us to win business more efficiently than our competitors. As a result, we are able to invest more – in product, thought leadership, marketing and sales – while still generating software-sector leading profit margins and cash flows.



Awareness

By driving awareness of data erasure we unlock new demand and position ourselves as the industry thought leader.

We invest in driving awareness around the need for data erasure. We accomplish this through our marketing and partnering with thought leaders in standards bodies, regulators and the information security advisory sector. In 2016 we expanded our marketing function significantly, forged new relationships with Gartner and International Data Corporation (IDC), the IT sector thought leaders, and brought a new Chief Strategy Officer into the team with the remit to drive data erasure awareness in the expert community.



Accessibility

By making data erasure more accessible to CIOs we accelerate adoption against a crowded backdrop of competing information security priorities.

We invest in our leading global, multi-lingual footprint of sales and support, and our sector-leading sales team. In 2016 we identified that IT VARs and MSPs have superior access and permission from CIOs and can integrate erasure seamlessly into their workflows. In 2016 we have brought in a new Chief Revenue Officer and VP Global Business Development and Channel Sales to drive our strategy to grow through partnerships.



Product

By continually extending our product lead we drive our sales and our brand power.

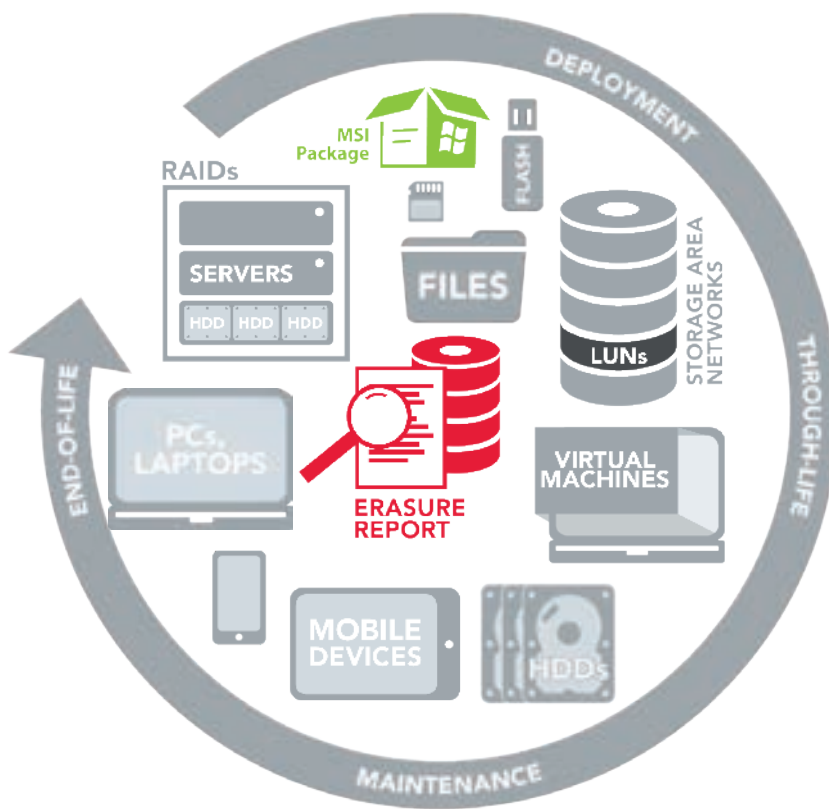
We invest in our ability to erase more types of device, to more locally certified standards, than any competitors. We invest to have the most advanced end-to-end solution including audit, workflow, integration and management features. In 2016 we extended our lead in patented SSD erasure technology and integrated erasure-and-diagnostics into a seamless workflow.

MARKET REVIEW

Our products are relevant to two main applications:

The flow of “end-of-life” IT equipment including servers, PCs, smartphones and many other devices out of organisations’ and consumers’ hands. Often these devices find a second life with a new owner, but it is critical that data is irrecoverably wiped from them first.

The management of the data life cycle within organisations, and specifically in their networked and cloud storage environments. Modern data life cycle management policies set rules for erasing data regularly to ensure security. Another large market for Blancco is the managed storage business: when storage capacity is reallocated between clients, it needs to be permanently erased.



Blancco primarily competes with non-commercial erasure alternatives – ranging from physical destruction of valuable IT assets, to simply deleting files. Our research shows that only 8% of organisations employ commercial (paid) data erasure software today.

Versus alternatives, Blancco provides higher security and peace of mind. Erased data is physically impossible to recover, even by the software provider or by government agencies. The erasure process is fully auditable and creates tamper-proof erasure certificates. The process is certified by independent standards bodies. Finally, our management console and Application Programming Interfaces (APIs) mean Blancco is easy to integrate into existing business processes.

**Number of end-of-life
PCs per year**

**500
MILLION**

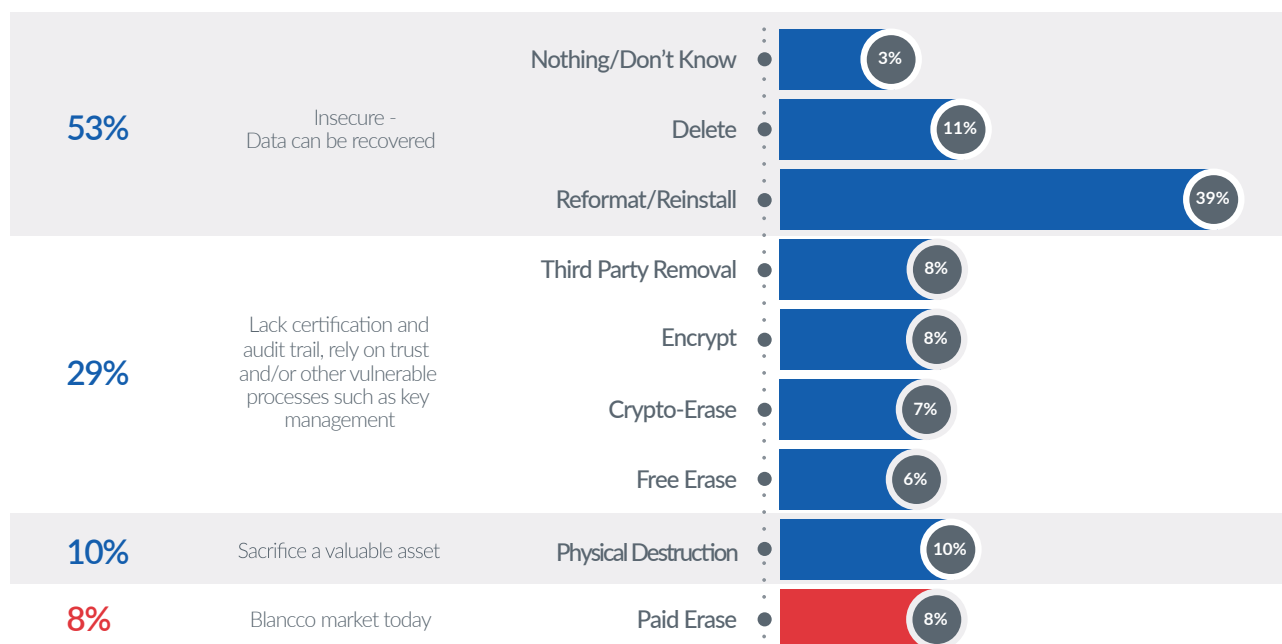
**Number of end-of-life
mobile devices per year**

**1.6
BILLION**

**Amount of Enterprise data
requiring erasure per year**

**6 BILLION
TERABYTES**

How organisations manage device end-of-life erasure today:



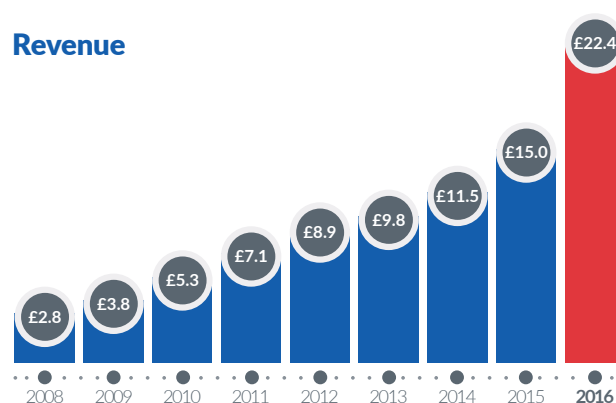
More and more organisations are waking up to the benefits of a secure, auditable, integrated data erasure process. The main drivers of this shift include:

- 1** High profile data breaches. Media coverage of data breaches is frequently front-page news, often leading to multi-billion dollar damages and being career-ending events for high profile CEOs. The general awareness and attention to data security is on an ever-upward trend.
- 2** Regulation. There are now 111 countries that have enacted data privacy protections into law. These regulations, best exemplified by the EU General Data Protection Regulation (GDPR), which will be in full force by 25 May 2018, call for data erasure at the end of useful life of the data. The Group's data erasure software fulfils the requirements of these regulations for the secure and verifiable erasure of sensitive personal data after it is no longer needed for its original purpose. These regulations require the appointment of a Data Protection Officer to oversee internal data policies including data erasure. Blancco continues to create content and thought leadership activities to enhance our status as the de facto leader in data erasure.

- 3** Advice from thought leaders and opinion shapers. In a congested information security environment CIOs look to organisations like Gartner and IDC to educate them on how to focus their security efforts. These organisations increasingly see data erasure as a high priority enterprise activity. For example data sanitisation is a technology called out in three of the famous Gartner Hype Cycles, those for Data Security, Storage Technologies, and Privacy. Gartner analysts predict 2-5 years until mainstream adoption of data erasure technology in the enterprise. Blancco is poised to take full advantage of this dramatic trend.

Blancco has maintained its market leadership position in the data erasure sector for almost 20 years and the market growth trend over this period in the data erasure market is reflected in our own historical sales trend.

Revenue



CHIEF EXECUTIVE'S STATEMENT



“NEW MARKET REGULATIONS SURROUNDING DATA ERASURE MEAN THAT INCREASED MARKETING AND THOUGHT LEADERSHIP SHOULD LEAD TO CONTINUED HEALTHY INCREASES IN REVENUE WHILE MAINTAINING THE FAVOURABLE GROSS MARGINS AND PROFITS ASSOCIATED WITH THE PURE PLAY SOFTWARE BUSINESS OF THE GROUP.”

Pat Clawson / Chief Executive Officer

I am pleased to report that Blancco Technology Group delivered strong results in 2016. Our revenue of £22.4 million (2015: £15.0 million) represented an increase of 49%. Adjusted Operating Profit before corporate costs was £7.6 million (2015: £5.4 million), a rise of 41%. Adjusted earnings per share from continuing operations were 5.63 pence, an increase of 98% on the 2015 earnings per share of 2.84 pence.

Data erasure products contributed £21.7 million (2015: £15.0 million) and comprised 97% of our revenue. Our mobile diagnostics business, arising from the acquisition of Xcaliber, generated £0.7 million in additional revenue in the period since it was consolidated in January. Several contracts were closed at the end of 2016 that will make mobile diagnostics a larger contributor to overall revenue in 2017 and beyond.

Further details of these results, including the effect of discontinued operations and currency movements, are contained in the Group Business Review.

In this first annual report as a stand-alone software business, we also set out our strategic goals and approach. Our stated goal is to be the de facto standard in data erasure and mobile diagnostics globally. Today, we are the clear market leader in data erasure. However, it is equally clear that the vast majority of occasions in which a data erasure should be performed still pass without an erasure happening. So, our strategy is about increasing awareness of data erasure, and increasing the accessibility of data erasure. As our strategy report sets out, we believe that this requires a new appetite for partnership: with our large clients; with the information security consulting industry; and especially with large enterprise service providers who control workflows in which erasure is – or should be – a simple tick in a box.

Acquisitions Update

In September 2015 we acquired a data erasure competitor, Tabernus, for \$12 million (£7.9 million), bringing us market leadership in the important US market. While Blancco's historic roots were in Finland and Europe, the US is home to a large proportion of the global businesses which Blancco serves. Its software and cloud giants control a vast potential market of data erasure occasions which we want to access in the future.

In January and March 2016 the Group acquired the remaining 51% of mobile diagnostics provider Xcaliber Technologies, for \$5.2 million (£3.6 million), of which \$4.7 million (£3.3 million) is contingent on future revenue targets. This acquisition has enabled Blancco to improve its proposition to the smartphone remarketing sector, where data erasure and device diagnostics are adjacent process steps. It has also opened up a new market with the mobile network operators, who are seeking converged consumer-facing support and erasure solutions. In addition, Xcaliber maintains research and development facilities in Pune, India, adding innovative and low cost development capabilities to the Group, with a deep expertise in Android and iOS. The expansion of the Group's R&D function should allow greater product development for both erasure and diagnostics products in order to drive the business forward.

The Group continued to invest in its non-fully owned offices, acquiring a 100% stake in Blancco Australasia in August 2016, and planned further investments during quarter one and quarter two of 2017. The investments provide greater cross-selling opportunities in these regions as we now have full access to these markets.

Operational Update

During 2016, we saw positive momentum in the sales of our live environment erasure product. The benefit of managing data erasure continuously in a live storage environment, as opposed to on a one-off basis at the device decommissioning stage, is very significant for our clients and therefore for Blancco. The technology has been in development for over ten years and is now starting to gain traction in the market. In 2016, invoiced sales grew to £2.3 million compared to £0.8 million in the prior year. We are now targeting large data centre operators, who are well positioned to promote live environment erasure to their enterprise clients. Market education over 2017 will be a key priority.

The Group has grown its mobile erasure invoiced sales by 42% in 2016 to £3.7 million (2015: £2.6 million), and the acquired Xcaliber business complemented the mobile erasure product with sales of an additional £0.7 million for the SmartChk diagnostic products. In May 2016, following a successful pilot, we won a contract to provide in-store SmartChk diagnostics across a significant US mobile carrier retail network in the USA. The roll-out has been successfully delivered with tablet kiosks deployed to over 5,500 stores in under six weeks. This contract is a landmark win for the business, being the first large-scale deployment and reference case for the technology, and taking the business to positive run-rate profitability.

Our traditional end-of-life erasure products, which cover PCs, Servers and other IT equipment, also generated good growth in invoiced sales of 44% to £17.4 million (2015: £12.1 million).

Geographically, growth was strongest in North America, which expanded sales by 146% to £9.6 million (2015: £3.9 million). The organic growth rate was 121%, while additionally we acquired Tabernus sales in the region of £1.0 million. We made management changes following the buy-out of our minority partner in the US and the acquisition of Tabernus, which led to improvements in marketing, sales and service operations generally.

The Asia Pacific (APAC) region also delivered good growth in the year, up 45% to £5.8 million (£4.0 million). A large portion of this growth was generated by mobile erasure sales in Japan, as well as the first sales of integrated erasure and diagnostics technology. Further potential has been identified in China and the Group has opened new locations in this territory to capitalise on early opportunities.

The European business posed some challenges in 2016, growing at 8% in the year to £8.1 million (2015: £7.5 million). The region was weak in the take-up of new technologies in the mobile and live environment spaces. The focus of efforts on the US, as well as the movement of head office and many senior management roles to the region, undoubtedly had a negative effect on momentum in this region in 2016. We are investing in strengthening these sales operations in 2017.

The Tabernus team has been fully integrated operationally into the Blancco organisation. Xcaliber's commercial team in the USA has also been operationally integrated, while the Xcaliber development operations based in India remain operationally distinct.

Strategy Update

In 2016 we completed an extensive strategic review. This identified important new initiatives for the business. The most important insight gained from this review was that we need to lead the market in driving erasure awareness and in making erasure more accessible for enterprises to adopt it in a systematic way. If we achieve this, the market should open up dramatically for us. This belief is captured in our new strategic mission statement of becoming the de facto standard in data erasure and mobile diagnostics.

While continuing to grow our business in the IT Asset Disposition (ITAD) sector we see the greatest opportunities in the enterprise, data centre, and mobile network operator verticals. We already have several large customers that have deployed our enterprise erasure products throughout their desktop and data centre environments. These deployments have led to substantial recurring revenue. The Group is the only provider of certified data erasure products supported by services and the market is thinly penetrated to date.

Building a Partner Business Development Function

Most potential enterprise erasure happens within the workflows of other enterprise service providers. These include IT Value Added Resellers (VARs), who provision and manage IT solutions for enterprises, and Managed Service Providers (MSPs), who deliver services such as applications, networking, data storage and security solutions over networks or the Cloud. In a congested IT security environment, Chief Information Officers prefer to work with a small number of large, trusted VARs and MSPs. They also prefer erasure solutions which are integrated into these platforms. Data centres provide a target market for us, where our live environment erasure products are particularly relevant.

To date, Blancco has predominantly adopted a direct sales model, led by local teams, and based on the sale of stand-alone Blancco erasure products for licence (per erasure) or subscription payments. This model continues to be a successful one and will remain a key pillar of our route to market. Partner channel development will act as a complementary sales route into markets in which we have not historically secured a strong foothold.

We will also build a robust global partner business development function which seeks to provide integrated data erasure to enterprises within the ecosystems of VAR and MSP partners. Steve Holton, our new President and Chief Revenue Officer, brings extensive experience of building successful software partnerships and channel sales.

Thought Leadership, Regulation, and Market Education

In addition to sales training in each region we are executing on a strategy of market education. As the industry leader, it is in Blancco's interest to establish thought leadership by participating in industry events, publishing guides and best practices, and continuing our PR and lobbying efforts with systematic campaigns. Data erasure is not prioritised by most of the large software and security analyst firms, often only mentioned as a function of ITADs. Major regions, including the UK, EU, and US, are active in legislating new data protection laws but require assistance in their efforts to understand data erasure requirements. Richard Stiennon, our new Chief Strategy Officer and a respected thought leader in the information security space, brings to the Group a new level of expertise in this area.



\$77BN

Worldwide spending
on information
security in 2015

160M

Data records exposed
by cyber attacks
in 2015

Mobile Diagnostics

The market for consumer data erasure is expanding rapidly through the mobile network operators. They increasingly seek to provide erasure solutions to their customer base, especially around the smartphone upgrade occasion. Our recent acquisition of Xcaliber Technologies and its SmartChk smartphone diagnostics product gives us a stronger platform in mobile erasure. It is also opening up a large opportunity in smartphone diagnostics. The synergy with our data erasure business occurs in at least three areas:

- 1 Mobile network operators want self-help consoles in their stores. These perform smartphone diagnostics and smartphone erasure in one package (as well as equivalent solutions delivered through call centre and online support channels);
- 2 Smartphone remarketing companies want to perform both erasure and diagnostics on used devices prior to resale;
- 3 Maintaining a deep expertise in the Android and iOS operating systems is important to both erasure and diagnostics.

Strategically, we have identified the mobile network operators as a key partnership for us, alongside the enterprise market and the data centre market. Our pipeline of new business in this vertical is strong.

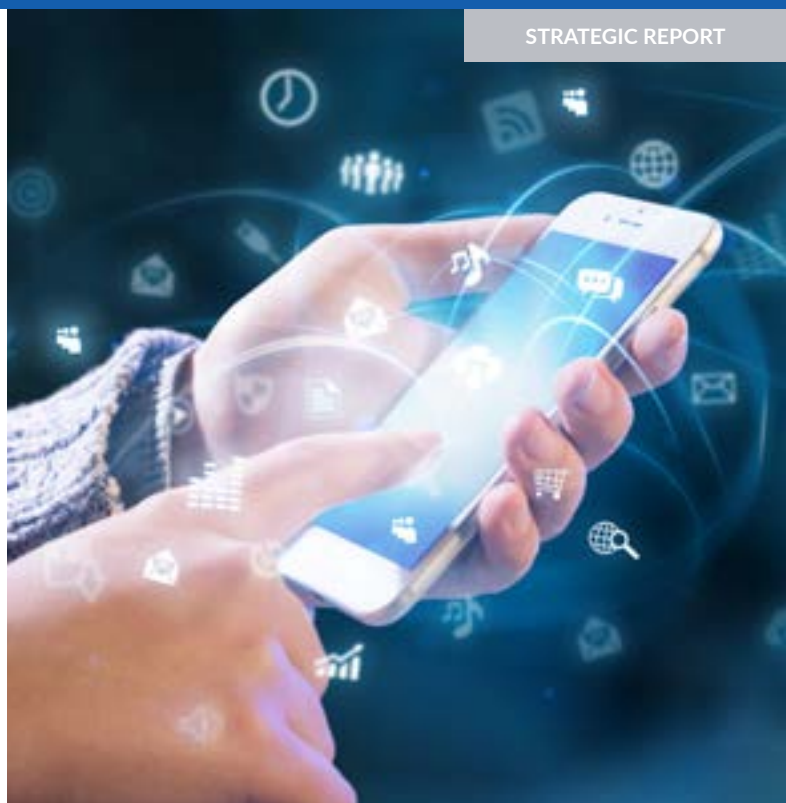
M&A

The primary source of our growth is organic. However, we will continue to engage in M&A activity for prospective growth via acquisition, should the right opportunity arise. Such opportunities will help enhance the Group's market position and footprint in new geographies or complementary product offerings.

Technology Update

In March 2016, we were awarded US Patent No. 9286231 for our Solid State Drive (SSD) erasure method, in addition to the European patent awarded in July 2015. In our view, this is the only universal method to reliably erase the broad range of different brands and models of SSD drive available in the market. SSD drives, typically used in premium-priced laptops and other IT equipment, including servers, are rapidly growing their share of the storage market.

Legislation and regulatory change is driving the need for digital data destruction globally. The EU Global Data Protection Regulation (GDPR) and the "Right to be forgotten" is calling for data erasure in a number of ways and reaches beyond Europe to North America and APAC. The International Organisation for Standardisation (ISO) standards ISO 27001, 27018 and 27040 include specific call-outs for the erasure of digital data for the protection of customers. We are also seeing spot regulation within specific



industries, including banking and finance, the Payment Card Industry (PCI), federal government and healthcare.

Building on our recent success with patenting our SSD erasure technology we have established a programme to cultivate our technology innovation and increase the number of patents filed. This strategy protects our market and provides a defensive portfolio to ward off future challenges to our technology position.

We are also standardising our product development processes across regions so that we can stay agile and bring product enhancements to market quickly.

Blancco Management Console is a product we have developed to centrally manage licences and reports for secure erasure. A central management console is critical to growing an enterprise business strategy. Each data erasure product can integrate with the management console and APIs are being developed to enhance integration with third party products. The product is available as a stand-alone software solution or as a service through Blancco Cloud.

Our product development roadmap also includes new projects related to integration and API improvements, and to the management features required to deliver a successful partnering strategy.

In 2016 we have created and are tracking a programme to enhance our product and process certifications. We already have a wide set of global certifications including CESG in the UK, ISO 15408 and NATO. Certifications serve as a barrier to entry for new entrants in the field, thus they enhance our defensive position. They are also required by many enterprise prospects so are a required investment.



Leadership Update

In 2016 we continued to focus on building out our top team, to bring in the skills and experience required to execute our strategy.

I am excited by the addition of Steve Holton to our team. As our President and Chief Revenue Officer (from July 2016), he is responsible for building and scaling the Group's global sales team to drive continued revenue growth. Steve is an experienced software industry veteran and has 20 years of experience selling B2B software solutions. Most recently, he was SVP of Worldwide Sales and Customer Success for mobile enterprise security company, Good Technologies. He grew this from a \$200 million organisation into a highly valued company that was acquired by BlackBerry (NASDAQ: BBRY) for \$425 million in September 2015.

Since joining, Steve has further enhanced his team by bringing in Matt Sturges, VP of Global Business Development and Channel Sales who will be responsible for our partner oriented route to market. Matt brings 11 years of experience in channel and direct sales roles at Apple, generating substantial revenue growth through partner channels.

As we focus the Group on growth in the Americas and in enterprise erasure globally, we look to Richard Stienon to lead the Company's overall corporate strategy. This includes long term strategic planning, product positioning, public affairs, industry analyst relations, joint ventures and industry partnerships. Richard is a former VP Research for industry analyst firm Gartner, Inc. and has held executive positions at Fortinet, and Webroot Software.

In 2016 Khalid Elibiary, the former president of Tabernus, took on the role of VP of R&D and Customer Experience. Khalid brings to the role his considerable expertise in growing a successful data erasure business and will lead our product teams in technology innovation as we extend our critical IP assets.

Outlook

The outlook for 2017 is positive. New market regulations surrounding data management and a very thinly penetrated market for secure data erasure mean that increased marketing and thought leadership should lead to continued healthy increases in revenue while maintaining the favourable gross margins and profits associated with the pure play software business of the Group.

We have seen no impact of the UK's intended exit from the European Union on our business. We are confident that the fundamental drivers of growth in our business are strong.

We remain confident in market expectations for 2017 as we continue to penetrate the still nascent markets for both data erasure and mobile device diagnostics.

Pat Clawson

Chief Executive Officer
30 September 2016

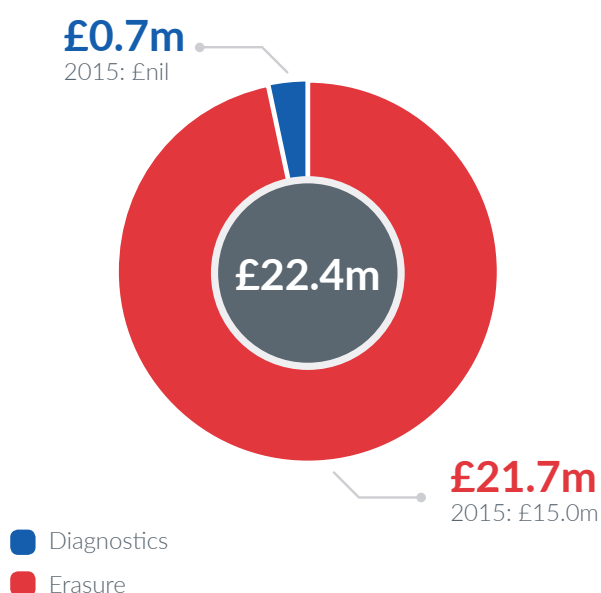
The financial performance of the business is summarised as follows:

- Revenue of £22.4 million (2015: £15.0 million, growth 49%);
- Adjusted operating profit before corporate costs of £7.6 million (2015: £5.4 million, growth 41%);
- Adjusted operating profit after corporate costs of £6.1 million (2015: £4.0 million, growth 53%);
- Adjusted operating profit margin of 27% after corporate costs (2015: 27%).

Operating loss was £0.4 million (2015: operating loss £1.6 million). Reduction in operating loss was due to increased revenues and the reduction of exceptional M&A costs relative to the prior year.

Adjusted operating cash flow was £6.0 million (2015: £4.1 million), with a cash conversion of 98% (2015: 103% conversion) relative to adjusted operating profit. Net cash at the end of the period was £1.0 million (2015: £7.8 million).

Revenue



Key financials

	2016 £'m	2015 £'m
Invoiced revenue	24.4	15.5
Revenue	22.4	15.0
Adjusted operating profit before corporate costs	7.6	5.4
Adjusted operating profit after corporate costs	6.1	4.0
Operating profit	(0.4)	(1.6)
Adjusted operating profit margin % before corporate costs	33.9%	36.0%
Adjusted operating profit margin % after corporate costs	27.2%	26.7%
Operating profit margin %	(1.8)%	(7.1)%

Segmental Results

	2016 £'m	2015 £'m
Revenue		
Erasure	21.7	15.0
Diagnostics	0.7	–
Total	22.4	15.0
Divisional adjusted operating profit		
Erasure	7.6	5.4
Diagnostics	–	–
Total	7.6	5.4
Corporate costs (continuing operations)	(1.5)	(1.4)
Total adjusted operating profit	6.1	4.0
Discontinued revenue	151.9	187.6
Discontinued divisional adjusted operating profit	9.7	15.2
Corporate costs (discontinued operations)	(3.4)	(3.8)
Total discontinued adjusted operating profit	6.3	11.4

Group Review

The continuing business consists of the Erasure and Diagnostics divisions. The Erasure division includes the Blancco business which enables customers to test, diagnose, repair and repurpose IT devices with certified software. The Diagnostics division holds our SmartChk product, obtained and developed as part of the Xcaliber acquisition, which provides consistent, accurate and measurable diagnostics of smartphones and tablets.

The revenues and adjusted operating profit of these divisions comprise the Group's continuing operations as presented in the financial statements.

The discontinued business comprises the Group's depot repair facilities and its mobile phone insurance activities. The Repair Services Business was sold in April 2016, and therefore the above figures include only nine months of trading.

An agreement to sell the Digital Care insurance business to Mazovia Capital was reached on 19 September and therefore the above figures include the full year results for that business.

The total result for the year, including the impact of the required accounting for discontinued operations was a loss of £24.2 million (2015: £5.1 million profit).

The full results of the discontinued business are presented in note 9 in the Notes to the Accounts.

Erasure Division

The Erasure division includes Blancco, acquired in April 2014, the global market leader in data erasure software, and the bolt-on acquisitions of SafeIT (acquired September 2014) and Tabernus (acquired September 2015). Both acquisitions have been fully integrated onto the Blancco platform.

The Erasure division revenue increased to £21.7 million (2015: £15.0 million), of which £1.5 million was generated by the acquisition of Tabernus. The organic growth of 35% was predominantly driven by the growth in the strategically important North American region and the LEE product group.

Adjusted operating profit before corporate costs was £7.6 million, at a margin of 33.9%, compared to a margin of 36.0% in 2015. The adjusted operating profit margin has reduced slightly in the current period. The decline in margin is a result of investment in new strategic headcount in order to drive future revenue growth.

Financial and operational highlights included:

- Acquisition and integration of Tabernus, which further enhances the Group's market footprint both geographically, through its strong position in the US market, and through the addition of new product lines to the Group's portfolio.
- Strong growth in the strategically important North American region, with Invoiced sales growing by 146%.
- A new distribution agreement signed in the United Arab Emirates, opening new sales channels to the technology centre of the Middle East.
- Acquisition of the remaining share capital of Blancco Australasia which was not already owned, bringing the Group's share to 100%.
- Expansion into new geographies in India and China, allowing us to generate new revenue streams from these high growth economies.
- Strong growth in the Live Environment Erasure product sales, which represents a more sophisticated erasure method in customers' networked storage environments, allowing real time and "live" data erasure in addition to the end-of-life erasure offered by the business' existing product range.
- Grant of European and US patents for our SSD erasure method.

Diagnostics Division

The Diagnostics division is made up of Xcaliber Technologies, a smartphone diagnostics software business. The Group increased its stake in this business from 49% to 100% during the financial year.

The Diagnostics division generated revenue for the Group for the first time this year, having previously been a non-consolidated associate at 49% ownership. Revenues for the six month period since acquisition were £0.7 million. On a pro forma basis, Xcaliber generated revenues of £1.3 million in the full year period, which represents growth from prior year revenues of £0.3 million. This growth has been achieved through the transition of the business from a start-up development proposition to a self-sufficient sales generative organisation.

The division recorded adjusted operating profit of £nil for the period, compared to a pro forma loss of £1.5 million for the prior year. The improvement in profitability to break-even is led by the ramp-up of new customer contracts in this period.

Financial and operational highlights included:

- Integration and cross-selling of the diagnostics product with the traditional erasure product giving customers a more sophisticated all-in-one data erasure and diagnostics management tool.
- Commencement of large contract with a US mobile carrier which has resulted in a roll-out of the diagnostics tool into over 5,500 stores in the US.

Revenue Recognition

The Group monitors its sales performance by tracking invoiced revenue, which is a measure of the level of business won in the year. This differs from the reported revenue figures as IFRS revenue recognition requires the business to defer the revenue earned on software subscriptions – which have a defined term – over the term of the contract.

This had an adverse impact on revenue in the period in which the sale was made, as the revenue is held on the balance sheet and released in future periods as the contract is fulfilled. The impact is shown below:

	2016 £'m	2015 £'m
Invoiced revenue	24.4	15.5
Net revenue deferral of subscription sales	(2.0)	(0.5)
Reported revenue	22.4	15.0

Increase in revenue deferral in 2016 is a result of both increase in absolute sales generated in comparison to prior year, and an increase in the number of corporate deals signed up, which are typically high value subscription deals over a number of years.

The total deferred revenue for the continuing Group at 30 June 2016 was £4.8 million (2015: £2.4 million) which represents revenue to be recognised in future periods.

Corporate Costs

Corporate costs of £1.5 million (2015: £1.4 million) increased slightly. The cost base represents the costs associated with running the central function, and the run-rate of these costs has decreased significantly compared to the previous year as the disposal of the Repair Services Business has resulted in a reduction in required resource.

Currency Hedging Activities and Constant Currency

One of the risks that the Group faces by doing business in overseas markets is currency fluctuations. In order to manage the Group's exposure to this, the CFO conducts a quarterly review of the Group's currency hedging activities and makes a formal recommendation for any changes to the Board every half year by exception.

The Group is well diversified across a number of currencies, with Sterling representing only around 10% of revenues. Over the course of 2016, Sterling has weakened against the main overseas currencies in which the Group trades, predominantly the Euro (comprising 20% of revenues), US Dollar (comprising 30%) and Japanese Yen (comprising 20%). This was compounded in June 2016 following the UK's decision to leave the European Union, at which point the Euro and US Dollar rates fell by 11% and 8% respectively.

This has generated a foreign exchange benefit as the overseas earnings are now worth more in Sterling terms.

The exchange rates applied at the year end are as follows:

	30 June 2016	30 June 2015
Euro	1.20	1.41
US Dollar	1.33	1.57
Japanese Yen	136.50	191.97

A comparison of actual results to results restated at expected exchange rates is presented below:

	Year ended 30 June 2016 Actual results £'m	Year ended 30 June 2015 Constant Currency £'m
Invoiced revenue	24.4	23.8
Revenue	22.4	21.9
Divisional adjusted operating profit	7.6	7.4
Group adjusted operating profit	6.1	5.9
Adjusted earnings per share (pence)	5.63	5.34
Basic earnings per share (pence)	(3.69)	(3.98)

The Group implements forward contracts for payments and receipts, where the amounts are large, are not denominated in the local country's functional currency, where the timing is known in advance, and where the amount can be predicted with certainty. In addition, the Group undertakes natural hedges by structuring and paying future earn-outs on acquisitions in the acquired company's local currency.

The Group has a mix of business across ten main currencies which provides smoothing of currency movements in any one country through a portfolio effect. The cash and loan balances held in different currencies provide a natural hedge.

The Group does not undertake any cash flow or profit hedging activities to insulate from currency movements in respect of overseas earnings, specifically the conversion of its largely non-Sterling generated income into the Group's reporting currency, Sterling.

No other hedging activities are undertaken in respect of tangible and intangible fixed assets, working capital (such as stock, debtors, or creditors), or other balance sheet items, as these are generally small in nature in any one individual country.

Disposal of Repair Services Business

On 4 April 2016, the Group completed the disposal of 100% of the issued share capital of Regeneris (Depot) Services Limited and its subsidiaries to CTDI Repair Services Limited for cash consideration of €103.5 million (£79.9 million).

The disposal represents the Group's Repair Services Business and signifies the point at which the Group transitioned to a pure play software business. The result of this business for the period was a loss of £8.3 million (2015: £8.4 million profit) as detailed in note 9 in the Notes to the Accounts.

On 19 September 2016 the Group reached an agreement to sell the Digital Care business to Mazovia Capital for initial contingent consideration of €1.2 million (£1.0 million) with a further contingent earn-out of €3.3 million (£2.8 million) payable over two to three years. These proceeds will be reinvested into the Software business.

Acquisition of Tabernus

In September 2015, Blancco acquired 100% of the share capital of Tabernus LLC and Tabernus Europe Limited, a privately owned provider of software erasure. With the majority of its revenue in the US, Tabernus is the US market leader for this business. The consideration was \$12 million (£7.7 million) comprising cash payment of \$10 million (£6.4 million) funded through the Group revolving credit facility and \$2 million (£1.3 million) in contingent cash consideration payable after three years.

Acquisition of Xcaliber

On 4 January 2016, the Group acquired 27% of the issued share capital of Xcaliber Technologies LLC for a consideration of \$0.5 million (£0.3 million), funded through the Group revolving credit facility, bringing the Group's share of this business to 76%.

At the point of acquisition, the Group was required to present a disposal of its investment interest in Xcaliber and has consolidated the results of Xcaliber from this date. At the point of acquisition, a non-cash loss on disposal of the equity investment of £1.3 million was realised.

On 17 March 2016, the Group acquired the remaining share capital of Xcaliber Technologies LLC which it did not already own for an initial cash consideration of \$0.5 million (£0.3 million) and a further estimated earn-out payment of \$4.7 million (£3.3 million), payable over three years depending on the business achieving certain revenue targets. On completion, an additional \$0.4 million (£0.3 million) was used to settle outstanding debts to the seller.

Acquisition of Non-controlling Interest in Blancco Australasia

On 17 August 2016, the Group acquired the remaining 49% it did not already own of the issued share capital of Blancco Australasia Pty. The consideration of AU\$0.1 million (£0.1 million) was funded through the Group's cash reserves.

Exceptional Acquisition and Restructuring Costs

The Group has undertaken acquisitions in the period which have incurred exceptional acquisition expenses. In addition, the Group has pursued the buy-out of some of the remaining Blancco sales offices which it does not currently 100% own.

Acquisition costs amounted to £1.3 million (2015: £2.4 million), predominantly relating to the acquisitions of Tabernus and Xcaliber.

Exceptional restructuring costs in the continuing business amounted to £nil (2015: £0.1 million).

In the discontinued business, the M&A costs totalled £9.6 million (2015: £0.6 million) and relate to the disposal of the Repair Services and Digital Care businesses and subsequent tender process leading to the return of £50 million of capital to shareholders.

The restructuring costs in the discontinued business were £1.5 million (2015: £0.6 million) and relate to the costs of restructuring the Group in preparation for sale, as well as subsequent downsizing of central functions.

Amortisation of Internally Generated R&D Expenditure

Amortisation of internally generated intangible assets which have been generated by the Group is presented within adjusted operating profit. This represents the charge for internal development costs of the Group's R&D team. The activity of the R&D team is split between research and administration activity, which is not eligible for capitalisation, and development time, which is required to be capitalised under IFRS.

The charge for the year is £0.5 million (2015: £0.1 million) and is increasing over time due to the accumulation of capital expenditure since the acquisition of Blancco in April 2014. The Group is continuing to invest greater amounts each year in its development activities and amortises the expenditure over the period the product is expected to last, generally four years. The amortisation is therefore currently lagging behind the development expenditure capitalised.

Amortisation of Acquired Intangibles

Amortisation of acquired intangible assets acquired as part of the Group's previous M&A activity was £2.5 million (2015: £2.0 million). The cost has increased in the year primarily due to the acquisition of intangible assets on the Tabernus and Xcaliber acquisitions.

Share Based Payments

Share based payments charge was £1.2 million (2015: £0.4 million) and includes both the straight-line accounting charge for the Group's remaining share incentive plans as well as the charge for the options granted under the Software long term incentive scheme.

The charge is based on the expected growth in value of the business at the end of the award vesting period, in comparison to the valuation on inception. A charge of £0.5 million (2015: £nil) is recorded in respect of the scheme representing the accumulated growth in value for the participants.

Details of these schemes can be found in note 32 in the Notes to the Accounts.

Net Financing Expense

Net financing expense was £0.9 million (2015: £0.8 million). Included within the financing costs are:

- The unwind of the time value of money on the deferred consideration payable in future periods for the Group's acquisitions, which represents a non-cash charge of £0.3 million (2015: £0.2 million).
- The impact of revaluation of deferred consideration payable in non-Sterling currencies. The impact of Brexit and subsequent weakening of Sterling resulted in a non-cash charge of £0.3 million in the current period.
- The cost associated with the Group's banking facility of £0.3 million (2015: £0.4 million), reduced slightly due to the lower facility available for the continuing Group.
- Other interest cash costs of £nil (£0.2 million).

The finance income represents the interest earned on cash holdings around the Group.

Taxation

The total tax charge was £0.7 million (2015: £0.9 million).

Earnings per share

Adjusted earnings per share for the continuing business were 5.63 pence (2015: 2.84 pence). The growth has been driven by the growth in profits for the continuing business in the year.

Basic loss per share for the continuing business was 3.69 pence (2015: 3.84 pence). The increased sales and improved profitability representing cash inflow for the group was offset by the one-off non-cash loss on disposal booked on the Xcaliber acquisition.

Cash and Working Capital

	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m
Adjusted operating cash flow before movement in working capital and exceptionals	6.9	4.2
Movement in working capital and exceptionals	(0.9)	0.3
Movement in provisions	–	(0.4)
Adjusted operating cash flow	6.0	4.1
Net interest payments	(0.2)	(0.4)
Tax paid	(0.6)	(0.6)
M&A payments	(1.1)	(1.4)
Exceptional payments	–	(0.1)
Net cash from operating activities – continuing operations	4.1	1.6
Net capital expenditure	(2.5)	(1.8)
Acquisition of subsidiaries, associates and other investments, net of cash acquired	(7.8)	(4.4)
Net cash flow from sale of subsidiaries and share buy-backs	18.8	–
Net cash flow from share issues, option vesting and dividend payments	(3.1)	(6.9)
Other movements	(1.3)	(2.0)
Cash flow on discontinued operations	(15.0)	0.7
Total cash flow	(6.8)	(12.8)
Net cash	1.0	7.8

We closed the year with net cash of £1.0 million (2015: £7.8 million). This reduction is primarily a result of further investment in new locations in Asia, Europe and the Middle East as well as the acquisition of the new Xcaliber Diagnostics business, all of which should drive growth in 2017.

Discontinued Cash Flow

The disposal of the repair business generated proceeds of £79.9 million, the majority of which was used to fund the return of cash to shareholders via the buy-back and subsequent cancellation of shares in May 2016.

The business incurred exceptional costs totalling £11.1 million in connection with this disposal and the restructuring of the Repair Services Business which took place prior to its disposal. The net cash flow for the discontinued business for the year, including the sale of the Repair Services business, the return of funds to shareholders and the trading cash flow was a £3.8 million inflow.

Continuing Cash Flow

Adjusted operating cash flow of £6.0 million (2015: £4.1 million) and operating cash inflow of £4.1 million (2015: £1.6 million) were both higher than in previous periods, primarily driven by the increase in profit. The cash conversion for the year was 98% (2015: 103%), which saw an increase in working capital in the second half of the year. This is driven by four factors:

- The move in the mix of business towards volume customers and away from subscription customers; where subscription customers pay up front for the contract. The mix reduction in these customers paying cash up front has resulted in lower cash generation relative to profits.
- Increasing levels of sales with large corporate customers, who generally carry larger credit terms.
- The business recording a significant amount of sales towards the end of the reporting period, which was 73% higher than the prior year; therefore, the cash flows associated with these sales were deferred to FY17.
- For the first time, diagnostics sales, which are generally with larger corporations over longer credit terms.

Tax paid was £0.6 million (2015: £0.6 million).

Net interest paid was £0.2 million (2015: £0.4 million). The majority of the interest expense recorded in the Income Statement is non-cash, as it relates to the impact of changes in current value of future payables.

The Group has continued to invest in the development and enhancement of its erasure and diagnostics tools. Capital expenditure and R&D increased to £2.5 million (2015: £1.8 million).

Expenditure on tangible assets, including leasehold improvements and technical equipment, and software licences amounted to £0.2 million (2015: £0.1 million).

Capital development expenditure on R&D activities amounted to £2.3 million (2015: £1.7 million). During the year, the spend comprised software development across the erasure portfolio of products, customer specific product development, and investment in new diagnostics.

The spend has included work to bring the product up to the specification to obtain patents in the UK and US alongside its worldwide certifications, with further investment in patent protection remaining a management focus.

Investment was specifically directed towards integrating the Blancco product onto the new hardware platform acquired with Tabernus. In addition, we have continued to develop the mobile product, developing and releasing a new version in 2016 following the initial product launch in 2015.

We have developed the SmartChk diagnostics product, acquired with Xcaliber, to integrate this into a Depot repair network for our existing customers, as well as developing a combined erasure-diagnostics solution for the market from our existing portfolio.

These investments have allowed the business to better target products towards larger customers where the business has already seen benefit in 2016, and going forward for cloud customers and data centres who require more complex erasure solutions.

Net Cash

Year end net cash comprised gross borrowings of £3.7 million denominated in Sterling (2015: £4.6 million in Sterling and Euros), cash and cash equivalents of £4.8 million (2015: £12.1 million) and deferred arrangement fees of £nil (2015: £0.3 million).

Dividend

In line with our stated dividend policy, the Board is recommending a final dividend of 1.34 pence per ordinary share to be paid on 7 December 2016 to shareholders on the register on 4 November 2016. This gives a full year dividend of 2.0 pence per ordinary share, which has been rebased following the sale of the repair services business. The Board intends to adopt a progressive dividend policy which reflects the long term earnings and cash flow potential of the Group.

Post Year-end Events

On 17 August 2016, the Group acquired the remaining 49% of the share capital of Blancco Australasia Pty Ltd that it did not already own for a cost of AU\$ 0.1 million (£0.1 million). The consideration was funded through the Group's cash reserves.

On 19 September 2016, the Group reached an agreement to sell the Digital Care business to Mazovia Capital for initial contingent consideration of €1.2 million (£1.0 million) with a further contingent earn-out of €3.3 million (£2.8 million) payable over two to three years. These proceeds will be reinvested into the Software business.

Patrick J Clawson

Chief Executive Officer

Jog Dhody

Chief Financial Officer

30 September 2016

KEY PERFORMANCE INDICATORS

The Group has a range of performance indicators, both financial and non-financial, to monitor and manage the business and ultimately to improve performance. The Group's key performance indicators ("KPIs") are outlined below:

Key financials	Year ended 30 June 2016	Year ended 30 June 2015	Commentary
Invoiced Sales (£'m)	24.4	15.5	Invoiced Sales is an important KPI for the Group as it measures the actual sales closed and invoiced in the period, before any IFRS deferral of revenue. It is a key metric for how the sales force has grown the underlying business of the Group.
Geography (Regional proportion of invoiced sales)			
North America	40%	25%	North America is a strategically important location for the Group and focus is on growing our presence in this location. The significant growth has resulted from an increased presence in the market and investment in sales resources.
Europe	35%	49%	
Asia and ROW	25%	26%	
	100%	100%	
Product type (proportion of invoiced sales)			
LEE	10%	5%	The Group is expanding its product range through the acquisition and development of new services, most notably LEE (through SafeIT). The Group has seen growth in this area in the year as the product is further developed for our customers' needs.
Mobile	16%	16%	
IT and Other	74%	79%	
	100%	100%	
Trailing 12 month client retention rate*	91%	81%	The rate at which customers are repeating business is high and improving demonstrating the value our products provide.
Trailing 12 month sales repeat rate*	113%	103%	Our customers spend increasing amounts with us year on year, showing the additional value our wide product range holds.
Average annual spend per customer* (£'000)	51.6	44.1	
End of year headcount			
Admin	21	24	We continue to invest in headcount, through R&D development of our products and our sales force to generate new business. Our R&D team expanded following the Xcaliber acquisition in the year.
R&D	107	30	
Sales	87	81	
	215	135	

* For customers spending over €10k per year.

Principal Risks and Uncertainties

The Group has transformed dramatically in the year. The many large depot sites globally are no longer part of the Group following the sale of the Repair Services Business, and the continuing Group has a more centralised structure, and system reliance. This change to a pure play software Group has completely altered the risk profile.

The Board is responsible for determining the nature and extent of the risks it is willing to take in delivering Blancco's strategic objectives, and manages these risks through the Blancco Risk Management Framework.

This enhanced framework, which is outlined in detail below, allows the Group to manage risks across all of its operating locations, which vary by scale, complexity and impact from country to country.

Risk Agenda

Blancco's risk agenda is delivered through an appropriate and embedded risk management culture and framework. This helps to ensure that appropriate and proportionate resources are allocated to risk management, in order to ensure the activities of risk assessment and risk response are further embedded in Blancco's governance processes going forward.

Risk Assessment

Following the fundamental changes to the Group in the year, a full reassessment of the risks facing the Group has been undertaken.

Country managers, key leadership employees, and cost centre managers have been, and will continue to be, involved in the risk identification process, and with support from the central risk management function, risks are identified and recorded, along with the causes and consequences. The risks are then owned by a relevant leadership member, with proposed mitigating factors being recorded to reduce exposure. Each risk is evaluated based on its likelihood of occurrence and severity of impact and positioned on a risk ranking matrix.

In identifying exposure, consideration is given to both external factors, arising from the environment and sector in which we operate; and the internal factors, arising from the nature of our business, our controls and processes and our decision making and other processes.

This approach allows the clear identification of the significant risks, and enables management to consider the effect of any mitigating actions that they may be able to put in place. Each risk is individually assessed as to its positioning within the Group's risk appetite.

The strategic risk appetite for the business will be reviewed annually by the Audit Committee. The Audit Committee will be asked to assess whether risks are within the Group's risk appetite.

Risk Response

Following the assessment and recording of risks, appropriate responses are proposed; i.e. whether to tolerate, treat, or terminate the threat to the Group.

Appropriate actions are agreed; for example, to mitigate, transfer (through insurance), or eliminate (by ceasing) the risk. The objective will be to continually challenge the efficiency and effectiveness of controls.


Risk Management Framework

The Risk Management Framework operates as follows:

- The Board – will annually undertake a formal review of the effectiveness of the Risk Management Framework, policy and procedures, and performance of the Risk Management Committee;
- The Audit Committee – reviews the Group's system of internal control, including financial, operational, compliance and risk management, as well as reviewing the system's effectiveness. Such a system is primarily designed to mitigate risk to an acceptable level, support compliance with laws and regulations, and protect against material misstatement or loss. Twice yearly, the Audit Committee will review the key risks in the Group's risk register, thereby allowing it the opportunity to assess the level of risk that the Group is prepared to accept in pursuit of the Group's strategic objectives;
- The Risk Management Committee – The Board is supported in its responsibilities by the Risk Management Committee, which is chaired by the Chief Executive Officer of the Group, and is responsible for ensuring that all significant management and operational risks facing the Group are reduced to an acceptable level; and
- Internal Audit/Risk Management function – The Internal Audit/Risk Management function supports the Audit Committee in its review of the effectiveness of the system of internal control. There is a rolling programme of Internal Audit review carried out across the Group. During 2016 the function undertook reviews of three key software locations, along with four Depot and Digital care reviews. The focus for 2017 will be prioritised based on the risk matrix within the continuing Software business.



Principal Risks

It is recognised that the Group's strategic objectives can only be achieved if risks are taken and managed effectively. Following a robust assessment of the risks facing the Group, the risks below are those considered principal to delivering our strategy and are specific to the nature of our business, although there are other more generic risks which may exist and which may impact the Group's performance.

Risk Area	Potential Impact	Mitigation	Trend
Market and economic risks	<p>The software sector is fast moving with regular changes in technological advancements and offerings.</p> <p>This may impact our future compatibility of products, or new solutions could even render our products obsolete.</p>	Continuing R&D processes with internal expertise, and continual tracking of technological direction.	<p> The risk has increased due to the changes within the Group this year.</p> <p>Mitigations reduce the risk, but this risk is inherent in the market and cannot be fully removed.</p> <p>The expanding portfolio of products, services offerings, and geographies minimises these risks.</p>
Internal systems	<p>Our internal systems are integral to our service offerings, our process efficiencies, and our development abilities. The flexibility and reliability of the systems is critical to the ongoing growth of the Group. The integrity of our systems is maintained through regular backup testing and robust disaster recovery planning.</p>	<p>We have implemented high level policies and procedures to efficiently and safely manage our operations and to maintain our systems.</p> <p>We are continuing to highlight the potential risks internally and raise the profile of internal security.</p> <p>System enhancement teams work on the continual improvement and integration of key systems.</p> <p>We have in place robust continuity processes.</p>	<p> The risk has increased.</p> <p>Despite several of the key systems in place being well established across the Group, others are in the implementation phase.</p> <p>Continual enhancements are being made which can both add and remove some risk factors around the system.</p> <p>The Group has less embedded policies and procedures around the use of systems, which is a key focus for 2017.</p>
Financing risks	<p>There is a risk the Group will not be able to meet the day-to-day running obligations of the business.</p>	<p>The Group has maintained a prudent approach to the management of cash flow. The Group has good access to cash reserves and a revolving credit facility.</p>	<p> The risk is unchanged. Following the sale transaction within the year where the working capital requirement reduced as the Repair Service business was more working capital intensive. The Software Group has a lower working capital requirement due to the low stock holding and collection of cash up front on certain contracts. The Group is currently in a net current liability position which is inherently risky from a financing perspective; however, there is sufficient available credit facility to cover the position.</p>

 Increased  Decreased  Unchanged

Risk Area	Potential Impact	Mitigation	Trend
Customer concentration risks	<p>Reliance on a small number of large customers creates risks, as it puts pressure on the margins of the business. In addition, the loss of key contracts could impact the ability for the Group to continue to operate as a going concern.</p>	<p>The Board is conscious of this ongoing risk and continues to mitigate this through the development and diversification of new customers, and the continued strengthening of relationships with its existing customers.</p> <p>A number of customers are significant in the context of the Group as a whole. However, no single customer accounts for more than 7.8% (2015: 6.6%) of the revenue, and the top ten customers represent 31.6% (2015: 22.3%) of the Group's revenue.</p>	<p> The risk has increased slightly as the concentration of customers is less spread out compared to the prior year.</p> <p>However, customer contracts are now less risky as they have terms and pricing agreed up front, compared to contracts in which the previous Repair Services Business varied month on month on volumes and pricing.</p>
Operational efficiency risks	<p>Operational efficiency is vital to the profitability of the Group and to customer service.</p> <p>The risk arises both at an internal level, where inefficient operating processes can adversely affect the profitability of the Group; and at a customer level, where poor client service could lead to termination of the relationship.</p>	<p>The Group is in the process of standardising operating procedures across all locations, which drives consistency in client service.</p> <p>System enhancement teams work on the continual improvement and integration of key systems, which supports continual automation and standardisation of processes.</p>	<p> The risk is unchanged – standardisation and automation is a key focus for 2017.</p>
Compliance risks	<p>The Group operates in various jurisdictions globally, therefore is exposed to varying legislations and compliance requirements.</p>	<p>The Group monitors global compliance, and gains local advice and guidance when required.</p> <p>Blancco continues to be mindful of the implications of the Data Protection Act, and a Data Protection policy is in place across the Group, and is also covered within the higher level conduct of business document for the Group.</p> <p>The Group maintains internal processes to ensure appropriate guidelines are followed – especially in regard to data protection and anti-bribery and corruption.</p> <p>The risk on system data is further mitigated by the use of the Blancco data erasure software across the Group in order to control the Group's sensitive data.</p>	<p> The risk is unchanged – the Group continues to monitor its compliance across locations and deems the compliance risk to be reduced to a suitably low level.</p>

Risk Area	Potential Impact	Mitigation	Trend
Foreign exchange rate volatility	<p>The geographic spread of the Group means that financial results are affected by movements in foreign exchange rates. The risk presented by currency fluctuations may affect business forecasting and create volatility in the results.</p>	<p>The Group monitors foreign exchange exposure regularly and, when a transactional exposure is not covered through a natural hedge, consideration will be made to entering into a hedge arrangement.</p>	<p> The risk is unchanged.</p> <p>The mix of overseas currencies has reduced following the sale transaction; however, there has been significant weakening of the Sterling against the majority of other currencies in which the Group transacts.</p> <p>Foreign exchange rate movements are uncertain and the timing of profits in overseas territories is uncertain, therefore the Board feels there is no economic and risk free way to hedge against this, other than the natural hedging which is currently undertaken.</p>
Employee capabilities and engagement	<p>Staff engagement is essential to the successful delivery of service to customers, and longer term, the overall business strategy. A workforce which is not engaged or motivated can hinder the growth of the business.</p> <p>Having the appropriate capabilities at all levels within the business is key to our strategic growth.</p>	<p>Considerable effort has been devoted to communicating the business strategy so employees are clear on our business objectives and their role in the strategy.</p> <p>We highlight key capability gaps and work to recruit appropriately and efficiently to fill such gaps.</p> <p>We continue to work in developing our future leaders so that we are able to promote internally as well as sourcing talent externally.</p>	<p> The trend is the same – the Group continues to monitor its compliance across locations and deems the employee engagement risk to be reduced to a suitably low level.</p>

Viability Statement

In addition to the going concern consideration, the Board has further assessed the Group's viability over a period of three years, taking into account the long term impact of the principal risks and uncertainties highlighted above.

The Board considers the period of three years to be an appropriate time frame for this measurement, as it is the typical maximum length of a number of the Group's customer contracts and, together with the high renewal rates, therefore represents a reasonable outlook for the current trading position. The Board has specifically reviewed the customer attrition and renewal rates over the year to give confidence in the continued trading prospects over the coming three years.

In addition, the Group is diversely spread geographically and not overly reliant on a particular customer, the top ten accounts representing 32% of the Group's revenue.

The Group's Risk Management Committee assesses the risks and plans to reduce the impact of these to an appropriate level. The Board has considered the planned mitigating actions and has assessed these to be appropriate to reduce the impact of the risks and uncertainties to a sufficiently small likelihood.

Based on the Board's assessment of the risks and uncertainties, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities for at least the next three years. While the Board has no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty in forecasting, we believe this presents users of the Annual Report an appropriate degree of confidence.

Cautionary Statement

Blancco's business and share price may be affected by a number of risks, trends, factors and uncertainties, not all of which are within the Group's control. The process Blancco has in place for identifying, assessing and managing risks is set out above.

This review has been prepared solely to provide additional information to shareholders to assess the Group's strategy and the potential of that strategy to succeed and should not be relied upon by any other party or for any other purpose. It contains certain forward-looking statements with respect to the financial condition, results, operations and business of Blancco Technology Group Plc.

These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this review should be construed as a profit forecast.

Pat Clawson

Chief Executive Officer

Jog Dhody

Chief Financial Officer

30 September 2016

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Our solutions help businesses by supporting them to transition towards more sustainable circular business models and away from less environmentally friendly methods of data and device destruction.

Our Vision

The Group's key focus across its operations is to support the life cycle of technology. As part of this strategy we aim to provide a sustainable product offering to our customers and the markets in which they operate by promoting the "reduce, reuse and recycle" principle.

Our Services

Our services are designed to contribute prosperity to the environments we operate in, by enabling customers to recycle and reuse devices at the end of life, rather than using landfill and physical destruction methods. Our solutions work inside our customers' current infrastructure.

The business has engaged in a new project in the year as part of a Horizon 2020 called "SustainabilitySMART". Horizon 2020 is an EU programme for Research and Innovation, promoting sustainable growth through investments in a range of initiatives. This project contains 17 partners to help support the life cycle of mobile information and communication devices. This includes enhanced sorting capabilities, automated disassembly of mobile IT devices, push for reusable parts through enhanced availability for repair and reuse, and Blancco is actively involved in developing testing, processing and equipment concepts for to promote secure reuse through data erasure.

Employees

We create an ethical working environment for our workforce. Our Code of Conduct Policy, Anti-bribery and Corruption Policy and Whistleblowing Policy form key parts of staff induction and ongoing training.

The Whistleblowing hotline is monitored by a third party specialist call handler compliant with the Private Security Industry Act requirements for interviewing callers. They provide a confidential and independent global service for staff to report concerns, which are then escalated immediately to the CFO and Audit Committee for appropriate action.

We recognise the importance of our employees and actively promote the development of our staff. This helps the Group to achieve its objectives while at the same time providing development to our staff, allowing them to progress their own careers as well as giving them access to and opportunities to develop the technologies in which we specialise.

We engage with our employees in a number of different ways, including frequent business communications and through an annual employee survey, allowing an open two-way communication between senior management and the employees.

Employee Wellbeing, Health and Safety

We recognise our talented and diverse workforce as a key business asset. Their development and wellbeing are critically important to the continued success of our business. The Board provides regular staff briefing sessions to provide updates on business performance, strategy and developments affecting the business and to obtain feedback and suggestions on the development and growth of the business.

Blancco is committed to:

- Recruiting and retaining high calibre employees – We seek out employees who will help to maximise business growth and performance. We operate an equal opportunities policy and regard this as a commitment to make full use of the talents and resources of all our employees.
- Developing our staff – We are committed to providing our staff with career progression at every level, tailoring training to the requirements of roles in each business area. In addition, we assess the ongoing training needs of our staff and this is a key element to the annual appraisal process.
- Building a diverse culture – The Group operates in a diverse range of economic and cultural environments, with a lot of cross-border communications at all levels. A key aspect of developing the success of the Group is to support an open culture and encourage the mix of cultures and business practices across the Group.
- Providing a safe and stable working environment – We provide a working environment which meets all legislative requirements and provide all the necessary training support for employees to operate safely within it. We are intolerant of any corrupt practices by any level of employee and encourage whistleblowing (through our formal procedure) if such practices are encountered.
- Protecting the interests of our staff – We are intolerant of any unacceptable working practices, such as any form of discrimination, bullying or harassment.
- Encouraging employee involvement – We conduct an annual survey in order to engage staff and promote positive changes to their environment.
- Recognising performance – We provide appropriate remuneration for work carried out and equal opportunities for development and career advancement.



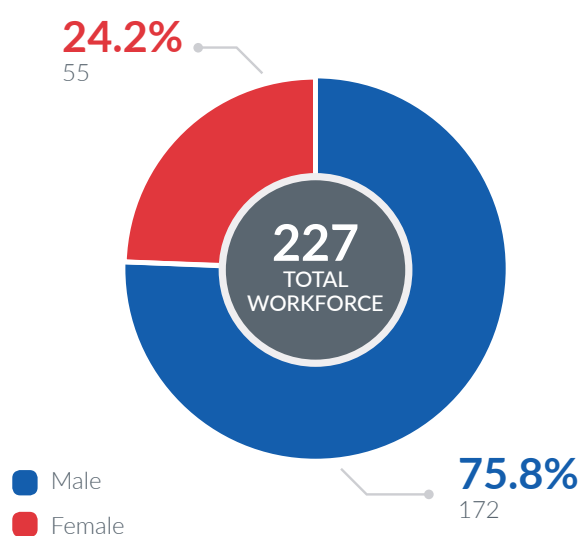
The following table shows the composition of the Group's workforce at the end of the year:

	Board	Senior Management	Other Staff	Total	%
Gender					
Female	0	1	54	55	24.2
Male	6	5	161	172	75.8
Total	6	6	215	227	100

We continue to offer equal opportunities to our employees and actively encourage employee progression at all levels of the organisation.

Our health and safety record continues to be good, with no RIDDOR reportable (or equivalent) incidents during the year. All our operational staff receive the appropriate level of health and safety training. Every operational site has an established structure in place to deal with health and safety matters. The Board monitors health and safety RIDDOR reportable (or local country equivalent) incidents as a key performance indicator. There have been no fatalities or reportable incidents for the previous five years.

Composition of Group's workforce





INTRODUCTION OF NEW CFO AND
STRENGTHENING OF THE SENIOR TEAM
INCLUDING CHIEF STRATEGY OFFICER AND
CHIEF REVENUE OFFICER.



OUR GOVERNANCE

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DIRECTORS AND ADVISORS



Matthew Peacock

Non-executive Chairman

Matthew Peacock joined the Board in February 2011. He is the founding partner of Hanover Investors Management LLP, which is a shareholder of Blancco. Hanover Investors is a specialist turnaround and 'Change for Growth' investment firm. Matthew has led investments for over 20 years in, among other sectors, manufacturing, outsourced business services, chemicals, financial services, textiles and logistics. Prior to this, he ran the international M&A team in London at Barclays de Zoete Wedd, having started his career at Credit Suisse First Boston in New York.



Patrick J Clawson

Chief Executive Officer

Patrick Clawson joined the Board in October 2015, having been appointed as Chief Executive Officer to Blancco in January 2015. Pat brings more than 20 years of experience in technology and IT security to the Group. Most recently, he served as Chairman and Chief Executive Officer of Lumension Security, Inc., where he successfully grew the business to strong revenue growth and profitability.



Jog Dhody

Chief Financial Officer (to 19 October 2016)

Jog Dhody joined the Board in March 2012. He has significant financial management experience, particularly within ambitious, growth-orientated businesses. Prior to joining the Group, Jog was Chief Financial Officer of the Esporta Group, a position he held for four years. During that time, he played a key role in the successful restructuring and turnaround of the business, which had been the subject of a private equity-backed refinancing, and the ultimate sale of the business. Prior to this, Jog was Group Financial Controller of the Phones4u Group. He will step down from the PLC Board on 19 October 2016.



Keith Butcher

Chief Financial Officer (from 19 October 2016)

Keith will be appointed to the PLC Board on 19 October 2016. For five years until 2015, Keith was CFO of AIM listed PaySafe Group Plc, an international online payments company servicing customers in over 190 countries that saw a substantial share price appreciation during his tenure and is now part of the FTSE 250 with a market capitalization of c.£2 billion. Prior to that, Keith was Finance Director of AIM listed Flomerics Group Plc, a market leading specialist software simulation company, at the time listed on the London Stock Exchange, and was instrumental in the sale of the company to Nasdaq listed Mentor Graphics Inc. Keith was awarded Finance Director of the Year at the Quoted Company Alliance Awards 2014.



Frank Blin

Senior Independent Non-executive Director, Chair of Audit Committee

Frank Blin joined the Board in December 2014. Frank enjoyed a long and successful career with PwC, becoming Head of UK Regions and a UK Management Board member before his retirement in 2012. He is a Non-executive Director of London and Scottish Investments Limited, Urica Limited and Corena Industries Limited, and Chairman of the University of Strathclyde commercialisation Board. He was awarded a CBE for his services to the Scottish financial sector in 2002 and was awarded an honorary Doctorate of Business Administration by the University of Strathclyde in 2010.



Tom Skelton

Independent Non-executive Director

Tom Skelton joined the Board in October 2015. Tom is currently Chief Executive Officer of Surescripts LLC, a leading healthcare information technology business. Before joining Surescripts he served as Chief Executive Officer for the Foundation Radiology Group and as a founding member of Confluence Medical Systems, a healthcare and technology consulting partnership. Previously he served at Misys Healthcare Systems from January 2002 until March 2007 and as a director of Misys plc. Prior to that, he was Chief Executive Officer of Medic Computer Systems, a US-based software company focused on the healthcare information technology market. He earned his BSBA from Robert Morris University, Pittsburgh, PA.



Rob Woodward

Independent Non-executive Director, Chair of Remuneration Committee

Rob Woodward joined the Board in June 2013. He is Chief Executive of STV Group plc and has significant experience in the technology, media and telecommunications (TMT) industry, notably with STV and also as the Commercial Director of Channel 4 Television, as a Managing Director with UBS Corporate Finance and as the lead partner for Deloitte's TMT industry group in Europe.

Company Secretary and Registered Office

Lorraine Young Company Secretaries Limited
60 Gracechurch Street
London EC3V 0HR

Company number

05113820

Auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Nominated advisor and joint broker

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Joint broker

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London EC4M 9AF

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Registrars

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PO Box 82
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London EC2A 2HS

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Financial public relations

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London EC4Y 1AE

Financial advisor

Rothschild & Co
New Court, St Swithin's Lane
London
EC4N 8AL

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 30 June 2016.

Strategic Report

In accordance with sections 414A-D of the Companies Act 2006, a Strategic Report is set out on pages 4 to 31 and incorporates the Chairman's Statement, CEO Statement and Business Review. The Strategic Report includes details of expected future developments in the business of the Group, principal risks and uncertainties and details of key performance indicators deployed by management.

In addition to the Strategic Report, the Corporate Governance Report on pages 38 to 43, the Audit Committee Report on pages 44 to 49 and the Directors' Remuneration Report on pages 50 to 54 are incorporated into this report by reference.

The Group is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations as amended in 2013 which enhanced reporting requirements for the Directors' Remuneration Report. However, the Remuneration Report on pages 61 to 68 does set out the remuneration policy and shareholders are invited to vote on this report at the Annual General Meeting (AGM).

The Strategic Report has been prepared to provide the Company's shareholders with a fair review of its business and a description of the principal risks and uncertainties facing it. It should not be relied upon by anyone, including the Company's shareholders, for any other purpose.

Results and Dividends

The audited accounts for the Group for the year ended 30 June 2016 are set out on pages 62 to 110. The Group loss for the year after taxation was £24.2 million (2015: £5.1 million profit). The Board recommends the payment of a final dividend of 1.34 pence per ordinary share. If approved, the final dividend will be paid on 7 December 2016 to shareholders on the register at the close of business on 4 November 2016.

Directors

Biographical details of all Directors are set out on pages 34 and 35.

The Directors who served during the year were as follows:

M R Peacock

F Blin

P Clawson (appointed 1 October 2015)

J Dhody

T K Skelton (appointed 1 October 2015)

R S L Woodward

I D Powell was appointed as a Director on 1 October 2015 and resigned on 1 April 2016. T A Russell resigned as a Director on 1 October 2015.

Jog Dhody will step down from the Board on 19 October 2016 and Keith Butcher will be appointed to the Board with effect from the same date. Keith will stand for election by shareholders at the AGM.

Rob Woodward retires by rotation and offers himself for re-election at the AGM.

Details of Directors' service agreements and appointment letters are set out in the Directors' Remuneration Report on pages 50 to 54.

The interests of the Directors in the shares of the Company are set out on page 54.

Directors' Liability Insurance and Indemnities

The Company maintains liability insurance for the Directors and Officers of all Group companies.

Indemnities are in force under which the Company has agreed to indemnify the Directors to the extent permitted by applicable law and the Company's articles of association in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries.

Neither the Group's liability insurance nor indemnities provides cover in the event that a Director or Officer is proved to have acted fraudulently or dishonestly.

Related party transactions

The details of transactions with Directors and other related parties are set out in note 35 to the accounts.

Share capital

The issued share capital of the Company at 30 June 2016 was £1,163,785 comprising 58,189,266 ordinary shares of two pence each. Changes to the share capital during the year are set out in note 31.

Holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's report and accounts, to attend and speak at General Meetings of the Company, to appoint proxies and to exercise voting rights (provided all sums due in respect of the share are fully paid). There are no restrictions on transfer or limitations on the holding of ordinary shares and no requirements to obtain prior approval to any transfer. No ordinary shares carry any special rights with regard to control of the Company.

The Directors will be seeking shareholder approval at the AGM of the renewal of their authority to allot shares and disapply pre-emption rights, and of the authority for the Company to purchase its own shares. Full details are contained in the Notice of Annual General Meeting on pages 121 to 125.

Substantial Shareholdings

As at 30 September 2016, the following shareholders owned more than 3% of the issued share capital of the Company:

	% of issued share capital	Number of shares
M&G Investment Funds/Prudential plc group of companies	17.66	10,278,053
River and Mercantile Asset Management LLP	11.59	6,744,367
FIL Investment International	10.76	6,259,110
Schroder Investment Management	4.64	2,700,000
Soros Fund Management	4.43	2,575,924
Investec Asset Management	4.25	2,472,726
JO Hambro Capital Management	4.21	2,450,000
The Blancco Employee Benefit Trust	4.17	2,428,026
Hargreave Hale	3.68	2,143,686
BAE Systems Pension Fund Investment Management	3.27	1,901,547

Fixed Assets

In the opinion of the Directors, there is no material difference between the book value and the current open market value of the Group's interests in land and buildings.

Going Concern

As highlighted in note 27 to the accounts, the Group meets its day-to-day working capital requirements through cash reserves and a revolving credit facility which has been extended until October 2019.

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 4 to 31. Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facility are described in the Business Review on pages 17 to 23. In addition, note 29 to the accounts details the Group's objectives, policies and processes for managing its capital and its exposures to credit risk and liquidity risk.

At 30 June 2016, the Group had net current liabilities of £3.7 million, due to the new Software business being less working capital intensive. The Group's available revolving credit facility is sufficient to cover this position.

The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group should be able to operate within the level of its current revolving credit facility. The Board therefore has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Subsequent Events

These are detailed on page 109.

Annual General Meeting

The AGM of the Company will be held at 12 noon on Tuesday 29 November 2016 at Shakespeare Martineau LLP, 60 Gracechurch Street, London, EC3V 0HR. The Notice setting out details of the business to be transacted at the meeting is on pages 121 to 125.

Financial Instruments

Information on the Group's financial risk management objectives and policies and its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk can be found in note 29.

Auditor

KPMG LLP has indicated its willingness to continue in office as auditor and a resolution for its reappointment will be proposed at the AGM.

Disclosure of Information to the Auditor

As required by Section 418 of the Companies Act 2006, each Director serving at the date of approval of the financial statements confirms that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Words and phrases used in this confirmation should be interpreted in accordance with Section 418 of the Companies Act 2006.

By order of the Board

Jog Dhody

Chief Financial Officer
30 September 2016

The Board of Directors is committed to maintaining strong corporate governance for the benefit of the Group's shareholders, employees and other stakeholders. The Directors believe that the long term success of the Company is underpinned by effective governance, thereby enabling it to achieve its strategy and growth aims for the future.

As the Company is listed on the Alternative Investment Market, it is not required to follow the provisions of any particular governance code. However, the Board of Directors considers the UK Corporate Governance Code 2014 ("the Code") issued by the Financial Reporting Council as a suitable benchmark for the Company and has applied this when determining its governance arrangements.

This report, together with the Strategic Report on pages 4 to 31, the Audit Committee Report on pages 44 to 49, the Directors' Remuneration Report on pages 50 to 54 and the Directors' Report on pages 36 to 37, describes how the Company has applied the relevant provisions of the Code.

The Role of the Board

The role of the Board is to provide entrepreneurial leadership and the Directors are collectively responsible for the long term success of the Group. The Board also acts as custodian of the Company's values and of its long term vision, and provides strategic direction and guidance for the Group.

In discharging its responsibilities, the Board seeks to set, promote and demonstrate adherence to the Group's values and ethical standards. It remains mindful of the need for the Directors to observe their legal duties, as well as to promote the success of the Group in a sustainable way – not only for shareholders, but also for other stakeholders, including employees, customers, suppliers and the wider community.

The Board leads a strong governance framework throughout the business, supported by the Audit, Nominations and Remuneration Committees. The terms of reference for all three Board committees were reviewed and updated during the year.

Following the disposal of the Group's Repair Services Business, Matthew Peacock's role as Chairman changed from Executive to Non-executive. As a result of this, the Board has reviewed and approved updated written role descriptions for the Chairman, Chief Executive, Senior Independent Director and Company Secretary.

Role	Responsibility
Non-Executive Chairman	The Chairman is responsible for the leadership of the Board and ensuring its effectiveness. He is also responsible for creating the right Board dynamic and for promoting a culture of openness and debate, in addition to ensuring constructive and productive relations between Executive and Non-executive Directors. The Chairman acts as an ambassador for the Company to its stakeholders, and in particular, works to ensure there is sufficient and effective communication with shareholders and to understand their issues and concerns.
Chief Executive Officer	The Chief Executive, with the senior management team, is responsible for running the business.
Independent Non-executive Directors	The Non-executive Directors are responsible for exercising independent and objective judgement in respect of Board decisions, developing corporate strategy with senior management, and for scrutinising and constructively challenging the actions of senior management.
Senior Independent Non-executive Director	Frank Blin is the Senior Independent Non-executive Director, to whom concerns may be conveyed by shareholders if they are unable to resolve them through existing mechanisms for investor communications or where such channels are inappropriate.
Company Secretary	The Company Secretary is responsible for advising the Board on corporate governance matters, among other things.

Details of the terms of appointment of both the Executive and Non-executive Directors are set out in the Directors' Remuneration Report, which refers to Executive service contracts and Non-executive letters of appointment, copies of which are available for inspection at the Company's registered office and which will be available for inspection at the AGM.

Compliance with the Code

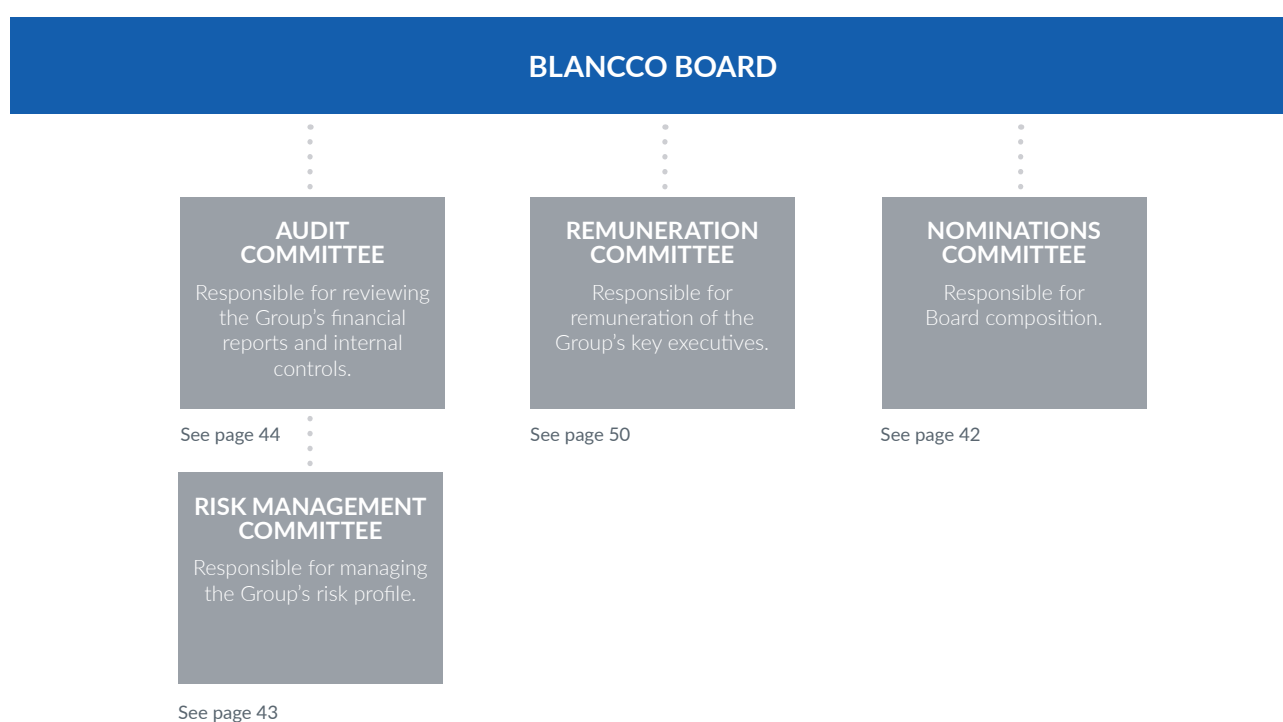
The Group has complied with the provisions of the Code throughout the year, with the following exceptions:











- Until 30 April 2016, Matthew Peacock, as Executive Chairman, had responsibility for both the organisation of the Board and running of the Group's business. While this does not meet the criteria set out in provision A.2 of the Code, the objectivity of the Board and its independence from management was strengthened by the designation of a Senior Independent Director, Frank Blin, to convene or chair sessions of the Non-executive Directors if required.
- The Group's performance related incentive plans do not include clawback provisions as recommended by Schedule A to the Code; therefore, the Group did not comply with Code Provision D.1.1.

The Board

Structure and Composition

As at 30 June 2016, the Board comprised two Executive and four Non-executive Directors, three of whom are considered to be independent:



Role	Name	Audit Committee	Remuneration Committee	Nominations Committee
Non-executive Chairman (non-independent)	Matthew Peacock	–	–	
Chief Executive Officer	Pat Clawson	–	–	–
Chief Financial Officer	Jog Dhody	–	–	–
Independent Non-executive Director	Frank Blin			
Independent Non-executive Director	Tom Skelton			
Independent Non-executive Director	Rob Woodward			

Biographies of all the Directors at the date of this report are set out on pages 34 to 35.

 Chairman  Member

Board Diversity

Blancco has a strong and balanced Board and the Directors have a range of complementary skills to support the strategic and operational direction of the Group. The Board recognises the benefits of diversity at all levels within the organisation, including the Board. The Directors have knowledge and experience from a variety of business backgrounds, including international and industrial expertise. The Board has not committed to any specific targets in relation to diversity, including gender diversity. Instead, the Board will continue to pursue a policy of appointing talented people at every level to deliver high performance. Therefore,

when reviewing Board composition consideration is given to the skills required by the Board at the time and the need to address longer-term succession and business priorities.

The formal annual evaluation of the Board, Board committees and individual Directors is instrumental in identifying any new skill requirements, as well as possible shortcomings or gaps.

Further information on the number of men and women in the Group's workforce is provided in the Corporate Social Responsibility and Sustainability Report on pages 30 to 31.

Board Process

The Directors ensure the effectiveness of the Board through regular meetings and by having open lines of communication between Board members.

On joining the Board, new Directors are provided with a tailored induction programme. They are given background information describing the Group and its activities. Meetings with principal shareholders and advisors are also arranged as appropriate.

Details of attendance at scheduled Board and Board Committee meetings in this annual cycle are as follows:

	Board		Audit Committee		Remuneration Committee		Nominations Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Matthew Peacock	13	13	–	4*	–	7*	2	2
Frank Blin	13	13	4	4	7	7	2	2
Pat Clawson (appointed 1 October 2015)	10	10	–	1*	–	–	–	–
Jog Dhody	13	13	–	4*	–	6*	–	–
Tom Skelton (appointed 1 October 2015)	10	10	2	2	1	1	1	1
Rob Woodward	13	13	4	4	7	7	2	2
Thomas Russell (resigned 1 October 2015)	3	3	–	–	–	1*	–	–
Ian Powell (appointed 1 October 2015, resigned 4 April 2016)	6	6	–	–	–	–	–	–

*Attended by invitation.

If Directors are unable to attend Board or Committee meetings, they review the relevant papers and provide comments to the Board or Committee Chairman.

The Board has agreed a schedule of matters reserved specifically for its decision, which includes:

- Overall strategy and objectives.
- Approving interim and annual financial statements.
- Approving annual budget and medium term projections.
- Reviewing operational and financial performance.
- Significant acquisitions and disposals.
- Approval of major customer contracts.
- Major divestments and capital expenditure.
- Ensuring maintenance of a sound system of internal control and risk management by the Group.

- Reviewing the environmental and health and safety performance of the Group.
- Approving appointments to the Board, including the Company Secretary.

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties, including providing constructive challenge to and scrutiny of management.

Procedures are in place for Directors to take independent professional advice, when necessary, at the Company's expense. No such advice was sought during the year under review.

If Directors have concerns that cannot be resolved regarding the running of the Group or a proposed action, they are encouraged to make their views known and these are recorded in the Board minutes.

Directors' Conflicts of Interest

Under the Companies Act 2006, a Director must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Company's articles authorise the Directors to approve any such situational conflicts which may arise, should they consider it appropriate to do so.

The Group maintains a record of the Directors' business interests (and other interests if appropriate). This is kept up to date and is reviewed at the beginning of each Board meeting. Where an actual or potential conflict arises, the Directors who are independent of the conflict will determine whether or not to authorise it.

Board Performance and Evaluation

The Board carried out a formal self-assessment process for itself, its committees and individual Directors in respect of the year ended 30 June 2016. The evaluation process concluded that the Board as a whole and its committees had functioned effectively during the year and that each Director continued to make a valuable contribution. One of the outcomes from this year's evaluation and as a result of the significant changes within the Group during the year, was that the role descriptions of Board members were reviewed and updated.

Relations with Shareholders

Dialogue

The Board is committed to maintaining good communications with shareholders. Other than during close periods, the Chief Executive and Chief Financial Officer maintain a regular dialogue with institutional shareholders throughout the year and give presentations to institutional shareholders and analysts immediately after the announcement of the Group's half year and full year results. The Group also encourages communications with private shareholders throughout the year and welcomes their participation at shareholder meetings.

The Group maintains a corporate website (www.blancco.com), which complies with AIM Rule 26 and contains a range of information of interest to institutional and private investors including the Group's annual and half year reports, trading statements, press releases and all regulatory announcements relating to the Group.

Constructive Use of the AGM

The Board wishes to encourage the constructive use of the Company's AGM for shareholder communication.

The Board Chairman and the Committee Chairs will be available to answer questions at the AGM. As with previous practice, separate resolutions will be proposed on each substantive issue and the details of the numbers of proxy votes cast for and against each resolution will be available at the meeting.

Board Committees Remuneration Committee

Role of the Committee and Responsibilities

The Remuneration Committee is chaired by Rob Woodward. The other members are Frank Blin and Tom Skelton. The Executive Directors may occasionally be invited to attend meetings.

Under its terms of reference, the Remuneration Committee is responsible for:

- Considering and approving all aspects of the Company's remuneration policy for the Executive Directors, making recommendations to the Board as appropriate.
- Ensuring that the remuneration and conditions of service of the Executive Directors support corporate objectives and shareholders' interests, represent value for money and reflect the performance of the Company and the individual Directors as appropriate.
- Determining the individual remuneration packages for the Executive Directors (including bonuses and other incentives).
- Recommending and monitoring the structure and level of pay for the senior management team.
- Agreeing a policy for the authorisation of expenses claimed by all Directors and reviewing annually a schedule of expenses claimed by the Directors in the preceding financial year.
- Making whatever other recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Further details of the work of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 50 to 54.

Nominations Committee

Role of the Committee and Responsibilities

The Nominations Committee is chaired by Matthew Peacock. Frank Blin, Tom Skelton and Rob Woodward are also members. Pat Clawson is normally also invited to attend meetings of the committee. Under its terms of reference, the Nominations Committee is responsible for:

- Regularly reviewing the structure, size and composition of the Board.
- Reviewing plans for orderly succession for both Executive and Non-executive Directors and in particular for the key roles of Chairman and Chief Executive.
- Membership of all Board Committees, in consultation with the relevant Chairs of those committees.
- Making recommendations to the Board on the reappointment of any Non-executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.
- There were several changes to the Board composition during the year, including the appointment of Chief Executives of the two key businesses and the change in the role of Chairman from Executive to Non-executive following the disposal of the Repair Services Business. A new Non-executive director was appointed (Tom Skelton) and Tom Russell stood down from the Board. The Nominations Committee considered all of these changes and was involved in early discussions about the structure of the Board as well as the final appointments. An external search consultancy was used for the appointment of Tom Skelton.

Audit Committee

Role of the Committee and Responsibilities

The Audit Committee is chaired by Frank Blin. The other members are Tom Skelton and Rob Woodward. By virtue of his former Executive and current Non-executive roles, the Directors consider that Frank Blin has recent and relevant financial experience. The Chairman and Executive Directors attend meetings of the Audit Committee by invitation. The Committee meets with the external auditor without any Executive Directors present whenever this is considered appropriate and at least once a year. The Audit Committee also meets with the Head of Internal Audit and Risk Management on a regular basis and without any Executive Directors present whenever this is considered appropriate.

The Committee's responsibilities include:

- Monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgements which they contain;
- Making recommendations to the Board to be put to shareholders on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor and agreeing the scope of the audit engagement;
- Keeping under review the effectiveness of the Group's systems of risk management and internal control and reporting to the Board regarding such systems on an annual basis;
- Reviewing the arrangements by which Group employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting (or other matters); and
- Assessment of the Group's ability to continue as a going concern and of the Group's ongoing viability, which they assess over a period of three years.

The report of the Audit Committee is set out on pages 44 to 49.

Risk Management Committee (“RMC”)

Role of the Committee and Responsibilities

This Management Committee has been newly formed for the Group at the end of the 2016 financial year. It is chaired by the Chief Executive Officer, and comprises senior management representation for the various functions within the Group, including: revenue; strategy; finance; risk management; legal; R&D; and IT. The RMC reports to the Audit Committee.

The RMC is responsible for ensuring that all significant operational and management risks facing the Group are reduced to an acceptable level.

Key Focus During the Year

Following the sale of the Aftermarket Services portion of the Group, the newly formed Blancco RMC has met once but has not yet reported to the Board. The findings of the RMC are also discussed at the Audit Committee.

The work of the committee since the new structure has focused on:

- Reviewing the effectiveness of the risk management framework in identifying and managing risks and controlling internal processes;
- Identifying and evaluating the significant risks faced by the Group, and creating a new Risk Register;
- Reviewing the risk management process annually and report this in an annual report on risk management to the Board and the Audit Committee;
- Establishing formal mechanisms that will facilitate the timely identification, management and mitigation of risks; and
- Participating in the annual review on the effectiveness of the system of internal control and risk management.

Internal Controls

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders’ interests and the Group’s assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Blancco is committed to conducting its business responsibly and in accordance with all applicable laws and regulations. Employees are encouraged to raise concerns about fraud, bribery and other matters through a Whistleblowing procedure. All such concerns are referred to the Chief Financial Officer or Chief Executive Officer, who will then recommend appropriate remedial action. During the course of the year there were no incidents reported. Should any incidents be reported they will be investigated fully by the Chief Financial Officer or the Head of Internal Audit and Risk

Management as appropriate and the nature and outcomes of such incidents will be summarised and reported to the Audit Committee.

The Group’s financial reporting processes are detailed and regularly reviewed. The detailed reporting is reviewed at least monthly by the Finance Director of Corporate Reporting and members of the Group Finance team, highlighting areas of concern checking and confirming that the reasons for variations are valid. Quarterly reviews of each of the businesses are performed by the Chief Financial Officer covering both historic and forthcoming financial and business performance as well anticipating key future events.

In addition, each Regional Director is required to submit a monthly declaration which is signed to confirm compliance with Group policies and key controls.

A six monthly self-assessment exercise is also completed by business units that allows the Board to review the performance of internal controls within the Group and their state of health from a risk management viewpoint. It is designed to ensure that risks threatening business objectives are identified and also provides:

- A commitment from the Board to maintain good internal controls.
- A standard approach for risk management and controls across the Group.
- The Business Unit Managing Directors with individual responsibility and accountability for addressing risk, hence maintaining effective controls and compliance with Group policies, standards and delegations of authorities.

On behalf of the Board

Lorraine Young Company Secretaries Limited

30 September 2016

AUDIT COMMITTEE REPORT

Key Areas of Focus During the Year

During the 2016 annual cycle, the Audit Committee met four times. It has an annual work plan, developed from its terms of reference, with standing items that the Committee considers at each meeting in addition to any specific matters on which the Committee has chosen to focus. The work of the Audit Committee covered the following areas:

Specific in 2016

- The Committee has scrutinised the acquisition accounting for the new acquisitions in the year – Tabernus and Xcaliber. Complexities arise in the accounting due to the nature of the transactions, in particular the step acquisition of Xcaliber. The Committee has reviewed the assumptions in assessing the fair value of the assets and liabilities acquired, including contingent consideration. The Committee also reviewed the required accounting standards applied to each step of the Xcaliber acquisition. It concluded that the treatment adopted in each acquisition was appropriate.
- The Committee has reviewed the disposal accounting for both the completed sale of the Repair Services Business and the agreed sale of the Digital Care business. In each case, it satisfied itself that the appropriate steps had been taken in completing the disposal accounting. In the case of the Digital Care business, it was satisfied that the assets held for sale would be realised through sale proceeds.

Risk Management and Internal Controls

- Considered reports from the Risk Management function on its work and ongoing assessment of the control environment, and the need to implement additional and appropriate controls to mitigate the varied risks that the Group was exposed to.
- Considered reports from the external auditor on its assessment of the control environment.
- Considered the drastic shift of the Group in the last year, the current geographies, and the appropriateness of the control framework as the Group transitioned to a pure play software business.
- Reviewed the Risk Register and discussed the approach that executive management was expecting to adopt in the ensuing financial year to enhance mitigating actions.
- Reviewed the outcome of the Risk Management Committee activities.
- Considered the effectiveness of the Risk Management and Internal Audit function.

- Reviewed the resources of the Risk Management and Internal Audit function and considered and approved the scope of the internal audit programme.
- Considered the effectiveness of Group-wide controls including financial controls and disaster recovery procedures.
- Considered the Group's treasury policies including cash and foreign currency management procedures.
- Considered the effectiveness of the Group's whistleblowing policy, both for raising issues and their resolution, and reviewed the outcomes from the instances of whistleblowing in the year.
- Reviewed the services and remuneration for interactions with related parties, including Hanover.

External Auditor

- Considered and approved the audit approach and scope of the audit work to be undertaken by the external auditor and the fees for the same.
- Reviewed reports on audit findings.
- Considered the independence of the auditor and its effectiveness, taking into account: (a) the nature and value of the non-audit work undertaken by the external auditor; (b) the approval process for non-audit work over £20,000; (c) the tendering process undertaken where necessary for the provision of significant non-audit work; (d) the knowledge, skills and experience of the auditor; and (e) the Committee's own assessment.
- Discussed the safeguards in place with the external auditor given the level of non-audit work undertaken.
- Considered the recommendations in the Code regarding the fees of the external auditor.
- Considered and approved the letter of representation issued to the external auditor.

Accounting and Financial Reporting

- Reviewed the half year and annual financial statements and the significant financial reporting judgements and significant risks.
- Reviewed the capital reduction process during year.
- Reviewed the tender offer process in the year.
- Considered the liquidity risk following change in banking facilities and the basis for preparing the Group half yearly and full year accounts on a going concern basis and reviewed the related disclosures in the Annual Report and Accounts.

- Considered the appropriate viability period for the Group and assessed the ability continue to operate for this period.
- Reviewed an accounting matters update, including consideration of relevant accounting standards and underlying assumptions.
- Reviewed the Annual Report and Accounts in order to advise the Board on whether, taken as a whole, it was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- Reviewed the disclosure in the Annual Report and Accounts in relation to internal controls, risk management, principal risks and uncertainties and the work of the Committee.
- Reviewed new accounting standards in place in the year, including the transition of the Company accounts to FRS101.

Auditor Independence

The Audit Committee and the Board place great emphasis on the objectivity of the external auditor in its reporting to shareholders. The audit partner and senior manager are present at Audit Committee meetings as required to ensure full communication of matters relating to the audit. The overall performance of the auditor is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided when necessary to senior members of KPMG unrelated to the audit. This activity also forms part of KPMG's own system of quality control. The Audit Committee also has discussions with the auditor, without management being present, on the adequacy of controls and on any judgemental areas. These discussions have proved satisfactory. The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are approved by the Audit Committee after discussions between the businesses and KPMG.

Rotation of the audit partner's responsibilities within KPMG is required by their profession's ethical standards. There will be rotation of the audit partner and key members within the audit team as appropriate.

Assignments of non-audit work have been and are subject to controls by management that have been agreed by the Audit Committee so that auditor independence is not compromised. In summary, these procedures are as follows:

- Audit related services: as auditor. If any additional support is required, this is considered competitively if appropriate.
- Tax consulting: after considering competitive offers, in cases where they are best suited, the Group has engaged KPMG and its associates.
- M&A advice and due diligence: after considering competitive offers, in cases where they are best suited, the Group has engaged KPMG and its associates.

Other than audit, the Board is required to give prior approval of work carried out by KPMG and its associates in excess of £20,000. Part of this review is to determine that other potential providers of the services have been adequately considered. During the year certain significant pieces of professional advice were awarded to other professional services firms following a competitive process. These controls provide the Audit Committee with confidence in the independence of KPMG in their reporting on the audit of the Group.

As a result of the Audit Committee's review, and confirmation from the auditor of its independence and objectivity, the Committee has concluded that KPMG remains independent.

Accounting and Financial Reporting Matters Considered by the Audit Committee

After discussion with both management and the external auditor, the Audit Committee determined that the key risks of misstatement of the Group's financial statements related to:

- Recoverability of goodwill.
- Business combinations.
- Revenue recognition.
- Capitalisation of development costs.

These issues were discussed with management during the year and with the external auditor at the time the Committee reviewed and agreed the external auditor's audit plan, and also at the conclusion of the audit of the annual financial statements in September 2016. The Audit Committee placed significant reliance on the analyses presented by management and the results of the audit work presented by the external auditor.

Risk factor considered	Sources of evidence and conclusions reached
<p>Recoverability of goodwill</p> <p>The Group has been particularly active in recent acquisitions and this has led to the creation of significant acquired goodwill. There is potential risk of non-recoverability of:</p> <ul style="list-style-type: none"> – Historically generated goodwill. – Goodwill newly created through acquisitions and business combinations. <p>This uncertainty arises due to the difficulty in forecasting and discounting future cash flows associated with the individual cash generating units that support the recoverability of the Goodwill in the future.</p> <p>The accounting policies of the Group are outlined in notes 1.5 and 2.2 to the accounts.</p>	<p>Management highlighted to the Committee how they arrived at the key assumptions to estimate the future cash flows associated with each cash generating unit. This included:</p> <ul style="list-style-type: none"> – Budget and other underlying assumptions – Quality and integrity of the Group's forecast P&L and cash flow models – Sensitivity analysis performed – Annual testing procedure – The discount rates used – Benchmark analyses against the relevant peer group <p>The Committee interrogated management's key assumptions to understand their impact. The Committee was satisfied that the assumptions used were appropriately scrutinised, challenged and sufficiently robust.</p> <p>The Committee was further satisfied with the disclosures in the financial statements.</p> <p>The Committee concluded that:</p> <ul style="list-style-type: none"> – In respect of the segmental allocation of goodwill, the current split of the CGUs in the year accurately represents the split of operations of the Group. – In respect of the recovery of goodwill, impairment testing and sensitivity analysis thereon indicated continuing high levels of headroom on Goodwill.

Risk factor considered	Sources of evidence and conclusions reached
<p>Business combinations</p> <p>The Group has been particularly active in recent acquisitions and in particular in relation to certain acquisitions, there is a potential risk of misstatement of:</p> <ul style="list-style-type: none"> – Contingent consideration for acquisitions. – Fair value of net assets acquired. – Valuation of intangibles arising on acquisition. – Identification of business combinations and step acquisitions <p>This uncertainty arises due to the judgement required in assessing newly acquired assets and liabilities and in turn the goodwill. This uncertainty is increased when one considers the dispersed geographic nature and relative size of the acquired businesses.</p> <p>The accounting policies of the Group are outlined in notes 1.5, 1.7 and 2.2 to the accounts.</p>	<p>Management highlighted to the Committee how they arrived at the key assumptions to estimate the value of each acquired asset or liability, the fair value of consideration and valuation of the acquired intangibles in the current and previous years. This included:</p> <ul style="list-style-type: none"> – Identification of business combinations and relevant accounting application for acquisitions versus part acquisitions and acquisitions achieved in stages. – Identification of all acquired assets and completeness of liabilities. – Assessment of fair values of identified assets and liabilities. – Underlying assumptions used. – Sensitivity analysis performed. – Assessment of contingent consideration and assumptions behind it. – Review of estimates of future cash flows associated with each acquired intangible asset including customer contracts, Intellectual Property and Brands. – Review of previously established fair value adjustments to determine if adjustments should be made to the goodwill on acquisition or the Income Statement in line with the relevant accounting standards. <p>The Committee interrogated management's key assumptions to understand their impact. The Committee was satisfied that the assumptions used were appropriately scrutinised, challenged and sufficiently robust.</p> <p>The Committee was further satisfied with the disclosures in the financial statements.</p> <p>The Committee concluded that:</p> <ul style="list-style-type: none"> – In respect of the accounting standards applied to the various acquisitions and investments in the year – it concluded these were correctly applied. – In respect of the fair value of net assets acquired - it concluded that the treatment adopted by management was reasonable. – In respect of the fair value assessments created or updated during the year – it concluded that the treatment adopted by management was reasonable. – In respect of the valuation of the intangibles - based upon the valuation methodology used, it concluded that the treatment adopted by management was reasonable. – In respect of the calculation of contingent consideration – it was concluded that a reasonable estimation of the payout was made based on forecast data.

Risk factor considered	Sources of evidence and conclusions reached
<p>Revenue recognition</p> <p>The Group has developed or acquired new offerings and entered new contracts where revenue recognition can be complex.</p> <p>There is potential risk of misstatement of revenues associated with software licence contracts where:</p> <ul style="list-style-type: none"> – The contract delivers multiple separable elements – Timing of delivery of licences and associated services can vary across contracts <p>This uncertainty arises due to the requirement to identify the separable components of the revenue and to determine the timing of the recognition of the revenue.</p> <p>The accounting policies of the Group are outlined in note 1.10 to the accounts.</p>	<p>Management highlighted to the Committee how they arrived at the key assumptions. This included:</p> <ul style="list-style-type: none"> – A summary of the main contract terms. – The point of revenue recognition under the contract. – Comparison of the payment profile with the revenue profile of key contracts. – Analyses of separable elements of the revenue streams where multiple service components are delivered to the customers. – The controls in place to ensure contracts are appropriately recorded in the financial statements. <p>The Committee interrogated management's key assumptions to understand their impact. The Committee was satisfied that the assumptions used were appropriately scrutinised, challenged and sufficiently robust.</p> <p>The Committee was further satisfied with the disclosures in the financial statements.</p> <p>The Committee concluded that:</p> <ul style="list-style-type: none"> – In respect of the software and services element arrangements – the calculation used was reasonably based on contract terms and the treatment adopted by management was reasonable. – In respect of the controls implemented by management – that these were appropriate to reduce the risk of misstatement to a sufficiently low level.

Risk factor considered	Sources of evidence and conclusions reached
<p>Capitalisation of development costs</p> <p>The Group undertakes development of its erasure and diagnostic products. A large volume of this capitalisation is for internal staff costs working on these projects.</p> <p>There is a potential risk of misstatement because of:</p> <ul style="list-style-type: none"> – Inappropriate judgements on whether a project meets the criteria for capitalisation – Impairment of capitalised assets which depends on future cash flows <p>The uncertainty arises due to the classification of work into research or development, which must be accounted for separately under IFRS.</p> <p>Additional uncertainty arises due to the difficulty in forecasting and discounting future cash flows associated with the development expenditure.</p> <p>The accounting policies of the Group are outlined in note 1.5 to the accounts.</p>	<p>Management highlighted to the Committee how they arrived at the key assumptions. This included:</p> <ul style="list-style-type: none"> – A summary of the processes used in determining what costs to capitalise, including assessment of projects completed in the year. – Consideration of the future economic benefit of current development work, including scrutiny of budget. – Review of estimates of future cash flows associated with each asset. – Review of the assumed useful economic life of each development project. – Review of past development projects which have generated economic benefit for the Group. <p>The Committee interrogated management's key assumptions to understand their impact. The Committee was satisfied that the assumptions used were appropriately scrutinised, challenged and sufficiently robust.</p> <p>The Committee concluded that:</p> <ul style="list-style-type: none"> – In respect of the capitalisation of costs – the amounts allocated to the development phase of the intangible assets were appropriately capitalised and supported by project data. – In respect of the potential impairment of development intangibles – the value of future cash flows are expected to be in excess of the carrying value of the intangible.

Conclusion in Respect of the Annual Report and Financial Statements

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. One of the key governance requirements of the Company's Annual Report and Financial Statements is that they are fair, balanced and understandable. The Board has requested that the Audit Committee advises on whether it considers that the Annual Report and Financial Statements fulfil these requirements.

As a result of the work performed, the Committee has concluded that the Annual Report and Financial Statements for the year ended 30 June 2016, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities from page 55.

Frank Blin

Chairman of the Audit Committee
30 September 2016

REMUNERATION COMMITTEE REPORT

Remuneration Committee

The Committee determines on behalf of the Board the Company's policy on the remuneration and terms of engagement of the Executive Directors and senior managers. Executive Directors attend by invitation only when appropriate and are not present at any discussion of their own remuneration.

The members of the Remuneration Committee and details of attendance at the meetings are disclosed in the table in the Corporate Governance report on page 39.

The Committee members have no personal financial interest, other than as shareholders, in the matters to be decided. They have no conflicts of interest arising from cross-directorships or from being involved in the day-to-day business of the Group. Committee members do not participate in any formal bonus, share awards or pension arrangements.

During the year the Committee undertook a review of its advisors and appointed Deloitte LLP following a competitive tender process. The Committee is satisfied that the advice received from Deloitte is independent and that the engagement team who provide advice have no connection with the Company. Deloitte are a member of the Remuneration Consultants Group.

Remuneration Policy

The Group operates in a highly competitive environment. For the Group to continue to compete successfully, it is essential that the level of remuneration and benefits offered achieve the objectives of attracting, retaining, motivating and rewarding the high calibre of individuals at all levels across the Group.

The Group therefore sets out to provide competitive remuneration to all its employees, appropriate to the business environment in the market in which it operates. To achieve this, each individual's remuneration package is based upon the following principles:

- Total rewards should be set to provide a fair and attractive remuneration package.
- Appropriate elements of the remuneration package should be designed to reinforce the link between performance and reward.

The remuneration strategy is designed to be in line with the Group's fundamental values of fairness, competitiveness and equity and also to support the Group's corporate strategy. A cohesive reward structure consistently applied, with links to corporate performance, is seen as critical in ensuring attainment of the Group's strategic goals.

The Group also seeks to align the interests of shareholders with those of Executive Directors and senior employees by giving the latter opportunities and encouragement to build up a shareholding interest in the Company through long term incentive plans.

Business and Board Changes

The financial year 2016 has been a year of change for Blancco Technology Group Plc and the Remuneration Committee is reviewing Executive remuneration arrangements in the context of these changes to ensure our policy continues to meet the objectives outlined above.

In the context of the change in business emphasis Pat Clawson, previously CEO of the Digital Security Software Business, became Group CEO from April 2016. The former Executive Chairman Matthew Peacock has transitioned to the role of Non-executive Chairman with Executive responsibilities passing to Pat Clawson. Following the sale, the CEO of the Repair Services Business, Ian Powell left the Group.

Keith Butcher joined the Group as Chief Financial Officer on 19 September 2016. Jog Dhody, the existing CFO, will resign from the Group following an orderly handover.

Remuneration of Executive Directors

Elements of remuneration

The Executive Directors' total remuneration currently consists of:

- Fixed elements, comprising basic salary or fees, benefits and pensions.
- Performance related elements comprising performance related bonus and long term performance arrangements.

The elements of the remuneration packages are designed in order to incentivise the Directors, and to align their interests with shareholders. This includes performance related elements which challenge the Directors to achieve targets in the interest of promotion and growth of the Group.

Each of these elements of remuneration is explained below.

Basic Salary or Fees

Basic salaries or fees are set by the Remuneration Committee on an annual basis after taking into consideration the performance of the individuals, their levels of responsibility and rate of salary or fees for similar positions in comparator companies.

Pat Clawson's base salary was increased from \$310,000 to \$350,000 per annum with effect from 1 July 2016. The Committee considered that this increase was appropriate to reflect the increase scope and responsibilities of his role following his appointment as Group CEO.

Keith Butcher's salary is £225,000 per annum. His salary will next be reviewed on 1 July 2017.

Benefits in Kind

These principally comprise car benefits, life assurance and membership of the Group's healthcare insurance scheme or payment in place of these benefits. These benefits do not form part of pensionable earnings.

Pensions

The Group makes defined contributions into individual pension plans. The UK Directors may opt out of the UK Pension Auto Enrolment scheme.

The amounts paid in the financial year are set out in the Directors' emoluments table on page 53.

Annual Performance Related Bonuses

Performance related bonuses for the Executive Directors are contractual and are determined by reference to performance targets based on the Group's financial results and personal objectives set at the beginning of the financial year. Terms and conditions are based on the recommendations of the Remuneration Committee.

The Group has performed strongly during 2015/2016 with growth in revenues and adjusted operating profit before corporate costs of 49% and 41% respectively. The Committee assessed performance against targets set and determined that the Executive Directors would receive the following cash bonuses for the year ended 30 June 2016.

		Maximum % eligible of basic salary or fees	Actual % awarded of basic salary or fees	Bonus % of maximum opportunity
Pat Clawson	Chief Executive Officer	100%	100%	100%
Jog Dhody	Chief Financial Officer	91%	70%	77%

For 2017 Pat Clawson's maximum annual bonus will continue to be 100% of base salary. Keith Butcher's maximum annual bonus will be 70% of base salary.

Long Term Incentive Arrangements

The Group has implemented long term incentive arrangements for its senior management and Executive Directors in order to align their interests to those of the shareholders.

Incentive Share Plan (ISP3)

On 14 January 2014, the Company established the Regeneris Incentive Share Plan ("ISP3"), to incentivise management to achieve further shareholder value growth. ISP3 allows participants to share in the growth in value of the business provided that certain share price performance based targets are achieved. The detailed terms of this scheme were disclosed in the financial statements for the year to 30 June 2014, being a basic target price of 385p and an additional target of 495p. No ISP 3 awards vested during the year. ISP3 awards made in 2014 will lapse in January 2017 if the vesting criteria are not met before this time.

Jog Dhody and Matthew Peacock (in his former capacity as Chairman, and by virtue of his association with Hanover General Partners II L.P.) participated in Incentive Share Plan (ISP3) in the current year.

As at 30 June 2016, grants outstanding in respect of Jog Dhody and Hanover General Partners II L.P. were 1.25% and 7.0% respectively (2015: 1.25% and 7.0% respectively).

Software LTIP

On 30 June 2015, the Company established LTIP schemes for the Software business, to incentivise management of this business to create additional shareholder value. Pat Clawson, in his role as the CEO, and other members of the software executive team participate in this plan.

Pat Clawson was granted stock appreciation rights which entitle him to 3% of the growth in value of the Blancco and Xcaliber businesses over and above the value of these businesses on 1 July 2015. These stock appreciation rights were granted on 1 July 2015. The amount delivered to Pat is based on the extent to which the values of the businesses increase. If value is not created for shareholders then Pat will not receive a payment. There are therefore no additional performance conditions attached to awards.

On 5 January 2016, 25% of the award vested with the remainder vesting in 36 equal monthly instalments from 5 February 2016 to 5 January 2019. Awards may be exercised until 4 January 2025. No portion of the award has been exercised to date.

These plans were designed to incentivise Pat to grow the value of these businesses and create value for shareholders. At the time these plans were implemented, Pat was not a main Board member and the plans were designed to reflect typical market practice in US software businesses.

The Committee has therefore been reviewing the structure of Pat's LTIP arrangements and the senior executive remuneration framework as a whole with a view to bringing the structure more in line with typical UK practice. We are not in a position to make changes at the current time and therefore Pat will continue to participate in the existing incentive plans for the time being. However, the review is ongoing and we will speak to shareholders again when the Committee has determined an appropriate course of action, which may include commissioning advice from independent benefit consultants.

Service Agreements

The Chairman's services are provided by way of a rolling service contract between Blancco Technology Group Plc or one of its subsidiaries and Hanover Investors Management LLP, providing six months' notice on either side. Matthew Peacock is associated with Hanover Investors Management LLP.

Jog Dhody has a rolling Executive Director service agreement with Blancco Technology Group Plc that provides for 12 months' notice from the Company and six months' notice from him. Jog will be leaving the Group on 19 October 2016.

Keith Butcher also has a rolling Executive Director service agreement with Blancco Technology Group Plc that provides for six months' notice from both the Company and the executive (three months' notice during the first three month probation period).

In the event that the Group serves notice to terminate the contract of any Executive Director, the Group may make a payment in lieu of notice, but is not obliged to do so. Such payments are restricted to the unexpired portion of the duration of the executive's employment or entitlement to notice.

The dates of the contracts are as follows:

Matthew Peacock	3 December 2014
Pat Clawson	1 July 2015
Jog Dhody	11 June 2013
Keith Butcher	19 September 2016

The Remuneration Committee also determines the terms and conditions of employment of the Executive Directors.

Remuneration for Departing Directors

Ian Powell stepped down from the Board on 4 April 2016.

Jog Dhody will step down from the Board on 19 October 2016.

Matthew Peacock transitioned from Executive Chairman to Non-executive Chairman in April 2016. His fees for his role as Non-executive Chairman will be £125,000 per annum. He will no longer be eligible to receive a bonus but he retains his interest (via Hanover Partners) in his awards under ISP3.

Non-executive Directors' Remuneration

Non-executive Directors are appointed for a specified term, being an initial three year period subject to their re-election by shareholders at the first AGM after their appointment. The initial three year period may be extended for a further three year term, at the discretion of the Board and subject to the ongoing requirement for re-election by shareholders under the Company's articles. On termination, no compensation is payable other than outstanding fees.

The following are the Non-executive Directors with the dates they joined the Board:

Frank Blin	1 December 2014
Rob Woodward	1 June 2013
Tom Skelton	1 October 2015
Matthew Peacock	1 May 2016 (transition from Executive)

Rob Woodward retires by rotation and offers himself for re-election at the AGM.

The Non-executive Directors receive fees set at a level commensurate with their experience and ability to make a contribution to the Group's affairs and are set by the Board as a whole. The current fee is £45,000 per annum with an additional amount if they serve as Chairman of one of the Committees. No incentives, pensions or other benefits are available to the Non-executive Directors and, accordingly, they have opted out of the UK Pension Auto Enrolment scheme.

The Board may request Non-executive Directors to perform specific additional work at an agreed day rate. It would be the intention of the Board that the Directors' independence is not prejudiced by the nature of any such additional work.

Details of the Directors' emoluments and share awards are given below and have been audited.

	Salary, fees, benefits 2016 £'000	Contractual bonus 2016 £'000	Deal fee bonus 2016 £'000	Pension contributions 2016 £'000	Total 2016 £'000	Total 2015 £'000
Executive						
Pat Clawson (appointed 1 October 2015)	165	169	—	—	334	—
Jog Dhody	199	137	295	68	699	265
Matthew Peacock (to April 2016) ¹	154	120	540	—	814	267
Tom Russell (resigned 1 October 2015) ¹	—	—	—	—	—	91
Ian Powell (appointed 1 October 2015, resigned 4 April 2016)	114	—	899	—	1,013	—
	632	426	1,734	68	2,860	623
Non-executive						
Frank Blin (appointed 1 December 2014)	45	—	—	—	45	26
Rob Woodward	45	—	—	—	45	41
Tom Skelton (appointed 1 October 2015)	27	—	—	—	27	—
Tom Russell (resigned 1 October 2015) ¹	—	—	—	—	—	20
Matthew Peacock (from 1 May 2016) ¹	21	—	—	—	21	—
	138	—	—	—	138	87
Total	770	426	1,734	68	2,998	710

¹ Matthew Peacock and Tom Russell's fees are paid to Hanover Investors Management LLP or one of its connected parties for the provision of their services as Non-executive Chairman and Non-executive Director respectively.

Included within the bonus payables are the annual bonus plus an incremental bonus linked to the Repair Services Business disposal.

The Remuneration Committee considered that it was appropriate to grant these additional bonuses to the Executive Directors in respect of the Repair Services disposal, in order to align the interest of management with shareholders to maximise value from this transaction. The Committee concluded that the current long term incentive plans (ISP3), introduced during 2014, were no longer adequate to financially incentivise the Executive Directors to maximise the exit value of the Repair Services business disposal. Therefore, the Remuneration Committee granted these additional bonuses in order to ensure that the directors obtained the best outcome for shareholders.

The additional bonuses were agreed by the Remuneration Committee and Board prior to the process commencing, and were contingent on the completion of the disposal with the bonus potential linked to the deal value being achieved to ensure alignment with shareholder interests.

The payments were fully contingent on completing the disposal at a minimum gross deal value of £70 million with additional value accruing to the Directors for a share of any excess above £70 million. The share of the excess was a range of between 1.0% and 1.5% of incremental proceeds.

The amounts triggered by the agreed formula and paid as bonuses during the year were as follows:

- Ian Powell: £0.9 million
- Jog Dhody: £0.3 million
- Matthew Peacock: £0.5 million

REMUNERATION COMMITTEE REPORT

continued

Directors' Beneficial Interests in Shares

The interests of the Directors who held office at 30 June 2016 and their connected parties in the ordinary share capital of the Company are as shown in the table below.

	As at the date of this report Number	As at 30 June 2016 Number	As at 30 June 2015 Number
Executive			
Pat Clawson	—	—	—
Jog Dhody	23,469	23,469	418,081
Non-executive			
Matthew Peacock	*	*	*
Frank Blin	27,893	27,893	—
Tom Skelton	—	—	—
Rob Woodward	11,959	11,959	4,459

* Matthew Peacock has an indirect beneficial interest in the shares of the Group, through his association with Hanover Investors Management LLP. The combined holding of Hanover Investors Management LLP and its connected parties was 209,728 ordinary shares at 30 June 2016 (2015: 5,217,651).

Signed on behalf of the Remuneration Committee

Rob Woodward

Chairman of the Remuneration Committee
30 September 2016

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Parent financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

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 Company and of the Group at the end of the financial year and of their profit or loss for that period. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether they have been prepared in accordance with IFRSs as adopted by the EU.
- State for the Company financial statements whether applicable UK accounting standards have been followed.
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Responsibilities Statement

The Directors confirm to the best of their knowledge:

- The financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, including for the individual Company accounts which are prepared under UK GAAP.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Neither the Company nor the Directors accept any liability to any person in relation to the Annual Report except to the extent that such liability could arise under English law.



SIGNIFICANT GROWTH IN ANNUAL REVENUES
OF 49% AND ADJUSTED OPERATING PROFIT OF 41%.

OUR FINANCIALS

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INDEPENDENT AUDITOR'S REPORT

to the members of Blancco Technology Group Plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Blancco Technology Group Plc for the year ended 30 June 2016 set out on pages 62 to 120. 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 30 June 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 "Reduced Disclosure Framework;" and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

2 Overview

Overview

Materiality: Group financial statements as a whole	£220,000 (2015: £1,200,000) (1.0% (2015: 0.6%) of revenue from continuing operations)
--	---

Coverage	94% (2015: 96%) of Group loss/profit before tax from continuing operations
----------	--

Risks of material misstatement vs 2015

Risks of material misstatement	vs 2015
Recurring risks	
Revenue recognition	▲
Business combinations	◀▶
Recoverability of goodwill	◀▶
Capitalisation of development costs	◀▶

3 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

Revenue recognition – £22.4 million (2015: £202.6 million)

Risk vs 2015: ▲

Refer to page 48 (Audit Committee report), page 71 (accounting policy) and page 76 (financial disclosures).

- **The risk** – For the revenue recognised by the Group in relation to software licenses and associated services there can be complexity in identifying the components of the sale and determining the timing of recognition due to the Group's varied contracts and offerings, including contracts with a number of components. The risk is that revenue is recognised in the incorrect period. The risk has increased from the prior year due to the increased proportion of the Group's revenue arising from the software business, following the disposal of the aftermarket services business in the year.

- **Our response** – Our audit procedures included testing controls over the identification of components and timing of revenue recognition. We selected contracts based on quantitative factors (for example, those with the greatest impact on the Group's financial results) and qualitative factors (for example, based on geographical locations). We assessed the appropriateness of the Group's revenue recognition policies against relevant accounting standards. For the selected sample, we inspected the contract terms and assessed these against the separate components identified by management, their assessment of whether the components represented volume sale or subscription sale and the timing of revenue recognition. We considered the adequacy of the disclosure of these policies in the financial statements.

Business combinations – additions to goodwill of £8.7 million (2015: £1.4 million) and contingent consideration payable of £5.4 million (2015: £5.7 million) Risk vs 2015: ◀▶

Refer to page 47 (Audit Committee report), page 69 (accounting policy) and page 88 (financial disclosures).

- **The risk** – There is a risk that the judgements and estimates made in the valuations of the intangible assets and liabilities acquired in the Tabernus and Xcaliber business combinations are inappropriate, resulting in goodwill being misstated. There is also a risk that the estimate of the fair value of contingent consideration in the statement of financial position is materially misstated as the amounts are material and are sensitive to changes in estimates of future earnings.
- **Our response** – Our audit procedures included:
 - comparison of asset valuation model methodology adopted to that used in previous third party valuations of similar assets previously acquired.

- challenging assumptions used in the model, in particular those relating to growth and discount rates, which the valuation is most sensitive to. We assessed the growth rates against our understanding of the business and industry data. For assumptions regarding discount rates we used our own valuation specialist to assist us to benchmark the assumptions used in determining the discount rate to market and other data.
- challenging the judgements and estimates used in determining the value of liabilities recognised through assessing the nature of the risk identified, the basis of management's calculation and the range of possible outcomes;
- challenging the key assumptions used in determining the fair value of the contingent consideration payable by comparing growth rates with those used in management's other forecasts and against expected sales pipelines; and
- considering the presentation and disclosure in the financial statements of the intangible assets recognised, fair value adjustments and contingent consideration.

Recoverability of goodwill – £42.8 million (2015: £83.2 million)

Risk vs 2015: ◀▶

Refer to page 46 (Audit Committee report), page 69 (accounting policy) and page 92 (financial disclosures).

- **The risk** – There is a high level of recent business combinations and associated significant goodwill arising. The recoverability of goodwill is considered to be a significant audit risk due to the assessment being dependent on forecasts evidencing sufficient cash flows. Due to the inherent uncertainty involved in forecasting and discounting future cash flows this is one of the key judgement areas for our audit.
- **Our response** – Our audit procedures included testing of the Group's budgeting procedures upon which the forecasts are based and the principles and integrity of the Group's value in use model. We evaluated the assumptions and methodologies used by the Group, in particular those relating to the forecast revenue growth and discount rate. We performed break-even analysis on the long term revenue growth rate and compared the resulting growth rate to our expectations based on our understanding of the business and industry long term average growth rates. We used our own valuation specialist to benchmark the assumptions used in determining the discount rates applied and compared these rates to externally derived data including groups in similar operating markets. We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash

flows. We also assessed whether the Group's disclosures, in particular about the sensitivity of the outcome of the impairment assessment to changes in key assumptions, reflected the risks inherent in the valuation.

Capitalisation of development costs – Additions to intangible development costs of £2.3 million (2015: £4.0 million)

Risk vs 2015: ◀▶

Refer to page 49 (Audit Committee report), page 69 (accounting policy) and page 94 (financial disclosures).

- **The risk** – The Group incurred research and development costs in the year, some of which were considered to meet the criteria for capitalisation as development costs. There is significant judgement involved in determining whether a particular project or activity has met these criteria and therefore must be capitalised. The risk is that capitalisation occurs on projects that do not meet these criteria.
- **Our response** – Our audit procedures included an assessment of whether the costs incurred on significant projects meet the criteria for capitalisation. In particular, the key criteria were the ability to measure reliably the expenditure attributable to the projects and demonstration of how the projects will generate future earnings. We agreed a sample of external costs capitalised to invoices. We assessed a sample of internal staff costs capitalised against timesheets and evaluated the labour rates applied to the time charged against payroll records. We gained understanding of the respective projects and the forecast demand for the products through inquiry with the product development director and comparison to market trends.

4 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £220,000 (2015: £1,200,000), determined with reference to a benchmark of revenue from continuing operations of £22.3 million, of which it represents 1.0% (2015: 0.6% of revenue as reported in 2015). We consider revenue to be the most appropriate benchmark as it provides a better measure of the change in scale of the Group, year on year, than Group profit before tax.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £11,000 (2015: £60,000), in addition to other identified misstatements below that threshold that warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Blancco Technology Group Plc only

Of the Group's 21 (2015: 60) reporting components in the continuing business, five (2015: 22) were subject to audits for Group reporting purposes. We conducted specified audit procedures over revenue, trade receivables and cash at a further seven (2015: 15) components. The components for which we performed work other than audits for Group reporting purposes were not individually significant but were included in the scope of our group reporting work in order to provide further coverage over the Group's results. In the components in the discontinued business two were subject to an audit for Group reporting purposes.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of components	Group revenue from continuing operations	Group loss before tax from continuing operations	Group total assets
Audits for Group reporting purposes	5	21%	87%	76%
Specified risk-focused audit procedures over revenue, trade receivables and cash	7	68%	7%	14%
Total	12	89%	94%	90%
Audits for Group reporting purposes (2015)	22	86%	80%	80%
Specified risk-focused audit procedures over revenue, trade receivables and cash (2015)	15	12%	16%	17%
Total (2015)	37	98%	96%	97%

The remaining 11% (2015: 2%) of total Group revenue, 6% (2015: 4%) of Group profit before tax and 10% (2015: 3%) of total Group assets is represented by nine reporting components, none of which individually represented more than 2% of any of total Group revenue, Group profit before tax or total Group assets. For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors in Finland and Poland as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £60,000 to £160,000, having regard to the mix of size and risk profile of the Group across the components. The work on two of the 23 components subject to audit was performed by component auditors and the rest, including the specified audit procedures, by the Group audit team.

Telephone conference meetings were held with component auditors and their files were reviewed via teleconference. During these reviews and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

5 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion 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.

6 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Viability Statement on page 29, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the next three years; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

7 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy; or
- the Audit Committee report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 and under the terms of our engagement we are required 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.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 55, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Stuart Smith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
30 September 2016

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2016

	Note	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Continuing operations			
Revenue	3	22,387	15,014
Divisional operating profit	3	7,605	5,382
Corporate costs		(1,516)	(1,359)
Adjusted operating profit	3	6,089	4,023
Acquisition costs	6	(1,343)	(2,414)
Exceptional restructuring costs	7	—	(67)
Amortisation of intangible assets		(2,494)	(2,026)
Share-based payments	32	(1,167)	(371)
Group operating profit/(loss)		1,085	(855)
Loss on disposal of Xcaliber investment following acquisition	14	(1,314)	—
Share of results of associates and jointly controlled entities		(155)	(746)
Operating loss	5	(384)	(1,601)
Finance income	11	68	48
Unwinding of contingent consideration		(292)	(171)
Revaluation of contingent consideration		(293)	—
Other finance costs		(416)	(672)
Finance costs	11	(1,001)	(843)
Loss before tax		(1,317)	(2,396)
Taxation	12	(649)	(869)
Loss for the period		(1,966)	(3,265)
Discontinued operations			
Post tax results from discontinued operations	9	(22,198)	8,382
(Loss)/profit for the period		(24,164)	5,117
Attributable to:			
Equity holders of the Company		(24,838)	5,404
Non-controlling interest		674	(287)
(Loss)/profit for the period		(24,164)	5,117
Earnings per share			
<i>Continuing operations:</i>			
Basic	13	(3.69 p)	(3.84 p)
Diluted	13	(3.69 p)	(3.84 p)
<i>Discontinued operations:</i>			
Basic	13	(31.03 p)	10.81 p
Diluted	13	(31.03 p)	10.81 p
<i>Total Group:</i>			
Basic	13	(34.72 p)	6.97 p
Diluted	13	(34.72 p)	6.97 p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

OUR FINANCIALS

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
(Loss)/profit for the period	(24,164)	5,117
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:		
Exchange differences arising on translation of foreign entities	2,542	(3,786)
Total comprehensive (loss)/income for the period	(21,622)	1,331
Attributable to:		
Equity holders of the Company	(22,296)	1,618
Non-controlling interests	674	(287)
Total comprehensive (loss)/income for the period	(21,622)	1,331

CONSOLIDATED BALANCE SHEET

as at 30 June 2016

	Note	30 June 2016 £'000	30 June 2015 £'000
Assets			
Non-current assets			
Goodwill	16	42,821	83,157
Other intangible assets	17	24,071	27,041
Investments in jointly controlled entities and associates		–	1,850
Other investments		–	61
Property, plant and equipment	18	430	6,355
Deferred tax		–	622
		67,322	119,086
Current assets			
Inventory	20	116	9,480
Trade and other receivables	21	8,901	34,556
Cash	22	4,769	12,143
Assets held for sale	9	4,804	–
		18,590	56,179
Total assets		85,912	175,265
Current liabilities			
Trade and other payables	23	(14,237)	(40,471)
Contingent consideration	29	(2,213)	(1,734)
Current tax liability		(2,264)	(642)
Provisions	28	(1,569)	(372)
Liabilities held for sale	9	(3,038)	–
		(23,321)	(43,219)
Non-current liabilities			
Borrowings	25	(3,727)	(4,357)
Other payables	23	(954)	–
Contingent consideration	29	(3,196)	(3,994)
Deferred tax	30	(1,844)	–
Provisions	28	(3,782)	(1,029)
		(13,503)	(9,380)
Total liabilities		(36,824)	(52,599)
Net assets		49,088	122,666
Equity			
Ordinary share capital		1,164	1,581
Share premium		–	51,737
Merger reserve		4,034	4,034
Capital redemption reserve		417	–
Translation reserve		(434)	(7,115)
Retained earnings		42,950	72,191
Total equity attributable to equity holders of the Company		48,131	122,428
Non-controlling interest reserve		957	238
Total equity		49,088	122,666

The financial statements were approved by the Board of Directors and authorised for issue on 30 September 2016.

They were signed on its behalf by:

Pat Clawson

Chief Executive Officer

Jog Dhody

Chief Financial Officer

Company number: 05113820

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

OUR FINANCIALS

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Non-controlling interest reserve £'000	Capital redemption reserve £'000	Total £'000
Balance as at 30 June 2014	1,581	121,737	4,034	(3,329)	5,820	570	—	130,413
Comprehensive income:								
Profit for the year	—	—	—	—	5,404	(287)	—	5,117
Other comprehensive income:								
Exchange differences arising on translation of foreign entities	—	—	—	(3,786)	—	—	—	(3,786)
Transactions with owners recorded directly in equity:								
Recognition of share-based payments	—	—	—	—	914	—	—	914
Dividends paid	—	—	—	—	(3,381)	—	—	(3,381)
Other transactions:								
Acquisition of non-controlling interest without a change in control	—	—	—	—	(2,938)	—	—	(2,938)
Reserves transfer on acquisition of non-controlling interest	—	—	—	—	45	(45)	—	—
Purchase of Company's own shares	—	—	—	—	(3,673)	—	—	(3,673)
Conversion of share premium account	—	(70,000)	—	—	70,000	—	—	—
Balance as at 30 June 2015	1,581	51,737	4,034	(7,115)	72,191	238	—	122,666
Comprehensive income:								
Loss for the year	—	—	—	—	(24,838)	674	—	(24,164)
Transfer of translation reserve on disposal of subsidiary	—	—	—	4,139	—	—	—	4,139
Other comprehensive income:								
Exchange differences arising on translation of foreign entities	—	—	—	2,542	—	—	—	2,542
Transactions with owners recorded directly in equity:								
Recognition of share-based payments	—	—	—	—	757	—	—	757
Dividends paid	—	—	—	—	(3,071)	—	—	(3,071)
Other transactions:								
Acquisition of non-controlling interest without a change in control	—	—	—	—	(3,046)	—	—	(3,046)
Conversion of share premium account	—	(51,737)	—	—	51,737	—	—	—
On acquisition of subsidiary	—	—	—	—	—	(43)	—	(43)
Reserves transfer on acquisition of non-controlling interest	—	—	—	—	(88)	88	—	—
Repurchase and cancellation of Company's own shares	(417)	—	—	—	(50,692)	—	417	(50,692)
Balance as at 30 June 2016	1,164	—	4,034	(434)	42,950	957	417	49,088

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2016

	Note	30 June 2016 £'000	30 June 2015 £'000
(Loss)/profit for the period		(24,164)	5,117
Adjustments for:			
Results of discontinued operations	9	22,198	(8,382)
Net finance charges	11	933	795
Tax expense	12	649	869
Depreciation on property, plant and equipment	8	113	29
Amortisation of intangible assets	8	668	195
Amortisation of acquired intangible assets	8	2,494	2,026
Share of losses and disposal of joint ventures and associates		1,469	746
Share-based payments expense		1,167	371
Operating cash flow before movement in working capital		5,527	1,766
Acquisition costs		1,343	2,414
Exceptional restructuring costs		–	67
Operating cash flow before movement in working capital and exceptional and acquisition costs		6,870	4,247
Increase in inventories		(41)	(19)
Increase in receivables		(4,749)	(250)
Increase in payables and accruals		4,169	1,462
Decrease in provisions	28	–	(373)
Cash generated from continuing operations		4,906	2,586
Acquisition costs payments		1,080	1,436
Exceptional restructuring payments	7	–	67
Adjusted operating cash flow		5,986	4,089
Interest received	11	68	48
Interest paid		(309)	(424)
Tax paid		(629)	(569)
Net cash inflow from operating activities – continuing operations		4,036	1,641
Net cash (outflow)/inflow from operating activities – discontinued operations	9	(10,890)	5,279
Net cash (outflow)/inflow from operating activities – continuing and discontinued operations		(6,854)	6,920
Cash flows from investing activities			
Purchase of property, plant and equipment		(236)	(145)
Purchase and development of intangible assets		(2,282)	(1,651)
Acquisition of investment in an associate		–	(1,912)
Acquisition of subsidiaries, net of cash acquired	15	(7,485)	(2,450)
Payments made to acquire non-controlling interest		(345)	–
Net cash used in investing activities – continuing operations		(10,348)	(6,158)
Net cash from/(used in) investing activities – discontinued operations	9	65,399	(4,551)
Net cash from/(used in) investing activities – continuing and discontinued operations		55,051	(10,709)
Cash flows from financing activities			
Dividends paid	24	(3,071)	(3,381)
Payment on vesting of share options	32	–	(80)
(Repayment)/drawdown of borrowings	27	(1,223)	4,066
Repurchase of shares		(50,692)	(3,550)
Net cash used in financing activities		(54,986)	(2,945)
Net cash used in financing activities – discontinued operations		–	–
Net cash used in financing activities – continuing and discontinued operations		(54,986)	(2,945)
Net decrease in cash and cash equivalents		(6,789)	(6,734)
Other non-cash movements – exchange rate changes		(585)	(1,918)
Cash and cash equivalents at the beginning of period		12,143	20,795
Cash and cash equivalents at end of period		4,769	12,143
Bank borrowings	27	(3,727)	(4,357)
Net cash		1,042	7,786

NOTES TO THE ACCOUNTS

for the year ended 30 June 2016

1. General Information

Blancco Technology Group Plc is a company incorporated in the United Kingdom under the Companies Act 2006. Details of its registered office are published on page 35, whilst the nature of the Group's operations and principal activities are set out in the Business Review from page 17. These financial statements are presented in thousands pounds sterling, which is the functional currency of the Group and parent company. Foreign operations are included in accordance with the policies set out in note 1.4.

1.1 Basis of Preparation

These consolidated financial statements have been prepared in accordance with all International Financial Reporting Standards ("IFRS") as adopted by the EU ("Adopted IFRS").

A new UK GAAP accounting framework introduced by the Financial Reporting Council (FRC) became mandatorily effective for the financial statements of UK companies with accounting periods commencing on or after 1 January 2015. Under this new framework, the Company has prepared its parent company financial statements to FRS 101. Further details are provided in the notes to the Company Accounts.

Changes in Accounting Policies

There are no changes to existing standards and interpretations listed below that have been enacted and adopted by the Group in the period in the preparation of these financial statements.

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

		Effective for periods beginning on or after:
IFRS 9	Financial Instruments	1 January 2018
Annual improvements to IFRSs 2012-2014 cycle		1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments to IAS 7	Disclosure Initiatives	1 January 2017
Amendments to IFRS 10 and IAS 28	Sale of Contribution Assets between Investor and its Associate of Joint Venture	1 January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
Amendments to IFRS 2	Clarification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 16	Leases	1 January 2019

The IASB has issued IFRS 15 on revenue recognition, which is yet to be endorsed by the European Union. This standard may have a material effect on the Group because of the number and value of multiple-element arrangements it has. The Group is in the process of determining what the effect may be, which given the complexity of the standard and value of revenue contracts is expected to take a considerable time.

The Directors anticipate that adoption of the other standards and interpretations in future periods will have no material impact on the financial statements of the Group.

The financial statements are prepared under the historical cost convention, except where the measurement of balances at fair value is required as set out below. The accounting policies below have been consistently applied to all periods presented in these consolidated financial statements.

1.2 Going Concern

As highlighted in note 25 to the financial statements, the Group meets its day to day working capital requirements through a Revolving Credit Facility which is not due for renewal until October 2019.

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Business Review from page 17. Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facility is also described in this review. In addition, note 29 to the financial statements includes the Group's objectives, policies and processes for managing its capital; and its exposures to credit risk and liquidity risk.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its Revolving Credit Facility.

After making enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of these accounts. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

1.3 Basis of Consolidation

The consolidated financial statements aggregate the results, cash flow and balance sheets of Blancco Technology Group Plc (the "Company") and its subsidiary undertakings (together the "Group") drawn up to 30 June each year. A list of the Company's subsidiary undertakings including details of statutory year ends that differ from the Group is given in note 19. The results of subsidiary undertakings acquired during a financial year are included from the date of acquisition. The financial statements of subsidiaries are prepared in accordance with the Group's accounting policies and to coterminous balance sheet dates.

Subsidiaries comprise the entities controlled by the Group. Control exists when the Group has power over an entity, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that commences.

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. On acquisition of a subsidiary, applicable assets and liabilities existing at the date of acquisition are reflected at their fair values.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the share of the changes in equity since the date of the combination. Losses applicable to the non-controlling interest that are in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group only if there is a binding obligation to fund the losses and the Group is able to make an additional investment to cover the losses. Acquisition of non-controlling interests' equity stakes in the Group's subsidiaries are recorded directly through reserves, with a transfer of the non-controlling interest's share of net assets directly to retained earnings on the date of acquisition.

1.4 Foreign Currencies

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into Sterling at rates of exchange ruling at the balance sheet date. The income statements and cash flow of overseas subsidiaries are translated into Sterling at the weighted average exchange rates applicable during the year and their assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of opening net assets of overseas subsidiaries, together with differences between profit and loss accounts at average and closing rates, are included within other comprehensive income. In addition, exchange differences arising on long term intercompany loans are included within other comprehensive income.

All other exchange differences are accounted for within the income statement.

1.5 Goodwill and Intangible Assets

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a business at the date of the acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Goodwill and other intangible assets with indefinite useful lives are reviewed for impairment annually, or whenever there is an indication that they may be impaired, by comparing the carrying value of the asset, or group of assets, to its recoverable amount. Assets which do not generate cash inflows independent of other assets are aggregated into cash generating units ("CGUs") and the recoverable amount of the CGU to which the asset belongs is estimated. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

The value in use is estimated by calculating the present value of its future cash flow. Impairment charges are recognised in the income statement to the extent that the carrying value exceeds the recoverable amount in the period in which the impairment is identified.

Goodwill acquired in a business combination is allocated to each of the cash generating units that is expected to benefit from the synergies of the combination.

Separately Identifiable Intangible Assets Arising on Business Combinations

Other intangible assets, such as customer relationships, brand names and other intellectual property, are recognised on business combinations if they are separable or arise from a legal or contractual right. Separately identifiable intangible assets are amortised over their expected future lives unless they are regarded as having indefinite useful lives, in which case they are not amortised, but subject to an annual impairment test.

- Customer relationships are being amortised on a straight line basis over three to 12 years.
- Brand names are being amortised on a straight line basis over one to 14 years.
- Intellectual property is being amortised on a straight line basis over one to ten years.
- Amortisation of acquired intangibles is excluded from adjusted operating profit in the Consolidated Income Statement.

Development Expenditure

Expenditure on research and certain development activities is recognised as an expense in the period in which it is incurred. Any internally generated development costs (including software development) are recognised as an asset only if the following criteria are met:

- An asset is created that can be identified.
- It is probable and intended that the asset created will generate future economic benefits.
- The development costs of the asset can be measured reliably.
- There is availability of adequate resources to complete the development.

Amortisation of internally generated development expenditure is included within adjusted operating profit in the Consolidated Income Statement.

Where no internally generated intangible asset can be recognised, the development expenditure is recognised as an expense in the period in which it is incurred.

Internally generated intangible assets are amortised on a straight line basis over four years once the asset is available for use.

Software Licences

Software licences are initially measured at cost. Cost includes the purchase price of the assets and the directly attributable cost of bringing the asset into its intended use. After initial recognition, the intangible asset is carried at cost, less accumulated amortisation, less any accumulated impairment losses. Amortisation is charged evenly over the assets' estimated useful lives, which are between three and five years.

1.6 Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are capitalised only when it is probable that they will result in future economic benefits flowing to the Group and when they can be measured reliably. Depreciation begins when the asset is available for use and is charged to the income statement on a straight line basis so as to write off the cost less residual value of the asset over its estimated useful life as follows:

Leasehold improvements	– over the period of the lease or life of the improvements if less
Plant and machinery	– 16% – 20% per annum
Computer equipment	– 25% – 33% per annum
Motor vehicles	– 25% per annum
Fixtures and fittings	– 16% – 50% per annum

The useful economic lives are reviewed on an annual basis to ensure that they are appropriate.

Gains and losses arising on the disposal of an asset are determined as the difference between the sale proceeds and the carrying amount of the asset and are recognised in the income statement.

1.7 Interests in Joint Ventures and Associates

A joint venture is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control. Joint control exists when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

The Group has an interest in an associate where it has significant influence over the operations of that entity. The Group generally regards an equity ownership of between 20% and 49% to represent significant influence, although other factors are taken into account such as the influence over operating policy decisions.

The Group's interest in jointly controlled entities and associates is accounted for using the equity method. Under this method the Group's share of the profits less losses of jointly controlled entities and associates is included in the Consolidated Income Statement and its interest in their net assets is included in investments in the Consolidated Balance Sheet. Where the share of losses exceeds the interests in the entity the carrying amount is reduced to nil and recognition of further losses is discontinued. Interest in the entity is the carrying amount of the investment together with any long term loan that, in substance, forms part of the net investment in the entity.

1.8 Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes all direct expenditure and an appropriate proportion of attributable overheads that have been incurred in bringing the inventories and work in progress to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. The amount of any write-down of inventories to net realisable value is recognised as an expense in the year in which the write-down occurs.

1.9 Accruals and Provisions

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions in respect of contingent consideration for acquisitions are made at fair value of the likely consideration payable taking account of the performance criteria which affect the level of contingent consideration.

Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount rate is recognised as a finance cost.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

1.10 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and is net of value added tax and other duties. Revenue is recognised when the delivery of goods or services has taken place in accordance with the terms of the sale, there is certainty on the value, recoverability is reasonably assured and risk has transferred to the customer.

Revenue on software sales is recognised according to the terms of individual contracts, which fall into two types either a volume or subscription basis. For sales of licences made under a subscription model, revenue is deferred and recognised over the length of the user agreement. Revenue billed in advance is deferred within deferred income and billing in arrears is recognised in accrued income. Where Blancco products are sold on a volume basis a finite number of 'uses' are delivered. Revenue is recognised on delivery as this is the point at which risk and reward is transferred to the customer and there are no continuing obligations to the Group.

Bundled sales or multiple-element arrangements require the Group to deliver hardware and/or a number of services under one agreement, or a series of agreements which are commercially linked. Under such agreements, an assessment is made over the ability to identify and account for each of the components separately. In order for these components to be identified it is determined whether the component has stand-alone value to the customer and whether the fair value of the component can be measured reliably. If these criteria are deemed to be met the components are accounted for separately.

Where these agreements are accounted for separately, the consideration received is allocated to each of the identifiable components based on the relative fair values. Fair values are determined on a hierarchical basis as follows:

- Evidence where the Group sells on a stand-alone basis.
- Evidence where the same or similar components are being sold by another third party.
- Best estimate of the selling price.

The amount of revenues allocated to the hardware or upfront services is accounted for on delivery and when all revenue recognition criteria are met. The amount allocated to other services is accounted for over the term in which those services are being delivered.

Revenue generated from revenue sharing agreements, which relates wholly to the discontinued business, is recognised in full in revenue with the revenue share due to third parties recognised as a cost of sale.

Revenue share comprises amounts payable to network operators and other sources of product in respect of equipment which is sourced from them and which are sold by the Group to independent third parties.

The following factors are relevant to the accounting treatment for this revenue sharing business as the Group:

- Takes full title and ownership of the products prior to onward sale.
- Is sometimes exposed to stock-holding risks such as loss or damage and also bears the risk of stock obsolescence.
- Processes and decides on the best route to market for the equipment.
- Has full discretion in identifying customers for onward sale of products and establishes the selling price to these customers.
- Bears the full credit risk of these sales.

Given the above factors the gross inflows are recognised as revenue.

The Group undertakes some insurance contracts wholly in the discontinued business, which are accounted for in accordance with IFRS 4 "Insurance Contracts". Under these agreements, the Group receives compensation for administrative as well as insurance services. In all cases the insurance is underwritten to some extent thus limiting the exposure to insurance risk on the Group. The multiple-element arrangements are separated and recognised in accordance with the Group's revenue recognition policy.

The insurance revenue element is recognised on a straight line basis over the life of the Group's policies.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.12 Employee Benefits

Pensions

The Group offers defined contribution pension arrangements to certain employees. Payments to defined contribution pension schemes are expensed as incurred.

Share-based Payments

Historically the Group operated schemes which were based on share price. Some Directors and employees were granted share options which, if certain performance criteria were met, allowed these employees to acquire shares in the Company. Additionally a non-market based scheme for the Software Group began on 30 June 2015, based on business value growth.

The specific schemes are detailed in note 32 to the accounts.

The fair values of options granted after 7 November 2002 under market based schemes are 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 the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

The fair value of options granted under non-market based schemes is recorded in the same way however the fair value is reassessed at each reporting date, with the corresponding change in fair value recorded as an expense with a corresponding increase in liability.

1.13 Own Shares held by EBT

Transactions of the Company-sponsored EBT are treated as being those of the Company and are therefore reflected in the parent company and Group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity.

1.14 Dividends on Shares Presented within Equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

1.15 Leases

Lease arrangements entered into by the Group are assessed at the inception of the lease and classified as either an operating or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of incidental ownership to the lessee. All other lease arrangements are classified as operating leases.

Rentals payable under operating leases are recognised in the income statement on a straight line basis over the periods of the leases. Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown under creditors.

1.16 Financial Instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Equity Instruments

Equity instruments issued by the Group are initially recorded at the proceeds received, net of direct issue costs.

Non-derivative Financial Instruments

Non-derivative financial instruments include investments, cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

- Cash and cash equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the Consolidated Cash Flow Statement.

- Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost.
- Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost.
- Bank borrowings are recognised initially at fair value net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised costs. Any difference between the proceeds (net of transaction costs) and redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

1.17 Government Grants

Government grants are recognised on the balance sheet and released to the income statement either over the term to which the grant relates, or against the applicable expenditure as incurred.

1.18 Adjusted Operating Profit/Adjusted Operating Cash Flow

'Adjusted operating profit' is the key profit measure used by the Board to assess the underlying financial performance of the operating divisions and the Group as a whole. 'Adjusted operating profit' is stated before the following items for the following reasons:

- Acquisition costs, because these are one-off in nature.
- Exceptional restructuring costs, because these are not considered to reflect the underlying performance of the Group's operating businesses.
- Share-based payment charges, because these represent a non-cash accounting charge for long term incentives to senior management rather than the underlying operations of the Group's business.
- Amortisation or impairment of acquired intangible assets because these are non-cash charges arising as a result of the application of acquisition accounting, rather than core operations.
- Disposal of subsidiaries, because these represent a one-off non-cash profit or loss to the Consolidated Income Statement.

'Adjusted operating cash flow' is a key internal measure used by the Board to evaluate the cash flow of the Group. It is defined as operating cash excluding taxation, interest payments and receipts, acquisition cost payments and exceptional restructuring cost payments.

1.19 Adjusted Earnings per Share

An adjusted measure of earnings per share has also been presented, which the Board considers gives a useful additional indication of the Group's performance. Adjusted earnings are stated before amortisation or impairment of acquired intangible assets, amortisation of bank fees, exceptional restructuring costs, acquisition costs, share-based payments, loss on disposal of subsidiaries or associated investments, unwinding of the discounted contingent consideration and adjustments to estimates of contingent consideration.

2. Critical Judgements and Estimations in Applying the Group's Accounting Policies

2.1 Judgements

In the process of applying the Group's accounting policies, management makes various judgements that can significantly affect the amounts recognised in the financial statements. The critical judgements are considered to be the following:

- Recoverability of goodwill and carrying value and useful economic life of other intangible assets.
- Assessment of the fair value of assets and liabilities acquired in business combinations.
- Revenue recognition on new revenue streams in more complex areas of the business.
- Underlying assumptions used in taxation and recoverability of any related deferred tax assets.
- Judgements in determining whether development expenditure meets the criteria for capitalisation.

2.2 Estimations

■ Goodwill and Other Intangible Assets

Determining whether goodwill or other intangibles are impaired requires an estimation of the value in use of the cash generating units to which the goodwill or other intangible is allocated. The value in use calculation includes estimates about future financial performance and long term growth rates and requires management to select a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used in the impairment review are disclosed in note 16 to the financial statements.

■ Revenue Recognition

The Group has developed or acquired new offerings and entered new contracts where revenue recognition is becoming more complex. The complexity arises around identification of the separable elements generating revenue within each contract and estimation of the fair value of those elements. Judgement is also required as to when the obligation under the service agreement was fulfilled and therefore the timing of when revenue may be recognised.

■ Tax

The Group may recognise deferred tax assets in respect of unutilised losses and other temporary differences arising in certain of the Group's businesses. This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profits. If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or temporary difference might be recognised, the value of the deferred tax asset will need to be revised in a future period.

The Group has losses for which no value has been recognised for deferred tax purposes in these financial statements, as future economic benefit of these temporary differences is not probable. If appropriate profits are earned in the future, the temporary difference may result in a benefit to the Group in the form of a reduced tax charge in a future period.

■ Customer Relationships

The assessment of the future economic benefits generated from acquired customer relationships, and the determination of the related amortisation profile, involves a significant degree of judgement based on management estimation of future potential revenue and profit and the useful lives of the assets.

■ Contingent Consideration

The Directors use their judgement to determine the extent to which contingent consideration will be payable. To assist in making this estimation the Directors use all available information when preparing these financial statements.

■ Current Asset Provisions

In the course of normal trading activities, judgement is used to establish the net realisable value of various elements of working capital, principally inventory and trade receivables. Provisions are established for net realisable value and bad and doubtful debt risks. Provisions are based on the facts available at the time and may also be determined by using profiles, based upon past practice, applied to inventory and aged receivables.

In estimating the net realisable value of inventory, judgement is required in assessing their likely value on realisation taking into account market and technological changes.

In estimating the collectability of trade receivables, judgement is required in assessing their likely realisation, including the current creditworthiness of each customer and related ageing of past due balances. Specific accounts are assessed in situations where a customer may not be able to meet its financial obligations due to deterioration of its financial condition, credit ratings or bankruptcy.

The judgement as outlined above is also used when acquiring a company and assessing the net assets acquired to ensure they are stated at their realisable value.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2016

3. Segmental Reporting

As outlined in the Group Strategic Review, the Group's management structure is reported in two distinct divisions:

- The Erasure division focuses on development and delivery of innovative solutions, and includes:
 - Blancco, the global market data leader of erasure software.
 - SafeIT, acquired in September 2014, the leading specialist cloud and networked data erasure business.
 - Tabernus, acquired in September 2015, the US market leader of software erasure products.

Both SafeIT and Tabernus have been integrated into Blancco.

- The Diagnostic division includes Xcaliber Technologies, a smartphone diagnostics software business. The Group held a 49% stake in this business at the start of the year; this increased to 76% in January 2016 when a further 27% was purchased and increased again in March to 100% when the Group purchased the final 24%.
- Aftermarket Services represents the discontinued business and provided the Group's core repair services and insurance offering.

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Continuing operations		
Erasure revenue	21,659	15,014
Diagnostics revenue	1,017	136
Less: share of jointly controlled entity	(289)	(136)
Diagnostics revenue	728	–
Software revenue	22,387	15,014
Erasure	7,592	5,382
Diagnostics	13	–
Software divisional operating profit	7,605	5,382
Corporate costs	(1,516)	(1,359)
Adjusted operating profit	6,089	4,023
Acquisition costs	(1,343)	(2,414)
Exceptional restructuring costs	–	(67)
Amortisation of intangible assets	(2,494)	(2,026)
Share-based payments	(1,167)	(371)
Group operating profit/(loss)	1,085	(855)
Loss on disposal of Xcaliber investment following acquisition	(1,314)	–
Share of results of associates and jointly controlled entities	(155)	(746)
Operating loss	(384)	(1,601)
Finance income	68	48
Unwinding of discount factor on contingent consideration	(292)	(171)
Revaluation of contingent consideration	(293)	–
Other finance costs	(416)	(672)
Net finance cost	(933)	(795)
Loss before tax	(1,317)	(2,396)

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Discontinued operations		
Aftermarket Services revenue	151,901	187,550
Aftermarket Services divisional operating profit	9,711	15,201
Corporate costs	(3,438)	(3,798)
Adjusted operating profit	6,273	11,403
M&A costs	(9,600)	(627)
Exceptional restructuring costs	(1,542)	(611)
Amortisation of intangible assets	(425)	(1,323)
Share-based payments	(714)	(160)
Operating (loss)/profit before disposal of subsidiaries	(6,008)	8,682
Loss on disposal of subsidiaries	–	(1,456)
Operating (loss)/profit	(6,008)	7,226
Finance income	20	95
Revaluation of contingent consideration	–	3,302
Unwinding of discount factor on contingent consideration	(342)	(763)
Other finance costs	(1,337)	(667)
Net finance (cost)/income	(1,659)	1,967
(Loss)/profit before tax	(7,667)	9,193

	Segment assets 2016 £'000	Segment assets 2015 £'000	Segment liabilities 2016 £'000	Segment liabilities 2015 £'000
Erasure	13,037	11,075	13,644	4,318
Diagnostics	965	–	5,961	–
Software	14,002	11,075	19,605	4,318
Corporate	67,106	80,829	14,181	(25,690)
Aftermarket Services	–	83,361	–	73,971
Held for sale	4,804	–	3,038	–
Total Group	85,912	175,265	36,824	52,599

	Capital Expenditure 2016 £'000	Capital Expenditure 2015 £'000	Depreciation & Amortisation 2016 £'000	Depreciation & Amortisation 2015 £'000
Erasure	2,135	1,641	3,130	2,240
Diagnostics	245	–	108	–
Software	2,380	1,641	3,238	2,240
Corporate costs	138	155	37	10
Total Continuing Group	2,518	1,796	3,275	2,250

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2016

Geographical Information

The following geographical information is based on the location of the business units of the Group:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Continuing operations		
Revenue from external customers		
UK	2,821	2,142
Mexico	3,155	1,011
USA	5,925	2,884
Asia Pacific	5,002	4,219
Rest of World	5,773	4,894
	22,676	15,150
Less: share of jointly controlled entity	(289)	(136)
	22,387	15,014

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Discontinued operations		
Revenue from external customers		
UK	20,850	31,900
Germany	27,294	29,098
Poland	40,655	51,167
Spain	19,802	30,755
Rest of World	43,300	44,630
	151,901	187,550

Inter-location Revenue

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Continuing operations		
USA	95	–
Asia Pacific	114	–
	209	–

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Discontinued operations		
UK	–	881
Poland	1,430	972
Romania	584	1,215
Rest of World	646	551
	2,660	3,619

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Non-current assets		
UK	2,183	28,071
Non-UK	65,139	91,015
	67,322	119,086

4. Auditor's Remuneration

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	19	19
The audit of the Company's subsidiaries pursuant to legislation	156	428
Total audit fees	175	447
Non-audit fees		
Other assurance services	150	–
Taxation compliance services	61	33
Taxation advisory services	1,816	1,170
Transaction services	818	144
Non-audit fees	2,845	1,347
	3,020	1,794

The audit fee for the Group has decreased in 2016 as a result of the sale of the Repair Services business.

The non-audit fees have increased significantly due to professional services contracted as part of the disposal process. Services included vendor due diligence assistance, financial reviews and tax advisory services.

The Board considered the level of fees paid to the auditor and in particular the level of non-audit fees. Having considered their own view and the view of KPMG, the Board concluded appropriate safeguards were in place to ensure the independence of the auditor.

5. Operating (Loss)/Profit

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Continuing operations		
Revenue	22,676	15,150
Less: share of jointly controlled entity	(289)	(136)
Group revenue	22,387	15,014
Cost of sales	(1,545)	(458)
Gross profit	20,842	14,556
Adjusted administrative expenses	(14,753)	(10,533)
Adjusted operating profit	6,089	4,023
Other administrative expenses	(5,004)	(4,878)
Loss on disposal of Xcaliber investment following acquisition	(1,314)	–
Share of results of associates and jointly controlled entities	(155)	(746)
Operating loss	(384)	(1,601)
Administrative expenses	(21,226)	(16,157)

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2016

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Discontinued operations		
Revenue	151,901	187,550
Less: share of jointly controlled entity	–	–
Group revenue	151,901	187,550
Cost of sales	(119,794)	(148,509)
Gross profit	32,107	39,041
Adjusted administrative expenses	(25,834)	(27,638)
Adjusted operating profit	6,273	11,403
Other administrative expenses	(12,281)	(2,721)
Loss on disposal of subsidiaries	–	(1,456)
Operating (loss)/profit	(6,008)	7,226
Administrative expenses	(38,115)	(31,815)

6. Acquisition Costs

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Acquisition costs and other M&A related costs	1,343	2,414

Acquisition costs relate to the M&A activity within the year, with the most significant costs relating to the acquisition of Tabernus and Xcaliber.

Deal costs not included above relate to the disposal of the Repair Services business totalling £9.6 million for the period (2015: £0.6 million) as they are presented within discontinued operations.

7. Exceptional Restructuring Costs

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Redundancies and restructuring	–	67
	–	67

No exceptional restructuring costs have been recorded in the current period (2015: £0.1 million relating to integration activities).

Exceptional redundancy and restructuring costs not included above relate to the restructuring activities for the disposal of the Repair Services business totalling £1.5 million for the period (2015: £0.6 million), as they are presented within discontinued operations.

8. (Loss)/Profit for the Year

Loss for the year (2015: profit) for the Group has been arrived at after charging/(crediting):

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Depreciation of property, plant and equipment – owned	523	1,702
(Profit)/loss on disposal of property, plant and equipment	(33)	114
Amortisation of intangible assets	4,058	4,452
Cost of inventories recognised as an expense	81,753	91,372
Staff costs	52,268	60,368
Net foreign exchange loss/(profit)	1,308	(233)

The figures for the Group's continuing operations are as follows:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Depreciation of property, plant and equipment – owned	113	29
Loss on disposal of property, plant and equipment	–	–
Amortisation of intangible assets	3,162	2,221
Cost of inventories recognised as an expense	309	112
Staff costs (note 10)	9,954	6,219
Net foreign exchange loss/(profit)	169	(273)

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2016

9. Discontinued Operations

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Discontinued operations revenue	151,901	187,550
Divisional operating profit	9,711	15,160
Corporate costs	(3,438)	(3,757)
Adjusted operating profit	6,273	11,403
Acquisition and disposal costs	(9,600)	(611)
Exceptional restructuring costs	(1,542)	(627)
Amortisation of intangible assets	(425)	(1,323)
Share-based payments	(714)	(160)
Operating (loss)/profit before disposal of subsidiaries	(6,008)	8,682
Loss on disposal of subsidiaries	–	(1,456)
Operating (loss)/profit	(6,008)	7,226
Revaluation of contingent consideration	–	3,302
Other finance income	20	95
Finance income	20	3,397
Unwinding of contingent consideration	(342)	(763)
Other finance costs	(1,337)	(667)
Finance costs	(1,679)	(1,430)
Profit/(loss) before tax	(7,667)	9,193
Taxation	(609)	(811)
Profit/(loss) for the period	(8,276)	8,382
Post tax loss on disposal of discontinued business	(13,922)	–
Post tax results from discontinued operations	(22,198)	8,382

The discontinued income statement includes both the Repair Services business and the Digital Care businesses. The loss on disposal relates solely to the Repair Services business as the Digital Care business was not sold by 30 June 2016. Assets and liabilities included in the Consolidated Balance Sheet as held for sale relate to the Digital Care business and are as follows:

	2015 £'000
Assets	
Other intangible assets	1,479
Property, plant and equipment	123
Deferred taxation	297
Inventory	31
Trade and other receivables	2,874
Total assets held for sale	4,804
Current liabilities	
Trade and other payables	(3,038)
Total liabilities held for sale	(3,038)

The loss on disposal reconciliation for the disposal of the Repair Services business and Digital Care Sweden AB is as follows:

	Repair Services business £'000	Digital Care Sweden AB £'000	Total £'000
Proceeds	79,914	—	79,914
Assets			
Goodwill	49,816	—	49,816
Other intangible assets	5,118	68	5,186
Property, plant and equipment	7,894	—	7,894
Deferred taxation	2,404	—	2,404
Inventory	9,857	24	9,881
Cash	9,777	619	10,396
Trade and other receivables	27,572	13	27,585
Total assets disposed	112,438	724	113,162
Liabilities			
Trade and other payables	(20,001)	(298)	(20,299)
Deferred consideration	(3,166)	—	(3,166)
Total liabilities disposed	(23,167)	(298)	(23,465)
Transfer of translation differences to income statement	3,292	847	4,139
Loss on disposal	(12,649)	(1,273)	(13,922)

The arrangement for the disposal of Digital Care Sweden was that no proceeds were received but the new owners took on both the cash and the expected cost of the required rationalisation and restructuring subsequent to the acquisition.

On disposal of the Repair Services and Digital Care Sweden businesses, the Group is required to transfer accumulated foreign exchange differences from the translation reserve to the income statement. This charge amounted to £4.1 million and results predominantly from the strengthening of the Sterling relative to overseas currencies in the last 24 months.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2016

The cash flows associated with the discontinued operations are as follows:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
(Loss)/profit for the period	(8,276)	8,382
Adjustments for:		
Net finance charges/(income)	1,659	(1,967)
Tax expense	609	811
Depreciation on property, plant and equipment	410	1,673
Amortisation of intangible assets	471	908
Amortisation of acquired intangible assets	425	1,323
Loss on disposal of subsidiary	—	1,456
Loss on disposal of property, plant and equipment	—	114
Share-based payments expense	714	160
Operating cash flow before movement in working capital	(3,988)	12,860
Increase in inventories	(495)	(358)
Decrease in receivables	809	1,333
Decrease in payables and accruals	(6,004)	(6,329)
Decrease in provisions	(222)	(1,451)
Cash (used in)/generated from discontinued operations	(9,900)	6,055
Interest received	20	—
Interest paid	(655)	(382)
Tax paid	(355)	(394)
Net cash (outflow)/inflow from operating activities – discontinued operations	(10,890)	5,279
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,549)	(2,443)
Purchase and development of intangible assets	(1,575)	(3,098)
Proceeds from sale of property, plant and equipment	—	990
Acquisition of subsidiaries and payment of contingent consideration	(995)	—
Disposal of subsidiaries, net of cash disposed	69,518	—
Net cash from/(used in) investing activities – discontinued operations	65,399	(4,551)

10. Staff Costs

	2016 Continuing Number	2016 Discontinued Number	2016 Total Number	2015 Total Number
Production	44	3,150	3,194	3,396
Sales and business development	89	141	230	142
Administration	20	582	602	681
Research and development	32	30	62	30
	185	3,903	4,088	4,249

	2016 Continuing Number	2016 Discontinued Number	2016 Total Number	2015 Total Number
Aggregate employment costs				
Wages and salaries	7,547	35,823	43,370	51,806
Social security costs	591	4,734	5,325	6,564
Share-based payments	1,167	714	1,881	531
Pension and other staff costs	649	1,043	1,692	1,467
	9,954	42,314	52,268	60,368

Key management personnel have been identified as the main Board. Remuneration of key management personnel is as follows:

	2016 £'000	2015 £'000
Key management personnel costs		
Short term employee benefits	965	1,852
Post-employment benefits	68	117
Share-based payments	1,167	531
	2,200	2,500

The remuneration of individual Directors as detailed in the tables on page 53 and the share interests in the table on page 54 in the Remuneration Report form part of this note to the financial statements.

11. Finance Costs and Finance Income

	2016 £'000	2015 £'000
Continuing operations		
Bank interest receivable and similar income	68	48
Interest payable on borrowings:		
Bank loans and overdrafts	(377)	(436)
Other finance costs	(39)	(236)
Revaluation of contingent consideration (note 29)	(293)	–
Unwind of discount factor on contingent consideration (note 29)	(292)	(171)
Net finance cost	(933)	(795)

Contingent consideration was revalued following the UK decision to exit the European Union, which subsequently resulted in a weakening of the Sterling against the US Dollar, the currency in which the contingent consideration is denominated. The impact was an increase in the present value of the liability in Sterling of £0.3 million.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2016

12. Tax

	2016 £'000	2015 £'000
Continuing operations		
Current tax		
UK corporation tax	(244)	132
Overseas tax	1,481	1,324
Adjustments in respect of prior years	(711)	(318)
Total current tax charge	526	1,138
Deferred tax		
UK	99	(130)
Overseas	(980)	(433)
Adjustments in respect of prior years	1,004	294
Total deferred tax charge/(credit) (note 30)	123	(269)
Tax charge	649	869

UK corporation tax is calculated at 20% (2015: 20.75%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group's total income tax charge for the year can be reconciled to the profit per the Consolidated Income Statement as follows:

	2016 £'000	2015 £'000
Profit before tax	(1,317)	(2,396)
Tax at standard UK corporation tax rate of 20% (2015: 20.75%)	(267)	(497)
Effects of:		
Permanent differences	680	1,657
Rate differences	(168)	(267)
Adjustment in respect of previous periods	293	(24)
Movement on unrecognised deferred tax assets	(84)	–
Effect of change in tax rates	191	–
	649	869

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. The UK deferred tax balances at the year end have been calculated based on a tax rate of 18%.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge.

13. Earnings Per Share (EPS)

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Continuing operations		
Basic earnings per share	(3.69p)	(3.84p)
Diluted earnings per share	(3.69p)	(3.84p)
Adjusted earnings per share	5.63p	2.84p
Diluted adjusted earnings per share	5.63p	2.84p
Discontinued operations		
Basic earnings per share	(31.03p)	10.81p
Diluted earnings per share	(31.03p)	10.81p
Adjusted earnings per share	7.18p	13.34p
Diluted adjusted earnings per share	7.18p	13.34p
Total Group		
Basic earnings per share	(34.72p)	6.97p
Diluted earnings per share	(34.72p)	6.97p
Adjusted earnings per share	12.81p	16.18p
Diluted adjusted earnings per share	12.81p	16.18p

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Continuing operations		
Loss for the period	(1,966)	(3,265)
(Profit)/loss attributable to non-controlling interests	(674)	287
Loss attributable to equity holders of the parent Company	(2,640)	(2,978)
Reconciliation to adjusted profit:		
Unwinding of contingent consideration	292	171
Revaluation of contingent consideration	293	–
Acquisition costs	1,343	2,414
Amortisation of intangible assets	2,494	2,026
Exceptional restructuring costs	–	67
Exceptional bank charges	17	148
Share based payments	1,167	371
Loss on disposal of Xcaliber investment following acquisition	1,314	–
Tax impact of above adjustments	(251)	(14)
Adjusted profit for the period	4,029	2,205

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2016

	2016 £'000	2015 £'000
Discontinued operations		
Loss attributable to equity holders of the parent company	(22,198)	8,382
Reconciliation to adjusted profit:		
Unwinding of contingent consideration	342	763
Revaluation of deferred consideration	–	(3,302)
Acquisition costs	9,600	626
Amortisation of intangible assets	425	1,323
Exceptional restructuring costs	1,542	611
Exceptional bank charges	793	482
Share-based payments	714	160
Disposal of subsidiary	–	1,456
Disposal of discontinued operations	13,922	–
Tax impact of above adjustments	–	(155)
Adjusted profit for the period	5,140	10,346
	'000	'000
Number of shares		
Weighted average number of shares used to calculate earnings per share		
– Basic	71,537	77,550
– Diluted	71,537	77,563

14. Acquisitions during the Year

Acquisition of Tabernus

On 11 September 2015 the Group completed the acquisition of 100% of the issued share capital of Tabernus LLC and Tabernus Europe Limited for a headline price of \$12 million, consisting of consideration of \$11.7 million (£7.7 million) and debt acquired of \$0.3 million (£0.2 million), which was funded through the Group's cash reserves. The debt was immediately settled on completion.

In the ten months to 30 June 2016, this acquisition has contributed total revenue of £1.5 million.

If the acquisition had been completed on the first day of the financial year, management estimates that the benefit to consolidated revenue for the year would have been £1.9 million.

The provisional book value and fair value of the assets acquired and liabilities assumed were as follows:

	Book value £'000	Fair value adjustments and IFRS alignment £'000	Fair value £'000
Intangible assets arising on consolidation	–	1,548	1,548
Property, plant and equipment	30	(30)	–
Deferred tax	–	32	32
Overdraft and other short term borrowings	(175)	–	(175)
Trade and other receivables	257	(42)	215
Trade and other payables	(163)	(1,677)	(1,840)
Net assets acquired	(51)	(169)	(220)
Goodwill			7,544
Total consideration			7,324
Satisfied by:			
Cash paid			6,390
Deferred consideration			934
Total consideration			7,324

The Directors identified a number of adjustments that were required to the book values, following a review of all balance sheet categories. These adjustments include a write off of property, plant and equipment items (£30,000), provision against doubtful debtors (£42,000), provisions against litigations and claims and other unrecorded liabilities (£1,677,000).

Under IFRS 3 “Business Combinations” separately identifiable intangible assets arising from the acquisition have been capitalised. These relate to technology of £583,000, customer contracts of £695,000 and marketing brand of £270,000. The key assumption used was the discount rate for future cash flows, which was estimated at 12%.

Trade receivables acquired totalled £200,000 gross and there was no bad debt provision. The goodwill of £7,544,000 can be attributed to the anticipated growth of the Group, strategic benefits and workforce in place. The goodwill represents the synergies arising on the acquisition.

Contingent Cash Consideration

The acquisition includes an earn-out based on earnings, to be paid in September 2018. The estimated cash outflow at the time of settlement will be \$2 million (£1.3 million). A deferred liability of \$1.4 million (£0.9 million) has been established which represents the fair value at the acquisition date, using a discount rate of 12%. At 30 June 2016 the deferred liability was \$1.6 million (£1.1 million).

Acquisition of Xcaliber

On 4 January 2016 the Group acquired an additional 27% of the issued share capital of Xcaliber Technologies LLC for a consideration of \$0.5 million (£0.3 million), bringing the Group's share to 76%. At this point, the Group is required to account for a disposal of its investments previously held on the balance sheet and reflect ownership of the business, consolidating the results in the income statement and balance sheet from this date.

Xcaliber is a US based software business with a market leading mobile diagnostics technology which adds to our existing diagnostics offering in Europe, the US and globally.

In the six months to 30 June 2016, this acquisition has contributed total revenue of £0.7 million and adjusted operating profit of £nil.

If the acquisition had been completed on the first day of the financial year, management estimates that the benefit to consolidated revenue for the year would have been £1.3 million and the benefit to consolidated adjusted operating profit would have been £nil.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2016

The provisional book value and fair value of the assets acquired and liabilities assumed at 4 January 2016 were as follows:

	Book value £'000	Fair value adjustments and IFRS alignment £'000	Fair value £'000
Intangible assets arising on consolidation	—	1,835	1,835
Property, plant and equipment	31	—	31
Deferred tax	102	(146)	(44)
Cash	431	—	431
Trade and other receivables	520	(15)	505
Trade and other payables	(1,676)	(2,081)	(3,757)
Total net assets	(592)	(407)	(999)
Non-controlling interest			43
Net assets acquired			(956)
Goodwill			1,936
Total consideration			980
Satisfied by:			
Cash paid			342
Disposal of 49% associate			638
Total consideration			980

A loss of £1.3 million was recognised on the disposal of the 49% interest on 4 January 2016 which was required to be accounted for immediately prior to the accounting for the acquisition.

The Directors identified a number of adjustments that were required to the book values, following a review of all balance sheet categories. These adjustments include provisions against litigations and claims and other unrecorded liabilities (£2.1 million).

Under IFRS 3 “Business Combinations” separately identifiable intangible assets arising from the acquisition have been capitalised. These relate to technology of £1,687,000, customer contracts of £38,000 and marketing brand of £111,000. The key assumption used was the discount rate for future cash flows, which was estimated at 14%.

Trade receivables acquired totalled £500,000 gross and there was a £1,000 bad debt provision. The goodwill of £1,936,000 can be attributed to the anticipated growth of the Software group, strategic benefits and workforce in place.

On 17 March 2016 the Group completed the purchase of an additional 24% of the issued share capital of Xcaliber Technologies LLC for \$0.5 million (£0.3 million), bringing the Group's share to 100%. The acquisition was funded through the Group's cash reserves. On completion, all debts to companies associated with the seller were settled amounting to an additional cash outflow of \$0.4 million (£0.3 million).

The second investment was made to obtain the full ownership of the business from the previous partner, while the first was an investment to enhance the operations business, and accordingly the two transactions have been accounted for separately.

This investment represents the buyout of the non-controlling interest at this date, which does not require a fair value assessment as this was already completed on 4 January 2016. In accordance with IFRS 10 “Consolidated Financial Statements” the purchase price for the acquisition has been taken directly to the profit and loss reserve.

Contingent Consideration

The investment on 17 March 2016 includes an earn-out to be paid over various stages of the next three years. The estimated cash outflow at the time of settlement will be \$4.7 million (£3.4 million). A deferred liability of \$3.8 million (£2.7 million) has been established which represents the fair value at the investment date, using a discount rate of 14%. At 30 June 2016 the deferred liability was \$3.8 million (£2.9 million).

Acquisitions in the Year Ended 30 June 2015

Acquisition of SafelT

On 2 September 2014 the Group completed the acquisition of 100% of the issued share capital of SafelT Security Sweden AB for a consideration of €1.8 million (£1.4 million), which was funded through the Group's cash reserves.

In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2014.

The book value and fair value of the assets acquired and liabilities assumed were as follows:

	Book value £'000	IFRS alignment £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets – customer contracts	–	–	197	197
Property, plant and equipment	3	–	(3)	–
Deferred tax	(11)	–	18	7
Cash	153	–	–	153
Trade and other receivables	29	–	(27)	2
Trade and other payables	(55)	(100)	(210)	(365)
Net assets acquired	119	(100)	(25)	(6)
Goodwill				1,410
Total consideration				1,404
Satisfied by:				
Cash paid in H1 2015				1,404
Total consideration				1,404

There were a number of fair value adjustments identified to get to the fair value following a review of all balance sheet categories. These adjustments include £197,000 relating to customer contracts intangibles, a provision against doubtful debtors (£27,000), write off of previously disposed property, plant and equipment (£3,000), and the recognition of accruals in respect to litigation, claims and other unrecorded liabilities (£310,000).

Trade receivables acquired totalled £29,000 gross and there was no bad debt provision. The goodwill of £1,410,000 can be attributed to the anticipated growth of the Software group, strategic benefits and workforce in place.

Acquisition of Non-controlling Interests in Blancco

On 2 September 2014 the Group acquired the remaining 25% of the share capital of Blancco Sweden SFO which it did not already own for an initial cost of SEK 2.8 million (£0.2 million). The acquisition also includes an earn-out for the period to March 2016 and March 2017 based upon some growth metrics above a pre-agreed target revenue. The estimated cash outflow at the time of settlement is difficult to predict but has been estimated as £1.9 million. A deferred liability of £1.3 million has been established which represents the fair value at the acquisition date, using a discount rate of 13.1%. At 30 June 2015, the deferred liability had increased to £1.9 million. The earn-out is payable partly in Euros and partly in Swedish Krone.

On 30 September 2014 the Group acquired the remaining 40% of the share capital of Blancco US LLC which it did not already own for a cost of \$1.2 million (£0.7 million). There is no earn-out.

On 30 June 2015 the Group acquired the remaining 20% of the share capital of Blancco Central Europe GmbH which it did not already own for a cost of €0.4 million (£0.3 million). There is no earn-out.

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for the year ended 30 June 2016

The buyouts of non-controlling interests do not require a fair value assessment as both companies were already under control of the Group when the initial Blancco acquisition was completed on 16 April 2014.

In accordance with IFRS 10 "Consolidated Financial Statements", the purchase prices for each acquisition have been taken directly to the P&L reserve, in addition to the non-controlling interest in the balance sheet attributable to Blancco Sweden SFO, Blancco US LLC and Blancco Central Europe GmbH as at the respective acquisition dates.

15. Cash Flow – Acquisition of Subsidiaries Net of Cash Acquired

Within the Consolidated Cash Flow Statement, the cash flow relating to acquisitions net of cash acquired is reconciled as per the table below:

	£'000
Tabernus acquisition – initial cash consideration	6,390
Tabernus acquisition – overdraft	4
Tabernus acquisition – debt	171
Xcaliber acquisition – initial cash consideration	342
Xcaliber acquisition – cash acquired	(431)
Xcaliber acquisition – debt	288
Payment of contingent consideration on Blancco Sweden acquisition	721
Net cash flow – acquisition of subsidiaries, net of cash acquired	7,485

No cash or overdraft was acquired as part of the non-controlling interest buyouts since the cash balances were consolidated by virtue of the existing shareholding being a controlling stake.

Cash outflow on the buyout of the Xcaliber non-controlling interests was £0.3 million.

16. Goodwill

	£'000
Cost	
At 1 July 2015	89,738
Acquisitions	9,480
Disposals	(56,397)
At 30 June 2016	42,821
Accumulated impairment losses	
At 1 July 2015	6,581
Disposals	(6,581)
At 30 June 2016	–
Net book value	
At 30 June 2016	42,821
At 30 June 2015	83,157

The addition to goodwill in the year relates to the acquisitions of Tabernus and Xcaliber (see note 14).

The Directors have assessed the recoverable amount of the Group's goodwill as at 30 June 2016. The recoverable amount of each cash generating unit ("CGU") has been determined from the value in use, calculated with reference to the net present value of its future cash flow.

Cash flow projections are based on the latest budget for each CGU approved by the Board. Beyond this, the projections extend to 20 years using a long term growth rate for each CGU which the Directors consider to be specific to the business. This exceeds the post-war real annual average growth in GDP in the markets the Group serves; however the assessment to impairment is not considered sensitive to changes in this assumption.

In establishing the discount factor for each CGU, the Group's weighted average cost of capital was calculated and then flexed according to CGU geographical spread, customer concentration, length of customer contracts and risk of loss, breadth of services offered, longer term profitability trend, unique selling points, expected business change and growth opportunity.

The Board believes that, even in the current economic conditions, any reasonable change in the key assumptions on which the recoverable amounts are based would not cause the CGU's carrying amount to exceed the recoverable amount.

	2016 Carrying value £'000	2015 Carrying value £'000
Aftermarket Services	–	49,816
Erasure	40,885	33,341
Diagnostics	1,936	–
Total Goodwill	42,821	83,157

The average long term growth rates and pre-tax discount rates applied are as follows:

	2016 Growth rate %	2016 Discount rate %	2015 Growth rate %	2015 Discount rate %
Erasure	15.0%	13.5%	15.0%	12.64%
Diagnostics	15.0%	14.0%	–	–

Management has undertaken sensitivity analysis on a number of the key assumptions in the value-in-use calculations. Sensitivity analysis on the discount rate shows that the discount rate would have to increase to a minimum of 25% for erasure and to a minimum of 41% for diagnostics before impairment was triggered in any CGU. Sensitivity analysis was applied to the cash flows used to determine the value in use by reducing growth rates to 3.1% growth and nil respectively. On the basis of the sensitivity analysis undertaken in relation to cash flows, Group management concluded that there is a more than adequate amount of headroom in the value-in-use calculations before an impairment would be triggered.

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for the year ended 30 June 2016

17. Other Intangible Assets

	Brand name £'000	Intellectual property £'000	Customer contracts £'000	Development expenditure £'000	Software licences £'000	Total £'000
Cost						
At 1 July 2014	2,888	11,872	10,960	5,277	4,846	35,843
Additions	–	–	–	3,959	790	4,749
On acquisitions	–	–	197	–	–	197
Disposals	–	–	–	(219)	(1,357)	(1,576)
Reclassification	–	–	–	(1,141)	–	(1,141)
Exchange movement	–	–	–	(66)	(485)	(551)
At 30 June 2015	2,888	11,872	11,157	7,810	3,794	37,521
Additions	–	–	–	2,542	1,315	3,857
On acquisitions	381	2,270	733	–	–	3,384
Disposals	–	–	(3,600)	(6,430)	(4,119)	(14,149)
Reclassification	–	–	–	(483)	483	–
Exchange movement	–	–	–	734	615	1,349
Reclassification of assets held for sale	–	–	–	(717)	(1,044)	(1,761)
At 30 June 2016	3,269	14,142	8,290	3,456	1,044	30,201
Accumulated amortisation						
At 1 July 2014	43	247	2,994	1,453	2,627	7,364
Charge for the year	206	1,187	787	1,169	1,103	4,452
Disposals	–	–	–	(407)	(724)	(1,131)
Exchange movement	–	–	–	8	(213)	(205)
At 30 June 2015	249	1,434	3,781	2,223	2,793	10,480
Charge for the year	431	1,317	1,171	409	730	4,058
Disposals	–	–	(3,083)	(2,233)	(3,316)	(8,632)
Reclassifications	–	–	–	140	(140)	–
Exchange movement	–	–	–	166	340	506
Reclassification of assets held for sale	–	–	–	(12)	(270)	(282)
At 30 June 2016	680	2,751	1,869	693	137	6,130
Net book value at 30 June 2016	2,589	11,391	6,421	2,763	907	24,071
Net book value at 30 June 2015	2,639	10,438	7,376	5,587	1,001	27,041
Net book value at 30 June 2014	2,845	11,625	7,966	3,824	2,219	28,479

The Group's continuing operations capitalised internal development expenditure of £1.7 million (2015: £1.3 million) predominantly in the continued development of Blancco software and Xcaliber diagnostics. Amortisation of internally generated development expenditure for the Group's continuing operations is £0.5 million (2015: £0.1 million).

18. Property, Plant and Equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 July 2014	4,862	9,341	6,529	107	3,295	24,134
Additions	588	364	752	–	884	2,588
Disposals	(621)	(1,864)	(1,741)	(15)	(210)	(4,451)
Reclassification	–	1,141	–	–	–	1,141
Exchange movement	(425)	(509)	(310)	(5)	(255)	(1,504)
At 30 June 2015	4,404	8,473	5,230	87	3,714	21,908
Additions	402	451	487	1	444	1,785
Acquisitions	–	–	30	–	1	31
Disposals	(4,824)	(9,385)	(6,016)	(93)	(4,219)	(24,537)
Reclassification	–	(6)	(5)	–	11	–
Exchange movement	397	469	421	5	471	1,763
Reclassification of assets held for sale	(116)	(2)	(50)	–	(5)	(173)
At 30 June 2016	263	–	97	–	417	777
Accumulated depreciation						
At 1 July 2014	2,936	7,772	5,476	45	2,564	18,793
Charge for the year	461	146	663	17	415	1,702
Disposals	(584)	(1,413)	(1,718)	(9)	(153)	(3,877)
Exchange movement	(250)	(400)	(238)	(5)	(172)	(1,065)
At 30 June 2015	2,563	6,105	4,183	48	2,654	15,553
Charge for the year	164	48	176	–	135	523
Disposals	(2,759)	(6,354)	(4,706)	(59)	(2,998)	(16,876)
Reclassifications	–	(5)	(4)	–	9	–
Exchange movements	237	207	442	11	299	1,196
Reclassification of assets held for sale	(13)	(1)	(30)	–	(5)	(49)
At 30 June 2016	192	–	61	–	94	347
Net book value at 30 June 2016	71	–	36	–	323	430
Net book value at 30 June 2015	1,841	2,368	1,047	39	1,060	6,355
Net book value at 30 June 2014	1,926	1,569	1,053	62	731	5,341

There are no assets held under finance leases.

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19. Investments

The Group's subsidiary undertakings and joint ventures are as follows:

Company name	Principal activity of the company	Ownership percentage by the Group as at 30 June 2016	Country of incorporation
Held directly by the Company			
Blancco Central Services Ltd	Intermediate Services Company	100%	England and Wales
Blancco Finance Ltd	Intermediate Holding Company	100%	England and Wales
Blancco (Software) Services Ltd	Intermediate Holding Company	100%	England and Wales
Blancco TrustSub Ltd	Trustee for the Regeneris Employee Benefit Trust	100%	England and Wales
Blancco Trustees Ltd	Trustee for the Regeneris Employee Benefit Trust	100%	England and Wales
Ucare Digital Services Ltd	Intermediate Services Company	100%	England and Wales
Vantage (IG) Ltd	Intermediate Holding Company	100%	England and Wales
Vantage Refurbishment LLP	Non-trading entity	100%	England and Wales
Vantage (Sweden) Ltd	Investment Holding Company	50%	England and Wales
Held indirectly by the Company			
Vantage Mobile Diagnostics Ltd	Non-trading entity	100%	England and Wales
Regeneris Nordic AB	Non-trading entity	50%	Sweden
Blancco APAC Pte Limited	Data Erasure	100%	Singapore
Tabernus Europe Limited	Data Erasure	100%	England and Wales
Vantage Distribution Ltd	Non-trading entity	100%	England and Wales
Blancco Finland Acquisitions Oy	Intermediate Holding Company	100%	Finland
Vantage Finland Oy	Non-trading entity	100%	Finland
Blancco Diagnostics (India) Pvt Ltd	Smartphone diagnostics	100%	India
Blancco Cooperatife WA	Intermediate Holding Company	100%	Netherlands
Blancco Finance BV	Intermediate Holding Company	100%	Netherlands
Blancco Finance US BV	Intermediate Holding Company	100%	Netherlands
Blancco (Software) Netherlands BV	Intermediate Holding Company	100%	Netherlands
Digital Care Sp. z.o.o.	Extended warranty and insurance services	100%	Poland
Blancco Software Services Inc	Intermediate Holding Company	100%	United States of America
Blancco Services LLC	Intermediate Services Company	100%	United States of America
Blancco Mobile Diagnostics Inc	Intermediate Holding Company	100%	United States of America
Tabernus LLC	Data Erasure	100%	United States of America
Xcaliber Technologies LLC*	Smartphone diagnostics	100%	United States of America
Xcaliber IP LLC*	Smartphone diagnostics	100%	United States of America
Blancco Oy Ltd	Data erasure	100%	Finland
Blancco UK Ltd	Data erasure	100%	England and Wales
Blancco Italy SRL	Data erasure	100%	Italy
Blancco France SAS	Data erasure	51%	France
Software Blancco S.A. de C.V. Mx	Data erasure	51%	Mexico
Blancco US LLC	Data erasure	100%	United States of America
Blancco Central Europe GmbH*	Data erasure	100%	Germany
Blancco Canada Inc	Data erasure	50%	Canada
Blancco SEA Sdn Bhd	Data erasure	100%	Malaysia
Blancco Australasia Pty Ltd†	Data erasure	51%	Australia
Blancco Japan Inc*	Data erasure	51%	Japan
Blancco Sweden SFO*	Data erasure	100%	Sweden
SafelT Security Sweden AB	Data erasure	100%	Sweden

* Year end date is 31 December.

† On 17 August 2016 we purchased the remaining 49% and the holding of the Group is now 100%.

Investments in Part Owned Subsidiaries

Summarised financial information relating to each of the Group's subsidiaries with non-controlling interests ("NCI") that are material to the Group, before any intra-Group eliminations, is shown below. These are aggregated for all Blancco subsidiaries as they are performing the same function for the Group in different jurisdictions:

	Xcaliber* 2016 £'000	Blancco 2016 £'000	Blancco† 2015 £'000
Share holdings	76%	50–51%	50–80%
Current assets	–	6,379	2,426
Non-current assets	–	192	206
Current liabilities	–	(4,538)	(1,655)
Non-current liabilities	–	(80)	(82)
Net assets	–	1,953	895
Net assets attributable to NCI	–	957	238
Revenue	420	9,901	7,507
Profit after taxation	(165)	1,466	(667)
Profit/(loss) after taxation attributable to NCI	(45)	719	(287)

* For the period 1 January 2016 to 31 March 2016 only.

† Revenue and profit includes subsidiaries in the prior year, being Blancco Central Europe GmbH, Blancco Sweden SFO and Blancco US LLC, for the periods in which they were non-100% owned.

The deferral of subscription revenue resulted in a net loss for the non-100% owned subsidiaries in 2015. The increase in sales base and mix transition towards volume contracts (on which revenue is not deferred) has resulted in a profit generated by these subsidiaries in the year.

The Group's share of associates' assets, liabilities, income and expenses, which were comprised of Xcaliber Technologies LLC for the six months to 31 December 2016 (2015: full year), are as follows:

	2016 £'000	2015 £'000
Current assets	–	491
Current liabilities	–	(526)
Non-current assets	–	694
Non-current liabilities	–	–
Net assets	–	659
Group's share of net assets (49%)	–	323
Goodwill	–	1,527
Carrying amount of investment in associate	–	–
Income	578	277
Expense	(888)	(1,798)
Net expense of equity accounted investments	(310)	(1,521)
Group's share of revenue	289	136
Group's share of net expense	(155)	(746)

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The reconciliation of equity accounted investments is as follows:

	2016 £'000	2015 £'000
At 1 July	1,850	10
Transfer of carrying value on recognition of significant influence	61	684
Acquisition of investment	195	1,912
Disposal of investment	(1,951)	(10)
Retained loss	(155)	746)
At 30 June	–	1,850

The Group's investments are presented in the following captions in the balance sheet:

	2016 £'000	2015 £'000
Equity accounted investments	–	1,850
Other investments	–	61
Total	–	1,911

20. Inventories

	2016 £'000	2015 £'000
Raw materials	–	7,214
Work in progress	–	515
Finished goods	116	1,751
	116	9,480

21. Trade and Other Receivables

	2016 £'000	2015 £'000
Trade receivables	8,080	22,850
Less: provision for doubtful trade receivables	(372)	(204)
Trade receivables net of provision	7,708	22,646
Prepayments and accrued income	1,193	11,910
	8,901	34,556

A reconciliation of the movement in the provision for doubtful trade receivables is as follows:

	2016 £'000	2015 £'000
At 1 July	204	534
Provision created	620	48
On acquisition of subsidiary	42	27
Amounts written off as uncollectable	(99)	(29)
Amounts recovered during the year	(56)	(195)
Amounts written off resulting from disposal of subsidiary or classified as held for sale	(339)	(181)
At 30 June	372	204

22. Cash and Cash Equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	4,769	12,143

23. Trade and Other Payables

Included within the trade and other payables current liability are:

	2016 £'000	2015 £'000
Trade payables	2,378	14,795
Other taxes and social security	351	1,786
Other payables	82	4,444
Accruals	7,626	16,530
Deferred income	3,800	2,916
	14,237	40,471

Included within the other payables non-current liability are:

	2016 £'000	2015 £'000
Deferred income	954	–
	954	–

24. Dividends

	2016 £'000	2016 Pence per share	2015 £'000	2015 Pence per share
Previous year final	2,565	3.35	2,118	2.68
Current year interim dividend	506	0.66	1,263	1.65
	3,071	4.01	3,381	4.33

The dividend was paid in each period to all shares which did not waive right to a dividend. In each period, the shares held by the Blancco Employee Trust waived the right to a dividend.

25. Bank Borrowings

	2016 £'000	2015 £'000
Due after more than one year:		
Secured bank loan	3,727	4,357
Repayable:		
In the first to second years inclusive	–	4,357
In the third to fifth years inclusive	3,727	–

The bank borrowing is secured on the majority of the Group's assets for the duration of the Revolving Credit Facility. The total facility available to the Group as at 30 June 2016 totalled £11.5 million (2015: £39.0 million), of which £3.7 million (2015: £4.6 million) had been drawn down in cash, resulting in an unutilised facility of £7.8 million (2015: £34.4 million). Borrowing costs of £nil (2015: £0.3 million) are setoff against the amount owing at year end.

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In September 2015 the Group extended the term of its banking facility with HSBC from October 2016 to October 2019, which gives Blancco clear certainty of funding over the next three years.

In April 2016, following the disposal of the Repair Services business, the banking facility was renegotiated for the continuing software group in order to provide an appropriate level of financing for the current profitability, which resulted in the reduction of the total available facility.

All banking covenants have been satisfied in the year and show headroom for the foreseeable future.

26. Net Cash

	2016 £'000	2015 £'000
Cash	4,769	12,143
Bank borrowings (non-current)	(3,727)	(4,357)
	1,042	7,786

27. Reconciliation of Movement in Net Cash

	Net cash at 1 July 2015 £'000	Cash flow £'000	Repayment of borrowings £'000	Other non-cash items £'000	Net cash at 30 June 2016 £'000
Cash at bank and in hand	12,143	(6,789)	–	(585)	4,769
Borrowings	(4,357)	–	1,223	(593)	(3,727)
	7,786	(6,789)	1,223	(1,178)	1,042

28. Provisions

	Onerous leases £'000	Tax and other provisions £'000	Total £'000
At 1 July 2015	1,401	–	1,401
On acquisitions and disposals	(857)	5,029	4,172
Utilised during year	(222)	–	(222)
At 30 June 2016	322	5,029	5,351

Opening provisions relate to onerous lease and dilapidation provisions relating to the restructuring in Glasgow, and onerous lease provisions in relation to the acquired Xcaliber business. In April 2016 the Repair Services business was sold and the existing provisions relating to this business are no longer required.

The tax and other provisions represent other potential liabilities arising from the M&A activity in the year, which requires the fair value of such items to be recognised.

	2016 £'000	2015 £'000
Current	1,569	372
Non-current	3,782	1,029
	5,351	1,401

29. Financial Instruments – Risk Management

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising return for stakeholders through the optimisation of the debt and equity balance.

The Group's capital structure is as follows:

	2016 £'000	2015 £'000
Total borrowings	(3,727)	(4,357)
Cash and cash equivalents	4,769	12,143
Net cash	1,042	7,786
Equity holders of the Company	48,131	122,428
Gearing ratio (net debt to equity)	n/a	n/a

Debt is primarily used for financing acquisitions.

Under the Revolving Credit Facility the Group is subject to certain financial covenants relating to:

- Leverage – the ratio of total net debt to EBITDA.
- Interest cover – the ratio of EBITDA to total debt costs.
- Capital expenditure – any obligation treated as such under accounting principles.

The Group has complied with these financial covenants in the year and future forecasts indicate these will be met for the foreseeable future.

Categories of Financial Instruments

The following assets and liabilities at carrying values meet the definition of financial instruments and are classified according to the following categories:

	2016 £'000	2015 £'000
Assets carried at amortised cost		
Trade and other receivables	8,901	34,556
Cash	4,769	12,143
Financial assets	13,670	46,699
	2016 £'000	2015 £'000
Liabilities carried at amortised cost		
Trade and other payables	15,191	40,471
Income tax payable	2,264	642
Borrowings	3,727	4,357
Liabilities carried at fair value		
Contingent consideration	5,409	5,728
Financial liabilities	26,591	51,198

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for the year ended 30 June 2016

Estimation of Fair Values

The table above analyses financial instruments into a fair value hierarchy based on the valuation technique used to determine fair value.

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).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The only Level 3 instrument is contingent consideration liability and is carried at fair value derived using a Level 3 valuation method. The movement in the fair value is shown below:

	Blanco Sweden £'000	Xcaliber £'000	Tabernus £'000	Total £'000
At 30 June 2015	1,910	—	—	1,910
Created on acquisition/investment	—	2,701	934	3,635
Unwinding of discount factor on contingent consideration	200	5	87	292
Part-payment of contingent consideration	(721)	—	—	(721)
Revaluation of contingent consideration	21	158	114	293
At 30 June 2016	1,410	2,864	1,135	5,409

The remaining contingent consideration payable for the Blanco Sweden acquisition falls due in March 2017 and accordingly £1.4 million has been reclassified from non-current to current liabilities at 30 June 2016.

Part of the contingent consideration payable for the acquisitions in the year falls due within one year of the balance sheet date and accordingly £0.8 million has been classified as current liabilities at 30 June 2016.

The fair value for Blanco Sweden and Xcaliber is calculated based on forecast performance, and therefore the valuation is most sensitive to movements in forecast EBIT. An estimate of the range of the amount payable cannot be determined because the calculation relies on earnings.

The Tabernus contingent consideration is not considered to be sensitive to any forecast assumptions.

- For the other financial assets and financial liabilities, the carrying value and fair value are considered to be the same with the following assumptions:
- For trade and other receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value.
- For cash and cash equivalents, the amount reported on the balance sheet approximates to fair value.
- For borrowing at floating rates, the carrying value is deemed to reflect the fair value as it is considered to represent the price of the instrument in the marketplace.

Financial Risk Management

The main risks arising from the Group's financial instruments were market risk (including foreign currency risks and interest rate risk), liquidity risk and credit risk. The Group seeks to minimise the effects of these risks by developing and consistently applying Board approved policies and procedures. Such policies and procedures are regularly reviewed for their appropriateness and effectiveness to deal with the changing nature of financial risks.

Market Risk – Interest Rate Risk

The Group holds cash in a variety of currencies within the business units in order to meet working capital requirements.

During the year, the Revolving Credit Facility attracted margins of between 2.00% and 2.75% above LIBOR (for GBP amounts drawn down) and between 2.00% and 2.75% above EURIBOR (for EUR amounts drawn down) depending on the ratio of EBITDA to net debt. In the prior year, the margin also ranged between 2.00% and 2.75%, also depending on the ratio of EBITDA to net debt. The undrawn part of the Revolving Credit Facility is subject to a charge during its availability computed at 40% of margin.

A change in the LIBOR or EURIBOR rate of 1% would increase or decrease the annual interest charge on the Revolving Credit Facility drawn down as at 30 June 2016 of £3,750,000 (2015: £4,400,000) by £37,000 (2015: £44,000).

The CFO continues to monitor the exposure to interest rate risk and the requirement to use an interest rate swap agreement or other financial instruments.

Foreign Currency Risk

One of the risks that the Group faces in doing business in overseas markets is currency fluctuations. The Group takes the following approach to managing currency fluctuations:

- The CFO conducts a quarterly review of the Group's currency hedging activities.
- A formal recommendation for any changes is then made to the Board once every half year.

The Group's hedging policy is the responsibility of the Board. The Group adopts the following hedging activities:

- We undertake a limited number of forward contracts for certain payments and receipts, where the amounts are large, are not denominated in the local country's functional currency, where the timing is known in advance, and where the amount can be predicted with certainty.
- We undertake natural hedging between the cash and loan balances of different currencies.
- We undertake natural hedging by structuring and paying future earn-outs on acquisitions in the target company's local currency.
- We do not undertake any other hedging activities in respect of tangible and intangible fixed assets, working capital such as stock, debtors, or creditors, or other balance sheet items, as these are generally small in nature in any one individual country. We do not undertake any cash flow or profit hedging activities to insulate from currency movements in respect of overseas earnings, as the earnings cannot be assessed with any high degree of accuracy in terms of timings and amounts.

The Group has a good mix of business across ten main currencies and this does provide some degree of smoothing of currency movements in any one country through a portfolio effect. Over the last few periods this has resulted in a sensible and well managed position.

The table below shows the extent to which the Group had significant monetary assets and liabilities denominated in currencies other than the local currency of the company in which they are recorded.

	JPY denominated		Euro denominated		USD denominated	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Monetary assets	728	512	1,145	5,198	2,941	2,677
Monetary liabilities	–	–	(113)	(2,364)	(3,061)	(3,062)
Net monetary (liabilities)/assets	728	512	1,032	2,834	(120)	(385)

The liability for contingent consideration is not included in the above figures, since this is denominated in the currency of the businesses being acquired, and a natural hedge is created against the future profitability of the acquired business.

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for the year ended 30 June 2016

Sensitivity Analysis

This quantifies the impact of change in value of assets and liabilities denominated in a currency other than the functional currency of that business unit. A 10% appreciation/depreciation of the Japanese Yen, the Euro and the US Dollar against Sterling, applied to the net exposures as at 30 June, would give rise to the following gain/(loss) in the retranslation of these balances:

	JPY denominated		Euro denominated		USD denominated	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Profit/(loss) before tax – gain/(loss)						
10% appreciation of JPY/Euro/USD	73	51	103	283	(12)	(39)
10% depreciation of JPY/Euro/USD	(73)	(51)	(103)	(283)	12	39

The analysis has been performed using the Group exchange rates at the 30 June 2016 reporting date of 1.202 €/£ (2015: 1.41 €/£); 136.50 JPY/£ (2015: 191.97 JPY/£); and 1.33 US\$/£ (2015: 1.57 US\$/£). The Group is exposed to fluctuations in exchange rates on the translation of net assets and profits earned by its subsidiaries in Australia, Canada, France, Germany, India, Japan, Malaysia, Mexico and the USA. These profits are translated at the prior month closing exchange rate during the year, which is an approximation to the rates at the date of the transaction.

Credit Risk

The top ten customers (all of which are major businesses or large public sector clients) account for 31.63% (2015: 22.31%) of the Group's revenue and hence there is some customer reliance risk, although the biggest single customer represents 7.78% (2015: 6.62%) of revenue. This is distinct from credit risk.

Over the past year the ageing profile has remained strong and, as at the year end, 83% (2015:85%) of our trade receivables balances were in terms and therefore the Board believes these balances do not present a significant credit risk which could lead to a loss for the Group.

Ageing of trade receivables, net of impaired balances, is as follows:

	2016 £'000	2016 %	2015 £'000	2015 %
Neither past due nor impaired	6,378	83%	19,151	85%
Past due but not impaired				
Less than 30 days overdue	513	7%	2,498	11%
30 to 60 days overdue	202	2%	640	3%
More than 60 days overdue	615	8%	357	1%
	7,708	100%	22,646	100%

The average credit period taken on sales is 52 days (2015: 55 days).

The Group has provided for specific trade receivables where the recoverability is uncertain. As at 30 June 2016 the doubtful debtors balance was £372,000 (2015: £204,000). The Board believes there is no further provision required in excess of the allowance for doubtful debts.

Receivables are written off against the impairment provision when management considers the debt is no longer recoverable.

Liquidity Risk

The Group ensures that there are sufficient levels of committed facility, cash and cash equivalents to ensure that the Group is at all times able to meet its financial commitments.

The total facility available to the Group as at 30 June 2016 totalled £11.5 million (2015: £39.0 million), of which £3.7 million (2015: £4.6 million) had been drawn down in cash, resulting in an unutilised facility of £7.8 million (2015: £34.4 million).

The table below summarises the contractual maturity profile of the Group's financial liabilities:

	2016 Effective interest rate (%)	2016 Less than one year £'000	2016 One to five years £'000	2015 Effective interest rate (%)	2015 Less than one year £'000	2015 One to five years £'000
Trade and other payables	—	14,237	954	—	40,471	—
Income tax payable	—	2,264	—	—	642	—
Provisions	—	1,569	3,782	5	372	1,029
Bank borrowings	3	—	4,027	3	—	4,357
		18,070	8,763		41,485	5,386

30. Deferred Tax Assets/Liabilities

	At 1 July 2015 £'000	Recognised in the income statement £'000	Recognised upon acquisition £'000	Exchange £'000	Transfer to assets held for sale £'000	Disposed £'000	At 30 June 2016 £'000
Property plant and equipment	1,095	(512)	—	—	(3)	(380)	200
Intangible assets	(4,228)	(316)	(1,106)	(29)	—	1,653	(3,997)
Short term timing differences	1,687	110	1,094	154	(96)	(2,062)	887
Employee benefits	—	226	—	—	—	—	226
Tax losses	2,068	954	—	(340)	(198)	(1,614)	870
	622	462	(12)	(215)	(297)	(2,403)	(1,844)

	At 1 July 2014 £'000	Recognised in the income statement £'000	Recognised upon acquisition £'000	Exchange £'000	Transfer to assets held for sale £'000	Disposed £'000	At 30 June 2015 £'000
Property plant and equipment	1,304	(209)	—	—	—	—	1,095
Intangible assets	(4,345)	111	—	6	—	—	(4,228)
Short term timing differences	3,029	(1,423)	7	74	—	—	1,687
Tax losses	1,194	872	—	2	—	—	2,068
	1,182	(649)	7	82	—	—	622

The deferred tax recognised in the income statement represents a charge of £0.1 million relating to continuing operations, and a credit of £0.6 million relating to discontinued operations.

Deferred tax assets are recognised to the extent that they are considered recoverable against the future profits of the Group. No deferred tax asset has been recognised in relation to taxation on UK losses amounting to £1.1 million (2015: £1.2 million).

Certain deferred tax assets and liabilities have been offset to the extent permitted by IAS 12. The deferred tax asset balance as at 30 June 2016 is made up of a UK deferred tax asset balance of £1.0 million (2015: £2.5 million) and an overseas deferred tax liability of £0.7 million (2015: £2.9 million).

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2016

31. Called Up Share Capital

	2016 Number of shares	2016 £'000	2015 Number of shares	2015 £'000
Allotted, called up and fully paid:				
Ordinary shares of 2p	58,189,266	1,164	79,022,599	1,581

The Company has one class of ordinary shares, which carry no rights to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Cancellation of Shares

On 6 May 2016 the Company completed a tender offer of shares to shareholders. This involved a repurchase of shares from shareholders who tendered their shares at a price at or below the strike price.

Following the repurchase, the Company cancelled 20,833,333 shares.

Following the cancellation, the Company's issued ordinary share capital consists of 58,189,266 ordinary shares, all of which carry voting rights. Therefore, the total number of voting rights attaching to the ordinary shares in the Company is 58,189,266.

Share Premium

This arises on issue of the Company's shares over and above the nominal value of the shares, less any expenses of issue incurred in issuing equity.

Movements within share premium this year relate to the transfer to retained earnings of £51.7 million following High Court approval of the capital reduction on 23 March 2016.

Merger Reserve

The merger reserve arises in respect of the premium arising on the ordinary shares issued as consideration for the acquisition of shares in another company.

Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Capital redemption Reserve

The capital redemption reserve arises on the cancellation of share capital.

Employee Benefit Trust ("EBT")

Of the issued share capital at 30 June 2016, 2,428,026 shares (30 June 2015: 2,467,394) are held by the Employee Benefit Trust.

During the year 39,368 shares held by the EBT were used to settle awards under the historic Performance Share Plan. The plan was fully vested in the prior year; however, some awards were only exercised in the current year. The scheme is closed to new members.

At the year end there are no remaining equity-settled share options outstanding to the Directors or employees under the Group's current or previous incentive schemes.

The redemption of the Software LTIP is in either shares or cash at the discretion of the Remuneration Committee.

32. Share-based Payments

The Group has implemented long term incentive arrangements for its senior management and Directors in order to align their interests to those of the shareholders. The following incentive plans were in place during the current financial year:

- Incentive Share Plan (ISP1)
- Incentive Share Plan (ISP3)
- Depot Incentive Share Plan
- Digital Care Incentive Share Plan
- Software Incentive Share Plan

All of the awards under Incentive Share Plan (ISP2) were exercised in the previous financial year.

Incentive Share Plan (ISP3)

On 14 January 2014 the Company established the Regeneris Incentive Share Plan ("ISP3") to incentivise management to achieve further shareholder value growth. The terms of this scheme were disclosed in the financial statements for the year to 30 June 2014.

No awards have vested in the year and as at 30 June 2016, grants outstanding are 1.25% and 7.0% respectively (2015: 1.25% and 7.0% respectively).

Incentive Share Plan (ISP1)

On 1 July 2011 the Company established the Incentive Share Plan ("ISP1") for the senior management team including Hanover Investors Management LLP. The terms of this scheme were disclosed in the financial statements for the year to 30 June 2013.

On 22 February 2013 the performance target was met and all of the awards under ISP1 (representing 11.85% of the increase in shareholder value) became available for vesting.

At 30 June 2015 the outstanding liability of £248,000 was included in accruals and deferred income in respect of the outstanding awards under ISP1. The liability was fully settled within the year at the value of the shares on the exercise date.

	£'000
Liability brought forward at 30 June 2015	248
Revaluation of liability	(196)
Settlement of liability	(52)
Liability remaining at 30 June 2016	—

Depot Incentive Share Plan

On 30 June 2015 the Company established the Depot Incentive Share Plan to incentivise management of the Depot Solutions division to achieve further shareholder value growth. This plan was established for the senior management of the Depot Solutions division only. The Executive Directors of the Group did not participate in this scheme. Full details of the incentive plan can be found in the 30 June 2015 annual report.

As at April 2016 the depot incentive plan vested due to the sale of the Repair Services business; this resulted in a settlement of £0.6 million.

Digital Care Incentive Plan

On 30 June 2015 the Company established the Digital Care LTIP to incentivise management of the Digital Care business to achieve further shareholder value growth. This plan was established for the senior management of the Digital Care business only. The Executive Directors of the Group are not eligible to participate in this scheme. Full details of the incentive plan can be found in the 30 June 2015 annual report.

As at 30 June 2016 the incentive plan had not accrued any value.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2016

Software LTIP

On 30 June 2015 the Company established LTIP schemes for the Software business to incentivise management of this business to create additional shareholder value. Pat Clawson, in his role as the CEO, and other members of the software executive team participate in this plan.

At 30 June 2016 employees had been granted stock appreciation rights which entitle them to 6.5% (2015: nil) of the growth in value of the Blancco and Xcaliber businesses over and above the value of these businesses on 1 July 2015.

At 30 June 2016 awards in respect of 0.75% of the business growth had vested.

Awards may be exercised until 4 January 2025. No portion of the awards have been exercised to date.

These plans were designed to incentivise management to grow the value of these businesses and create value for shareholders.

Further details are provided in the Director's Remuneration Report on pages 50 to 54.

Performance Share Plan

The Company had historically operated a Performance Share Plan ("PSP") in which members of senior management (excluding the Directors) were able to acquire shares at no cost if certain performance criteria were achieved over a three year period.

The final 12,833 reserved shares were disposed of on 21 April 2016. The awards were settled by transferring 12,833 existing shares from the Employee Benefit Trust (EBT).

The shares sold at an average price of 200 pence, resulting in cash payments to the employees totalling £25,666.

Details of the pricing models are outlined below.

	Incentive Share Plan 2	Incentive Share Plan 2	Incentive Share Plan 2	Incentive Share Plan 2	Incentive Share Plan 2	Incentive Share Plan 2
Date of grant	1 Nov 2013	23 Sep 2013	14 Jun 2013	6 May 2013	25 Apr 2013	14 Mar 2013
Option pricing model used	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Fair value of options granted (per share) at date of grant	23.0p	26.0p	30.5p	30.3p	30.7p	31.1p
Expected volatility	27%	27%	30%	30%	30%	30%
Risk free interest rate	0.3%–1.4%	0.3%–1.7%	0.3%–1.3%	0.2%–0.9%	0.2%–0.8%	0.1%–1.0%
Exercise price (per share)	2.0p	2.0p	2.0p	2.0p	2.0p	2.0p
Expected dividends	–	–	–	–	–	–
Expected term (years)	2.4	2.5	2.8	2.9	2.9	3.0
Expected departures	–	–	–	–	–	–
Settlement	Equity	Equity	Equity	Equity	Equity	Equity

	Depot ISP	Digital Care IP	Software LTIP	Incentive Share Plan 3	Incentive Share Plan 3
Date of grant	30 Jun 2015	30 Jun 2015	30 Jun 2015	31 Jan 2014	14 Jan 2014
Option pricing model used	Black Scholes	Black Scholes	Black Scholes	Monte Carlo	Monte Carlo
Fair value of options granted (per share) at date of grant	20.0p	20.0p	20.0p	43.2p	44.1p
Expected volatility	27%	27%	27%	27%	27%
Risk free interest rate	2%	2%	2%	0.3%–2.2%	0.3%–2.4%
Exercise price (per share)	2.0p	2.0p	2.0p	2.0p	2.0p
Expected dividends	–	–	–	–	–
Expected term (years)	3.0	3.0	3.0	2.8	3.0
Expected departures	–	–	–	–	–
Settlement	Cash	Cash	Cash	Equity	Equity

33. Commitments

	2016 £'000	2015 £'000
Minimum lease payments under operating leases recognised as an expense in the year:	920	570

The Group has outstanding commitments for total future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £'000	2015 £'000
Not less than one year	621	620
Later than one year and not later than five years	319	638
Later than five years	–	23
	940	1,281

The majority of the leases which the Group has entered into relate to land and buildings with terms ranging from three months to five years.

34. Subsequent Events

On 17 August 2016 the Group acquired the remaining 49% of the share capital of Blancco Australasia Pty Ltd that it did not already own for a cost of AU\$ 0.1 million (£0.1 million). The consideration was funded through the Group's cash reserves.

On 19 September 2016 we reached an agreement to sell the Digital Care business to Mazovia Capital for initial contingent consideration of €1.2 million (£1.0 million) with a further contingent earn-out of €3.3 million (£2.8 million) payable over two to three years. These proceeds will be reinvested into the Software business.

35. Related Party Transactions

Transactions between Blancco and its 100% subsidiaries, which are related parties, have been eliminated on consolidation. No disclosure of these transactions is required under IAS 24.

Matthew Peacock, Executive Chairman, and Tom Russell, Non-executive Director, are associated with Hanover Investors Management LLP, and a fee is charged for their services as Executive Directors which is disclosed in the Directors' Remuneration Report.

They also have an indirect beneficial interest in the shares of the Group. At 30 June 2016 the combined holding of Hanover Investors Management LLP and its connected parties is 209,728 (2015: 5,217,651) ordinary shares equating to 0.36% (2015: 6.60%) of the issued share capital of the Company.

All transactions with Directors are included in the Directors' Remuneration Report from page 50 and also in the key management personnel disclosures in note 9.

During the year fees amounting to £1,580,200 were paid for M&A related consultancy services provided by Hanover Investors Management LLP or its connected parties (2015: £540,000). At 30 June 2016 £nil was outstanding in relation to these services (2015: £290,000).

These services were for corporate finance advisory and were fully contingent on the execution of the M&A deal in the year, including the acquisitions of Tabernus and Xcaliber (the latter in two stages), and the disposals of the Repair Services business and the Digital Care division.

These fees were benchmarked against fees paid to our other advisors, with the Board considering that Hanover offered the best alternative to any third parties based on the work performed for the Group on previous acquisitions. The nature of the services provided by Hanover included the following:

In respect of the acquisitions:

- Management of deal timetable
- Negotiation with the third parties and legal advisors
- Negotiation on terms of the deals

In respect of the disposals Hanover's role was to take ownership of the execution of the deal in conjunction with our corporate advisor, William Blair, whose role it was to identify the most appropriate buyer of the business.

Property lease costs of £165,000 (2015: £188,000) were recharged to Hanover Investors Management LLP in the year, of which £nil was outstanding at the year end (2015: £nil).

Management charges totalling £423,000 (2015: £430,000) were recharged to Xcaliber during the year, of which £nil (2015: £730,000) was still owed at the year end. The management charges in the current year relate to charges up to the acquisition date in January 2016 only; the prior period figures relate to the period from 1 July 2014 to 30 June 2015.

COMPANY BALANCE SHEET

as at 30 June 2016

OUR FINANCIALS

	Note	2016 £'000	2015 £'000
Assets			
Fixed assets			
Goodwill	4	—	5,232
Tangible assets	5	43	91
Investments in subsidiaries	6	9,891	25,248
Deferred tax	8	646	950
		10,580	31,521
Current assets			
Debtors	7	70,069	109,742
Cash		—	—
		70,069	109,742
Creditors:			
Amounts falling due within one year	9	(6,563)	(12,024)
Provisions	12	—	(372)
Net current assets		63,506	97,346
Total assets less current liabilities		74,086	128,867
Creditors:			
Amounts falling due after more than one year	10	(3,701)	(4,335)
Provisions	12	—	(1,029)
Amounts falling due after more than one year		(3,701)	(5,364)
Net assets		70,385	123,503
Equity			
Ordinary share capital		1,164	1,581
Share premium		—	51,737
Merger reserve		4,034	4,034
Capital redemption reserve		417	—
Profit and loss account		64,770	66,151
Equity shareholders' funds		70,385	123,503

The financial statements were approved by the Board of Directors and authorised for issue on 30 September 2016.

They were signed on its behalf by:

Pat Clawson

Chief Executive Officer

Jog Dhody

Chief Financial Officer

Company number: 05113820

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Capital redemption £'000	Total £'000
Balance as at 30 June 2014	1,581	121,737	4,034	3,490		130,842
Loss for the year	–	–	–	(1,199)	–	(1,199)
Recognition of share-based payments	–	–	–	914	–	914
Dividends paid	–	–	–	(3,381)	–	(3,381)
Purchase of Company's own shares	–	–	–	(3,673)	–	(3,673)
Conversion of share premium account	–	(70,000)	–	70,000	–	–
Balance as at 30 June 2015	1,581	51,737	4,034	66,151	–	123,503
Loss for the year	–	–	–	(112)	–	(112)
Recognition of share-based payments	–	–	–	757	–	757
Dividends paid	–	–	–	(3,071)	–	(3,071)
Conversion of share premium account	–	(51,737)	–	51,737	–	–
Repurchase and cancellation of Company's own shares	(417)	–	–	(50,692)	417	(50,692)
Balance as at 30 June 2016	1,164	–	4,034	64,770	417	70,385

NOTES TO THE COMPANY ACCOUNTS

for the year ended 30 June 2016

1. Basis of Preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and the Companies Act 2006 (the "Act"). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101 and the Group's consolidated financial statements have been prepared in accordance with EU-adopted IFRS.

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 1 July 2014. The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations.

In these financial statements, the Company has applied the exemptions under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes.
- Comparative period reconciliations for share capital and tangible fixed assets.
- Disclosures in respect of transactions with wholly owned subsidiaries.
- Disclosures in respect of capital management.
- The effect of new but not yet effective IFRSs.
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy.
- Disclosures in respect of compensation of key management personnel.
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.
- Certain disclosures required by IFRS 13 "Fair Value Measurement" and the disclosures required by IFRS 7 "Financial Instrument disclosures".
- IFRS 2 "Share-based payment" in respect of Group settled share-based payments.

The financial statements have been prepared under the historical cost convention and on a going concern basis.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

2. Accounting Policies

The significant accounting policies applied in the preparation of the Company financial statements are as follows:

2.1 Going Concern

As highlighted in note 26 to the Group's financial statements, the Group meets its day to day working capital requirements through its cash reserves and a Revolving Credit Facility which, in September 2015, was extended until October 2019.

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Business Review on pages 17 to 23. Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facility is described in this review.

In addition, note 29 to the Group's financial statements includes the Group's objectives, policies and processes for managing its capital; and its exposures to credit risk and liquidity risk.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its cash reserves and credit facility.

After making enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of these accounts. Accordingly, it continues to adopt the going concern basis in preparing the Annual Report and Accounts.

2.2 Intangible Assets and Goodwill

Goodwill is calculated as the excess of the fair value of the purchase consideration over the fair value attributable to the separately identifiable assets and liabilities of the acquired business. Goodwill is capitalised on acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Goodwill is not amortised under FRS 101. This accounting is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

2.3 Impairment

Goodwill and other intangible assets are reviewed for impairment at the end of the first full financial year following acquisition and, together with tangible fixed assets, in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

The impairment review is performed by comparing the carrying value of the asset, or Group of assets, with the recoverable amount. The recoverable amount is the higher of net realisable value and the asset's value in use, which is estimated by calculating the present value of its future cash flow. Impairment charges are recognised in the profit and loss account to the extent that the carrying value exceeds the recoverable amount in the periods in which the impairment is identified.

2.4 Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less residual value of each asset on a straight line basis over the asset's estimated useful life as follows:

Leasehold improvement	– over the period of the lease or life of the improvements if less
Computer equipment	– 33% per annum
Fixtures and fittings	– 16%–50% per annum

2.5 Investments

Investments are stated in the balance sheet of the Company at cost less amounts written off. Amounts denominated in foreign currency are translated into Sterling at historical exchange rates. Investments are stated in the Company and Group balance sheets at cost less amounts written off.

2.6 Deferred Taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2.7 Leases

Lease arrangements entered into by the Company are assessed at the inception of the lease and classified as either an operating or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of incidental ownership to the lessee. All other lease arrangements are classified as operating leases.

Rentals payable under operating leases are recognised in the profit and loss account on a straight line basis over the periods of the leases. Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown under creditors.

2.8 Foreign Currencies

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into Sterling at rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with in the profit and loss account.

2.9 Pensions

The Company offers defined contribution pension arrangements to employees. Payments to defined contribution pension schemes are expensed as incurred. The Company does not operate any defined benefit pension arrangements.

2.10 Provisions

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions in respect of deferred taxation are dealt with in the accounting policy above.

Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount rate is recognised as finance cost.

A provision for onerous contracts is recognised when the benefits expected to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

2.11 Bank Borrowings and Financing Costs

Interest-bearing bank loans and overdrafts are stated at the amount of the proceeds received, net of financing costs (including Revolving Credit Facility fees and redemption premia) where the intention is to hold the debt instrument to maturity. Financing costs are amortised over the expected term of the loan so as to produce a constant rate of return over the period to the date of expected redemption.

In instances where the Company has an early redemption option, the term over which financing costs are amortised is the period to the earliest date the option can be exercised, unless there is no genuine commercial possibility that the option will be exercised.

2.12 Share-based Payments

Some Directors are granted share options which may, if certain performance criteria are met, allow these employees to acquire shares in the Company. The specific schemes are detailed in note 32 to the Group's financial statements.

The fair value of options granted after 7 November 2002 under market based schemes are 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 the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

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

NOTES TO THE COMPANY ACCOUNTS CONTINUED

for the year ended 30 June 2016

2.13 Own Shares held by the Blancco Employee Benefit Trust

Transactions of the Company-sponsored EBT are treated as being those of the Company and are therefore reflected in the parent company and Group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity.

3. Staff Costs

Please see the disclosure in note 10 to the Group's financial statements.

Disclosure of individual Directors' remuneration is included in the Remuneration Report on pages 50 to 54.

4. Goodwill

	£'000
Cost	
1 July 2014 and 30 June 2015	16,854
Disposals in the year	(16,854)
30 June 2016	–
Amortisation	
At 1 July 2014 and 30 June 2015	11,622
Disposals in the year	(11,622)
30 June 2016	–
Net book value	
30 June 2016	–
30 June 2015	5,232

5. Tangible Assets

	Leasehold improvements £'000	Total £'000
Cost		
At 1 July 2015	237	237
At 30 June 2016	237	237
Depreciation		
1 July 2015	146	146
Charge for the year	48	48
At 30 June 2016	194	194
Net book value		
30 June 2016	43	43
30 June 2015	91	91

6. Fixed Asset Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 July 2015	36,140
Additions	1,014
Disposals	(27,263)
At 30 June 2016	9,891
Impairment	
1 July 2015	10,892
Disposals	(10,892)
At 30 June 2016	–
Net book value	
30 June 2016	9,891
30 June 2015	25,248

The additions within the year relate to additional investments in Xcaliber Technologies LLC and Digital Care Sweden AB

The disposals in the year relate to disposals of the following companies:

Company	Shareholding	Date of Transaction
Regeneris (Glasgow) Limited	100%	18 August 2015
Regeneris (SCS Partnership) Limited	100%	27 August 2015
Regeneris (Spain) Limited	100%	27 August 2015
Regeneris (Glenrothes) Ltd	100%	27 August 2015
Regeneris Istanbul Teknoloji Danışmanlığı Limited Şirketi	99.5%	28 August 2015
Regeneris (South Africa) Pty Ltd	100%	21 September 2015
Regeneris (Bucharest) SRL	100%	22 September 2015
Regeneris (Nederland) BV	100%	30 September 2015
Regeneris (Depot) Services Limited	100%	5 April 2016

7. Debtors

Amounts falling due within one year:

	2016 £'000	2015 £'000
Trade receivables	392	87
Amounts due from subsidiaries	69,326	108,017
Prepayments, other debtors and accrued income	351	1,638
	70,069	109,742

Amounts due from subsidiaries are on an arm's length basis and are repayable on demand. Interest is charged at one month Libor/Euribor rate (where applicable) plus 2.5%.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

for the year ended 30 June 2016

8. Deferred Tax Assets

Deferred tax assets are attributable to depreciation in excess of capital allowances, losses and other timing differences as follows:

	2016 £'000	2015 £'000
Property, plant and equipment	90	153
Losses	436	–
Other timing differences	120	797
Tax assets	646	950

Movements in depreciation in excess of capital allowances and other timing differences during the year are as follows:

2016

	At 1 July £'000	Recognised in income statement £'000	At 30 June £'000
Property, plant and equipment	153	(63)	90
Losses	–	436	436
Other timing differences	797	(677)	120
	950	(304)	646

2015

	At 1 July £'000	Recognised in income statement £'000	At 30 June £'000
Property, plant and equipment	57	96	153
Other items	373	424	797
	430	520	950

Deferred tax assets are recognised to the extent that they are considered recoverable against future profits of the Company. A deferred tax asset has been recognised in relation to tax losses of £0.4 million (2015: £nil). In the prior year, no deferred tax asset has been recognised in relation to tax losses amounting to £0.7 million.

9. Creditors – Amounts Falling Due within One Year

	2016 £'000	2015 £'000
Trade creditors	1,312	632
Bank overdraft	1,222	10,302
Amounts due to subsidiaries	2,731	–
Accruals and deferred income	1,298	1,090
	6,563	12,024

10. Creditors – Amounts Falling Due after more than One Year

	2016 £'000	2015 £'000
Bank loans and other borrowings	3,701	4,335

11. Bank and other Borrowings

	2016 £'000	2015 £'000
Due after more than one year:		
Secured bank loan	3,701	4,335
Repayable:		
In the first to second years inclusive	–	4,335
In the third to fifth years inclusive	3,701	–

The bank borrowing is secured on the majority of the Company's assets for the duration of the Revolving Credit Facility. The total facility available to the Company as at 30 June 2016 totalled £11.5 million (2015: £39.0 million), of which £3.7 million (2015: £4.6 million) had been drawn down in cash, resulting in an unutilised facility of £7.8 million (2015: £34.4 million). Borrowing costs of £nil (2015: £0.3 million) are set off against the amount owing at year end.

12. Provisions

	Onerous leases £'000	Dilapidations £'000	Total £'000
At 1 July 2015	908	493	1,401
Utilised in year	(222)	–	(222)
Disposed	(686)	(493)	(1,179)
At 30 June 2016	–	–	–

13. Operating Lease Commitments

	2016 Land & buildings £'000	2015 Land & buildings £'000
Lease expiry:		
Within one year	96	115
Between one and five years	–	96
	96	211

The operating lease commitment relates to the rental of the London office which is due to expire in April 2017. The premises are sublet to Hanover Investor Management LLP until April 2017 for a fee of £165,000 per year.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

for the year ended 30 June 2016

14. Transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 30 June 2015 and the date of transition was therefore 1 July 2014.

Reconciliation of Equity

	Note	2016 £'000	2015 £'000
Equity reported under UK GAAP		130,842	122,660
Adjustments to equity on transition to FRS 101:			
Amortisation of goodwill	1	—	843
Equity reported under FRS 101		130,842	123,503

Reconciliation of profit and loss for the year ended 30 June 2015

	Note	£'000
Loss for the year under UK GAAP		(2,042)
Adjustments to profit and loss on transition for FRS 101:		
Amortisation of goodwill	1	843
Loss for the year under FRS 101		(1,199)

Notes to the Reconciliation of Equity and Profit and Loss

1. Amortisation of goodwill

Under FRS 101 amortisation of goodwill is frozen at the transition date. Therefore, the £843,000 of amortisation charged in the year ended 30 June 2015 is credited to the profit and loss account, with the same impact on equity at 30 June 2015.

NOTICE OF ANNUAL GENERAL MEETING

OTHER INFORMATION

Notice is given that the Annual General Meeting of Blancco Technology Group PLC ("the Company") will be held at 12 noon on Tuesday 29 November 2016 at Shakespeare Martineau LLP, 60 Gracechurch Street, London EC3V 0HR to consider the following resolutions, of which numbers 1 to 8 will be proposed as ordinary resolutions and numbers 9 and 10 as special resolutions:

1. To receive the Annual Report and Accounts for the year ended 30 June 2016.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2016.
3. To declare a final dividend of 1.34 pence per ordinary share.
4. To elect Keith Butcher as a director of the Company.
5. To re-elect Rob Woodward as a director of the Company.
6. To reappoint KPMG LLP as auditor of the Company to hold office until the conclusion of the next General Meeting at which accounts are laid before the members.
7. To authorise the Directors to determine the remuneration of the auditor.
8. That, the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") and in substitution for all existing authorities under that section, to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to an aggregate nominal amount of £387,928 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the next Annual General Meeting of the Company or on 31 December 2017, whichever is earlier, and provided further that the Company shall be entitled before such expiry to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights under such offer or agreement as if this authority had not expired.
9. That, subject to the passing of resolution 8 above, the Directors be empowered under Section 570 of the Act to allot equity securities as defined in Section 560 of the Act, as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment or allotments of equity securities up to a nominal amount or (in the case of any other equity securities) giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £116,378 and this power shall expire, unless previously revoked, renewed or varied, at the conclusion of the next Annual General Meeting of the Company or on 31 December 2017, whichever is earlier, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot securities under such offer or agreement as if this power had not expired.
10. That the Company be generally and unconditionally authorised for the purposes of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 2 pence each in the capital of the Company ("Shares"), provided that:
 - (a) the maximum number of Shares which may be purchased is 5,818,927;
 - (b) the minimum price (exclusive of expenses) that may be paid for a Share is 2 pence;
 - (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be the higher of:
 - (i) an amount equal to 5% above the average market value for the Company's Shares for the five business days immediately preceding the day on which the Share is contracted to be purchased; and
 - (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out; and
 - (d) the authority conferred by this resolution shall, unless renewed prior to such time, expire at the end of the next Annual General Meeting of the Company, or on 31 December 2017, whichever is earlier, save that the Company may, before such expiry, enter into a contract for the purchase of Shares which would or might be completed wholly or partly after such expiry and the Company may purchase Shares under any such contract as if this authority had not expired.

By order of the Board

Lorraine Young

For and on behalf of Lorraine Young Company Secretaries Limited

Company Secretary

3 November 2016

Registered Office

60 Gracechurch Street
London EC3V 0HR

Explanatory Notes to the Notice of Meeting

Entitlement to Appoint Proxies

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder. A proxy need not be a member of the Company. If shareholders return a form of proxy they will still be able to attend the AGM, speak and vote in person if they wish.

Appointing Proxies

2. A shareholder wishing to appoint one or more proxies can do so by:
 - (a) Completing the accompanying form of proxy and returning it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY (together with any power of attorney or other written authority under which it is signed); or
 - (b) Submitting their proxy electronically by using the CREST proxy service. CREST members may appoint a proxy or proxies electronically via Computershare (ID number 3RA50) in accordance with note 4 below.

To appoint more than one proxy, you may either photocopy the form of proxy accompanying this Notice or contact Computershare on 0370 889 4099 to request additional forms of proxy. If more than one proxy appointment is returned in respect of the same shareholding, the proxy last received by Computershare before the latest time for the receipt of proxies will take precedence. To be valid, any proxy form or other instrument appointing a proxy must be deposited with Computershare or lodged via the CREST proxy service (in each case) no later than 12 noon on Friday 25 November 2016.

Electronic Proxy Appointment through CREST

3. CREST members who wish to appoint a proxy or proxies using the CREST electronic proxy appointment service may do so by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instructions given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 12 noon on Friday 25 November 2016.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

5. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Joint Holders

7. In the case of joint holdings, only one holder needs to sign the form of proxy. The vote of the senior holder who tenders a vote will be accepted to the exclusion of the votes of the other joint holders, seniority for this purpose being determined by the order in which the names stand in the register of members in respect of joint holdings.

Entitlement to Attend and Vote

8. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those whose names are on the register of members of the Company at the close of business two days (excluding non-working days) before the meeting, or any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Corporate Representatives

9. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Voting Rights

10. As at 2 November 2016 (being the last business day prior to the publication of this Notice), the Company's issued share capital consisted of 58,189,266 ordinary shares, carrying one vote each. There were no shares held in treasury, therefore the total voting rights in the Company as at that date were 58,189,266.

Communicating with the Company in relation to the AGM

11. Except as provided above, shareholders wishing to communicate with the Company in relation to the AGM should write to the Company Secretary, Blancco Technology Group Plc, 60 Gracechurch Street, London EC3V 0HR.
12. You may not use any electronic address provided either in this Notice or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Inspection of Documents

13. Copies of the Executive Directors' service contracts and Non-executive Directors' letters of appointment will be available for inspection during normal business hours at the registered office of the Company, 60 Gracechurch Street, London EC3V 0HR. They will also be available for inspection at the AGM venue for at least 15 minutes before the meeting until its conclusion.

Voting Results

14. The Company will publish the results of the AGM via a regulatory announcement and on its website www.blancco.com.

Explanation Of Business

Resolution 1: To receive the report and accounts

Company law requires the Directors to present the Annual Report and Accounts of the Company to shareholders in respect of each financial year.

Resolution 2: To approve the Remuneration report

As the Company's shares are traded on AIM, it is not required to put the Remuneration Report to shareholders for approval. However, the Directors recognise the importance of adopting best practice corporate governance and are therefore putting the Remuneration Report to shareholders for approval voluntarily. The Remuneration Report is set out on pages 50 to 54 of the Annual Report. It describes the Group's policy on remuneration and gives details of Directors' remuneration for the year ended 30 June 2016. The vote is advisory and does not affect the actual remuneration paid to any individual Director.

Resolution 3: To declare a final dividend

A final dividend of 1.34 pence per ordinary share is proposed. An interim dividend of 0.66 pence per ordinary share was paid during the year. If approved, the final dividend will be paid on 7 December 2016 to shareholders on the register at the close of business on 4 November 2016.

Resolutions 4 and 5: To elect and re-elect Directors

Keith Butcher has been appointed to the Board since the last AGM and is therefore standing for election by shareholders at this year's AGM. Rob Woodward is retiring by rotation under the articles of association and offers himself for re-election. Directors' biographical details are given on pages 34 and 35 of the Annual Report.

Resolutions 6 and 7: To reappoint the auditor and authorise the Board to determine their remuneration

The Company is required to reappoint the auditor at each General Meeting at which accounts are laid before the members. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditor, KPMG LLP, on behalf of the Board and recommends its reappointment.

Resolution 7 authorises the Directors, in accordance with standard practice, to negotiate and determine the remuneration of the auditor. In practice, the Audit Committee will consider the audit fees for recommendation to the Board.

Resolution 8: Directors' authority to allot shares

At the 2015 Annual General Meeting, the Directors were given authority to allot shares in the Company and Resolution 8 seeks to renew that authority until the conclusion of the next Annual General Meeting or 31 December 2017, whichever is earlier. The resolution would give the Directors authority to allot ordinary shares, and grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £387,928. This amount represents one-third of the issued ordinary share capital of the Company as at 2 November 2016, the latest practicable date prior to the publication of this document. The Directors have no present intention to allot new shares other than in connection with employee share and incentive plans.

Resolution 9: Disapplication of pre-emption rights

If Directors of a Company wish to allot shares in the Company, or to sell treasury shares, for cash (other than in connection with an employee share scheme), company law requires that these shares are offered first to shareholders in proportion to their existing holdings.

The purpose of Resolution 9 is to authorise the Directors to allot ordinary shares in the Company, or sell treasury shares, for cash: (i) in connection with a rights issue; and, otherwise, (ii) up to a nominal value of £116,378, equivalent to ten per cent of the total issued ordinary share capital of the Company as at 2 November 2016 without the shares first being offered to existing shareholders in proportion to their holdings. This level of authority is required in order to give the Company flexibility in the event of acquisition opportunities and major shareholders will be consulted in advance of the authority being exercised.

The Directors do not intend to issue more than 7.5% of the total issued ordinary share capital of the Company for cash on a non-pre-emptive basis within any rolling three-year period without prior consultation with shareholders.

Resolution 10: Authority to buy back shares

Under company law, the Company requires authorisation from shareholders if it wishes to purchase its own shares. Resolution 10 seeks to renew the authority given at the last Annual General Meeting. The resolution specifies the maximum number of shares that may be purchased (approximately 10% of the Company's issued share capital) and the highest and lowest prices at which they may be bought.

If the Company buys back its own shares it may cancel them immediately or hold them in treasury. Treasury shares may be sold for cash, cancelled or used to satisfy awards under employee share schemes. The Directors believe that it is desirable for the Company to have this choice as it will give flexibility in the management of its capital base. It is therefore likely that the Company would hold any shares purchased under this authority in treasury. However, in order to respond properly to the Company's capital requirements and prevailing market conditions, the Directors would need to assess the most appropriate course of action at the time of any actual purchase.

The Directors have no present intention of exercising this authority but will keep under review the Company's potential to buy back its shares, taking into account other investment and funding opportunities. The authority will only be used if in the opinion of the Directors this will result in an increase in earnings per share or would otherwise be in the best interests of shareholders generally.

No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares.

Adjusted Earnings Per Share: Basic earnings per share excluding amortisation or impairment of acquired intangible assets, amortisation of bank fees, exceptional restructuring costs, acquisition costs, share-based payments, losses on disposal of investments and jointly controlled entities, unwinding of the discounted contingent consideration, adjustments to estimates of contingent consideration, and tax impacts of the above. 'Adjusted earnings per share' is the key earnings per share measure used by the Board.

Adjusted Operating Cash Flow: Operating cash flow excluding taxation, interest payments and receipts, acquisition costs, and exceptional restructuring costs. This is the key operating cash flow measure used by the Board to assess the underlying cash flow of the Group.

Adjusted Operating Margin: Adjusted operating profit stated as a percentage of revenue.

Adjusted Operating Profit: Operating profit stated before amortisation or impairment of acquired intangible assets, acquisition costs, exceptional restructuring costs, share-based payments and disposal of subsidiaries and associates. This is the key profit measure used by the Board to assess the underlying financial performance of the operating divisions and the Group as a whole.

Aftermarket Services (segment): Contains the Group's previous Depot Solutions and Advanced Solutions segments. This segment is available for sale (with the Repair Services business disposed of on 4 April 2016 and Digital Care business agreed to be sold in September 2016), and has been presented as a discontinued operation in these accounts.

APAC: The Asia Pacific region.

Application Programming Interface (API): The space where software components are linked together and interact to create applications.

Basic Earnings Per Share: Profit after tax attributable to the equity holders of the Company, stated per share.

Cash Conversion: Adjusted operating cash flow stated as a percentage of adjusted operating profit.

CESG: Communications-Electronics Security Group, the UK Government's National Technical Authority for Information Assurance.

Capital Expenditure: Expenditure on property, plant and equipment, intangible assets, and capitalised R&D.

Contingent Consideration: A future cash payment for vendors of acquired companies, contingent on that company's performance in a pre-determined period after acquisition. This is reported within the balance sheet and reassessed at each reporting period.

Corporate Costs: Costs incurred by central departments for the benefit of the Group as a whole and which cannot be allocated to specific divisions or subsidiaries.

Diagnostics (division): This consists of the Mobile diagnostics business, provided by Xcaliber Technologies, a smartphone diagnostics software business and its SmartChk solution.

Digital Care: Part of the Aftermarket Services segment (but not the Repair Services business) which operates in the mobile phone insurance market.

Diluted Adjusted Earnings Per Share: Adjusted earnings per share stated after adjustments to the number of shares for convertible share options.

Diluted Earnings Per Share: Basic earnings per share stated after adjustments to the number of shares for convertible share options.

Earn-out: See 'Contingent Consideration'.

Erasure (division): The Erasure division, which focuses on development and delivery of innovative solutions, includes:

- Blancco, the global market leader of data erasure software.
- SafelT, acquired in September 2014, the leading specialist cloud and networked data erasure business.
- Tabernus, acquired in this financial year, the US market leader of software erasure products.

Forward Contracts (currency hedging): A banking mechanism for fixing the future exchange rates for known and committed cash flows in order to mitigate the exposure of the Group to movements on exchange rates for these cash flows.

Gross Debt: The total external borrowings of the Group, net of capitalised bank fees.

ISO 15408: Certified for Common Criteria. Common Criteria is an independent security certification recognised by governments in 26 countries across Europe, Australasia, Asia and North America.

IDC: The International Data Corporation

IT Asset Disposition (ITAD): Sector for companies which specialise in repurposing electronic devices at the end of use.

Live Environment (data erasure): Data erasure within active computer applications, including servers and networks of computers. The main application is for data that has expired on systems or where unnecessary duplication of data exists, and to provide selective erasure of that data.

M&A: Mergers and acquisitions. This is the Group's activity in acquisitions of other companies, both to full and part ownership.

Managed Services Provider (MSP): Companies which provide applications, networking and data storage and security solutions over networks or the Cloud.

Net Cash: Cash stated after offsetting gross debt against cash reserves.

Non-controlling Interest: The Group does not fully own some of its subsidiaries, and for those in which the ownership is shared, the other party is the 'non-controlling interest'. This is relevant for all subsidiaries in which the Group owns (directly or indirectly) between 50% and 99% of the share capital; in the current and prior period these are only some Blancco sales offices. At the end of each reporting period, the Group must allocate the non-controlling interest its share of profits and net assets in the subsidiary in which the ownership is shared, which are recorded through the Consolidated Income Statement and Consolidated Balance Sheet respectively.

Operating Cash Flow: Cash flows originating from transactions in the core operational activities of the Group, for example cash flows resulting from revenues earned and expenditure paid. This excludes cash flows relating to investing or financing activities.

Operating Margin: Operating profit stated as a percentage of revenue.

Operating Matrix: The combination of territories and service lines in which the Group operates.

Pure Play: A company which invests its resources in a single line of business.

R&D: Research and development into new technologies to improve client service, reduce costs or enhance revenue.

Repair Services Business: Part of the Aftermarket Services segment which was disposed of on 4 April 2016 to Communications Test Design Inc. for a consideration of €103.5 million (£79.9 million). This represents the Group's previous Depot Solutions and Advanced Solutions divisions, excluding Digital Care.

Solid State Drive (SSD): A location for storing data on a platform comprised of microchips, typically in a PC or laptop.

Subscription (revenue stream): Contracts with customers which are for a fixed term, typically one to three years.

Value Added Reseller (VAR): Companies which provide and manage IT solutions for enterprises.

Volume (revenue stream): Contracts with customers which involve an upfront delivery of licences, and typically no additional obligations to the customer.

Working Capital: A measure of the Group's current liquidity by showing how much cash has been invested in day to day trading. Working capital is the sum of stock, current debtors, accrued income, current creditors and accrued payments.

LOCATIONS

Australia

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10 Eagle Street
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