blancco
technology group

ANNUAL REPORT AND ACCOUNTS
for the year ended 30 June 2017

Stock Code: BLTG

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.

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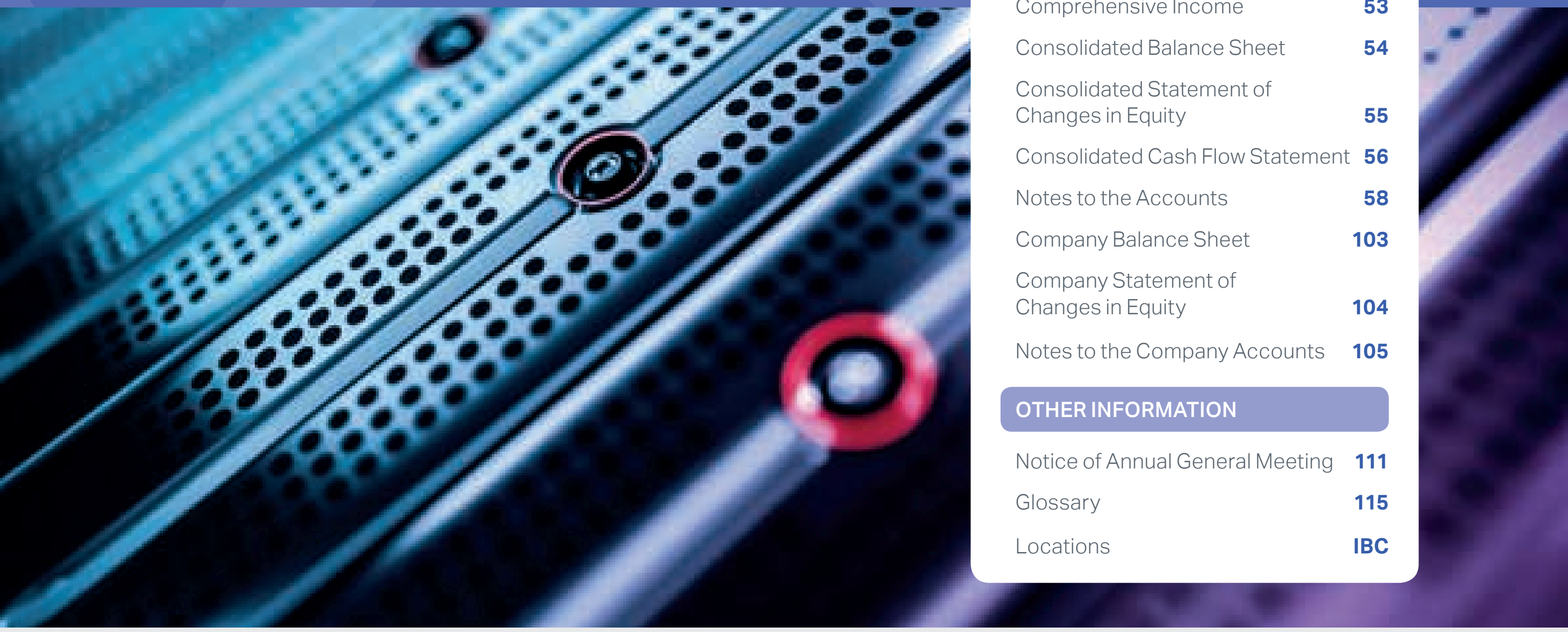


HIGHLIGHTS

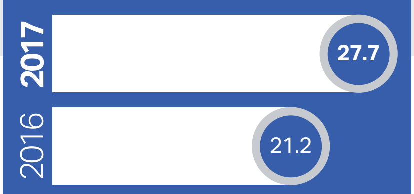
Strong revenue growth despite a number of challenges in the year which has reduced our operating margin. Our focus is on stabilising the business and building on the underlying strengths of Blancco including our best in class product and strong market opportunity.

↑ 30%

Invoiced Revenue

£29.3m

2016: £22.6m

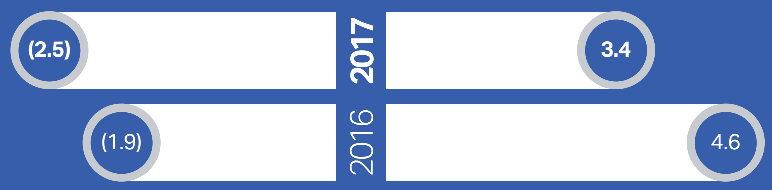


↑ 31%

Revenue

£27.7m

2016: £21.2m



Group Operating Loss

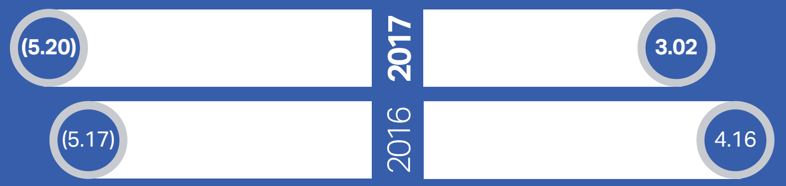
(£2.5m)

2016: (£1.9m)

Group Adjusted Operating Profit

£3.4m

2016: £4.6m



Basic Loss per Share (pence)

(5.20p)

2016: (5.17p)

Adjusted Earnings per Share (pence)

3.02p

2016: 4.16p

Operational Highlights

- Erasure revenue grew 15% (3% in constant currency), with strong growth in Mobile offset by the impact of a number of non-recurring larger deals booked during 2016.
- A number of new contracts were won during the year in our diagnostics business, helping to grow this income stream. The integration and rollout across 6,000 retail stores for a US customer is complete and we are supporting over 100,000 diagnostics events per week for this single client.
- Increase in average revenue per client* by 27% to £61,300. The number of customers with invoiced revenue in excess of £0.1 million in the year was 45 (35 in 2016).

* Expressed as revenue divided by number of clients for all sales in excess of €10k

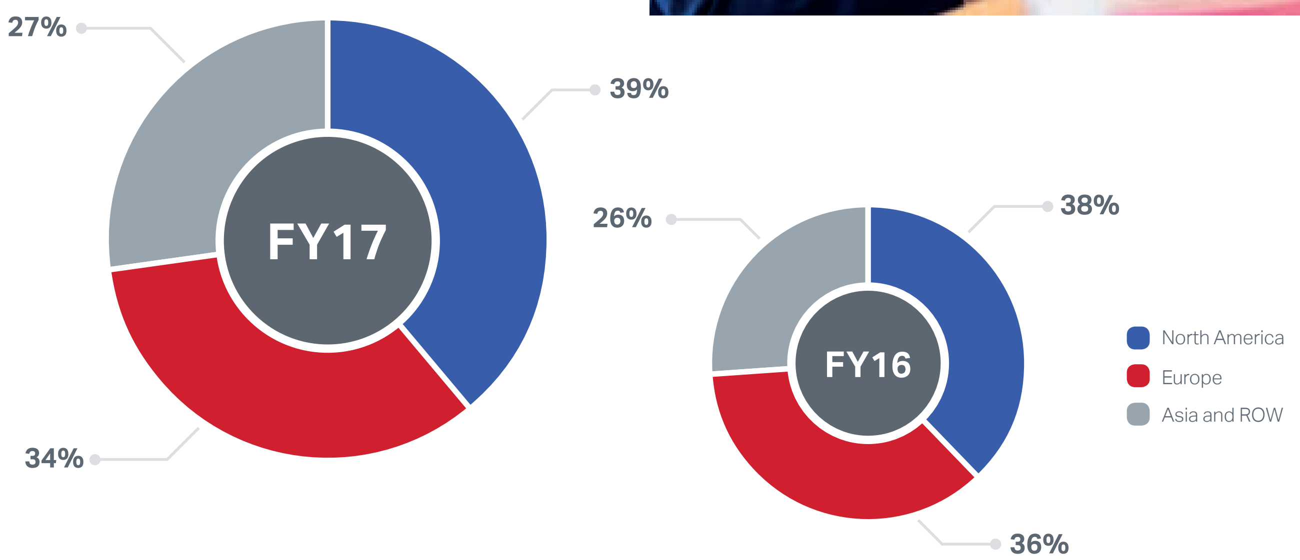
STRATEGIC REPORT

Blancco Technology Group is the De Facto Global Standard for Data Erasure and Device Diagnostics.

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.

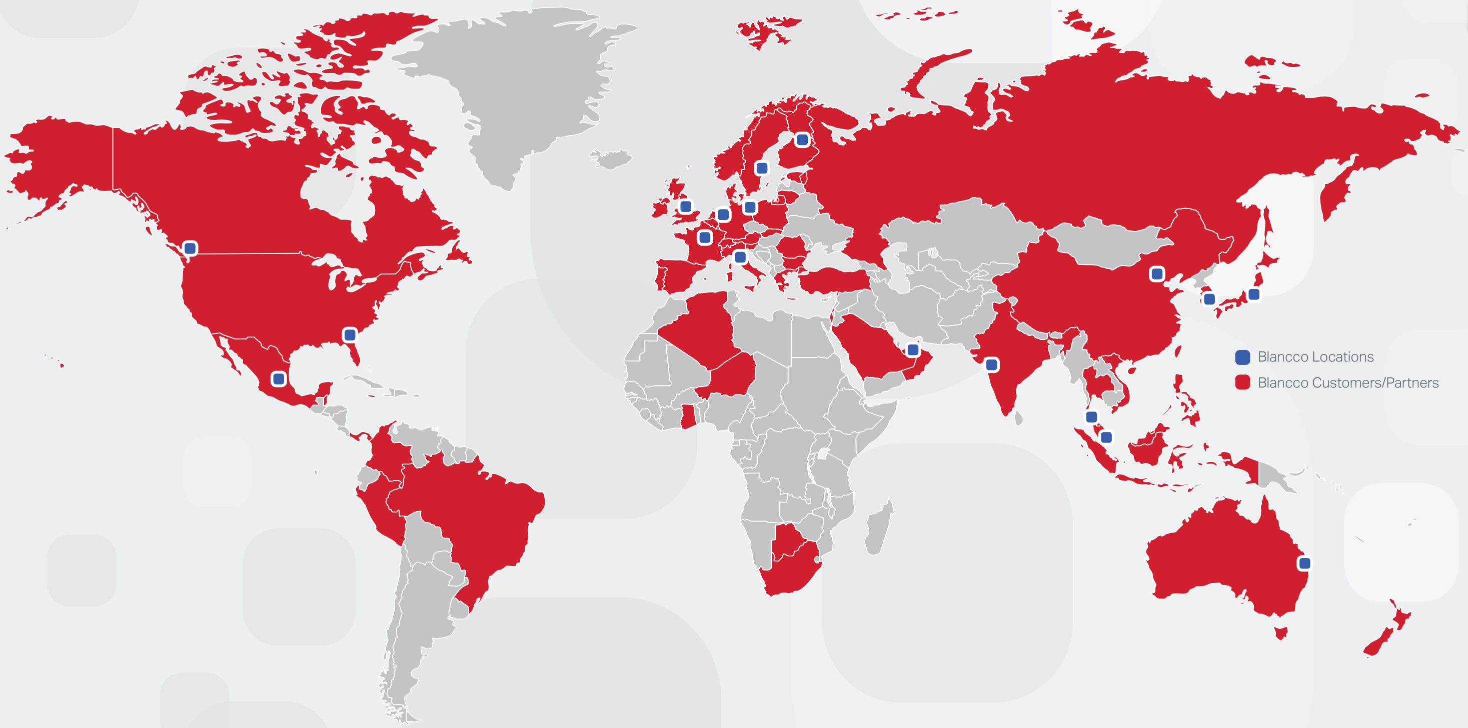
Invoiced Sales by Geography



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 including:

Central Information Systems Security Division

The Defence INFOSEC Product Co-Operation Group of the UK

BSI - Federal Office for Information Security

Netherlands National Communication Security Agency

Swedish Armed Forces

NATO

Certified for Common Criteria (ISO 15408)

Asset Disposal & Information Security Alliance (ADISA)

TÜV Saarland

TÜV SÜD
TÜV SÜD

ABW
The Polish Internal Security Agency

NSM
The Norwegian National Security Authority

CHAIRMAN'S STATEMENT

"Following a short period of significant change to the management team and control environment, the team has worked extremely hard to put the business in a robust position to welcome a new CEO who will drive forward Blancco's unrivalled product portfolio to deliver sustainable growth and build shareholder value."

Rob Woodward / Chairman

Overview

2017 has been a year of substantial challenges for the Group, with the business performing far below our expectations. However, the underlying strengths of Blancco remain in place and I am confident that these, together with the significant number of remedial actions we are taking, will restore a sustainable growth trajectory and build long-term shareholder value.

This is the Group's first full year as a pure-play software business focused on mobile device diagnostics and secure data erasure solutions. The final stages of Blancco's transformation during the year, now substantially complete, have focused on integrating a number of strategic acquisitions, the disposal of the Digital Care insurance business, restructuring and buying-out minority interests in various of the Group's subsidiary sales offices. While the Board is in no doubt of the strategic logic of these actions, their associated costs in a relatively short period has had a significant adverse impact on the Group's financial position.

The Group's customer base has evolved during the period, with a focus on winning business from larger enterprise clients. While the size of these contracts makes them highly attractive, their longer sales cycles and longer term payment structures, plus the impact of non-collection of revenue incorrectly recognised in 2016, for which the Group has restated prior year results, have put additional pressure on the Company's net cash.

In March, Simon Herrick was appointed interim Chief Financial Officer and he oversaw a forensic review of the Group's cash flow and funding requirements. This culminated in a share placing which raised a net £9.3 million, which successfully addressed the Company's near-term funding requirements and provided additional headroom.

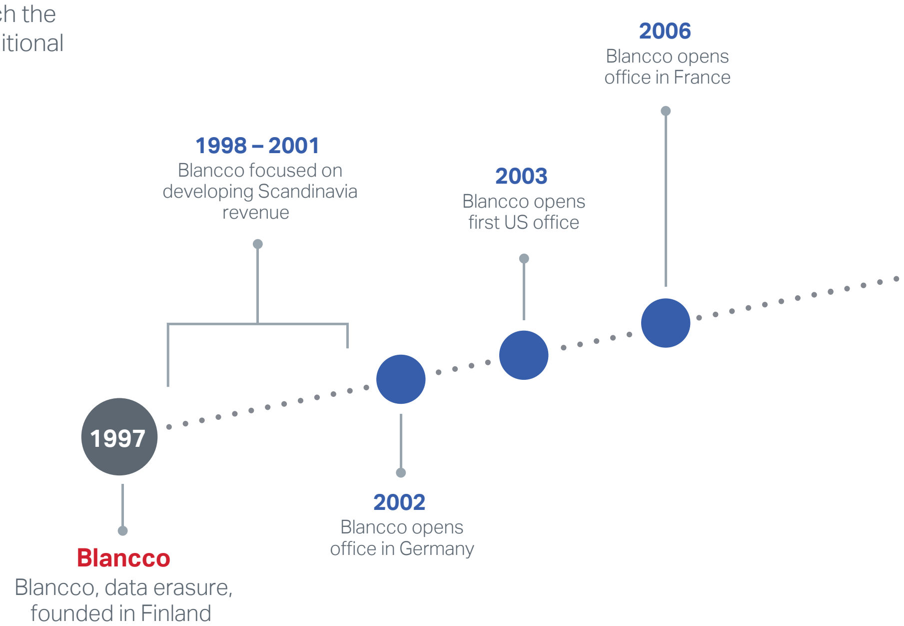
As part of the closing process for the 2017 financial year, the Board took the decision to reverse revenues that had previously been booked in the second half relating to two contracts, as well as reversing and restating the revenues associated with a contract booked in the previous financial year after performing a retrospective investigation into the substance of that transaction. Further information on the restated prior year revenues are included in the Chief Executive Officer's statement and within note 1.2 to the accounts.

Board and Employees

Patrick Clawson, Chief Executive Officer, has stepped down from the Board and has left the Company and a process to appoint his successor is ongoing. Meanwhile, Simon Herrick has agreed to become our Chief Executive Officer on an interim basis. In addition, as part of our

blancco technology group

Where we come from –
Building Blancco



rebuilding programme, other senior members of the executive team have also left the Company. Having announced my intention to step down as Chairman, the Board is of the view that it is in the best interests of the Company for me to stay in place. I remain absolutely focused on bringing increased stability to the business, overseeing an orderly leadership transition and putting the Company back onto a sustainable growth path.

I would like to express my thanks to all our employees. Their hard work and dedication to our customers have remained undiminished during a difficult year.

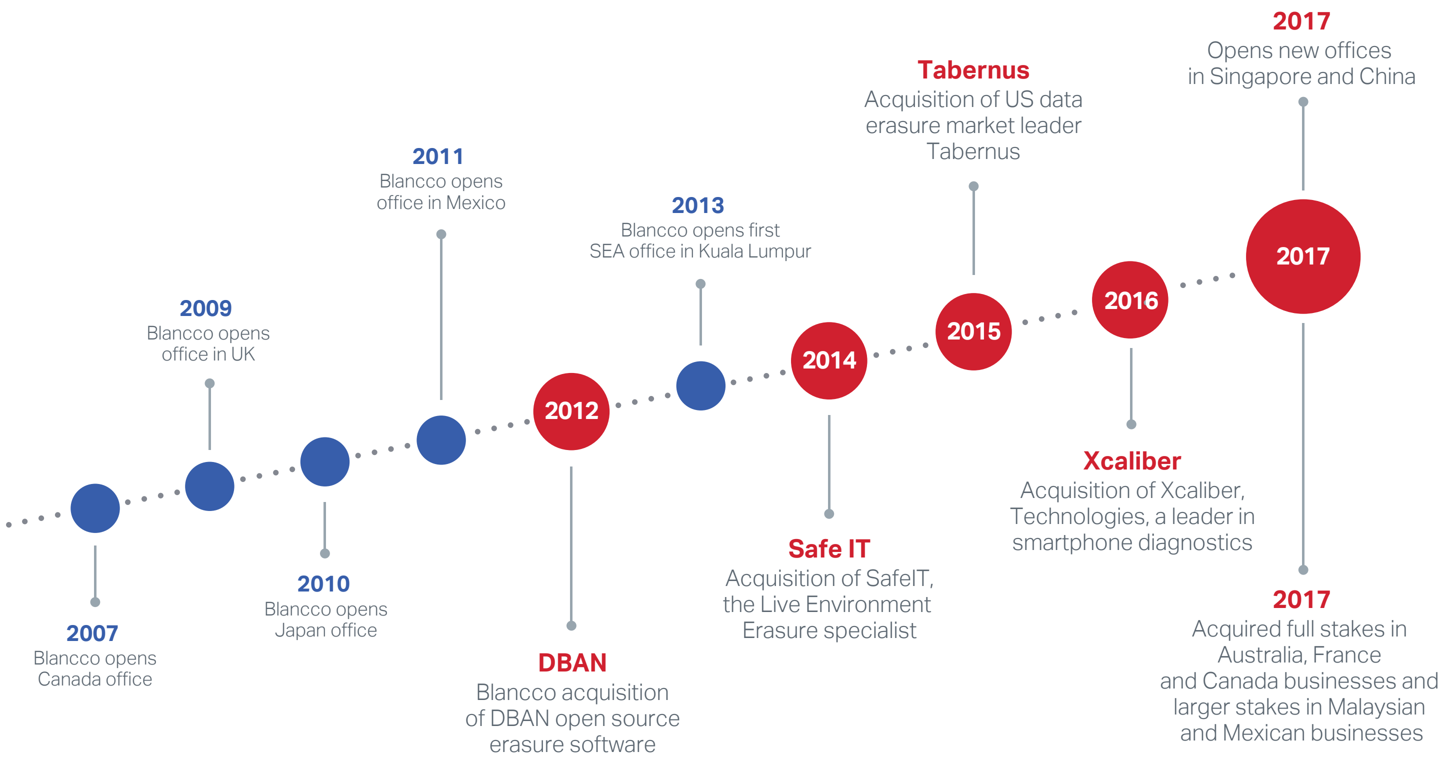
Dividend

Given the position of the business and the need to invest for growth, the Board has decided not to pay a final dividend.

Outlook

Despite recent challenges, Blancco remains a business with real strengths and exciting growth opportunities. Our products are highly effective and, together with the investments we continue to make in progressing our technology and enhancing our intellectual property, support our leading position in a highly attractive global market; our team has deep experience, covering both product and sales; and our customer base continues to grow and diversify. I am confident that the Group will put its recent issues behind it and move on to deliver sustainable growth and generate value for our shareholders.

Rob Woodward
Chairman



CHIEF EXECUTIVE'S STATEMENT

The outlook for the data erasure and diagnostic markets in 2018 is positive. We will stay focused on managing our cost base and cash flow to enable us to continue to invest in product development and to capitalise fully on the expansion of our target markets and remain confident that the fundamental drivers of growth in our business are strong.

Simon Herrick / Interim Chief Executive Officer

Summary of 2017 Performance

Revenue for the year was £27.7 million (2016 restated: £21.2 million), up 31%. Revenue grew 17% in constant currency. Our Erasure division contributed £23.5 million (2016 restated: £20.5 million), while the Diagnostics division contributed £4.2 million (2016: £0.7 million).

Adjusted operating profit was £3.4 million (2016 restated: £4.6 million), reflecting higher SG&A costs, partly offset by reductions in balance sheet provisions. Adjusted EBITDA was £5.2 million (2016 restated: £5.4 million). Adjusted EPS was 3.02p (2016 restated: 4.16p). Further details of these results are contained in the Business Review.

Statutory continuing operations basic loss per share was 5.20p (2016 restated: 5.17p).

Statutory losses after tax were £4.3 million (2016 restated: £25.7 million) reflecting a series of one-off (exceptional) items including discontinued operating costs.

2017 was the first full year of fully consolidated results from the Diagnostics business. A number of new contracts were won in the year, adding to those secured in the second half of 2016. The rollout of our solution across 6,000 customer stores in the US is complete and we are supporting over 100,000 diagnostics events per week using our product. Following this successful first contract of its type, we rolled out similar solutions to customers in Europe and Asia.

North America invoiced revenue (being amounts billed to customers before IFRS deferrals of revenue) were £11.4 million (2016 restated: £8.7 million). The business won a number of key enterprise contracts with large customers in this territory. Europe's performance improved, with invoiced revenue of £10.0 million (2016: £8.1 million), as the region's new leadership and fully resourced sales force took effect. Asia and the Rest of the World (ROW) invoiced revenue were £7.9 million (2016: £5.8 million) following some significant growth in the mobile market.

The Group continued to buy-out minority interests in several of its subsidiaries during the year to position it for future growth. In 2017, the Group increased its ownership of its businesses in France, Australia and Canada to 100%. Ownership of the businesses in South East Asia (SEA) (Malaysia) and Mexico increased from 51% to 70%, including the establishment of a new 70% owned business based in Singapore. These offices, in addition to Japan (51%) and China (56%), are the only sales offices with minority stakes remaining, and there are no new investments planned.

The Group fully disposed of Digital Care, its legacy Mobile Insurance business, in September 2016.

Restatement of 2016 Results

I was appointed as interim Chief Financial Officer in March 2017. During April the Group undertook a review of cash flow forecasts and identified anticipated pressure on the cash position of the Group. This pressure was caused by the non-collection of £3.5 million of outstanding receivables relating to a sale booked in June 2016 and a sale booked in December 2016, and costs associated with past acquisition activity, including earn-outs and advisors' fees. On 6 July 2017, the Company announced that it had taken a charge of £2.2 million to provide against the £3.5 million of receivables (net of deferred revenue and taxes).

On 4 September 2017 the Group announced the reversal of two contracts totalling £2.9 million booked as revenue during June 2017, following a number of matters being brought to the Board's attention. I was also appointed interim Chief Executive Officer on this date.

The Board undertook a review of the circumstances surrounding these contracts and further work was performed to assess revenue recorded in the year to 30 June 2017. Of the total revenue reported, 97% had been received in cash by 30 September 2017. Further work has also been undertaken, including reviewing material contracts in respect of revenue reported and collected in cash and individual significant debtors which remained outstanding at 30 September 2017 (covering 88% of these debtors) to provide confidence that revenue has been appropriately recorded.

The review work identified other adjustments to revenue for the year ended 30 June 2017, where some contracted revenues have been deferred into future periods in line with expected contract fulfilment, and a prior year adjustment. In respect of the latter, the results for the year ended 30 June 2016, as well as the consolidated balance sheet position as at 30 June 2016, have been restated.

This prior year adjustment relates to the recognition of £1.2 million of revenue booked during June 2016 (and prepaid costs relating to revenue expected to be booked in the 2017 financial year), which was subsequently fully provisioned (as announced on 6 July 2017). This transaction has now been removed, as a prior year adjustment, because the Board's review identified new evidence which indicated that, at the time of signing the accounts on 30 September 2016, no contractual agreement was in existence with the customer which adequately supported the criteria for recognition of revenue under the Group's accounting policies.

The full impact on the financial statements is disclosed in note 1.2.

We continue to discuss opportunities with the customer; any future sales will be subject to additional scrutiny by the Board, including assessment of likelihood of cash collections, before revenue is recognised.

Our Proposition and Strategy

In 2017 we extended our strategy of building both our erasure and diagnostics businesses. We continued to drive market awareness for the need to erase legacy data for security and compliance purposes with a 56% measured share of voice (SoV) (2016: 41%) and 5,393 press mentions (2016: 3,425). In addition to publishing studies, reports and white papers to drive awareness and draw press, we launched a new initiative, the International Data Sanitisation Consortium (IDSC). This industry consortium is comprised of partners, academics and other associations who aim to develop standards in taxonomy and nomenclature, as well as policies and practices within the field of data erasure and sanitisation. The goal is to encourage policymakers and regulators to use appropriate terminology and requirements for secure data erasure and create future requirements for data sanitisation. A case in point is the EU General Data Protection Regulation, which provides for the "right to erasure" but fails to define what it means to erase a data subject's personal information. This, combined with additional activities, such as the quarterly State of Mobile Device Health Report, raises awareness of Blancco and facilitates the initiation of a de facto standard in data erasure.

We continue to grow our business in the reverse logistics, IT Asset Disposition (ITAD), and carrier warehouse operations sectors with a high customer retention and renewal rate. 2017 also saw new opportunities with the enterprise, data centre, and mobile network operators. Large enterprises can use our data erasure products on devices, servers, data centres and the cloud. The Group is the only provider of such complete data erasure products in a relatively thinly-penetrated market.

CHIEF EXECUTIVE'S STATEMENT

Building a Partner Business Development Function

Enterprise erasure occasions predominantly derive from two sources: workflows controlled by existing large software companies and within the workflows of enterprise service providers, such as 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 and in the cloud, and generally help to manage the data life cycle of creation, storage, mining – and finally erasure. Also in this category are the large System Integrators (SIs) who source and deliver complete solutions to data centres and the enterprise. In a congested IT security environment, CIOs prefer to work with a small number of large, trusted VARs, MSPs, and SIs. They will prefer erasure solutions which are integrated into these platforms. We see data centres, which have a need for erasing storage in situ, as a key opportunity for our Active Erasure products.

Prior to 2017, Blancco had predominantly relied on 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 successful and remains a key pillar of our route to market. But, to accelerate our revenue growth while minimising our sales expenses, we launched a concerted business development effort in early 2017 to leverage these routes to market.

We have also identified opportunities to work with Original Equipment Manufacturers (OEMs) to embed Blancco directly into their products. The OEMs are beginning to recognise customer demand for end-of-data-life erasure and that they need to turn to Blancco which has invested decades and millions of pounds in creating robust, patent protected products, certified by 18 bodies around the world.

Thought Leadership, Regulation, and Market Education

Executing on our strategy has involved new sales training and a complete rebranding achieved in January, which included normalising our product names.

Based on Gartner research, there are trillions of gigabytes of data that should be erased. The market is beginning to recognise the need to have effective end-of-data-life strategies. As the only vendor able to execute on a complete data erasure policy we have an opportunity to further educate the market and thus drive our business growth. To that end, we created the IDSC (mentioned above) to be an independent proponent of data sanitisation best practices. The launch, which coincided with the UK announcement of plans for a new Data Protection Regulation that will incorporate many of the requirements of the EU GDPR, drew positive attention from the press.

Mobile Diagnostics

The market for consumer data erasure is expanding rapidly through mobile network operators, who increasingly seek to provide erasure solutions to their customer base, especially around the smartphone upgrade occasion. 2017 saw the first substantial contribution to our top line from our diagnostics business with revenue of £4.2 million (2016: £0.7 million). The synergy with our data erasure business occurs in at least three areas:

1. Mobile network operators want self-help consoles in their stores which perform smartphone diagnostics and smartphone erasure in one package (as well as equivalent solutions delivered through call centre and online support channels)
2. The smartphone remarketing ecosystem wants to perform both Erasure and Diagnostics on used devices prior to resale
3. Efficient processes and an easy-to-use interface are paramount

Strategically, we have identified the mobile network operators as a key vertical for us, alongside the enterprise market and the data centre market. The business has acknowledged its position in this relatively underdeveloped market but with more competition than our erasure offering, and this will be an area of investment focus in 2018.

Technology Update

We are constantly pursuing ways to innovate and protect our technology by the use of patents globally. In 2017, we made good progress in consolidating our code base and cross-pollinating our two development arms in Finland and India with consistent product management. We introduced multiple enhanced product revisions across the entire line, on time and within budget.

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

We have also continued to push ahead on several fronts to maintain certifications for our products across multiple regions.

Blancco Management Console (MC) 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 MC, and Application Programming Interfaces (APIs) are being developed to enhance integration with third-party products. MC is available as a standalone software solution or as a service through Blancco Cloud.

We have demonstrated an integration of our mobile diagnostics platform with the backend big data platform of a major carrier. The rapid development of an accessible API demonstrates to this customer that they have selected the correct partner for all their in-store diagnostics and shows the wider market that we can deliver a successful and rapid development partnering strategy.

Throughout 2017 we have pursued a consistent path and have seen positive results from the route to market and maturing of our message, product development, and sales strategy.

Team

Following some turbulence during 2017, our focus will be to continue to develop the suite of products, efficiency of delivery and to ensure our development teams' skills and experience are brought to bear directly in growing the Group.

During my tenure as interim Chief Executive Officer my aim is to maintain a leadership team that sets the Group agenda and works closely with the regional teams to support them in growing their businesses locally.

Given the recent number of changes to the team, we do not anticipate any material alteration to the business activity or direction, so that a new CEO will be able to transition and formulate their own strategy drawing on the experience of the Blancco team.

Outlook

The outlook for the data erasure and diagnostic markets in 2018 is positive. New market regulations surrounding data management combined with a very thinly-penetrated market for secure data erasure and the growth in penetration of diagnostic tools in the mobile market should lead to continued healthy increases in demand for our products.

We will stay focused on managing our cost base and cash flow to enable us to continue to invest in product development and to capitalise fully on the expansion of our target markets.

We remain confident that the fundamental drivers of growth in our business are strong.

Simon Herrick
Interim Chief Executive Officer

7 November 2017

BUSINESS REVIEW

Results

The financial performance of the business, as compared to the restated 2016 results, is summarised as follows:

Revenue of £27.7 million (2016 restated: £21.2 million, growth 31%,17% in constant currency terms) with divisional operating profit of £5.1 million (2016 restated: £6.1 million). Adjusted operating profit after corporate costs was £3.4 million (2016 restated: £4.6 million). Operating loss was £2.5 million (2016 restated: £1.9 million).

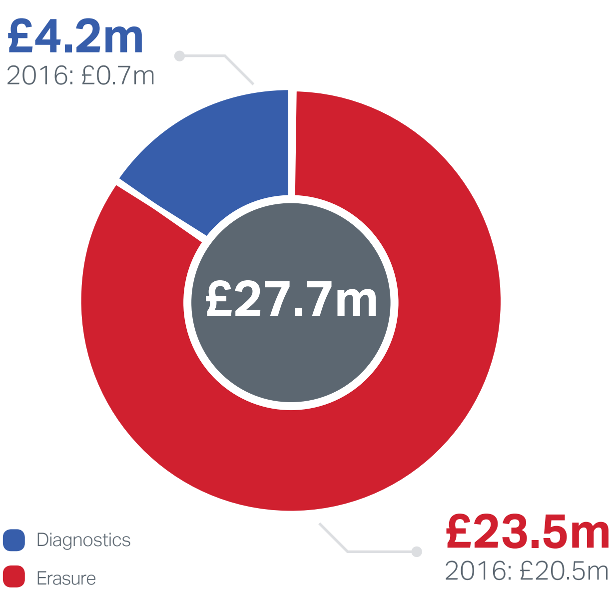
Organic revenue, excluding the acquired revenues from customers of Xcaliber at January 2016 was £24.3 million (growth 19%). Organic revenue grew to £21.8 million when expressed in constant currency terms (growth 6%).

The organic and acquired revenues are shown in the table below:

£'million	Actual	Constant Currency	Prior Year Restated
Organic revenue	24.3	21.8	20.5
Acquired revenue	3.4	2.9	0.7
Revenue	27.7	24.7	21.2

Included within the operating profit are provision releases totalling £1.2 million (2016: £nil) arising from the release of acquisition provisions on contingent liabilities for which the business has made steps to eliminate the risk and which are therefore no longer required.

Revenue



The increase in statutory operating loss is largely a result of the reduction in divisional adjusted operating profit which has been partially offset by a lower share-based payment charge and the non-recurrence of the Xcaliber investment disposal accounting in the prior year. The Group's continuing M&A activity was greater in 2017 versus the prior year, yielding a higher charge.

Adjusted operating cash flow was £2.8 million (2016: £6.0 million), with a cash conversion of 80% (2016 restated: 130%) relative to AOP. Operating cash outflow from continuing operations was £0.7 million (2016: £4.0 million inflow) which includes payments associated with M&A activity and exceptional one-off payments totalling £2.4 million (2016: £1.1 million) and interest and tax payments which were similar to the previous year.

Significant other cash outflows include capital expenditure (£3.4 million), capital cost of acquisitions (£1.1 million) and dividends (£1.4 million). A share placing in May which raised £9.3 million of net proceeds resulted in a net cash at the end of the period of £1.7 million (2016: £1.0 million).

Tax payments were comparable year on year, however cash tax payments due of £0.8 million were paid in July 2017.

Key Financials

	2017 £'million	2016 Restated £'million
Invoiced revenue	**29.3**	22.6
Revenue	**27.7**	21.2
Divisional operating profit	**5.1**	6.1
Adjusted operating profit	**3.4**	4.6
Operating loss	**(2.5)**	(1.9)
Divisional operating profit margin %	**18.4%**	28.8%
Adjusted operating profit margin %	**12.4%**	21.7%
Operating profit margin %	**(9.0%)**	(8.8%)

A reconciliation between adjusted operating profit and operating loss is given on the face of the income statement.

Segmental Results

	Year ended 30 June 2017 £'million	Year ended 30 June 2016 Restated £'million
Revenue		
Erasure	**23.5**	20.5
Diagnostics	**4.2**	0.7
Total	**27.7**	21.2
Divisional operating profit		
Erasure	**4.6**	6.1
Diagnostics	**0.5**	–
Total	**5.1**	6.1
Corporate costs (continuing operations)	**(1.7)**	(1.5)
Total adjusted operating profit	**3.4**	4.6

Group Review

The Erasure division enables customers to erase and repurpose IT devices with certified software. The Diagnostics division provides consistent, accurate and measurable diagnostics of smartphones and tablets, as well as a new diagnostics tool developed internally following the acquisition of the SmartChk product in the Xcaliber transaction. The Group has seen a significant increase in the number of customers contracting both erasure and diagnostics technology. The revenues have been allocated to the appropriate segments according to the respective portion of licences sold.

The revenues and adjusted operating profit of these divisions comprise the Group's continuing operations as presented in the financial statements, while discontinued revenues are comprised of the Digital Care insurance business which was disposed of in September 2016 and, additionally in the prior year, revenues associated with the Depot Repair business prior to the disposal of that business in April 2016.

The total result for the year, including the impact of the required accounting for discontinued operations was a loss of £4.3 million (2016 restated: £25.7 million).

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

Erasure Division

The Erasure division revenue increased to £23.5 million (2016 restated: £20.5 million), with the business acquiring a number of new customers in the year.

Adjusted operating profit was £4.6 million, at an adjusted operating margin of 19%, compared to an adjusted operating profit margin of 30% in 2016. The margin reduction is primarily due to the large investment in the sales force in the year which is expected to generate a benefit to revenue in subsequent financial years.

Diagnostics Division

The Diagnostics division generated revenues of £4.2 million, comprising the multi-year contract with our large US mobile carrier (won in May 2016 and representing £3.2 million of revenue) as well as significant contract wins with additional carriers in Asia and Europe during 2017. This represents growth from the prior year revenues of £0.7 million (consolidated from January 2016, £1.3 million on a pro forma full year 2016 basis).

The division recorded adjusted operating profit for the first time in 2017, of £0.5 million (2016: £nil) owing to growth in new contracts, net of investment in the development and sales teams of the product in the first full year under Group control.

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

	2017 £'million	2016 Restated £'million
Invoiced revenue	**29.3**	22.6
Net revenue deferral of subscription sales	**(1.4)**	(1.4)
IFRS revenue discount	**(0.2)**	–
Reported revenue	**27.7**	21.2

BUSINESS REVIEW

An accounting adjustment for discounts has been recorded against revenue with the corresponding entry being recorded through reserves until the discount is claimed by the customer.

The total deferred revenue for the continuing Group at 30 June 2017 was £5.9 million (2016 restated: £4.2 million) which comprises revenue to be recognised in future periods. Of the balance at 30 June 2017, £4.5 million of deferred revenue is due to be recognised during 2018.

Of the £5.9 million deferred revenue balance, £3.2 million represents cash already collected from customers and £2.7 million is within trade receivables at the year end.

Corporate Costs

Corporate costs of £1.7 million (2016: £1.5 million) have increased slightly. This cost comprises the costs associated with running the Plc function. The cost of Directors has increased in 2017 in comparison to 2016, as well as some small inflationary increases for services procured by the Plc such as listing and broker fees.

Currency Hedging Activities and Constant Currency

One of the risks that the Group faces by carrying out 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 as required.

The Group is well diversified across ten main currencies with Sterling representing only around 10% of revenues. The Group has a policy of hedging cash balances across countries to minimise individual exposures in any one currency, however with the majority of revenues and costs in non-Sterling, there is exposure in translating of overseas results back into Sterling when that currency strengthens or weakens.

Following the UK's decision to leave the European Union in June 2016, Sterling weakened against all overseas currencies in which the Group trades. This has resulted in an overall foreign exchange benefit for the Group as the translation of revenues generated in foreign currencies is now worth more in Sterling terms.

The average exchange rates applied are as follows:

	Average FY17 rate	Average FY16 rate	Variance	**% of FY17 Group sales**
Euro	**1.166**	1.329	(12%)	**18%**
US Dollar	**1.271**	1.473	(14%)	**47%**
Japanese Yen	**139.187**	171.83	(19%)	**18%**

The sales percentage represents amounts billed in that currency and is not directly comparable to the sales generated in any one jurisdiction.

A comparison of actual results, to results restated at constant currency is presented below:

	Year ended 30 June 2017 Actual Results £'million	Year ended 30 June 2017 Constant Currency £'million
Invoiced revenue	**29.3**	25.9
Revenue	**27.7**	24.7
Divisional operating profit	**5.1**	4.9
Group adjusted operating profit	**3.4**	3.2
Operating loss	**(2.5)**	(2.7)
Adjusted earnings per share (pence)	**3.02**	2.66
Basic loss per share (pence)	**(5.20)**	(5.56)

At a revenue level, the impact of the weakening of Sterling has been £3.0 million, representing 15 percentage points of the Group's year-on-year growth. The impact is less severe at profit level since the Group matches its revenues and costs generated in overseas currencies, creating a natural hedge.

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 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.

Acquisition of Non-Controlling Interests

In the period, the Group has continued to invest further in its minority offices and has increased stakes in the following offices.

On 18 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 AUD0.1 million (£0.1 million) was funded through the Group's cash reserves.

On 30 September 2016, the Group acquired an additional 19% stake in Blancco SEA Bhd Sdn, bringing its ownership to 70%. The consideration of $0.3 million (£0.3 million) was funded through the Group's cash reserves.

On 11 October 2016, the Group acquired the remaining 49% it did not already own of the issued share capital of Blancco France SAS for an initial consideration of €0.1 million (£0.1 million) and a contingent consideration of €0.1 million (£0.1 million). The deferred consideration is payable in or around December 2017. At 30 June 2017, the business had achieved the required sales target in order to earn a full pay out, and therefore the full contingent consideration will be settled.

On 9 February 2017, the Group increased its stake in the issued share capital of Software Blancco S.A. de CV (in Mexico) from 51% to 70% for a deferred consideration of $1.2 million (£1.0 million). The terms of the share purchase agreement were for the first 50% payment to be made six months after completion and the remaining 50% twelve months after completion. However, in light of the matters associated with the Mexican contract from the year ended June 2016, the cash phasing has been renegotiated as such that $0.4 million (£0.3 million) was settled in August 2017 and the remaining $0.8 million (£0.6 million) will be settled on a pro rata basis only in line with any cash collections.

On 13 February 2017, the Group acquired the remaining 50% it did not already own of the issued share capital of Blancco Canada Inc. The consideration of CAD0.2 million (£0.2 million) was funded through the Group's cash reserves.

Dividends Paid to Non-Controlling Interests

On 27 September 2016, a dividend was declared and paid by Blancco Japan Inc. The total dividend of ¥57.0 million (£0.4 million) was paid, of which ¥27.9 million (£0.2 million) was paid to the minority shareholder. This resulted in a cash outflow for the Group of £0.2 million and a corresponding reduction in the non-controlling interest reserve held on the balance sheet. A similar transaction occurred with Blancco Australia at a cash cost of £0.1 million prior to the buyout of the 49% minority interest.

Disposal of Mobile Insurance Business

The discontinued operations generated a profit for the period of £nil on a total revenue of £1.7 million (2016: £151.9 million revenue and £7.7 million loss). The result for the period represents the Mobile Insurance business only, compared to the combined Repair Services business (to March 2016) and Mobile Insurance business in the prior year.

The result includes £1.5 million of disposal provision released for which no claim was paid out, covering working capital adjustments and warranties. Further provisions remain in the June 2017 balance sheet, predominantly covering tax liabilities that could realise a cash outflow for up to seven years following the disposal dates.

Disposal costs, over and above those incurred in the disposal of the Repair Services business in April 2016, are presented within deal fees in the income statement and total £0.6 million, plus some small reorganisation costs we incurred totalling £0.2 million.

On 30 September 2016, the Group sold the Mobile Insurance business to Mazovia Capital for contingent consideration payable over two to three years. The consideration is contingent on meeting certain performance measures with the first payment not falling due until 2018. Latest forecasts estimate that no consideration will be receivable and accordingly no contingent asset has been recorded.

Exceptional Acquisition and Restructuring Costs

The Group has undertaken acquisitions of non-controlling interests in the period which have incurred acquisition expenses amounting to £1.7 million (2016: £1.3 million), and are inclusive of Hanover corporate advisory fees of £0.4 million (2016: £0.7 million relating to continuing operations).

Exceptional costs in the continuing business amounted to £1.0 million (2016: £nil) which predominantly relate to redundancy costs and legal fees associated with the Group's patent defence.

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. 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. During 2017, the Group has capitalised R&D costs amounting to £2.6 million (2016: £1.8 million), and amortised previously capitalised R&D costs of £1.2 million (2016: £0.5 million).

BUSINESS REVIEW

The charge 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 from the point of release of the product. The amortisation is therefore currently lagging behind the development expenditure capitalised.

Amortisation of Acquired Intangibles

Amortisation of intangible assets acquired as part of the Group's previous M&A activity was £2.5 million (2016: £2.5 million) and is in line with the prior year since no acquisitions which have resulted in a change in control (nor recognition of newly acquired assets) have taken place during 2017.

Share-Based Payments

The share-based payments charge was £0.7 million (2016: £1.2 million) and represents the charge for the options granted under the software long term incentive plan.

The charge is lower than the previous year due to the decline in the share price over the last 12 months, and therefore a reduction in the accrued value of the awards currently vested.

Details of the plan can be found in note 32 to the accounts.

During the year, two exercises took place under the plan, with values totalling £0.4 million. These were settled by transferring shares from the Company's Employee Benefit Trust (EBT) to the beneficiaries. Accordingly, a credit to reserves has been recorded representing the value generated from disposing of the EBT shares, with a corresponding reduction in the liabilities carried for the plan.

Net Financing Income

Net financing income was £0.8 million (2016: £0.9 million expense). Included within the financing income 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 £0.5 million (2016: £0.3 million).
- The impact of revaluation of deferred consideration, due to both foreign exchange movements and future forecasts on which the contingent consideration is earned. A non-cash net credit of £1.6 million (2016: non-cash charge of £0.3 million) is principally due to a reduction in value of the Xcaliber earn-out due to a reduction in forecast qualifying revenues and to a reduction in value of the Blancco Sweden earn out due to matters associated with collection of debt from the active erasure sales which comprise part of the earn out value.
- The cost associated with the Group's banking facility of £0.3 million (2016: £0.4 million), reduced slightly due to the lower facility available for the continuing Group.
- Interest received from cash held on deposit of £nil (2016: £0.1 million).

Taxation

The total tax charge was £0.7 million (2016: £0.6 million). This comprises a corporation tax charge of £0.1 million and a deferred tax charge of £0.6 million. The Group is seeing a higher proportion of revenues generated in overseas territories, particularly in Japan where the tax rate is higher than the historic Group average.

Additionally, the deferred tax charge has increased year-on-year due to the deferred tax charge associated with provision releases. Further details on the constituent parts of the tax charge are provided in note 12 to the accounts.

Earnings Per Share

Adjusted earnings per share for the continuing business were 3.02p (2016 restated: 4.16p).

Basic loss per share for the continuing business was 5.20p (2016 restated: 5.17p), also driven by the change in share base.

Cash and Working Capital

	Year ended 30 June 2017 £'million	Year ended 30 June 2016 Restated £'million
Adjusted operating cash flow before movement in working capital and exceptional and acquisition costs	**5.2**	5.4
Movement in working capital and exceptionals	**(1.7)**	0.6
Movement in provisions	**(0.7)**	–
Adjusted operating cash flow	**2.8**	6.0
Net interest and tax payments	**(1.1)**	(0.9)
M&A payments	**(1.5)**	(1.1)
Exceptional payments	**(0.9)**	–
Net cash from operating activities – continuing operations	**(0.7)**	4.0
Net capital expenditure	**(3.4)**	(2.5)
Acquisition of subsidiaries, associates and other investments, net of cash acquired	**(1.0)**	(7.8)
Net cash flow from share placing	**9.5**	–
Net cash flow from sale of subsidiaries and share buy backs	**–**	18.8
Dividend payments	**(1.4)**	(3.1)
Other movements	**(0.1)**	(1.3)
Cash flow on discontinued operations	**(2.2)**	(14.9)
Total cash flow	**0.7**	(6.8)
Net cash	**1.7**	1.0

The cash flows of the discontinued operations have been removed from the individual captions in the cash flow statement and are presented separately.

We closed the year with net cash of £1.7 million (2016: £1.0 million). The overall cash position has improved since 30 June 2016 due to a share placing which raised £9.5 million (fees totalling £0.2 million were paid subsequent to the year end).

Cash reserves have been utilised as follows:

- The continued investment in our operating locations of £2.8 million, representing:
  - Costs of acquisition of non-controlling interests in Australia, France, South East Asia, Canada and Mexico.
  - Expansion into new territories: China, Singapore and Latin America.
- Exceptional costs including redundancies and engagement in patent defence to protect the market-leading position of the business, totalling £0.9 million.
- Cash flows associated with the discontinued business and disposal of the Mobile Insurance business of £2.2 million, representing:
  - The budgeted final deal fees associated with the Repair Services business of £0.8 million.
  - Lower than expected sales activity in the Mobile Insurance business in the period as customers deferred spend during the disposal process, resulting in an adverse result of £0.7 million.
  - Deal costs associated with the disposal of £0.7 million.

Operating cash conversion is 80% and the absolute cash flow has reduced year-on-year by 54%.

BUSINESS REVIEW

The Group has seen a shift in the level of subscription business closed, for which cash is generally collected in advance of recognition of revenue.

Growth into new territories and associated up-front costs have also resulted in a cash outflow for which the working capital cycle should improve once the sales teams in these locations are fully ramped up.

Tax and interest paid are in line with prior periods, although a significant tax payment of £0.8 million was made in July 2017.

Capital expenditure and R&D qualifying for capitalisation was £3.4 million (2016: £2.5 million). Of this capital expenditure, £2.6 million (2016: £1.8 million) was incurred in the ongoing development of the Blancco product range. The remaining expenditure relates to purchase of property, plant and equipment and investment in the Group's operating systems.

Dividend paid of £1.4 million represents both the dividend paid to shareholders of the Group of £1.1 million and dividends paid to minority shareholders of the Group's subsidiaries of £0.3 million, which includes the dividend paid to the Japanese minority shareholder and former Australian minority shareholder, the latter as part of the purchase of the 49% share capital previously owned by the minority shareholder.

Other movements of £0.1 million outflow (2016: £1.3 million outflow) include changes in the value of overseas cash held on deposit when translated back into Sterling at the exchange rates prevailing at the end of the period.

Year end net cash comprised gross borrowings of £9.9 million denominated in Sterling (2016: £3.7 million in Sterling), cash and cash equivalents of £11.6 million (2016: £4.8 million) and deferred arrangement fees of £nil (2016: £nil).

Dividend

Given the position of the business and the need to invest for growth, the Board has decided not to pay a final dividend.

Post Year end Events

In August 2017, the terms of the earn-out relating to Blancco Sweden were renegotiated (previously £1.1 million due for payment in March 2017). As a consequence of this renegotiation €0.2 million (£0.2 million) was settled in August 2017 and the remaining deferred contingent consideration will be settled following collection of cash from the Mexican contracts which comprised part of the earn-out value. At 30 June 2017, the fair value of the deferred contingent consideration that has not been settled in August 2017 has been measured at £nil.

Also, in August 2017, the terms of the contingent consideration on the acquisition of 19% of the issued share capital of Software Blancco S.A. de CV, were renegotiated. In light of the matters associated with the Mexican contract from June 2016, the cash phasing has been renegotiated such that $0.4 million (£0.3 million) was settled in August 2017 and the remaining $0.8 million (£0.6 million) will be settled on a pro rata basis only in line with collections from the associated customer. At 30 June 2017, the fair value of the deferred contingent consideration that has not been settled in August 2017 has been measured at £nil.

Simon Herrick
Interim Chief Executive Officer

7 November 2017

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 2017	Year ended 30 June 2016 Restated	Commentary
Invoiced Revenue (£'millions)	**29.3**	22.6	Invoiced Revenue 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 revenue)			
North America Europe Asia and ROW	**39%** **34%** **27%**	38% 36% 26%	The move into new territories in Asia has marginally shifted the mix towards higher revenues in this region, where expansion into new regions is seen as an encouraging step forward for the Group.
	100%	100%	
Market type (proportion of invoiced revenue)			
Active Erasure Mobile IT and Other	**4%** **27%** **69%**	6% 17% 77%	The strong growth in Mobile is an encouraging trend as sales in our Asian region have increased significantly year-on-year
	100%	100%	
Average annual spend per customer* (£'000)	**61.3**	48.2	Our customers spend increasing amounts with us, showing the additional value our wide product range holds.
End of year headcount			
Admin R&D Sales	**42** **106** **125**	33 117 101	We continue to invest in headcount, through R&D development of our products and our sales force to generate new business. The business saw a significant increase in sales headcount in order to cover a greater number of territories and sales channels.
	273	251	

* for customers spending over €10k per year

PRINCIPAL RISKS AND UNCERTAINTIES

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.

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. Each risk is evaluated based on its likelihood of occurrence and severity of impact and positioned on a risk ranking matrix, along with proposed mitigating factors. Following the assessment and recording of risks, appropriate responses are proposed based on its positioning within the Group's risk appetite; ie 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.

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.

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

Principal Risks

It is recognised that the Group's strategic objectives can only be achieved if risks are taken and managed effectively. 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	The software sector is fast moving with regular changes in technological advancements and offerings. This may impact the future compatibility of our products, or new solutions could even render our products obsolete.	Continuing R&D processes with internal expertise, and continual tracking of technological direction.	→ The risk is unchanged. Mitigations reduce the risk, but this risk is inherent in the market and cannot be fully removed. The expanding portfolio of products, services, offerings, and geographies minimises these risks.
Internal systems	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.	We have implemented high level policies and procedures to efficiently and safely manage our operations and to maintain our systems. We are continuing to highlight the potential risks internally and raise the profile of internal security. System enhancement teams work on the continual improvement and integration of key systems.	↑ The risk has increased. Despite several of the key systems in place being well established across the Group, others continue to be within implementation phase. Continual enhancements are being made which can both add and remove some risk factors around the system. We have observed instances of management override of controls in the year which has increased the risk. IT security remains a focus for the coming year.

Risk Area	Potential Impact	Mitigation	Trend
Financing risks	There is a risk the Group will not be able to meet the day-to-day running obligations of the business.	The Group maintains a rolling cash flow forecast and performs sensitivity analysis on this in order to manage financing risk.	Increased Throughout FY17 this risk increased due to high "one off " payments, and increased costs being incurred as sales were being completed on longer credit terms, and were lower than expected. Following the share placing within the year and given the forecast cash flows, the Directors have concluded that there is enough financing headroom that the going concern assumption is appropriate in the preparation and presentation of the financial statements.
Customer concentration risks	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.	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. A number of customers are significant in the context of the Group as a whole. However, no single customer accounts for more than 11.4% (2016 restated: 8.4%) of the revenue, and the top 10 customers represent 28.6% (2016 restated: 27.1%) of the Group's revenue.	Increased The risk has increased. The proportionate size of our largest customer has grown since the prior year. The concentration of our top customers is also less spread out compared to the prior year, however we have seen a larger number of customers with deals over £0.1 million this year which mitigates the impact of the loss of one of those customers.
Operational efficiency risks	Operational efficiency is vital to the profitability of the Group and to customer service. 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.	The Group continues to focus on standardising operating procedures across all locations, which drives consistency in client service. System enhancement teams work on the continual improvement and integration of key systems, which supports continual automation and standardisation of processes.	Unchanged The risk is unchanged – standardisation and automation is a focus for 2018.

Key:

Increased Decreased Unchanged

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Area	Potential Impact	Mitigation	Trend
Compliance risks	The Group operates in various jurisdictions globally, therefore is exposed to varying legislation and compliance requirements.	The Group monitors global compliance, and gains local advice and guidance when required. 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. The Group maintains internal processes to ensure appropriate guidelines are followed – especially in regard to data protection and anti-bribery and corruption. 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.	→ The risk is unchanged – the Group continues to monitor its compliance across locations and deems the compliance risk to be at a suitably low level.
Foreign exchange rate volatility	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.	The Group monitors foreign exchange exposure regularly and, when a transactional exposure is not covered through a natural hedge, consideration will be given in entering into a hedge arrangement.	→ The risk is unchanged. The mix of overseas currencies has reduced following the sale of the Repair Service business, however there has been significant weakening of Sterling against the majority of other currencies in which the Group transacts business. 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.

Key:

↑ Increased ↓ Decreased → Unchanged

Risk Area	Potential Impact	Mitigation	Trend
Employee capabilities and engagement	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. Having the appropriate capabilities at all levels within the business is key to our strategic growth.	Considerable effort has been devoted to communicating the business strategy so employees are clear on our business objectives and their role in the strategy. We highlight key capability gaps and work to recruit appropriately and efficiently to fill such gaps. We continue to work in developing our future leaders so that we are able to promote internally as well as sourcing talent externally.	The risk is unchanged. The Group continues to monitor its performance in this area across locations and deems the employee engagement risk to be reduced to a suitably low level.

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 in the Principal Risks and Uncertainties section of the Report on pages 20 to 23.

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.

Simon Herrick
Interim Chief Executive Officer

7 November 2017

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 lifecycle 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 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 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 escalated immediately to the CFO and Audit Committee for appropriate action.

We recognise the importance of our employees and actively promote their development. This helps the Group to achieve its objectives while at the same time allowing our staff 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 well-being are critically important to the continued success of our business. The Executive Directors arrange 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 and support for employees to operate safely within it. We do not tolerate any corrupt practices by employees at any level and encourage whistleblowing (through our formal procedure) if such practices are encountered
- Protecting the interests of our staff – We do not tolerate any unacceptable working practices, such as any form of discrimination, bullying or harassment.
- Recognising performance – We provide appropriate remuneration for work carried out and equal opportunities for development and career advancement.

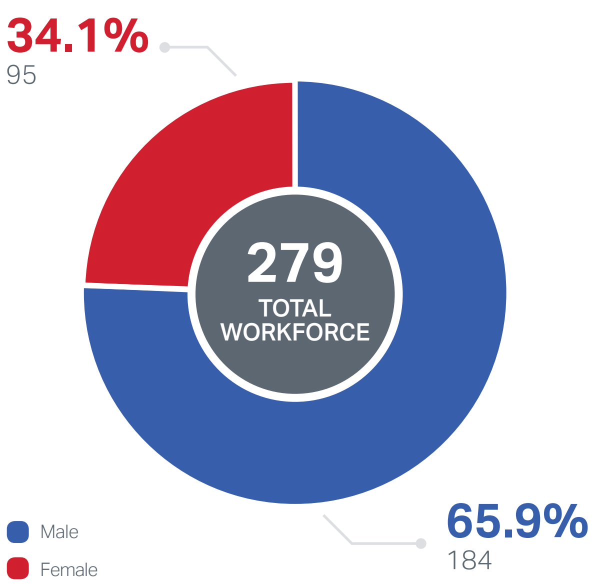
The following table shows the composition of the Group's workforce at the end of the year:

		Employees			
	Board	Senior Management	Other Staff	Total	%
Gender					
Female	0	1	94	95	34.1
Male	6	4	174	184	65.9
Total	6	5	268	279	100

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

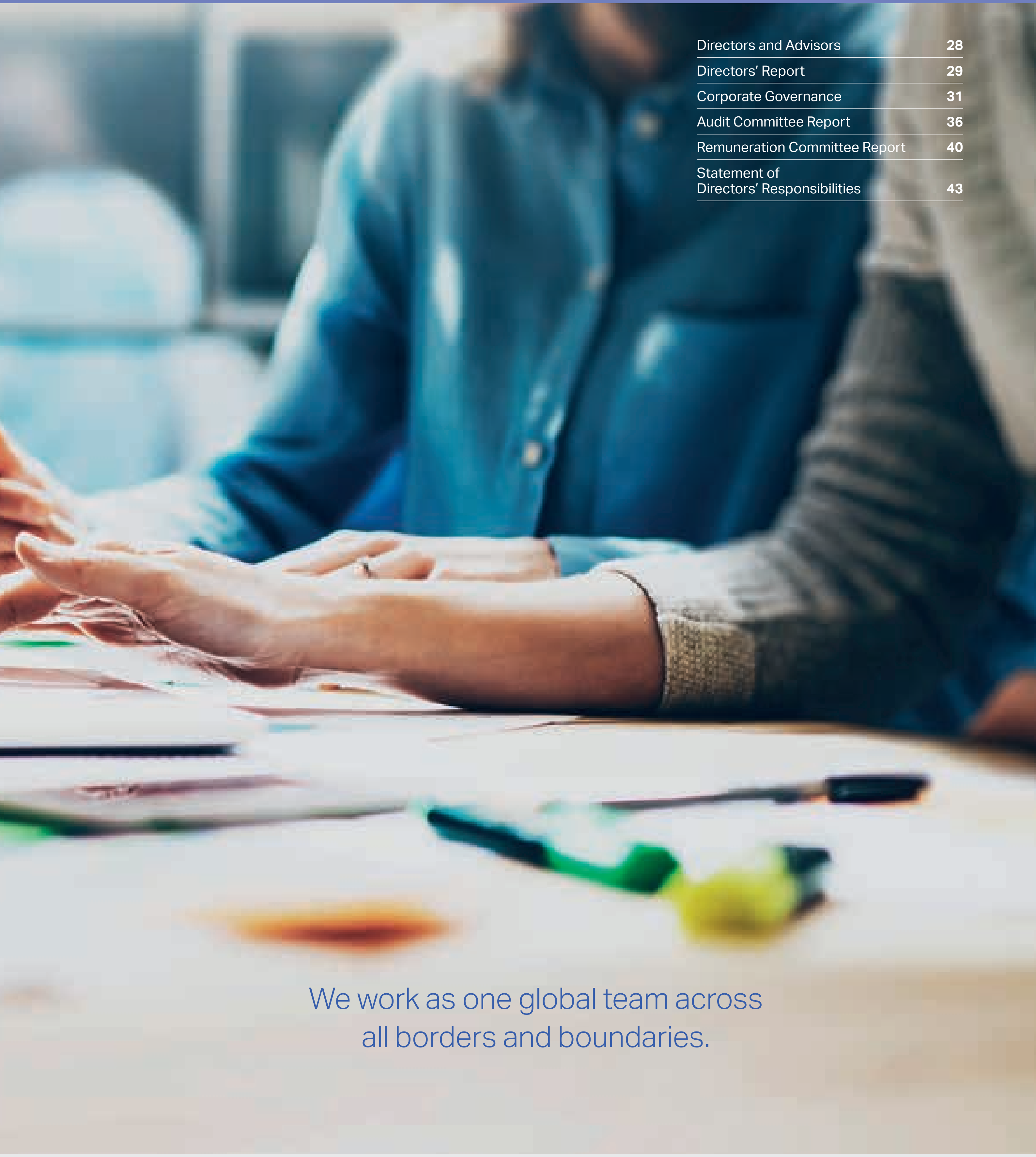
Our health and safety record continues to be good, with no RIDDOR reportable (or equivalent) incidents during the year. All our operational staff receive the appropriate level of health and safety training. Every operational site has an established structure in place to deal with health and safety matters. The Executive Directors monitor 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



blancco technology group

GOVERNANCE



We work as one global team across all borders and boundaries.

DIRECTORS AND ADVISORS

Rob Woodward Chairman

Rob joined the Board in June 2013 and became Chairman in March 2017. 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.

Simon Herrick Interim Chief Executive Officer & Interim Chief Financial Officer

Simon joined the Board as interim CFO in March 2017 and was appointed interim CEO in September 2017. He has previously served as a director and CFO of PA Consulting Limited, Kesa Electricals Plc, Northern Foods Plc and Debenhams plc. He is currently a non-executive director of Ramsdens Holdings plc.

Frank Blin Independent Non-executive Director, *Chair of Audit Committee*

Frank joined the Board in December 2014. Frank was a former senior partner with PwC, (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, Lorena Investments Limited and a number of property companies. He was awarded a CBE in 2002 for services to the financial services sector.

Philip Rogerson Senior Independent Director, *Chair of Remuneration Committee*

Philip joined the Board in March 2017. He is chairman of De La Rue plc and Bunzl plc. He also chairs the Advisory Board of the North and East London Commissioning Support Unit (NELCSU) of the NHS. Philip was formerly chairman of Aggreko plc and Carillion plc. He was an executive director of BG plc (formerly British Gas plc) latterly as deputy chairman.

Tom Skelton Independent Non-executive Director

Tom 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.

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Company Secretary
Lorraine Young Company Secretaries Limited
6th Floor,
60 Gracechurch Street
London EC3V 0HR

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 30 June 2017.

Strategic Report

In accordance with sections 414A-D of the Companies Act 2006 a Strategic Report is set out on pages 4 to 25 and incorporates the Chairman's Statement, Chief Executive's 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.

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 40 to 42 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 2017 are set out from page 52. The Group loss for the year after taxation was £4.3 million (2016 restated: £25.7 million). Given the position of the business and the need to invest for growth, the Board has decided not to pay a final dividend.

Directors

Biographical details of all Directors are set out on page 28.

The Directors who served during the year were as follows:

F Blin
K Butcher (appointed 19 October 2016, resigned 13 March 2017)
P Clawson (resigned 4 September 2017)
J Dhody (resigned 19 October 2016)
S E Herrick (appointed 14 March 2017)
M R Peacock (resigned 14 March 2017)
P G Rogerson (appointed 14 March 2017)
T K Skelton
R S L Woodward

Simon Herrick and Philip Rogerson will be standing for election by shareholders at the AGM.

The interests of the Directors in the shares of the Company are set out on page 42.

Directors' Liability Insurance

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

Related Party Transactions

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

Share Capital

The issued share capital of the Company at 30 June 2017 was £1,279,785, comprised of 63,989,266 ordinary shares of two pence each. Changes to the share capital during the year are set out in note 31.

The Directors will be seeking shareholder approval at the AGM for the renewal of their authority to allot shares, disapply pre-emption rights and for the renewal of the authority for the Company to purchase its own shares. Full details are contained in the Notice of Annual General Meeting on pages 111 to 114.

Substantial Shareholdings

As at 7 November 2017, 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	11,302,515
River and Mercantile Asset Management LLP	11.13	7,123,298
FIL Investment International	8.66	5,538,286
JO Hambro Capital Management	7.81	5,000,000
Forager Funds Management Pty Ltd	6.25	4,000,000
Schroder Investment Management	5.48	3,509,000
Soros Fund Management	4.56	2,916,213
Columbia Threadneedle Investments	4.09	2,616,371
Canaccord Genuity Group Inc	3.84	2,459,930
The Blancco Employee Benefit Trust	3.56	2,275,442

DIRECTORS' REPORT

Going Concern

As highlighted in note 25 to the financial statements, the Group meets its day-to-day working capital requirements through cash reserves and a revolving credit facility which is in place 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 Chief Executive's statement on pages 8 to 11. 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 12 to 18. In addition, note 29 to the financial statements details 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 possible changes in trading performance, show that it 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.

Post Year End Events

These are detailed on page 18.

Annual General Meeting

The AGM of the Company will be held at 4.00pm on Tuesday 19 December 2017 at the offices of Shakespeare Martineau LLP, 60 Gracechurch Street, London EC3V 0HR. The Notice together with an explanation of the business to be transacted at the meeting is on pages 111 to 114.

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

During the year the audit was put out to tender. Following this process, the Audit Committee recommended to the Board that PricewaterhouseCoopers LLP be appointed as auditor to replace KPMG LLP. The Board agreed with this recommendation. Therefore a resolution to appoint PricewaterhouseCoopers LLP as auditor 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

Lorraine Young Company Secretaries Limited
Company Secretary

7 November 2017

CORPORATE GOVERNANCE

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, so enabling it to achieve its strategy and growth aims for the future. The Company trades on the Alternative Investment Market ('AIM'). Accordingly, compliance with the governance framework contained in the UK Corporate Governance Code published by the Financial Reporting Council (the 'Code') is not currently mandatory. Nevertheless, the Board remains committed to high standards of corporate governance and endeavours to comply with the Code to the extent practicable for a public company of its size.

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, Remuneration and Nominations Committees.

Role	Responsibility
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 CEO, 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	Philip Rogerson is the Senior Independent Non-executive Director, to whom concerns may be conveyed by shareholders if they are unable to resolve them through existing routes 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.

CORPORATE GOVERNANCE

The Board

Structure and composition

The Board comprises one Executive and four Non-executive Directors.

BLANCCO BOARD

AUDIT COMMITTEE

Responsible for reviewing the Group's financial reports and internal controls.

See page 34

REMUNERATION COMMITTEE

Responsible for remuneration of the Group's key executives.

See page 34

NOMINATIONS COMMITTEE

Responsible for Board composition.

See page 34

Name	Role	Audit Committee	Remuneration Committee	Nominations Committee
Rob Woodward	Independent Chairman	Member	Member	Chairman
Simon Herrick	Interim Chief Executive Officer & Chief Financial Officer	–	–	–
Frank Blin	Independent Non-executive Director	Chairman	Member	Member
Philip Rogerson	Independent Non-executive Director	Member	Chairman	Member
Tom Skelton	Independent Non-executive Director	Member	Member	Member

Biographies of all the Directors at the date of this report are set out on page 28.

Chairman Member

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 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.

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 24 to 25.

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 advisors are also arranged as appropriate.

Details of attendance at scheduled Board and Board Committee meetings in this annual cycle (from 1 July 2016 to 30 June 2017) 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
Frank Blin	15	15	4	4	2	2	6	6
Keith Butcher (resigned 13 March 2017)	6	5	–	2*	–	–	–	–
Patrick Clawson (resigned on 4 September 2017)	15	15	–	2*	–	1*	–	3*
Jog Dhody (resigned 19 October 2016)	3	3	–	1*	–	1*	–	2*
Simon Herrick (appointed 14 March 2017)	7	7	–	1*	–	1*	–	–
Matthew Peacock (resigned 14 March 2017)	8	8	–	2*	–	1*	5	5
Philip Rogerson (appointed 14 March 2017)	7	7	1	1	1	1	1	1
Tom Skelton	15	13	4	4	2	2	6	6
Rob Woodward	15	15	4	4	2	2	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 Chair.

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 and the appointment of the Company Secretary.

CORPORATE GOVERNANCE

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.

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. 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 an internal Board evaluation process in the summer of 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. A further evaluation is planned during the 2018 financial year.

Relations with Shareholders

Dialogue

The Board is committed to maintaining good communications with shareholders. Other than during closed periods, the CEO and CFO 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.

Following his appointment as Chairman, Rob Woodward met 10 of the Company's top 11 shareholders to discuss governance issues. A number of these meetings were also attended by the Senior Independent Director and the Company Secretary.

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.

Board Committees

Remuneration Committee

Role of the Committee and Responsibilities

The Remuneration Committee is chaired by Philip Rogerson. The other members are Frank Blin, Tom Skelton and Rob Woodward. The Executive Directors may occasionally be invited to attend meetings. The terms of reference of the remuneration committee are available on the Company's website.

Further details of the work of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 40 to 42.

Nominations Committee

Role of the Committee and Responsibilities

The Nominations Committee is chaired by Rob Woodward. Frank Blin, Philip Rogerson and Tom Skelton are also members. The Chief Executive may also be invited to attend meetings. The terms of reference of the Nominations Committee are available on the Company's website. During the financial year the committee considered the appointment of a new Board Chair, as well as the appointment of new Board members. The committee is currently prioritising the recruitment of a new Chief Executive.

Audit Committee

Role of the Committee and Responsibilities

The Audit Committee is chaired by Frank Blin. The other members are Philip Rogerson, Tom Skelton and Rob Woodward. The Directors consider that Frank Blin has recent and relevant financial experience. The 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 terms of reference of the Audit Committee are available on the Company's website. The report of the Audit Committee is set out on pages 36 to 39.

Internal Controls and Risk Management

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.

Nevertheless, following recent regulatory announcements, the Board has acknowledged that in a fast-growing global business, growth can bring challenges that require a fresh assessment The Group has invested in both a common sales platform and a common accounting platform, and now, subsidiaries are more fully under Group ownership this will allow greater consistency of processes. These steps, along with the finance resource recruitment during 2017, are designed to improve further the systems of internal control.

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.

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 in 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 as anticipating key future events.

On behalf of the Board

Lorraine Young Company Secretaries Limited
Company Secretary
7 November 2017

AUDIT COMMITTEE REPORT

Key Areas of Focus During the Year

During the 2017 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 Audit Committee is primarily focused on challenging the assumptions and verifying the accounting of the executive management team to ensure sufficient controls are in place to mitigate against misstatement. This includes assessing Group-wide internal financial controls.

The Committee reviews the work of the external auditor. This includes approving the audit scope and approach, the fees of both audit and non-audit services and reviewing the outcome of audit work. Any non-audit work provided by the incumbent auditor, for which the fee would be above £20,000, must be approved by the Committee.

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 the audit firm unrelated to the audit. 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.

Assignments of non-audit work have been, and continue to be, subject to controls by management that have been agreed by the Audit Committee, so that auditor independence is not compromised. 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 remained independent during this financial year.

During the year, the Committee took the decision to put the audit out to tender, given KPMG's time in office and the significant level of non-audit fees paid to KPMG during its tenure. KPMG were not invited to tender. Following a competitive process, the Committee awarded next year's audit to PricewaterhouseCoopers LLP (PwC).

A resolution to appoint PwC as auditor will be put to shareholders at the 2017 AGM. The scope of the forthcoming year's audit has been discussed in advance by the Audit Committee, with initial scoping and handover meetings having taken place with PwC.

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 revenue recognition, management override of controls, recoverability of goodwill and, for the parent company, amounts due from subsidiaries, capitalisation of development costs and going concern.

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 November 2017. The Audit Committee placed significant reliance on the the substantial further work and analyses performed and presented by management following the identification of the management override of controls and the results of the audit work presented by the external auditor.

Revenue Recognition

The Group has developed or acquired new offerings and entered new contracts where revenue recognition can be complex.

There is potential risk of misstatement of revenues associated with software licence contracts where:

- The contract delivers multiple separable elements.
- Timing/proof of delivery of licences and associated services can vary across contracts.
- Delivery of contracts takes place through several channels, both direct to customers and via a third-party, and can increasingly be in the form of virtual delivery via the cloud.

Judgement is required to determine whether the conditions for recognising revenue under the Group's accounting policies have been met and also in respect of the requirement to identify the separable components of the revenue and to determine the timing of the recognition of the revenue.

The accounting policies of the Group are outlined in note 1.11 to the accounts.

Management highlighted to the Committee how they arrived at the key assumptions. This included:

- A summary of the main contract terms.
- The point of revenue recognition under contracts.
- 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.
- Consideration of the impact of the new IFRS15 standard, effective for the year ending 30 June 2019.

At the end of the financial year the Committee has spent time interrogating management's assessment over the recognition of revenue on material contracts closed in the year, following the identification by the management and directors of revenue in relation to contracts inappropriately recognised in the accounting records. This revenue was therefore reversed in arriving at the 2017 financial statements. This involved reviewing and understanding the outcome of management's review of material contracts on an individual basis to ensure there was sufficient evidence for both meeting the revenue recognition criteria under IAS18 and sufficient comfort that the monies for revenues booked would be collected on a timely basis. It also involved assessment of the findings of the external auditor across individual contracts tested in the context of their assessment of an increase in audit risk in respect of revenue recognition. Finally, careful consideration was given to the 2016 revenue inappropriately recognised and the decision to record this correction by way of a prior year adjustment. In doing so, the Committee scrutinised the findings from the Board review, including the new information that arose and management's interpretation of this against the requirements of IAS8, Accounting Policies, Changes in Accounting Estimates and Errors.

The Committee is satisfied that there is a reasonable expectation that the remaining sales recognised will be collected in full and that the accounting treatment is reasonable.

The Committee concluded that:

- In respect of the software and services element arrangements, the basis used was based on contract terms and the treatment adopted by management was reasonable
- In respect of the controls implemented by management, there remains scope to improve and enhance the operating effectiveness but for the year ended 30 June 2017, when combined with increased management scrutiny and testing it was appropriate to reduce the risk of misstatement to a sufficiently low level
- Further work will be undertaken to standardise the Group's revenue controls and processes and to ensure consistent application of these in 2018
- Further work is required in 2018 to determine the full impact of conversion to IFRS15.

The Committee was satisfied with the disclosures in the financial statements.

Management Override of Controls

The issues identified during the year related to revenue recognition, referred to in the Chief Executive's statement on page 8 and note 1.2 raised a concern with respect to the potential for management override of controls.

The risk of override of controls cannot be fully eliminated in any business. The Board has in place clearly defined policies and controls across the business, and specifically in regard to revenue recognition, but acknowledges several of these policies and controls were not effective and/or were overridden.

The Committee considered the steps taken to mitigate this risk. This exercise included:

- Consulting with our lawyers, assessing the impact of their findings and taking appropriate steps in response;
- Applying an increased level of scrutiny to revenue contracts; and
- Undertaking a further review of Q1 trading to ensure adherence to relevant controls.

The Committee concluded that:

- The Board has taken appropriate steps in response to professional advice;
- The Board has performed appropriate procedures to determine the extent of any management override of controls as they relate to the financial statements; and
- The Group's systems and controls more broadly are appropriate for the business.

The Committee considered the steps taken to ensure the accuracy of the financial statements by:

- Additional testing and increased level of scrutiny over revenue contracts in the year; and
- Additional testing of debtors not paid since the end of the year.

The Committee concluded that:

- The additional testing over revenue and debtors, to support identification of any further matters relevant to the financial statements, was satisfactory.

Recoverability of Goodwill and, for the Parent Company, Amounts Due from Subsidiaries

The Group has been particularly active in acquisitions recently and this has led to the creation of significant acquired goodwill. There is potential risk of non-recoverability of historically generated goodwill. Similarly for the parent company, the recoverability of amounts due from subsidiaries is considered to be a potential risk.

This uncertainty arises due to the difficulty in forecasting and discounting future cash flows associated with the individual cash-generating units (CGUs) that support the recoverability of the goodwill in the future.

The relevant accounting policies of the Group are outlined in notes 1.6 and 2.2 to the accounts.

Management highlighted to the Committee how they arrived at the key assumptions to estimate the future cash flows associated with each CGU. This included:

- 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 together with review of year to date actuals
- The discount rates used.

The Committee evaluated management's budgeting process in light of the reduction in operating profit in 2017 and was satisfied that the value in use as represented by the net present value of future cash flows was sufficient to justify the carrying value of goodwill.

The Committee further evaluated the carrying value of goodwill in comparison to the market capitalisation of the Group and concluded that matters not tied to the underlying profitability or realistic future prospects of the Group have acted to depress the share price subsequent to the year end, and it was not an indicator of the impairment of the individual CGUs.

The Committee concluded it was satisfied with the disclosures in the financial statements and:

- In respect of the segmental allocation of goodwill, the 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 indicated continuing satisfactory levels of headroom on goodwill.
- In respect of the recoverability of amounts due from subsidiaries, impairment testing and sensitivity analysis thereon indicated continuing satisfactory levels of headroom.

Capitalisation of Development Costs

The Group undertakes development of its erasure and diagnostic products. A large volume of this cost capitalisation is for internal staff costs working on these projects.

There is a potential risk of misstatement because of:

- Inappropriate judgements on whether a project meets the criteria for capitalisation
- Impairment of capitalised assets which depends on future cash flows.

The uncertainty arises due to the classification of work into research or development, which must be accounted for separately under IFRS. Additional uncertainty arises due to the difficulty in forecasting and discounting future cash flows associated with the development expenditure.

The accounting policies of the Group are outlined in note 1.6 to the accounts.

Management highlighted to the Committee how they arrived at the key assumptions. This included:

- 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.

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.

The Committee concluded that:

- 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 is expected to be in excess of the carrying value of the intangible.

Going Concern

The Committee has scrutinised the going concern assumption during the year and subsequent to the year end, given the Group's use of funds in the last year. A risk arises where the trading operations of the Group do not generate sufficient cash to cover the costs of investing and financing activities, such as the capitalised R&D team costs or the amounts committed to pay for legacy acquisitions.

Management highlighted to the Committee the key assumptions. These included:

- Assessment of the budgeted profitability and associated cash flows for 2018, including the likelihood and impact of deviations from the budget.
- An extension of the cash flow forecast to the end of December 2018.
- Assessments over the amount and timing of significant non-trading cash outflows, and the impact of dividend payments and remaining payments due for the acquisition of subsidiaries.
- The assessment of potential cash outflows (both in quantum and timing) relating to liabilities associated with previous acquisitions and disposals and the sensitivity of the cash flow forecast to these.
- The availability of borrowing facilities over the period to December 2018.
- The forecast net debt position, available facilities and the associated cash headroom of the business.

The Committee's scrutiny included:

- Assessing the impact of sensitivities on the forecasts.
- Determining the basis of the extension of the forecasts to December 2018 and assessing the longer term forecasts.
- Considering through discussion with management the availability of further sources of funds.
- Understanding management's mitigation plans in the case of downside sensitivities.

Following the placing of shares in May 2017 to raise funds, the Committee has insisted that a more rigorous and disciplined set of management controls are implemented to manage cash flow in the business. This included further levels of scrutiny in arriving at the Board approved budget and a request for management to update and report on forecasts ahead of the approval of the financial statements.

The Committee will keep cash management procedures and controls under review for the forthcoming year.

The Committee concluded that the use of the going concern assumption was appropriate in the preparation and presentation of the financial statements.

Conclusion in Respect of the Annual Report and Financial Accounts

The production and the audit of the Company's Annual Report and Financial Accounts 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 Accounts is that they are fair, balanced and understandable. The Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Accounts fulfil these requirements.

As a result of the work performed, the Committee has concluded that the Annual Report and Accounts for the year ended 30 June 2017, 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 on page 43.

Frank Blin
Chairman of the Audit Committee

7 November 2017

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 are disclosed in the Corporate Governance report on page 34.

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 and motivating individuals of a high calibre 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.

Remuneration of Executive Directors

Elements of Remuneration

The Executive Directors' remuneration is made up of:

- Fixed elements, comprising basic salary, benefits and pensions.
- Performance related elements comprising a bonus and long term incentive plan.

These are designed to incentivise the Directors, and to align their interests with shareholders.

Basic Salary

Basic salaries 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 for similar positions in comparator companies.

Benefits in Kind

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

Pensions

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

The amounts paid in the financial year are set out in the Directors' emoluments table on page 42.

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 individual personal objectives set at the beginning of the financial year.

The Group has incurred a significant reduction in operating profit in 2017 and as a result, the Committee has determined that no bonuses will be payable to the executive team in respect of the 2017 financial year.

Long Term Incentive Arrangements

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

Incentive Share Plan (ISP3)

No ISP3 awards vested during the year as the targets for the plan were not reached. All remaining awards lapsed on 31 January 2017, when the plan ceased to operate.

Software LTIP

On 30 June 2015, the Company established an LTIP specifically for the software business, comprising Stock Appreciation Rights (SARs) schemes. The LTIP was designed to incentivise Patrick Clawson, in his role as the software CEO and key executives of the software subsidiaries. When the LTIP was implemented, Patrick Clawson was not a Director of Blancco Technology Group plc and the LTIP was designed to reflect typical market practices in US software businesses.

Increases in the equity value of the Blancco and Xcaliber businesses between the date of grant of the SARs and the date of exercise may be paid in either Blancco Technology Group PLC shares or cash. The total SARs grant pool can represent up to 10% of the value of the Software business and at 30 June 2017 represented 9.0% of that value (2016: 7.5%).

The plans permit awards to be exercised at any time after vesting, but vesting is conditional on the individual being employed by the Company at the time. Vested awards may only be exercised during employment, or within three months of leaving (12 months in the case of death or disability). There are no performance conditions attached to the awards. Awards must be exercised within 10 years of grant if executives remain with the Company (9.5 years in the case of Patrick Clawson).

Patrick Clawson

On 1 July 2015 Patrick Clawson was granted SARs 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, the equity value being determined by an independent third-party.

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. At 30 June 2017, 60.4% of the award had vested.

On 8 February 2017, Patrick exercised his total vested award (amounting to 52.1% of his total award) in the Blancco business and 16.3% of his vested award (amounting to 8.5% of his total award) in the Xcaliber business, generating a value of £0.3 million. This award was settled by transferring 115,295 shares from the Blancco Employee Benefit Trust to him. He sold 85,991 of these Ordinary Shares on 9 February 2017 at a price of 280p per share, retaining 29,304 Ordinary Shares.

At 30 June 2017, he had available vested shares corresponding to 8.3% of the Blancco business and 51.9% of the Xcaliber business.

No directors have been granted awards under the scheme since the disposal of the Repair Services business. More detail on grants to Group employees are provided in note 32.

It is not intended that this plan will be continued in the future and a more standard LTIP scheme will be put in place.

Remuneration for Departing Directors

Jog Dhody left the Board on 19 October 2016 and received no compensation.

Keith Butcher left the Board on 13 March 2017 and received a payment in lieu of notice of £225,000.

Patrick Clawson left the Board on 4 September 2017 and his employment terminated on 6 November 2017. No compensation beyond accrued salary and holiday up to the termination date has been paid to him.

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 Non-executive Directors receive fees which are set by the Board as a whole. The current fee is £45,000 per annum with an additional amount of £3,000 per annum for Chairs of the Audit and Remuneration Committees. No incentives, pensions or other benefits are available to the Non-executive Directors. The Board Chairman (Rob Woodward) receives an annual fee of £95,000 per annum which reflects the additional responsibilities of this role.

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.

REMUNERATION COMMITTEE REPORT

Audited details of the Directors' emoluments are given below.

	Salary, fees, benefits 2017 £'000	Contractual bonus 2017 £'000	Pension contributions 2017 £'000	Total 2017 £'000	Total 2016 £'000
Executive					
Patrick Clawson	275	–	–	275	334
Ian Powell	–	–	–	–	1,013
Jog Dhody	47	93	–	140	699
Keith Butcher	124	–	–	124	–
Matthew Peacock[1]	94	–	–	94	814
Simon Herrick[2]	102	–	–	102	–
	642	93	–	735	2,860
Non-executive					
Frank Blin	48	–	–	48	45
Rob Woodward	60	–	–	60	45
Tom Skelton[3]	52	–	–	52	27
Philip Rogerson	14	–	–	14	–
	174	–	–	174	117
Total	816	93	–	909	2,977

1 Matthew Peacock's fees were paid to Hanover Investors Management LLP or one of its connected parties for the provision of his services as Chairman.
2 Simon Herrick's fees are paid to Eton Bridge Limited.
3 Tom Skelton's remuneration is paid in US Dollars and is therefore subject to exchange rate fluctuations when translated into Sterling.

Included within the remuneration in the prior period are incremental bonuses linked to the Repair Services business disposal, totalling:

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

Directors' Beneficial Interests in Shares

The interests of the Directors who held office at 30 June 2017 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 2017 Number	As at 30 June 2016 (or date of appointment, if later) Number
Executive			
Patrick Clawson	N/A	**32,339**	–
Simon Herrick	–	**–**	–
Non-executive			
Frank Blin	27,893	**27,893**	27,893
Tom Skelton	12,500	**12,500**	–
Rob Woodward	17,994	**17,994**	11,959
Philip Rogerson	17,500	**17,500**	7,500

Signed on behalf of the Remuneration Committee

Philip Rogerson
Chairman of the Remuneration Committee
7 November 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Responsibilities Statement

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's 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.

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 FRS101.
- 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 Accounts, 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 the applicable law and regulations.

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.

blancco
technology group

FINANCIALS

OTHER INFORMATION

We work hard, always put customers first and continue to innovate to meet their demands.

INDEPENDENT AUDITOR'S REPORT

to the members of Blancco Technology Group Plc

1. Our opinion is unmodified

We have audited the financial statements of Blancco Technology Group plc ("the Company") for the year ended 30 June 2017 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cashflow statement, company balance sheet, company statement of changes in equity, and the related notes, including the accounting policies in note 1.

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 2017 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;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Materiality: group financial statements as a whole		£275,000 (2016:£220,000) 1.0% (2016: 1.0%) of revenue
Coverage	85% (2016*:96%) of group loss before tax	
Risks of material misstatement		**vs 2016**
Recurring risks	Revenue recognition	▲
	Recoverability of goodwill and, for the parent company, amounts due from subsidiaries	◀▶
	Capitalisation of development costs	◀▶
Event driven risks	Management override of controls	▲

2. Key audit matters: our assessment of risks of material misstatement

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

	The risk	Our response
Revenue recognition (£27.7 million; 2016*: £21.2 million) *Refer to page 36 (Audit Committee Report), page 64 (accounting policy) and page 69 (financial disclosures)*	**Accounting application** Because of the varied nature of the sales process globally, together with the Group's varied contracts and offerings, judgement is applied in assessing whether the conditions for recognising revenue under the Group's accounting policies have been met. Further judgement is required in determining whether a contract is volume or subscription-based, which affects whether the revenue is recognised immediately or over time, and in allocating revenue to each component when there are multiple elements to a single contract. The risk is increased from the previous year as a result of: • The factors leading to the prior year restatement of revenue, which is explained in Note 1.2; and • The identification by the directors and consequent reversal of revenue in arriving at the 2017 financial statements of revenue in relation to contracts inappropriately recognised in the current year, as described in the Chief Executive's Statement.	Our procedures included, in addition to those stated in the management override of controls section below: • **Enquiry of customers:** for all debtor balances over £10,000 at 30 June 2017 where cash has not been received by 31 October seeking confirmations from customers of the balance at the end of the year. • **Tests of details:** For a selection of revenue contracts based on qualitative and quantitative factors, inspecting the contract terms and, where relevant, proof of delivery, together with cash receipt or customer confirmations in order to assess whether the sale had been recognised appropriately and in the correct period. • **Tests of details:** for each of the contracts selected, determining the appropriateness of the directors' judgements in identifying the separate components within the contract against the Group's accounting policies. We then assessed their judgement as to whether the software components represented a volume sale or a subscription sale, and the timing of revenue recognition; and • **Assessing transparency:** considering the adequacy of the disclosure of these policies and the prior year restatement in the financial statements.
Management override of controls *Refer to page 37 (Audit Committee Report)*	**Effects of irregularities** The matters in relation to the prior year restatement and the other adjustments to revenue identified and disclosed in the Chief Executive's statement and Note 1.2 raise concerns in relation to the Group's systems and controls, and the potential for these to be overridden, particularly in relation to revenue recognition but also more widely.	Our procedures included: • **Extended scope:** applying deepened scepticism and challenge to all areas of our audit, decreasing performance materiality (and thus increasing our sample sizes) for the testing of revenue and trade receivables and performing more substantive, rather than controls, testing. • **Test of details:** extending our assessment of journals that we judged to be high-risk and agreeing all such high risk manual journal entries posted in the year to supporting information, including third party evidence where applicable; and • **Enquiry of lawyers:** considering the report from the investigation by the Group's lawyers into the inappropriate transactions and enquiring with the lawyers through follow up calls and emails to understand the scope of their work and determine the impact of the findings of the investigation on the audit; • **Our forensics expertise:** using our own forensics specialists to consider the effects of the irregularities on the audit approach and specifically the matters identified in the report and their impact on the audit;

	The risk	Our response
Recoverability of goodwill and, for the parent company, recoverability of amounts due from subsidiaries (Goodwill £42.8 million; 2016: £42.8 million, Amounts due from subsidiaries £76.5 million; 2016: £69.3 million) *Refer to page 38 (Audit Committee Report), page 62 (accounting policy) and page 84 (financial disclosures).*	**Forecast based valuation:** The recoverability of goodwill is considered to be a significant audit risk due to the Group's continued operating losses. Similarly for the parent company, the recoverability of amounts due from subsidiaries is considered to be a significant audit risk. 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 procedures included: • **Control design:** Evaluating the Group's budgeting procedures upon which the cash flow forecasts are based and testing the integrity of the model; • **Our sector experience:** evaluating the assumptions and methodologies used by the Group, in particular those relating to the forecast revenue growth and discount rate; • **Benchmarking assumptions:** using our own valuation specialist to benchmark the assumptions used in determining the discount rates applied and comparing these rates to externally derived data, including groups in similar operating markets; • **Sensitivity analysis:** performing 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 and long term average growth rates; • **Comparing valuations:** comparing the sum of the discounted cash flows to the Group's market capitalisation both at the year end and subsequently to assess the reasonableness of those cash flows; and • **Assessing transparency:** assessing whether the Group's disclosures, in particular about the sensitivity of the outcome of the impairment assessment to changes in key assumptions, reflects the risks inherent in the valuation.
Capitalisation of development costs (£2.6 million; 2016: £2.3 million) *Refer to page 38 (Audit Committee Report), page 62 (accounting policy) and page 86 (financial disclosures).*	**Subjective estimate:** 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. In particular, the criteria requiring the most significant judgment is the ability to measure reliably the expenditure attributable to the projects and demonstration of how the projects generate future earnings.	Our procedures included: • **Assessing compliance with policies:** assessing the nature of costs incurred on significant projects to ensure they meet the criteria for capitalisation. • **Tests of detail:** Agreeing a sample of external costs capitalised to invoices and assessing a sample of internal staff costs capitalised against timesheets and evaluating the labour rates applied to the time charged, against payroll records; • **Personnel interviews:** Gaining an understanding of the respective projects and the forecast demand for the products through inquiry with the product development director and comparison to market trends; • **Assessing transparency:** considering the adequacy of the disclosure of these policies in the financial statements.

We continue to perform procedures over contingent consideration payable in respect of past business combinations. However, as there are no business combinations in the current year, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

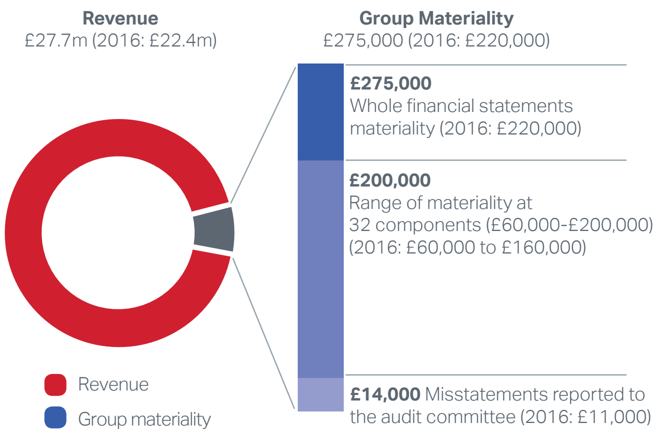
3. *Our application of materiality and an overview of the scope of our audit*

Materiality for the group financial statements as a whole was set at £275,000, determined with reference to a benchmark of revenue from continuing operations, of which it represents 1.0% (2016: 1.0%). Revenue was considered to be an appropriate benchmark because using a loss-based benchmark would result in an inappropriately low benchmark that would not be a useful basis for determining materiality.

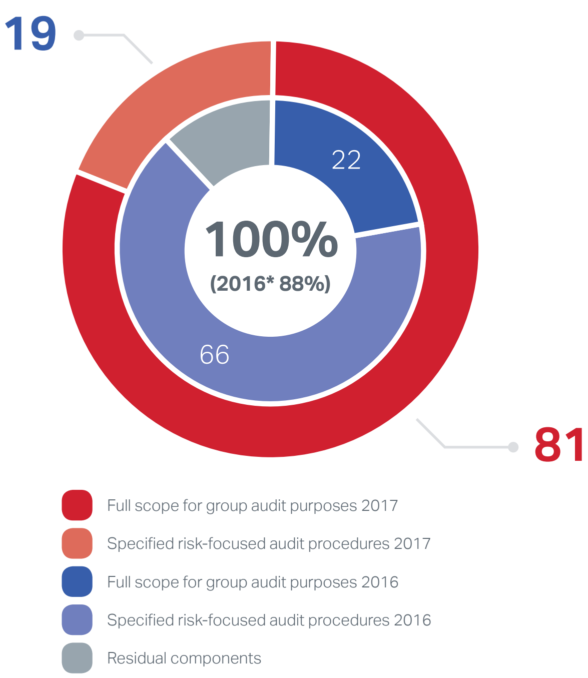
Materiality for the parent company financial statements as a whole was set at £200,000 (2016: £160,000), determined with reference to a benchmark of company total assets, of which it represents 0.2% (2016: 0.2%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £14,000 (2016: £11,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 32 (2016: 21) reporting components, we subjected 10 (2016: 5) to full scope audits for group purposes and 12 (2016: 7) to specified risk-focused audit procedures related to revenue. The latter were not individually financially significant enough to require a full scope audit for group purposes, but were included in the scope of our group reporting work in order to provide further coverage over the group's results.

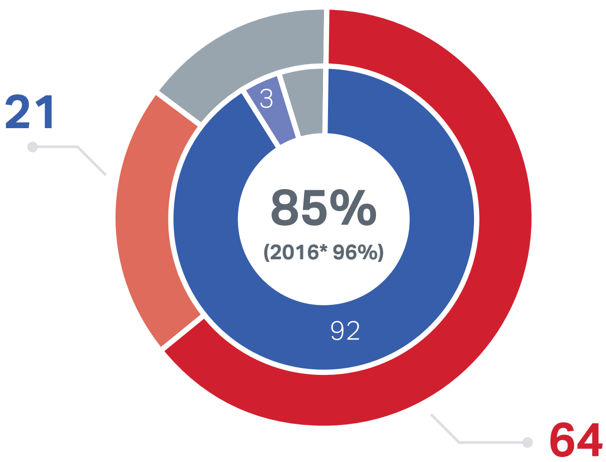


Group Revenue

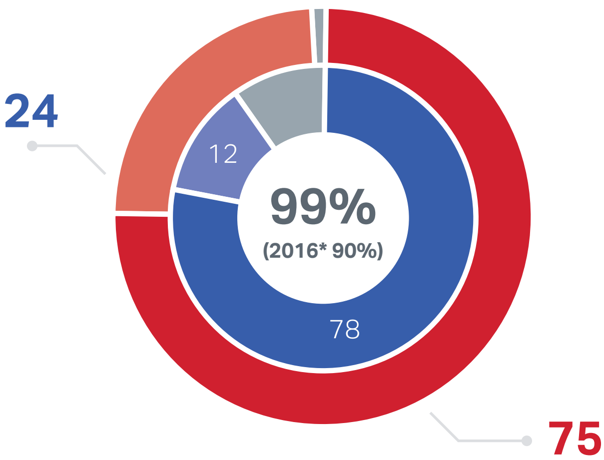


*As restated – see note 1.2

Group loss before tax



Group total assets



INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Blancco Technology Group Plc

The components within the scope of our work accounted for the percentages illustrated on the previous page.

For the residual 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 team instructed component auditors in Finland as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. 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.

The Group team approved the component materialities, which ranged from £60,000 to £200,000 (2016: £60,000 to £160,000), having regard to the mix of size and risk profile of the Group across the components. The work on one component (2016: two of the 37 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, 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 these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 43, the directors are responsible for the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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

Stuart Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
13 November 2017

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2017

	Note	**Year ended 30 June 2017 £'000**	Year ended 30 June 2016 Restated* £'000
Continuing operations revenue	3	**27,683**	**21,196**
Divisional operating profit	3	**5,105**	**6,114**
Corporate costs		(1,665)	(1,516)
Adjusted operating profit	3	**3,440**	**4,598**
Acquisition costs	6	(1,736)	(1,343)
Exceptional restructuring costs	7	(1,024)	–
Amortisation of acquired intangible assets		(2,494)	(2,494)
Share-based payments	32	(675)	(1,167)
Group operating loss		**(2,489)**	**(406)**
Loss on disposal of Xcaliber investment following acquisition	14	–	(1,314)
Share of results of associates and jointly controlled entities		–	(155)
Operating loss	5	**(2,489)**	**(1,875)**
Revaluation of deferred consideration		1,686	–
Other finance income		2	68
Finance income	11	**1,688**	**68**
Unwinding of contingent consideration		(523)	(292)
Revaluation of deferred consideration		(84)	(293)
Other finance costs		(321)	(416)
Finance costs	11	**(928)**	**(1,001)**
Loss before tax		**(1,729)**	**(2,808)**
Taxation	12	(666)	(649)
Loss for the year		**(2,395)**	**(3,457)**
Discontinued operations			
Post tax results from discontinued operations	9	(1,917)	(22,198)
Loss for the year		**(4,312)**	**(25,655)**
Attributable to:			
Equity holders of the Company		(4,866)	(25,893)
Non-controlling interest		554	238
Loss for the year		**(4,312)**	**(25,655)**

* See note 1.2

Earnings per share			
Continuing operations:			
Basic	13	(5.20 p)	(5.17 p)
Diluted	13	(5.20 p)	(5.17 p)
Discontinued operations:			
Basic	13	(3.38 p)	(31.03 p)
Diluted	13	(3.38 p)	(31.03 p)
Total Group:			
Basic	13	(8.58 p)	(36.20 p)
Diluted	13	(8.58 p)	(36.20 p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 Restated* £'000
Loss for the year	**(4,312)**	**(25,655)**
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:		
Exchange differences arising on translation of foreign entities	(347)	2,542
Total comprehensive loss for the year	**(4,659)**	**(23,113)**
Attributable to:		
Equity holders of the Company	(5,234)	(23,351)
Non-controlling interests	575	238
Total comprehensive loss for the year	**(4,659)**	**(23,113)**

* See note 1.2

CONSOLIDATED BALANCE SHEET

for the year ended 30 June 2017

	Note	30 June 2017 £'000	30 June 2016 Restated* £'000
Assets			
Non-current assets			
Goodwill	16	42,821	42,821
Other intangible assets	17	23,330	24,071
Property, plant and equipment	18	446	430
		66,597	**67,322**
Current assets			
Inventory	20	142	116
Trade and other receivables	21	8,438	6,551
Cash	22	11,648	4,769
Assets held for sale	9	–	4,804
		20,228	**16,240**
Total assets		**86,825**	**83,562**
Current liabilities			
Trade and other payables	23	(13,958)	(13,378)
Contingent consideration	29	(1,726)	(2,213)
Current tax liability		(1,450)	(2,264)
Provisions	28	(386)	(1,569)
Liabilities held for sale	9	–	(3,038)
		(17,520)	**(22,462)**
Non-current liabilities			
Borrowings	25	(9,916)	(3,727)
Other payables	23	(1,681)	(954)
Contingent consideration	29	(2,418)	(3,196)
Deferred tax	30	(2,611)	(1,844)
Provisions	28	(2,035)	(3,782)
		(18,661)	**(13,503)**
Total liabilities		**(36,181)**	**(35,965)**
Net assets		**50,644**	**47,597**
Equity			
Ordinary share capital		1,280	1,164
Share premium		9,152	–
Merger reserve		4,034	4,034
Capital redemption reserve		417	417
Translation reserve		(984)	(434)
Retained earnings		35,703	41,895
Total equity attributable to equity holders of the Company		**49,602**	**47,076**
Non-controlling interest reserve		1,042	521
Total equity		**50,644**	**47,597**

* See note 1.2

The financial statements were approved by the Board of Directors and authorised for issue on 7 November 2017.

These were signed on its behalf by:

Rob Woodward
Chairman

Simon Herrick
Interim Chief Financial Officer

Company number: 05113820

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	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 30th June 2015	**1,581**	**51,737**	**4,034**	**(7,115)**	**72,191**	**238**	**–**	**122,666**
Comprehensive income:								
Loss for the year*	–	–	–	–	(25,893)	238	–	**(25,655)**
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)**	**41,895**	**521**	**417**	**47,597**
Comprehensive income:								
(Loss)/profit for the year	–	–	–	–	(4,866)	554	–	**(4,312)**
Reserves transfer on disposal of subsidiary	–	–	–	(182)		–	–	**(182)**
Transactions with owners recorded directly in equity:								
Recognition of share-based payments	–	–	–	–	343	–	–	**343**
Other comprehensive income:								
Exchange differences arising on translation of foreign entities	–	–	–	(368)	–	21	–	**(347)**
Dividends paid	–	–	–	–	(1,139)	(278)	–	**(1,417)**
Share placing	116	9,152	–	–	–	–	–	**9,268**
Share options exercised	–	–	–	–	407	–	–	**407**
Vesting of options to sell shares in subsidiary	–	–	–	–	165	–	–	**165**
Other transactions:								
Acquisition of non-controlling interest without a change in control	–	–	–	–	(1,041)	–	–	**(1,041)**
Issues of shares to non-controlling interest	–	–	–	–	–	163	–	**163**
Reserves transfer on acquisition of non-controlling interest	–	–	–	–	(61)	61	–	**–**
Balance as at 30 June 2017	**1,280**	**9,152**	**4,034**	**(984)**	**35,703**	**1,042**	**417**	**50,644**

* Restated see note 1.2

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2017

	Note	Year ended 30 June 2017 £'000	Year ended 30 June 2016 Restated* £'000
Loss for the period		**(4,312)**	**(25,655)**
Adjustments for:			
Results of discontinued operations	9	1,917	22,198
Net finance (income)/charges	11	(760)	933
Tax expense	12	666	649
Depreciation on property, plant and equipment	8	202	113
Amortisation of intangible assets	8	1,579	668
Amortisation of acquired intangible assets	8	2,494	2,494
Share of losses and disposal of joint ventures and associates		–	1,469
Share-based payments expense		675	1,167
Operating cash flow before movement in working capital		**2,461**	**4,036**
Acquisition costs		1,736	1,343
Exceptional restructuring costs		1,024	–
Operating cash flow before movement in working capital and exceptional and acquisition costs		**5,221**	**5,379**
Increase in inventories		(26)	(41)
Increase in receivables		(1,637)	(2,399)
Increase in payables and accruals		321	3,310
Decrease in provisions	28	(732)	–
Cash generated from continuing operations		**387**	**4,906**
Acquisition costs payments		1,477	1,080
Exceptional restructuring payments	7	890	–
Adjusted operating cash flow		**2,754**	**5,986**
Interest received	11	2	68
Interest paid		(321)	(309)
Tax paid		(731)	(629)
Net cash (outflow)/inflow from operating activities – continuing operations		**(663)**	**4,036**
Net cash outflow from operating activities – discontinued operations	9	(2,123)	(10,890)
Net cash outflow from operating activities – continuing and discontinued operations		**(2,786)**	**(6,854)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(249)	(236)
Purchase and development of intangible assets		(3,146)	(2,282)
Acquisition of subsidiaries, net of cash acquired	15	(657)	(7,485)
Payments made to acquire non-controlling interests		(462)	(345)
Proceeds from issue of shares to non-controlling interests		136	–
Net cash used in investing activities – continuing operations		**(4,378)**	**(10,348)**
Net cash (used in)/from investing activities – discontinued operations	9	(61)	65,399
Net cash (used in)/from investing activities – continuing and discontinued operations		**(4,439)**	**55,051**

	Note	Year ended 30 June 2017 £'000	Year ended 30 June 2016 Restated* £'000
Cash flows from financing activities			
Dividends paid	24	(1,417)	(3,071)
Drawdown/(repayment) of borrowings	27	6,174	(1,223)
Share placing net of fees		9,479	–
Repurchase of shares		–	(50,692)
Net cash from/(used in) financing activities		**14,236**	**(54,986)**
Net cash used in financing activities – discontinued operations		–	–
Net cash from/(used in) financing activities – continuing and discontinued operations		**14,236**	**(54,986)**
Net increase/(decrease) in cash and cash equivalents		**7,011**	**(6,789)**
Other non-cash movements – exchange rate changes		(132)	(585)
Cash and cash equivalents at beginning of period		4,769	12,143
Cash and cash equivalents at end of period		**11,648**	**4,769**
Bank borrowings	27	(9,916)	(3,727)
Net cash		**1,732**	**1,042**

* See note 1.2

NOTES TO THE ACCOUNTS
for the year ended 30 June 2017

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 28, whilst the nature of the Group's operations and principal activities are set out in the Business Review from page 12. 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 1.5.

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).

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:
IFRS9	Financial Instruments	1 January 2018
Amendments to IAS7	Disclosure Initiatives	1 January 2017
Amendments to IAS12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IFRS2	Clarification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS16	Leases	1 January 2019

The IASB has issued IFRS15 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 below accounting policies have been consistently applied to all periods presented in these consolidated financial statements.

1.2 Prior Year Adjustment

A prior year adjustment has been made, relating to the recognition of £1.2 million of revenue that was previously booked in the year ended 30 June 2016 (and prepaid costs relating to revenue expected to be booked in the 2017 year end). The Board review performed from August 2017 identified new evidence which indicated that at the time of signing the accounts on 30 September 2016, although certain licences had been delivered to the customer, no contractual agreement was in existence with the customer which adequately supported the criteria for recognition of revenue under the Group's accounting policies at that time. As a result, invoiced trade receivables of £2.1 million as at 30 June 2016 have been reversed, together with the prepayment of £0.3 million of costs associated with the undelivered portion of the contract, which has now been written off in the year to 30 June 2016. Deferred revenue of £0.6 million and sales tax of £0.3 million is similarly reversed, together with revenue recognised of £1.2 million.

A summary of the impact of the prior year adjustment on the consolidated income statement and consolidated statement of cash flows for the year ended 30 June 2016 ,as well as the consolidated balance sheet as at 30 June 2016 arising from the restatements, are as follows:

Consolidated Income Statement for the Year Ended 30 June 2016

Continuing Operations	As reported £'000	Overstatement of revenue and trade and other receivables	Restated £'000
Revenue	22,387	(1,191)	21,196
Divisional adjusted operating profit	7,605	(1,491)	6,114
Adjusted operating profit	6,089	(1,491)	4,598
Operating loss	(384)	(1,491)	(1,875)
Loss before tax	(1,317)	(1,491)	(2,808)
Tax	(649)	–	(649)
Loss for the period	(1,966)	(1,491)	(3,457)
Loss from discontinued operations	(22,198)	–	(22,198)
Loss for the year	(24,164)	(1,491)	(25,655)

No adjustment to the tax charge for the previous year has been made since an invoice had been raised in respect of this contract and, while unpaid, there is a likelihood that the tax could be demanded from the Mexican government as a result.

There is no change to the previously reported cash outflow from operating activities, cash used in investing activities and cash used in financing activities. The cash conversion has been restated to 130%, previously 96% following the reduction in adjusted operating profit.

There is no impact on the balance sheet or retained profits at 30 June 2015. Retained profits at 30 June 2016 are reduced by £1.5 million.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2017

Consolidated Balance Sheet as at 30 June 2016

	As reported £'000	Overstatement of revenue and trade and other receivables £'000	Restated £'000
Assets			
Non-current assets			
Goodwill	42,821	–	42,821
Other intangible assets	24,071	–	24,071
Property, plant and equipment	430	–	430
	67,322	–	67,322
Current assets			
Inventory	116	–	116
Trade and other receivables	8,901	(2,350)	6,551
Cash	4,769	–	4.769
Assets held for sale	4,804	–	4,804
	18,590	(2,350)	16,240
Total assets	85,912	(2,350)	83,562
Current liabilities			
Trade and other payables	(14,237)	859	(13,378)
Contingent consideration	(2,213)	–	(2,213)
Current tax liability	(2,264)	–	(2,264)
Provisions	(1,569)	–	(1,569)
Liabilities held for sale	(3,038)	–	(3,038)
	(23,321)	859	(22,462)
Non-current liabilities			
Borrowings	(3,727)	–	(3,727)
Other payables	(954)	–	(954)
Contingent consideration	(3,196)	–	(3,196)
Deferred tax	(1,844)	–	(1,844)
Provisions	(3,782)	–	(3,782)
	(13,503)	–	(13,503)
Total liabilities	(36,824)	859	(35,965)
Net assets	49,088	(1,491)	47,597

1.3 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 12. 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.

1.4 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.

1.5 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.

1.6 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 1 to 12 years.

Brand names are being amortised on a straight-line basis over 6 to 14 years.

Intellectual property is being amortised on a straight-line basis over 9 to 10 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.

1.7 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.

1.8 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 they have significant influence over the operations of that entity. The Group generally regards an equity ownership of between 20% and 49% as representing significant influence, and 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.

1.9 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.

1.10 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.

1.11 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 revenue 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 up-front 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 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 in accordance with IFRS4, 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.

1.12 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.

1.13 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 are 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1.19 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 payment 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.

1.20 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, adjustments to estimates of contingent consideration and the tax impacts of the above items.

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 statement.

- **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 Relationship**

  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.

3. Segmental Reporting

As outlined in the Strategic Report, the Group's management structure is reported in two distinct divisions, comprising the continuing operations.

Erasure Division

The Erasure division enables customers to erase and repurpose IT devices with certified software.

Diagnostics Division

The Diagnostics division provides consistent, accurate and measurable diagnostics of smartphones and tablets, as well as new diagnostics tools developed internally following the acquisition of the SmartChk product in the Xcaliber transaction.

Discontinued Operations

Discontinued revenues are comprised of the Digital Care insurance business which was disposed in September 2016 and additionally, in the prior year revenues associated with the Depot Repair business prior to the disposal date in April 2016.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2017

Continuing operations	Year ended 30 June 2017 £'000	Year ended 30 June 2016 Restated £'000
Erasure revenue	**23,520**	**20,468**
Diagnostics revenue	4,163	1,017
Less: share of jointly controlled entity	–	(289)
Diagnostics revenue	**4,163**	**728**
Software revenue	**27,683**	**21,196**
Erasure	4,557	6,101
Diagnostics	548	13
Divisional operating profit	**5,105**	**6,114**
Corporate costs	(1,665)	(1,516)
Adjusted operating profit	**3,440**	**4,598**
Acquisition costs	(1,736)	(1,343)
Exceptional restructuring costs	(1,024)	–
Amortisation of intangible assets	(2,494)	(2,494)
Share-based payments	(675)	(1,167)
Group operating loss	**(2,489)**	**(406)**
Loss on disposal of Xcaliber investment following acquisition	–	(1,314)
Share of results of associates and jointly controlled entities	–	(155)
Operating loss	**(2,489)**	**(1,875)**
Revaluation of contingent consideration	1.686	–
Other finance income	2	68
Finance income	**1,688**	**68**
Unwinding of discount factor on contingent consideration	(523)	(292)
Revaluation of contingent consideration	(84)	(293)
Other finance costs	(321)	(416)
Finance costs	**(928)**	**(1,001)**
Loss before tax	**(1,729)**	**(2,808)**

Discontinued operations	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Revenue	**1,740**	**151,901**
Divisional operating (loss)/profit	**(346)**	**9,711**
Corporate costs	(415)	(3,438)
Adjusted operating (loss)/profit	**(761)**	**6,273**
Acquisition and disposal costs	(595)	(9,600)
Exceptional restructuring costs	(165)	(1,542)
Other exceptional income (note 5)	1,478	–
Amortisation of intangible assets	–	(425)
Share-based payments	–	(714)
Operating loss	**(43)**	**(6,008)**
Finance income	–	20
Unwinding of discount factor on contingent consideration	–	(342)
Other finance costs	–	(1,337)
Net finance cost	**–**	**(1,659)**
Loss before tax	**(43)**	**(7,667)**

	Segment assets 2017 £'000	Segment assets Restated 2016 £'000	Segment liabilities 2017 £'000	Segment liabilities Restated 2016 £'000
Erasure	16,102	10,687	12,360	12,785
Diagnostics	1,320	965	2,006	5,961
Software	**17,422**	**11,652**	**14,366**	**18,746**
Corporate	69,403	67,106	21,815	14,181
Held for sale	–	4,804	–	3,038
Total Group	**86,825**	**83,562**	**36,181**	**35,965**

	Capital expenditure 2017 £'000	Capital expenditure 2016 £'000	Depreciation & amortisation 2017 £'000	Depreciation & amortisation 2016 £'000
Erasure	2,938	2,135	3,904	3,130
Diagnostics	457	245	305	108
Software	**3,395**	**2,380**	**4,209**	**3,238**
Corporate costs	–	138	66	37
Total continuing Group	**3,395**	**2,518**	**4,275**	**3,275**

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2017

Geographical Information

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

Continuing operations	2017 £'000	2016 Restated £'000
Revenue from external customers		
UK	2,718	2,821
Mexico	770	1,964
USA	8,823	5,925
Asia Pacific	7,680	5,002
Rest of World	7,692	5,773
	27,683	21,485
Less: share of jointly controlled entity	–	(289)
	27,683	**21,196**

Discontinued operations	2017 £'000	2016 £'000
Revenue from external customers		
UK	–	20,850
Germany	–	27,294
Poland	1,740	40,655
Spain	–	19,802
Rest of World	–	43,300
	1,740	**151,901**

Inter-location revenue

Continuing operations	2017 £'000	2016 £'000
USA	824	95
Asia Pacific	1,204	114
	2,028	**209**

Discontinued operations	2017 £'000	2016 £'000
Poland	–	1,430
Romania	–	584
Rest of World	–	646
	–	**2,660**

Non-current assets	2017 £'000	2016 £'000
UK	98	2,183
Non-UK	66,499	65,139
	66,597	**67,322**

4. Auditor's Remuneration

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	20	19
The audit of the Company's subsidiaries pursuant to legislation	141	156
Total audit fees	**161**	**175**
Non-audit fees		
Other assurance services	–	150
Taxation compliance services	125	61
Taxation advisory services	432	1,816
Transaction services	83	818
Non-audit fees	**640**	**2,845**
	801	**3,020**

The non-audit fees have decreased significantly due to professional services contracted as part of the disposal process incurred in the previous year not repeated this year. Services included vendor due diligence assistance, financial reviews and tax advisory services.

The Board considers the level of fees paid to the auditor and in particular the level of non-audit fees on a regular basis and has concluded appropriate safeguards were in place to ensure the independence of the auditor.

5. Operating Loss

Continuing operations	2017 £'000	2016 Restated £'000
Revenue	27,683	21,485
Less: share of jointly controlled entity	–	(289)
Group revenue	**27,683**	**21,196**
Cost of sales	(1,182)	(1,545)
Gross profit	**26,501**	**19,651**
Adjusted administrative expenses	(23,061)	(15,053)
Adjusted operating profit	**3,440**	**4,598**
Other administrative expenses	(5,929)	(5,004)
Loss on disposal of Xcaliber investment following acquisition	–	(1,314)
Share of results of associates and jointly controlled entities	–	(155)
Operating loss	**(2,489)**	**(1,875)**
Administrative expenses	(28,990)	(21,526)

Included within the operating profit are provision releases totalling £1.2 million (2016: £nil) arising from the release of acquisition provisions on contingent liabilities for which the business has made steps to eliminate the risk and are no longer required. This consists of £0.6 million of accruals releases and £0.6 million of provision releases.

NOTES TO THE ACCOUNTS CONTINUED
for the year ended 30 June 2017

Discontinued operations	2017 £'000	2016 £'000
Revenue	1,740	151,901
Less: share of jointly controlled entity	–	–
Group revenue	**1,740**	**151,901**
Cost of sales	(1,285)	(119,794)
Gross profit	**455**	**32,107**
Adjusted administrative expenses	(1,216)	(25,834)
Adjusted operating (loss)/profit	**(761)**	**6,273**
Other administrative expenses	718	(12,281)
Operating loss	**(43)**	**(6,008)**
Administrative expenses	(1,977)	(38,115)

In the year, £1.5 million (2016: £nil) of provisions were released into discounted operations. These were held in respect of the disposed business that are no longer required, including potential warranty and working capital provisions.

6. Acquisition Costs

	2017 £'000	2016 £'000
Acquisition costs and other M&A related costs	**1,736**	**1,343**

Acquisition costs relate to the M&A activity within the year with the most significant costs in both years relating to the buyouts of minority interest stakes in sales offices.

Deal costs not included above relate to the disposal of the Repair Services and Mobile Insurance businesses totalling £0.6 million (2016: £9.6 million) and are presented within discontinued operations.

7. Exceptional Restructuring Costs

	2017 £'000	2016 £'000
Redundancies and restructuring	846	–
Patent defence litigation	178	–
	1,024	**–**

£1.0 million of exceptional restructuring costs have been recorded in the current period (2016: £nil) relating to personnel restructuring and litigation regarding patent infringement.

Exceptional redundancy and restructuring costs not included above relate to the restructuring activities for the disposal of the Repair Services and Mobile Insurance businesses totalling £0.2 million (2016: £1.5 million), and are presented within discontinued operations.

8. Loss for the Year

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

	2017 £'000	2016 £'000
Depreciation of property, plant and equipment – owned	211	523
Loss/(profit) on disposal of property, plant and equipment	12	(33)
Amortisation of intangible assets	4,129	4,058
Cost of inventories recognised as an expense	167	81,753
Staff costs	12,904	52,268
Net foreign exchange loss	376	1,308

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

	2017 £'000	2016 £'000
Depreciation of property, plant and equipment – owned	202	113
Loss on disposal of property, plant and equipment	12	–
Amortisation of intangible assets	4,073	3,162
Cost of inventories recognised as an expense	167	309
Staff costs (note 10)	12,546	9,954
Net foreign exchange loss	407	169

9. Discontinued Operations

	2017 £'000	2016 £'000
Discontinued operations revenue	**1,740**	**151,901**
Divisional operating (loss)/profit	**(346)**	**9,711**
Corporate costs	(415)	(3,438)
Adjusted operating (loss)/profit	**(761)**	**6,273**
Acquisition and disposal costs	(595)	(9,600)
Exceptional restructuring costs	(165)	(1,542)
Other exceptional income	1,478	–
Amortisation of intangible assets	–	(425)
Share-based payments	–	(714)
Group operating loss	**(43)**	**(6,008)**
Finance income	–	20
Unwinding of contingent consideration	–	(342)
Other finance costs	–	(1,337)
Finance costs	–	(1,679)
Loss before tax	**(43)**	**(7,667)**
Taxation	(318)	(609)
Loss for the period	**(361)**	**(8,276)**
Post tax loss on disposal of discontinued business	(1,556)	(13,922)

The loss on disposal reconciliation for the disposal of the Mobile Insurance business is as below. In the prior year the loss on disposal related to the Repair Services business and Digital Care Sweden AB.

	2017 £'000	2016 £'000
Proceeds	–	79,914
Assets		
Goodwill		49,816
Other intangible assets	1,472	5,186
Property, plant and equipment	125	7,894
Deferred taxation	298	2,404
Cash	154	10,396
Inventory	42	9,881
Trade and other receivables	2,441	27,585
Total assets disposed	4,532	113,162
Liabilities		
Trade and other payables	(2,794)	(20,299)
Deferred consideration	-	(3,166)
Total liabilities disposed	(2,794)	(23,465)
Total net assets disposed	1,738	89,697
Transfer of translation differences to Consolidated Income Statement	(182)	4,139
Loss on disposal	(1,556)	(13,922)

On disposal, the Group is required to transfer accumulated foreign exchange differences from the translation reserve to the income statement. This credit amounted to £0.2 million (2016: charge of £4.1 million).

On 19 September 2016, the Group reached an agreement to sell the Mobile Insurance business to Mazovia Capital. The consideration is contingent on meeting certain performance measures with the first payment not becoming due until 2018. Latest forecasts estimate that no consideration will be receivable and accordingly no contingent asset has been recorded.

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

	2017 £'000	2016 £'000
Loss for the period	**(361)**	**(8,276)**
Adjustments for:		
Net finance charges	–	1,659
Tax expense	318	609
Depreciation on property, plant and equipment	9	410
Amortisation of intangible assets	56	471
Amortisation of acquired intangible assets	–	425
Share-based payments expense	–	714
Operating cash flow before movement in working capital	**22**	**(3,988)**
Increase in inventories	(11)	(495)
Decrease in receivables	433	809
Decrease in payables and accruals	(1,089)	(6,004)
Decrease in provisions	(1,478)	(222)
Cash used in discontinued operations	**(2,123)**	**(9,900)**
Interest received	–	20
Interest paid	–	(655)
Tax paid	–	(355)
Net cash outflow from operating activities – discontinued operations	**(2,123)**	**(10,890)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(12)	(1,549)
Purchase and development of intangible assets	(49)	(1,575)
Acquisition of subsidiaries and payment of contingent consideration	–	(995)
Disposal of subsidiaries, net of cash disposed	–	69,518
Net cash (used in)/from investing activities – discontinued operations	**(61)**	**65,399**

10. Staff Costs

	2017 Continuing number	2017 Discontinued number*	2017 Total number	2016 Total number
Production	–	39	39	3,194
Sales and business development	119	10	129	230
Administration	42	16	58	602
Research and development	112	–	112	62
	273	**65**	**338**	**4,088**

* Average discontinued headcount in FY17 until the disposal of the Mobile Insurance business in September 2016

Aggregate employment costs	2017 Continuing £'000	2017 Discontinued £'000	2017 Total £'000	2016 Total £'000
Wages and salaries	10,570	319	10,889	43,370
Social security costs	1,319	36	1,355	5,325
Share-based payments	675	–	675	1,881
Pension and other staff costs	657	3	660	1,692
	13,221	**358**	**13,579**	**52,268**

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

Key management personnel costs	2017 £'000	2016 £'000
Short term employee benefits	1,826	1,457
Post-employment benefits	-	68
Compensation for loss of office	225	–
Share-based payments	675	1,167
	2,726	**2,692**

The remuneration of individual Directors as detailed in the tables on page 42 and the share interests in the table on page 42 in the Remuneration Report form part of this note to the financial statements.

11. Finance Costs and Finance Income

Continuing operations	2017 £'000	2016 £'000
Bank interest receivable and similar income	2	68
Interest payable on borrowings:		
Bank loans and overdrafts	(307)	(377)
Other finance costs	(14)	(39)
Revaluation of contingent consideration (note 29)	1,602	(293)
Unwind of discount factor on contingent consideration (note 29)	(523)	(292)
Net finance income/(cost)	**760**	**(933)**

Contingent consideration was revalued in respect of movements in foreign exchange rates in the year and a reforecast of contingent consideration payable in relation to the Xcaliber and Blancco Sweden acquisitions which is based on the performance of the business and revenue and associated cash collection targets. The impact was a decrease in the present value of the liability in Sterling of £1.6 million.

12. Tax

Continuing operations	2017 £'000	2016 £'000
Current tax		
UK corporation tax	-	(244)
Overseas tax	578	1,481
Adjustments in respect of prior years	(519)	(711)
Total current tax charge	**59**	**526**
Deferred tax		
UK	225	99
Overseas	(243)	(980)
Adjustments in respect of prior years	625	1,004
Total deferred tax charge/(credit) (note 30)	**607**	**123**
Tax charge	**666**	**649**

UK corporation tax is calculated at 19.75% (2016: 20%) 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:

	2017 £'000	2016 Restated £'000
Loss before tax	(1,729)	(2,808)
Tax at standard UK corporation tax rate of 19.75% (2016: 20%)	(341)	(562)
Effects of:		
Permanent differences	369	979
Rate differences	252	(168)
Adjustment in respect of previous periods	110	293
Brought-forward losses no longer recognised	120	–
Movement on unrecognised deferred tax assets	146	(84)
Effect of change in tax rates	10	191
	666	**649**

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 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.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2017

13. Earnings Per Share (EPS)

	2017 Pence	2016 Restated Pence
Continuing operations		
Basic earnings per share	(5.20 p)	(5.17 p)
Diluted earnings per share	(5.20 p)	(5.17 p)
Adjusted earnings per share	3.02 p	4.16 p
Diluted adjusted earnings per share	3.02 p	4.16 p
Discontinued operations		
Basic earnings per share	(3.38 p)	(31.03 p)
Diluted earnings per share	(3.38 p)	(31.03 p)
Adjusted earnings per share	(1.90 p)	7.18 p
Diluted adjusted earnings per share	(1.90 p)	7.18 p
Total Group		
Basic earnings per share	(8.58 p)	(36.20 p)
Diluted earnings per share	(8.58 p)	(36.20 p)
Adjusted earnings per share	1.12 p	11.34 p
Diluted adjusted earnings per share	1.12 p	11.34 p

Continuing operations	2017 £'000	2016 Restated £'000
Loss for the period	(2,395)	(3,457)
Profit attributable to non-controlling interests	(554)	(238)
Loss attributable to equity holders of the Parent Company	(2,949)	(3,695)
Reconciliation to adjusted profit:		
Unwinding of contingent consideration	523	292
Revaluation of contingent consideration	(1,602)	293
Acquisition costs	1,736	1,343
Amortisation of acquired intangible assets	2,494	2,494
Exceptional restructuring costs	1,024	–
Exceptional bank charges	14	17
Share-based payments	675	1,167
Loss on disposal of Xcaliber investment following acquisition	–	1,314
Tax impact of above adjustments	(205)	(251)
Adjusted profit for the period	**1,710**	**2,974**

Discontinued operations	2017 £'000	2016 Restated £'000
Loss attributable to equity holders of the Parent Company	(1,917)	(22,198)
Reconciliation to adjusted profit:		
Unwinding of contingent consideration	–	342
Acquisition costs	595	9,600
Amortisation of intangible assets	–	425
Exceptional restructuring costs	165	1,542
Exceptional bank charges	–	793
Share-based payments	–	714
Provision release	(1,478)	–
Disposal of discontinued operations	1,556	13,922
Adjusted (loss)/profit for the period	**(1,079)**	**5,140**

Number of shares	'000s	'000s
Weighted average number of shares used to calculate earnings		
– Basic	56,668	71,537
– Diluted	56,668	71,537

The ordinary share capital at 30 June 2017 was 63,989,266 shares (2016: 58,189,266) following a share repurchase and cancellation of 20,833,333 shares on 6 May 2016 and share placing of 5,800,000 ordinary shares on 9 May 2017.

14. Acquisitions

Acquisitions of Non-Controlling Interests

On 18 August 2016, the Group acquired the remaining 49% of the share capital of Blancco Australasia Pty which it did not already own, for a cost of AUD0.1 million (£0.1 million). There is no earn-out.

On 30 September 2016, the Group acquired 19% of the share capital of Blancco SEA Sdn Bhd, taking ownership to 70% for a cost of $0.3 million (£0.3 million). There is no earn-out.

On 11 October 2016, the Group acquired the remaining 49% it did not already own, of the issued share capital of Blancco France SAS for an initial consideration of €0.1 million (£0.1 million) and a contingent consideration of €0.1 million (£0.1 million). The deferred consideration is payable in or around December 2017. At 30 June 2017, the business had achieved the required sales target in order to earn a full pay out, and therefore the full contingent consideration will be settled in H1 2018.

On 9 February 2017, the Group acquired a further 19% of the issued share capital of Software Blancco S.A. de CV, bringing the Group's stake to 70%. The consideration of $1.2 million (£1.0 million) was due to be payable in two tranches, the first 50% due six months after completion and the remaining 50% due twelve months after completion. However, in light of the matters associated with the Mexican contract from the year ended June 2016, the cash phasing has been renegotiated such that $0.4 million (£0.3 million) was settled in August 2017 and the remaining $0.8 million (£0.6 million) will be settled on a pro rata basis only in line with any collections. At 30 June 2017, the fair value of the deferred contingent consideration that has not been settled in August 2017 has been measured at £nil.

On 13 February 2017, the Group acquired the remaining 49% it did not already own of the issued share capital of Blancco Canada Inc. The consideration of CAD0.2 million (£0.2 million) was funded through the Group's cash reserves. There is no earn-out.

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

In accordance with IFRS10, "Consolidated Financial Statements", the purchase prices for each acquisition have been taken directly to the Retained Earnings reserve, in addition to the non-controlling interest in the balance sheet attributable to each acquisition as at the respective acquisition dates.

Acquisitions in the Year Ended 30 June 2016

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 though the Group's cash reserves. The debt was immediately settled on completion.

The final 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 included 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 IFRS3 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 estimated at 12%.

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

Contingent Cash Consideration

The acquisition included an earn-out based on earnings, not to be paid before September 2018. The estimated cash outflow was estimated at $2 million (£1.3 million). A deferred liability of $1.4 million (£0.9 million) had been established which represented the fair value at the acquisition date, using a discount rate of 12%. At 30 June 2017, the deferred liability was $1.8 million (£1.3 million) (2016: 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 was 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 was a US-based software business with a market-leading mobile diagnostics technology which added to our existing diagnostics offering in Europe, the US and globally.

The final 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. This 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 IFRS3 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, 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 Group, strategic benefits, synergies 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 of the business, and accordingly the two transactions have been accounted for separately.

This second investment represents the buy-out 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 IFRS10, "Consolidated Financial Statements", the purchase price for the acquisition has been taken directly to the Retained Earnings 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 was $4.7 million (£3.3 million). A deferred liability of $3.8 million (£2.7 million) was established which represented the fair value at the investment date, using a discount rate of 14%.

During the year ended 30 June 2017, payments totalling $0.8 million (£0.7 million) were made in respect of contingent consideration on the acquisition.

At 30 June 2017, the estimated cash outflow is $3.3 million (£2.5 million) (2016: $4.7 million (£3.3 million)). The deferred discounted liability at 30 June 2017 is $2.8 million (£2.2 million) (2016: $3.8 million (£2.9 million)).

15. Cash Flows Associated with Acquisition and Disposals

Within the consolidated cash flow statement, the cash flow relating to acquisitions of subsidiaries, net of cash acquired relates to payment of contingent consideration on Xcaliber of £0.7 million.

Within the consolidated cash flow statement, the payments made to acquire non-controlling interest is as follows:

	£'000
Acquisition of minority interest of Blancco France SAS	73
Acquisition of minority interest of Blancco SEA	146
Acquisition of minority interest of Blancco Australia Pty	106
Acquisition of minority interest of Blancco Canada Inc	137
Net cash flow – payments made to acquire non-controlling interests	**462**

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

The Group received cash consideration of $0.2 million (£0.1 million) in respect of the 30% of share capital subscribed by minority interests in Blancco APAC Pte Ltd.

16. Goodwill

	Total £'000
Cost	
At 1 July 2016	42,821
At 30 June 2017	**42,821**
Accumulated impairment losses	
At 1 July 2016	–
At 30 June 2017	**–**
Net book value	
At 30 June 2017	**42,821**
At 30 June 2016	42,821

The Directors have assessed the recoverable amount of the Group's goodwill as at 30 June 2017. 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 annual 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.

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 CGUs, carrying amount to exceed the recoverable amount.

	2017 Carrying value £'000	2016 Carrying value £'000
Erasure	40,885	40,885
Diagnostics	1,936	1,936
Total goodwill	**42,821**	**42,821**

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

	2017 Growth rate %	**2017 Discount rate %**	2016 Growth rate %	2016 Discount rate %
Erasure	17.5%	13.5%	15.0%	13.5%
Diagnostics	15.0%	14.0%	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 18.4% for Erasure and to a minimum of 33.2% for Diagnostics before impairment was triggered in any CGU. Sensitivity analysis was applied to the cash flows to determine the value in use by reducing growth rates to12.0% growth and (6.6%) respectively. On the basis of the sensitivity analysis undertaken, management concluded that there is a more-than-adequate amount of headroom in the value-in-use calculations before an impairment would be triggered.

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 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**
Additions	–	–	–	2,564	582	3,146
Exchange movement	–	–	–	184	37	221
At 30 June 2017	**3,269**	**14,142**	**8,290**	**6,204**	**1,663**	**33,568**
Accumulated amortisation						
At 1 July 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**
Charge for the year	276	1,452	766	1,183	396	4,073
Exchange movement	–	–	–	24	11	35
At 30 June 2017	**956**	**4,203**	**2,635**	**1,900**	**544**	**10,238**
Net book value at 30 June 2017	**2,313**	**9,939**	**5,655**	**4,304**	**1,119**	**23,330**
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

The Group's continuing operations capitalised internal development expenditure of £2.6 million (2016: £1.8 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 £1.2 million (2016: £0.5 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 2015	**4,404**	**8,473**	**5,230**	**87**	**3,714**	**21,908**
Additions	402	451	487	1	444	1,785
On 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**
Additions	15	–	147	–	87	249
Disposals	(1)	–	(10)	–	–	(11)
Reclassification	5	–	145	–	(150)	–
At 30 June 2017	**282**	**–**	**379**	**–**	**354**	**1,015**
Accumulated depreciation						
At 1 July 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)
Reclassification	–	(5)	(4)	–	9	–
Exchange Movement	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**
Charge for the year	48	–	110	–	44	202
Disposals	1	–	10	–	–	11
Exchange movements	3	–	5	–	1	9
At 30 June 2017	**244**	**–**	**186**	**–**	**139**	**569**
Net book value at 30 June 2017	**38**	**–**	**193**	**–**	**215**	**446**
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

There are no assets held under finance leases.

NOTES TO THE ACCOUNTS CONTINUED
for the year ended 30 June 2017

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 2017
Held directly by the Company		
Blancco Central Services Ltd	Intermediate services company	**100%**
Blancco Finance Ltd	Intermediate holding company	**100%**
Blancco (Software) Services Ltd	Intermediate holding company	**100%**
Blancco TrustSub Ltd	Trustee for the Blancco Employee Benefit Trust	**100%**
Blancco Trustees Ltd	Trustee for the Blancco Employee Benefit Trust	**100%**
Held indirectly by the Company		
Blancco APAC Pte. Limited	Data erasure	**70%**
Blancco Finland Acquisitions Oy	Intermediate Services Company	**100%**
Vantage Finland Oy	Non-trading entity	**100%**
Blancco Diagnostics (India) Pvt Ltd**	Smartphone diagnostics	**100%**
Blancco (Software) India Private Limited**	Data Erasure	**100%**
Blancco Cooperatief WA	Intermediate holding company	**100%**
Blancco Finance BV	Intermediate holding company	**100%**
Blancco (Software) Netherlands BV	Data Erasure	**100%**
Blancco Technology (Beijing) Co., Ltd	Data Erasure	**56%**
Blancco Software Services Inc.	Intermediate holding company	**100%**
Blancco Services US LLC	Intermediate services company	**100%**
Blancco Mobile Diagnostics Inc.	Intermediate holding company	**100%**
Xcaliber Technologies LLC*	Smartphone diagnostics	**100%**
Xcaliber IP LLC*	Non-trading entity	**100%**
Blancco Oy Ltd	Data erasure	**100%**
Blancco UK Ltd	Data erasure	**100%**
Blancco France SAS	Data erasure	**100%**
Software Blancco S.A. de C.V.	Data erasure	**70%**
Blancco US LLC	Data erasure	**100%**
Blancco Central Europe GmbH	Data erasure	**100%**
Blancco Canada Inc.	Data erasure	**100%**
Blancco SEA Sdn Bhd	Data erasure	**70%**
Blancco Australasia Pty Ltd	Data erasure	**100%**
Blancco Japan Inc.	Data erasure	**51%**
Blancco Sweden SFO	Data erasure	**100%**
SafeIT Security Sweden AB	Data erasure	**100%**

* Year end date is 31 December, but consolidated to 30 June
** Year end date is 31 March, but consolidated to 30 June

Country of incorporation	Company address
England and Wales	6th Floor, 60 Gracechurch Street, London, EC3V 0HR
England and Wales	6th Floor, 60 Gracechurch Street, London, EC3V 0HR
England and Wales	6th Floor, 60 Gracechurch Street, London, EC3V 0HR
England and Wales	6th Floor, 60 Gracechurch Street, London, EC3V 0HR
England and Wales	6th Floor, 60 Gracechurch Street, London, EC3V 0HR
Singapore	Level 17, Republic Plaza 2, 9 Raffles Place, Singapore 048619
Finland	Upseerinkatu 1-3 FIN-02600 Espoo Lansikatu 15
Finland	Upseerinkatu 1-3 FIN-02600 Espoo Lansikatu 15
India	Wing A 6th Floor, Downtown Centre (DTC), Mhatre Bridge, Vakil Nagar, Erandwane, Pune 411004
India	Wing A 6th Floor, Downtown Centre (DTC), Mhatre Bridge, Vakil Nagar, Erandwane, Pune 411004
Netherlands	Schiphol Boulevard 127, 1118 BG Schiphol
Netherlands	Schiphol Boulevard 127, 1118 BG Schiphol
Netherlands	Schiphol Boulevard 127, 1118 BG Schiphol
China	Room A059, 3F, The Exchange Beijing, No.118 Jianguo Road (Yi), Chaoyang District, Beijing
United States of America	11675 Rainwater Drive, Suite 100, Alpharetta, GA 30009
United States of America	11675 Rainwater Drive, Suite 100, Alpharetta, GA 30009
United States of America	11675 Rainwater Drive, Suite 100, Alpharetta, GA 30009
United States of America	11675 Rainwater Drive, Suite 100, Alpharetta, GA 30009
United States of America	11675 Rainwater Drive, Suite 100, Alpharetta, GA 30009
Finland	Upseerinkatu 1-3 FIN-0200 Espoo Lansikatu 15
England and Wales	6th Floor, 60 Gracechurch Street, London EC3V 0HR
France	29/31 Rue du Chemin de Fer, 59100 Roubaix
Mexico	Av. Ejercito Nacional 826, A Oficina 104 Col. Polanco 11560 Miguel Hidalgo
United States of America	11675 Rainwater Drive, Suite 100, Alpharetta, GA 30009
Germany	Monreposstrasse 53, D-71634 Ludwigsburg
Canada	Unit 1B, 33820 South Fraser Way, Abbotsford, B.C. V2S2C5
Malaysia	Suite B-10-2, Level 10, Tower B, Plaza Paintai, Off Jalan Patai Baru 59200 Kuala Lumpur
Australia	Level 19 10 Eagle Street Brisbane, QLD 4000
Japan	Gaien Building SF 2-23-8 Minami-Aoyama Minato-Ku Tokyo, 107-002
Sweden	Engelbrektsgatan 7 11432 Stockholm
Sweden	Engelbrektsgatan 7 11432 Stockholm

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:

	Blancco 2017 £'000	Xcaliber* 2016 £'000	Blancco 2016 Restated £'000
Shareholdings	51–70%	76%	50–51%
Current assets	5,483	–	4,029
Non-current assets	1,225	–	192
Current liabilities	(4,575)	–	(3,077)
Non-current liabilities	–	–	(80)
Net assets	2,133	–	1,064
Net assets attributable to NCI	1,042	–	521
Revenue	8,506	420	8,710
Profit after taxation	1,264	(165)	571
Profit/(loss) after taxation attributable to NCI	**554**	**(45)**	**283**

* For period 1 January 2016 to 31 March 2016 only

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, are as follows:

	2017 £'000	2016 £'000
Income	–	578
Expense	–	(888)
Net expense of equity accounted investments	**–**	**(310)**
Group's share of revenue	–	289
Group's share of net expense	–	(155)

The reconciliation of equity accounted investments is as follows:

	Total 2017 £'000	Total 2016 £'000
At 1 July	–	1,850
Transfer of carrying value on recognition of significant influence	–	61
Acquisition of investment	–	195
Disposal of investment	–	(1,951)
Retained loss	–	(155)
At 30 June	**–**	**–**

20. Inventories

	2017 £'000	2016 £'000
Finished goods	142	116

21. Trade and Other Receivables

	2017 £'000	2016 Restated £'000
Trade receivables	7,127	5,730
Less: provision for doubtful trade receivables	(455)	(372)
Trade receivables net of provision	6,672	5,358
Prepayments and accrued income	1,766	1,193
	8,438	**6,551**

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

	2017 £'000	2016 £'000
At 1 July	372	204
Provision created	210	620
On acquisition of subsidiary	–	42
Amounts written off as uncollectable	(32)	(99)
Amounts recovered during the year	(95)	(56)
Amounts written off resulting from disposal of subsidiary or classified as held for sale	–	(339)
At 30 June	**455**	**372**

22. Cash and Cash Equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	**11,648**	**4,769**

23. Trade and Other Payables

Included within the trade and other payables current liability are:

	2017 £'000	2016 Restated £'000
Trade payables	2,405	2,378
Other taxes and social security	1,008	68
Other payables	150	82
Accruals	5,873	7,626
Deferred revenue	4,522	3,224
	13,958	**13,378**

Included within the other payables non-current liability are:

	2017 £'000	2016 £'000
Deferred revenue	1,400	954
Other payables	281	-
	1,681	**954**

24. Dividends

	2017 £'000	2017 Pence per share	2016 £'000	2016 Pence per share
Previous year final	747	1.34	2,565	3.35
Current year interim dividend	392	0.70	506	0.66
	1,139	**2.04**	**3,071**	**4.01**

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

25. Bank Borrowings

	2017 £'000	2016 £'000
Due after more than one year:		
Secured bank loan	9,916	3,727
Repayable:		
In the first to second years inclusive	–	–
In the third to fifth years inclusive	9,916	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 2017 totalled £12.4 million (2016: £11.5 million), of which £9.9 million (2016: £3.7 million) had been drawn down in cash, resulting in an unutilised facility of £2.5 million (2016: £7.8 million). Borrowing costs of £nil (2016: £nil) are set off against the amount owing at year end.

The facility is available until October 2019, which gives Blancco clear certainty of funding over the next two years.

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

26. Net Cash

	2017 £'000	2016 £'000
Cash	11,648	4,769
Bank borrowings (non-current)	(9,916)	(3,727)
	1,732	**1,042**

27. Reconciliation of Movement in Net Cash

	Net cash at 1 July 2016 £'000	Cash flow £'000	Drawdown/ (repayment) of borrowings £'000	Other non-cash items £'000	Net cash at 30 June 2017 £'000
Cash at bank and in hand	4,769	7,011	–	(132)	11,648
Borrowings	(3,727)	–	(6,174)	(15)	(9,916)
	1,042	**7,011**	**(6,174)**	**(147)**	**1,732**

28. Provisions

	Onerous leases £'000	Tax and other provisions £'000	Total £'000
At 1 July 2016	322	5,029	5,351
Released during year	–	(2,114)	(2,114)
Reallocation to other payables	–	(720)	(720)
Utilised during year	(96)	–	(96)
At 30 June 2017	**226**	**2,195**	**2,421**

Opening provisions relate to onerous lease provisions in relation to the acquired Xcaliber business. The tax and other provisions represent other potential liabilities relating from the disposal of the discontinued businesses in the prior year, where the settlement period could span several years, especially in respect of tax.

	2017 £'000	2016 £'000
Current	386	1,569
Non-current	2,035	3,782
	2,421	**5,351**

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:

	2017 £'000	2016 Restated £'000
Total borrowings	**(9,916)**	(3,727)
Cash and cash equivalents	**11,648**	4,769
Net cash	**1,732**	1,042
Equity holders of the Company	**49,602**	47,076
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.

	2017 £'000	2016 Restated £'000
Assets carried at amortised cost		
Trade and other receivables	8,438	6,551
Cash	11,648	4,769
Financial assets	**20,086**	**11,320**

	2017 £'000	2016 £'000
Liabilities carried at amortised cost		
Trade and other payables	15,639	14,332
Income tax payable	1,450	2,264
Borrowings	9,916	3,727
Liabilities carried at fair value		
Contingent consideration	4,144	5,409
Financial liabilities	**31,149**	**25,732**

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

	Blancco Sweden £'000	Xcaliber £'000	Tabernus £'000	Blancco France £'000	Blancco Mexico £'000	Total £'000
At 30 June 2016	**1,410**	**2,864**	**1,135**	**–**	**–**	**5,409**
Created on acquisition/investment	–	–	–	98	373	471
Unwinding of discount factor on contingent consideration	84	298	128	13	–	523
Part-payment of contingent consideration	–	(657)	–	–	–	(657)
Revaluation of contingent consideration	(1,317)	(325)	84	(1)	(43)	(1,602)
At 30 June 2017	**177**	**2,180**	**1,347**	**110**	**330**	**4,144**

The remaining contingent consideration payable for the Blancco Sweden acquisition fell due in March 2017, however payment of this contingent consideration has been delayed and the terms renegotiated, therefore £0.2 million has been classified as a current liability as at 30 June 2017.

The contingent consideration for the additional investment of the share capital of Software Blancco S.A. de C.V. (Mexico) falls due within one year of the balance sheet date and accordingly, £0.3 million has been classified as a current liability at 30 June 2017.

Furthermore, the contingent consideration payable for the Blancco France acquisition falls due within one year of the balance sheet date and £0.1 million has been classified as a current liability in respect of this.

Part of the contingent consideration payable for the Xcaliber acquisition falls due within one year of the balance sheet date and accordingly, £1.1 million has been classified as a current liability at 30 June 2017 in respect of this.

The timing of the payments for the Blancco Sweden and Software Blancco S.A. de C.V. acquisitions was renegotiated in August 2017. Further details of this are in the Business Review and subsequent events in the Notes to the Accounts..

The value of Blancco Sweden and Xcaliber consideration 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 is 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 risk 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 from 2.00% and 2.75%, also depending in 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 2017 of £9.9 million (2016: £3.7 million) by £99,500 (2016: £37,000).

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 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 we cannot assess these earnings 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.

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	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 Restated £'000
Monetary assets	432	728	616	1,145	1,003	591
Monetary liabilities	–	–	(4,186)	(113)	(2,731)	(2,202)
Net monetary assets/(liabilities)	**432**	**728**	**(3,570)**	**1,032**	**(1,728)**	**(1,611)**

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

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	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Profit/(loss) before tax – gain/(loss)						
10% appreciation of JPY/Euro/USD	43	73	(357)	103	(173)	(161)
10% depreciation of JPY/Euro/USD	(43)	(73)	357	(103)	173	161

The analysis has been performed using the Group exchange rates at the 30 June 2017 reporting date of 1.139 €/£ (2016: 1.202 €/£); 145.44 JPY/£ (2016: 136.50 JPY/£); and 1.30 US$/£ (2016: 1.33 US$/£). The Group is exposed to fluctuations in exchange rates on the translation of net assets and profits earned by its subsidiaries in Australia, Canada, China, France, Germany, India, Japan, Malaysia, Mexico, the Netherlands, Singapore, Sweden and the USA. These profits are translated at the prior month closing exchange rate during the year, which is an approximation of 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 28.62% (2016 restated: 27.13%) of the Group's revenue and hence there is some customer reliance risk, although the biggest single customer accounts for 11.42% (2016 restated: 8.40%) of revenue. This is distinct from credit risk.

As at the year end, 80% (2016 restated: 75%) of our net 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:

	2017 £'000	**2017 %**	2016 Restated £'000	2016 Restated %
Neither past due nor impaired	**5,355**	**80%**	**4,028**	**75%**
Past due but not impaired				
Less than 30 days overdue	578	9%	513	10%
30 to 60 days overdue	368	5%	202	4%
More than 60 days overdue	371	6%	615	11%
	6,672	**100%**	**5,358**	**100%**

The average credit period taken on sales is 59 days (2016 restated: 55 days).

The Group has provided for specific trade receivables where the recoverability is uncertain. As at 30 June 2017 the doubtful debtors balance was £455,000 (2016: £372,000). 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 2017 totalled £12.4 million (2016: £11.5 million), of which £9.9 million (2016: £3.7 million) had been drawn down in cash, resulting in an unutilised facility of £2.5 million (2016: £7.8 million).

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

	2017 Effective interest rate (%)	**2017 Less than one year £'000**	**2017 One to five years £'000**	2016 Effective interest rate (%)	2016 Restated Less than one year £'000	2016 One to five years £'000
Trade and other payables	–	13,958	1,681	–	13,378	954
Income tax payable	–	1,450	–	–	2,264	–
Provisions	–	386	2,035	–	1,569	3,782
Bank borrowings	3	–	9,916	3	–	3,727
	–	**15,794**	**13,632**	**–**	**17,211**	**8,463**

30. Deferred Tax Assets/(Liabilities)

	At 1 July 2016 £'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 2017 £'000**
Property, plant and equipment	200	(57)	–	–	–	–	143
Intangible assets	(4,026)	(964)	–	(4)	–	–	(4,994)
Short term timing differences	886	(291)	–	16	–	–	611
Employee benefits	226	180	–	–	–	–	406
Tax losses	870	525	–	(172)	–	–	1,223
	(1,844)	**(607)**	**–**	**(160)**	**–**	**–**	**(2,611)**

	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	(4,026)
Short term timing differences	1,687	110	1,094	153	(96)	(2,062)	886
Employee benefits	-	226	–	–	–	–	226
Tax losses	2,068	954	–	(340)	(198)	(1,614)	870
	622	**462**	**(12)**	**(216)**	**(297)**	**(2,403)**	**(1,844)**

In the prior year, the deferred tax recognised in the income statement represented a charge of £0.1 million relating to continuing operations, and a credit of £0.6 million relating to discontinued operations. In the current year the movement solely corresponds to a movement in deferred tax associated with continuing 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 £1.2 million (2016: £1.1 million).

31. Called Up Share Capital

	2017 Number of shares	2017 £'000	2016 Number of shares	2016 £'000
Allotted, called up and fully paid:				
Ordinary shares of 2p	**63,989,266**	**1,280**	58,189,266	1,164

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.

Share Placing

On 9 May 2017, the Company completed the placing of 5,800,000 new ordinary shares of £0.02 each at a price of £1.69 per share to raise a total of £9.8 million before expenses.

Following the placing, the Company's Issued Ordinary Share Capital consists of 63,989,266 Ordinary Shares, all of which carry voting rights. Therefore, the total number of voting rights attaching to the Ordinary Shares in the Company is 63,989,266.

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.

The increase in share premium in the year is a result of the share placing described above and represents the gross proceeds in excess of the nominal value of the shares issued net of directly attributable costs. This was an increase of £9.2 million.

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 2017, 2,275,442 shares (30 June 2016: 2,428,026) are held by the Employee Benefit Trust.

During the year, 152,584 of shares held by the EBT were used to settle awards under the Software Incentive Share Plan.

At the year end there were 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. There is only one continuing scheme in place which is the Software Incentive Share Plan. This takes the form of a Stock Appreciation Rights plan which has been offered to the Executive leadership team (including Patrick Clawson) and other members of the senior management team.

The plan was established on 30 June 2015 and over its term has run two different entry levels:

- Prior to the sale of the Repair Services business, the grant price was based on an external valuation of the Blancco and Xcaliber sub-group ("Valuation" scheme)
- Following the sale of the Repair Services business, the grant price was aligned to the Plc share price on the day of grant ("Share Price" scheme)

Valuation Scheme

Patrick Clawson, in addition to four other members of the senior management team, have been granted stock appreciation rights under this scheme, totalling grants in respect of 5.25% (2016: Patrick Clawson and eight other members, totalling grants of 7.50%) of the growth in value of the business. Grants were awarded between 1 July 2015 and 4 April 2016. There are no performance conditions attached to these awards other than continued service, and provided the continued service obligation is satisfied, the awards can be exercised up to ten years subsequent to grant date.

The normal vesting profile on these awards is 25% on the first anniversary of the grant and the remaining 75% over 36 months from the first anniversary, although the grant to Patrick Clawson in respect of 3% of the value growth has an accelerated 25% vesting condition six months from grant date. Upon exercise, the value accrued is satisfiable in shares or cash.

During the year, vested awards totalling 1.08% of the growth in business value were exercised, corresponding to a total value of £0.4 million (2016: no exercises). This was paid in shares transferred from the Employee Benefit Trust.

Share Price Scheme

Those individuals who were granted rights to the Software LTIP subsequent to the disposal of the Repair Services business on 4 April 2016 became members of the Share Price Plan. Six members of the senior management team have been granted rights on this scheme, totalling grants in respect of 3.75% (2016: no grants) of the value growth of the Group. Grants were awarded between 1July 2016 and 18 April 2017. There are no performance conditions attached to these awards other than continued service, and provided the continued service obligation is satisfied, the awards can be exercised up to ten years subsequent to grant date.

The normal vesting profile on these awards is 25% on the first anniversary of the grant and the remaining 75% over 36 months from the first anniversary, except for:

- Grants in respect of 1.5% of the value growth have an accelerated 25% vesting condition.
- Grants in respect of 0.25% of the value vest according to achieving certain sales targets in the period 1 July 2016 to 31 December 2017.

Upon exercise, the value accrued is satisfiable in shares or cash.

No vested awards were exercised during the year under this plan.

At 30 June 2017, the status of grants on each scheme were as follows:

Scheme	Members	Total Grant Outstanding	Vested Amount	Total Exercised	Total Available to Exercise	Weighted average share price of grants	Value Available to Exercise*
Valuation	5	5.25%	2.79%	0.91%	1.88%	£1.25**	£0.4 million
Share Price	6	3.75%	0.75%	–	0.75%	£2.20	£nil

* based on a year end share price of £1.505
** indicative based on valuation mechanism

At the date of this report, the share price of £0.545 corresponded to a total value available to exercise of £nil.

The movement on each scheme during the year is as follows:

	Valuation	Share Price
Granted at 1 July 2016	7.5%	–
New grants	–	3.75%
Fully exercised	(0.5%)	–
Lapsed	(1.75%)	–
Granted at 30 June 2017	**5.25%**	**3.75%**

	Valuation	Share Price
Vested at 1 July 2016	1.06%	–
Vesting of grants	2.42%	0.75%
Fully exercised	(0.17%)	–
Partially exercised	(0.91%)	–
Lapsed	(0.52%)	–
Vested at 30 June 2017	**1.88%**	**0.75%**

The total cost for the schemes represents the accrued value to date, based on the Group value at 30 June 2017, less the accrued value at 30 June 2016 in addition to directly attributable fees of administering the scheme. This corresponded to a charge of £0.3 million (2016: £0.7 million). This has been recorded as a cash-settled share-based payment scheme and accordingly has been recognised as an expense through the consolidated income statement, with a corresponding liability recognised on the balance sheet of £0.4 million.

The cumulative value exercised on this scheme since its inception is 1.08%, corresponding to £0.4 million (2016: none exercised). Since the value was settled in shares originally owned by the Employee Benefit Trust, a credit has been recorded through the Statement of Changes in Equity.

At 30 June 2017, there are 9% (2016: 7.5%) of grants outstanding, net of lapsed grants. Cumulative value exercised before 30 June 2017 in respect of lapsed schemes represents 0.17% (2016: nil) of value growth.

Incentive Share Plan (ISP3)

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

Grants outstanding at the start of the year totalled 8.25% for Executive Board members which lapsed on 31 January since the share price target of 3.85 pence was not achieved.

As this is an equity-settled share scheme, a total charge of £0.3 million (2016: £0.5 million) has been recorded through the income statement with a corresponding credit in the statement of changes in equity.

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 were not eligible to participate in this scheme. The terms of the scheme were disclosed in the financial statements for the year to 30 June 2015.

On the disposal of the Digital Care Mobile Insurance business in September 2016, the incentive plan had not accrued any value and as a result the plan lapsed with no payments made in respect of this incentive plan.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 30 June 2017

33. Commitments

	2017 £'000	2016 £'000
Minimum lease payments under operating leases recognised as an expense in the year:	**988**	**920**

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

	2017 £'000	2016 £'000
Not less than one year	**777**	621
Later than one year and not later than five years	**547**	319
Later than five years	**–**	–
	1,324	**940**

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

In August 2017, the terms of the earn-out relating to Blancco Sweden were renegotiated (previously £1.1 million due for payment in March 2017). As a consequence of this renegotiation €0.2 million (£0.2 million) was settled in August 2017 and the remaining deferred contingent consideration will be settled following collection of cash from the Mexican contracts which comprised part of the earn-out value. At 30 June 2017, the fair value of the deferred contingent consideration that has not been settled in August 2017 has been measured at £nil.

Also, in August 2017, the terms of the contingent consideration on the acquisition of 19% of the issued share capital of Software Blancco S.A. de C.V, were renegotiated. In light of the matters associated with the Mexican contract from June 2016, the cash phasing has been renegotiated such that $0.4 million (£0.3 million) was settled in August 2017 and the remaining $0.8 million (£0.6 million) will be settled on a pro rata basis only in line with collections from the associated customer. At 30 June 2017, the fair value of the deferred contingent consideration that has not been settled in August 2017 has been measured at £nil.

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 IAS24.

Matthew Peacock, Non-executive Chairman (until 14 March 2017) is associated with Hanover Investors Management LLP. A fee is charged for his services as a Non-executive Director which is disclosed in the Directors' Remuneration Report.

Hanover Investors previously had an indirect beneficial interest in the shares of the Group until 3 October 2016 when Hanover Investors Management LLP sold its remaining shares in the Company. The combined holding of Hanover Investors Management LLP and its connected parties on 30 June 2016 was 209,728 ordinary shares equating to 0.36% of the issued share capital of the Company.

All transactions with Directors are included in the Directors' Remuneration Report from page 40 as well as in the key management personnel disclosures in note 10.

During the year, fees amounting to £400,000 were incurred for M&A related consultancy services provided by Hanover Investors Management LLP or its connected parties (2016: £1,580,200). At 30 June 2017, Hanover were no longer a related party (2016: £nil outstanding in relation to these services).

These services were for corporate finance advisory and services related to the minority interest buy-outs that have taken place in the year ended 30 June 2017.

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.

Property lease costs of £96,000 (2016: £165,000) were recharged to Hanover Investors Management LLP in the year, of which £nil was outstanding at the year-end (2016: £nil).

COMPANY BALANCE SHEET
as at 30 June 2017

	Note	2017 £'000	2016 £'000
Assets			
Fixed assets			
Tangible assets	4	–	43
Investments in subsidiaries	5	9,546	9,891
Deferred tax	7	213	646
		9,759	**10,580**
Current assets			
Debtors	6	77,222	70,069
Cash		4,122	–
		81,344	**70,069**
Creditors:			
Amounts falling due within one year	8	(4,028)	(6,563)
Net current assets		**77,316**	**63,506**
Total assets less current liabilities		**87,075**	**74,086**
Creditors:			
Amounts falling due after more than one year	9	(9,916)	(3,701)
Amounts falling due after more than one year		**(9,916)**	**(3,701)**
Net assets		**77,159**	**70,385**
Equity			
Ordinary share capital		1,280	1,164
Share premium		9,152	–
Merger reserve		4,034	4,034
Capital redemption reserve		417	417
Profit and loss account		62,276	64,770
Equity shareholders' funds		**77,159**	**70,385**

The financial statements were approved by the Board of Directors and authorised for issue on 7 November 2017.

They were signed on its behalf by:

Rob Woodward
Chairman

Simon Herrick
Interim Chief Financial Officer

Company number: 05113820

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Capital redemption £'000	Total £'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**
Loss for the year	–	–	–	(1,698)	–	(1,698)
Recognition of share-based payments	–	–	–	343	–	343
Share placing	116	9,152	–	–	–	9,268
Dividends paid	–	–	–	(1,139)	–	(1,139)
Balance as at 30 June 2017	**1,280**	**9,152**	**4,034**	**62,276**	**417**	**77,159**

NOTES TO THE COMPANY ACCOUNTS
for the year ended 30 June 2017

1. Basis of Preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS101) and the Companies Act 2006 (the Act). FRS101 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 FRS101 and the Group's consolidated financial statements have been prepared in accordance with EU-adopted IFRS.

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.

FRS101 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 FRS101 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 IFRS13 Fair Value Measurement and the disclosures required by IFRS7 Financial Instrument disclosures.
- IFRS2 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 25 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 from page 12. 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, the Board 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 FRS101. 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 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.

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 2017

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 disclosure in note 10 to the Group's financial statements.

Disclosure of individual Directors' remuneration is included in the Remuneration Report on pages 40 to 42.

4. Tangible assets

	Leasehold improvements £'000	Total £'000
Cost		
At 1 July 2016	237	237
At 30 June 2017	**237**	**237**
Depreciation		
At 1 July 2016	194	194
Charge for the year	43	43
At 30 June 2017	**237**	**237**
Net book value		
30 June 2017	**–**	**–**
30 June 2016	43	43

5. Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 July 2016	9,891
Additions	–
Transfer to other Group company	(345)
At 30 June 2017	**9,546**
Impairment	
1 July 2016	–
Disposals	–
At 30 June 2017	**–**
Net book value	
30 June 2017	**9,546**
30 June 2016	9,891

See note 19 in the consolidated accounts for a list of all the Company's indirect investments.

6. Debtors

Amounts falling due within one year:

	2017 £'000	2016 £'000
Trade receivables	277	392
Amounts due from subsidiaries	76,479	69,326
Prepayments, other debtors and accrued income	466	351
	77,222	**70,069**

Amounts due from subsidiaries are repayable on demand. Interest is charged at one month LIBOR/EURIBOR rate (where applicable) plus 2.5%.

7. Deferred Tax Assets

Deferred tax assets are attributable to depreciation in excess of capital allowances, losses and other timing differences are as follows:

	2017 £'000	2016 £'000
Property, plant and equipment	76	90
Losses	137	436
Other timing differences	–	120
Tax assets	**213**	**646**

Movements in depreciation in excess of capital allowances and other timing differences during the year are as follows:

2017	**At 1 July £'000**	**Recognised in income statement £'000**	**At 30 June £'000**
Depreciation in excess of capital allowances	90	**(14)**	**76**
Losses	436	**(299)**	**137**
Other timing differences	120	**(120)**	**–**
	646	**(433)**	213

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**

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 £0.2 million (2016: £0.4 million).

8. Creditors - Amounts Falling Due Within One Year

	2017 £'000	2016 £'000
Trade creditors	956	1,312
Bank overdraft	–	1,222
Amounts due to subsidiaries	2,613	2,731
Taxation creditor	4	–
Accruals and deferred income	455	1,298
	4,028	**6,563**

Amounts owed to Group undertakings are interest free and repayable on demand.

9. Creditors - Amounts Falling Due After More Than One Year

	2017 £'000	2016 £'000
Bank loans and other borrowings	**9,916**	**3,701**

10. Bank and Other Borrowings

	2017 £'000	2016 £'000
Due after more than one year:		
Secured bank loan	9,916	3,701
Repayable:		
In the first to second years inclusive	–	–
In the third to fifth years inclusive	9,916	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 2017 totalled £12.4 million (2016: £11.5 million), of which £9.9 million (2016: £3.7 million) had been drawn down in cash, resulting in an unutilised facility of £2.5 million (2016: £7.8 million). Borrowing costs of £nil (2016: £nil) are set off against the amount owing at year end.

11. Operating Lease Commitments

	2017 Land & buildings £'000	2016 Land & buildings £'000
Lease expiry:		
Within one year	–	96
Between one and five years	–	–
	–	**96**

The operating lease commitment in the prior year relates to the rental of the London office, which expired in April 2017. The premises were sublet to Hanover Investor Management LLP until April 2017 for a fee of £165,000 per year.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Blancco Technology Group Plc ("the Company") will be held at 4.00 pm on Tuesday 19 December 2017 at the offices of Shakespeare Martineau LLP, 6th floor, 60 Gracechurch Street, London EC3V 0HR to consider the following resolutions of which numbers 1 to 6 will be proposed as ordinary resolutions, and numbers 7 and 8 as special resolutions:

1. To receive the Annual Report and Accounts for the year ended 30 June 2017.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2017.
3. To elect Simon Herrick as a Director of the Company.
4. To elect Philip Rogerson as a Director of the Company.
5. To appoint PricewaterhouseCoopers 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 and to authorise the Directors to determine their remuneration.
6. 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 £426,595 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 2018, 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.
7. That, subject to the passing of resolution 6 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 £127,979 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 2018, 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.
8. 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, provided that:
   a. the maximum number of shares which may be purchased is 6,398,927;
   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 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
   d. the authority conferred by this resolution shall, unless previously renewed, expire at the end of the next Annual General Meeting of the Company, or on 31 December 2018, 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
24 November 2017

Registered Office
6th floor, 60 Gracechurch Street
London EC3V 0HR

Notes:

1. Entitlement to Appoint Proxies

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. You 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 which you hold. A proxy need not be a member of the Company. If you complete and return a form of proxy you will still be able to attend the AGM, speak and vote in person if you wish.

2. Appointing Proxies

You may appoint one or more proxies 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 your 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 you return more than one proxy appointment 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 4.00pm on 15 December 2017.

3. Electronic Proxy Appointment through CREST

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.

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 4.00pm on Friday 15 December 2017.

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.

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 his 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.

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.

4. Joint Holders

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.

5. Entitlement to Attend and Vote

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.

6. Corporate Representatives

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.

7. Voting Rights

As at 17 November 2017 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consisted of 63,989,266 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 63,989,266.

8. Communicating with the Company in Relation to the AGM

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 or send an email to lorraine.young@shma.co.uk.

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.

9. Voting Results

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 40 to 42 of the Annual Report. It describes the Group's policy on remuneration and gives details of Directors' remuneration for the year ended 30 June 2017. The vote is advisory and does not affect the actual remuneration paid to any individual Director.

Resolutions 3 and 4:

Both Simon Herrick and Philip Rogerson have been appointed to the Board since the last AGM and they are therefore standing for election by shareholders at this year's AGM. Directors' biographical details are given on page 28 of the Annual Report.

Resolution 5: To appoint the auditor and authorise the Board to determine their remuneration

During the year, the audit was put out to tender. The Audit Committee recommended to the Board that PricewaterhouseCoopers LLP be appointed as the new auditor, to replace KPMG. This was agreed by the Board. Therefore a resolution to appoint PricewaterhouseCoopers LLP will be put to shareholders at the Annual General Meeting. In line with usual practice, shareholders are also asked to authorise the Board to determine the remuneration of the auditor. In practice, the Audit Committee will consider the audit fees and recommend them to the Board.

Resolution 6: Directors' authority to allot shares

At the 2016 Annual General Meeting, the Directors were given authority to allot shares in the Company and Resolution 6 seeks to renew that authority until the conclusion of the next Annual General Meeting or 31 December 2018, 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 £426,595. This amount represents one-third of the issued ordinary share capital of the Company as at 17 November 2017, 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 7: 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 7 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 £127,979, equivalent to 10% of the total issued ordinary share capital of the Company as at 17 November 2017 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.

Resolution 8: Authority to buy back shares

Under company law, the Company requires authorisation from shareholders if it wishes to purchase its own shares. Resolution 8 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.

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.

GLOSSARY

Active Erasure (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.

Adjusted Earnings Per Share: Adjusted earnings are stated before amortisation or impairment of acquired intangible assets and development costs capitalised, amortisation of bank fees, exceptional restructuring costs, acquisition costs, share-based payments, losses on disposals 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 EBITDA: Adjusted Operating Profit with depreciation of property, plant and equipment and amortisation of intangible assets added back.

Adjusted Operating Cash Flow or AOCF: Operating cash flow excluding taxation, interest payments and receipts, acquisition costs, and exceptional restructuring costs. This measure excludes capital expenditure. This is the key operating cash flow measure used by the Board to assess the underlying cash flow of the Group.

Adjusted Operating Profit or AOP: Operating Profit stated before 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 business), 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), the non-cash amortisation charge of development expenditure capitalised (because this does not reflect an ongoing cash outflow of the Group), and disposal of subsidiaries (because these represent a one-off non-cash charge to the Consolidated Income Statement).

APAC: the Asia Pacific region.

API: An application programming interface.

Basic Earnings Per Share: Profit after tax attributable to the equity holders of the Company, stated per share.

Capital Expenditure: Expenditure on property, plant and equipment, intangible assets, and capitalised R&D.

Cash Conversion: Adjusted Operating Cash Flow stated as a percentage of Adjusted Operating Profit.

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 in the running and administration of the Plc function.

Diagnostics (division): This consists of the Mobile Diagnostics business, comprising 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, also referred to as the Mobile Insurance business.

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.
- 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.

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.

GLOSSARY CONTINUED

Gross Debt: The total external borrowings of the Group, net of capitalised bank fees.

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 of 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.

OEM: An Original Equipment Manufacturer.

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.

Organic Revenue : This is a measure of revenue that excludes any revenue contributed from acquisitions (Xcaliber during 2016), thus excluding revenue growth generated by M&A activity.

Pure Play: A company which invests its resources in a single line of business.

Press Coverage: Instances of:

- Company featured as part of corporate announcement/news.
- Product featured as part of product launch and/or proactive pitch to journalists (in larger industry story).
- Press commentary from the company's senior executive(s) in response to current/breaking news.
- Editorial by-lines authored by senior executive(s) in news publications
- Company and/or company content featured in news publications as a result of content launch (i.e. research studies, trend reports leveraging internal data).

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.

Reverse Logistics: This is activity related to the reuse of products and materials.

SG&A: Selling, General and Administrative Expenses, this will include staff costs, depreciation and amortisation of internally generated development expenditure, property costs, professional charges, office costs and other administrative expenses.

Share of Voice: The percentage of all online content and conversations about your Company, compared against those of your competitors.

Solid State Drive (SSD): A location for storing data on a platform comprised of microchips, typically in a PC or a 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 up-front 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
Level 19
10 Eagle Street
Brisbane
QLD 4000

Canada
Unit 1B
33820 South Fraser Way
Abbotsford, B.C.
V2S2C5

China
Room A059, 3F, The Exchange
Beijing, No.118 Jianguo Road (Yi),
Chaoyang District, Beijing

Finland
Upseerinkatu 1-3
FIN-02600 Espoo
Länsikatu 15

FIN-80110 Joensuu
Hermiankatu 6-8 D
FI-33720 Tampere

France
29/31 Rue du Chemin de Fer
59100 Roubaix

Germany
Monrepostraβe 53
D-71634 Ludwigsburg

David-Gilly Straße 1
D-14469 Potsdam

India
Wing A 6th Floor, Downtown Centre
(DTC)
Mhatre Bridge
Vakil Nagar
Erandwane
Pune 411004

Italy
Distribution by Kroll Ontrack S.r.l.
Via Marsala 34/A - Torre A
21013 Gallarate (VA)

Japan
Gaien Building 5F
2-23-8 Minami-Aoyama, Minato-ku
Tokyo, 107-0062

Korea
#816, Cylux, West Tower, 716
Suseo-dong, Gangnam-gu
Seoul, 135-560

Malaysia
Suite B-10-2, Level 10, Tower B
Plaza Pantai, Off Jalan Pantai Baru
59200 Kuala Lumpur

Mexico
Av. Ejército Nacional 826,
A Oficina 104
Col. Polanco
11560 Miguel Hidalgo, Mexico, DF

Netherlands
Schiphol Boulevard 127
1118 BG Schiphol

United Arab Emirates
Distribution by H3 Secure
Level 9, Office 903-11
Reef Tower, Cluster O, JLT
Dubai

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Huntingdon
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6th Floor, 60 Gracechurch Street
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Stansted Business Centre
Parsonage Road, Takeley, Essex
CM22 6PU

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11675 Rainwater Drive
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