blancco technology group

ANNUAL REPORT AND ACCOUNTS
for the year ended 30 June 2018

Stock Code: BLTG

Pioneering the future of data and device lifecycle hygiene

Introduction

Blancco is the industry standard in data erasure and mobile device diagnostics. Blancco data erasure solutions provide thousands of organisations with the tools they need to add an additional layer of security to their endpoint security policies through secure erasure of IT assets. All erasures are verified and certified through a tamper-proof audit trail.

Highlights

The significant changes to the management team and Board over the past twelve months led to a period of stabilisation and results which show growth in revenues compared to the previous year. The restructuring of the business led to a significant reduction in the cost base and a period of increased profitability in the second half of the year.

INVOICED REVENUE

£27.5m

2017: £27.8m

REVENUE

£27.5m **+2%**

2017: £26.9m

GROUP OPERATING LOSS

(£0.4m)

2017: (£2.7m)

GROUP ADJUSTED OPERATING PROFIT

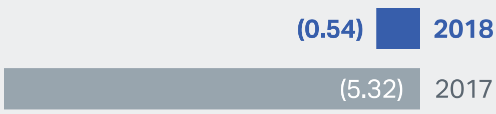
£3.3m **+4%**

2017: £3.2m

BASIC LOSS PER SHARE (PENCE)

(0.54p)

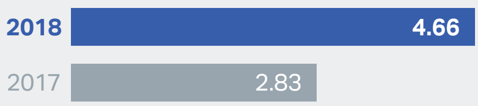
2017: (5.32p)



ADJUSTED EARNINGS PER SHARE (PENCE)

4.66p **+65%**

2017: 2.83p



- Contracts valued at US$10 million+ with major US mobile carrier to March 2021 with over 6,000 retail stores to renew diagnostics contract and to use Diagnostic and Erasure product to process second hand mobile phones.
- Expanded relationship with one of world's largest multinational cloud-based software application firms to deploy Blancco Data Centre Eraser solution in six new data centres opened during FY18.
- New contract with major global retailer to use Blancco Drive Eraser on returned electronic purchases in locations across EMEA.

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Strategic Report

Chair's Statement

We have overseen a transformation of the senior management team, we now have a group of experienced individuals who have an established record of delivering significant growth for technology companies. We are excited about the prospects ahead and remain confident in the outlook for Blancco.

Rob Woodward | CHAIR

Summary

Following a turbulent period for the company, I am delighted to report on the steady progress made over the past twelve months. I would firstly like to thank Simon Herrick for his hard work and diligence since joining Blancco as Interim CFO in March 2017. Simon stepped up to take on the role of Interim CEO as well as CFO in September 2017. Simon then oversaw a restructuring of the business to reset the cost base for the long term benefit of the company which led to substantial growth in the profitability of the organisation in the second half of the year. This was part of a process to build a strong, accountable and responsible culture right across the business. Simon has continued to support the business throughout this transitional period.

In March 2018 we were delighted to announce the appointment of Matt Jones as CEO to the company. Matt is a recognised leader with a successful track record of developing and overseeing the execution of growth strategies for companies in security, storage and communications. Matt has spent the first six months of his tenure reviewing the business and has presented a strategic growth plan for the business that is fully supported by the Board.

In July 2018, Matt was joined as an Executive Director by Adam Moloney who joined as CFO. Having served as CFO for 13 years for AIM listed payment security company, Eckoh plc, Adam has a track record of delivering shareholder value for companies operating in the cyber security space. Both of these key executive appointments have been supplemented by important operational management hires. I believe we now have the right executive team to take Blancco forward. The Board is excited by the prospect of working with the new team.

Dividend

The growth plans for the business are such that we anticipate continued investment into the business that will require cash resources to be redeployed into opportunities for future growth. As such, the Board has decided that it would not be appropriate to pay a dividend to shareholders for the time being.

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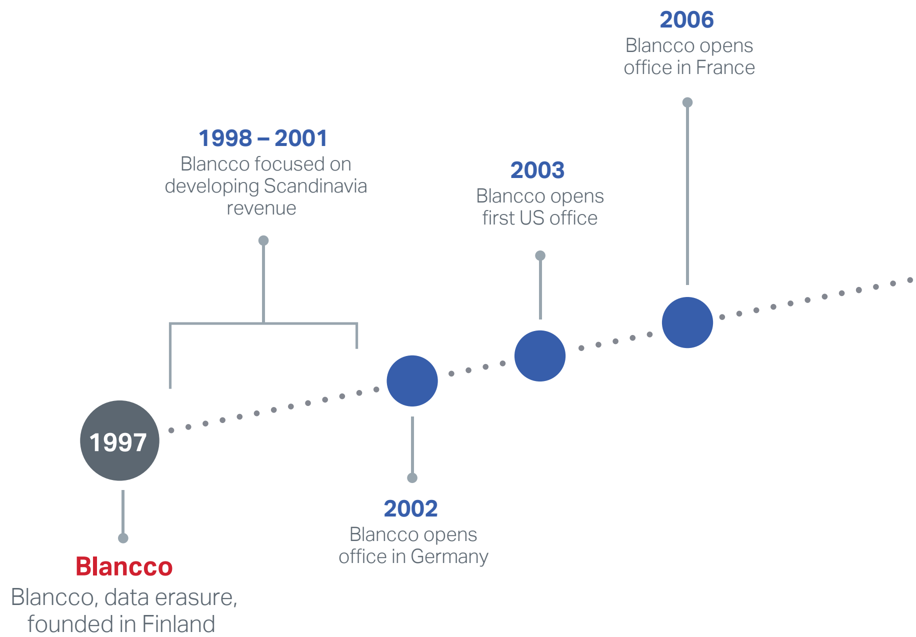
Where we come from –
Building Blancco

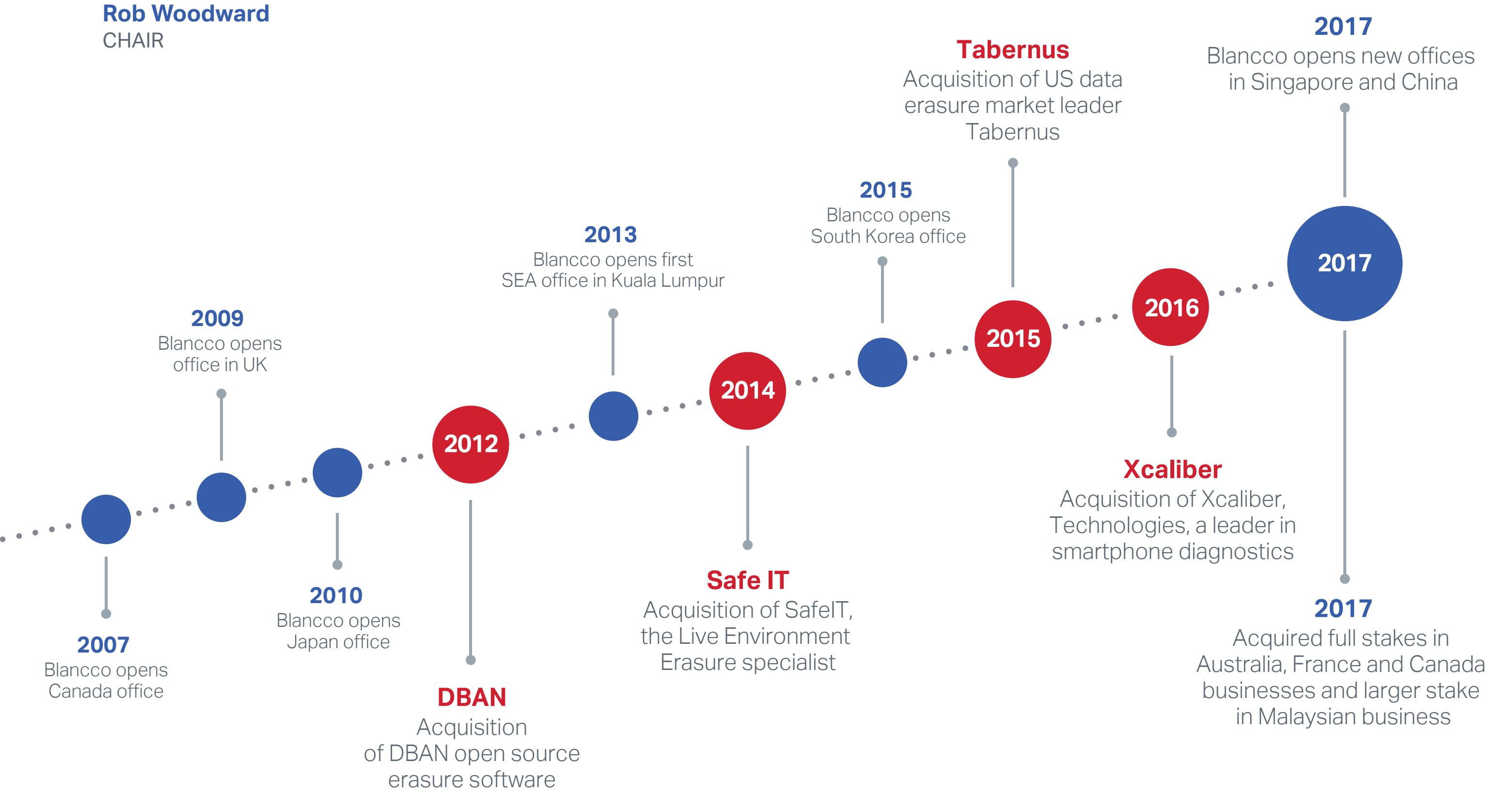


Outlook

Over the course of the last twelve months we have overseen a transformation of the senior management team, we now have a group of experienced individuals who have an established track record of having delivered significant growth for technology companies. The team have quickly identified that the key markets to target are those in the mobile, data centre and enterprise markets.

We are excited about the prospects ahead and remain confident in the outlook for Blancco. We look forward to reporting on our progress in the months and years ahead.

Rob Woodward
CHAIR



Chief Executive's Statement

Throughout this period of important and necessary transition, we continued to provide outstanding service and support to our customers. The steps taken to strengthen the business last year have formed the base for long term revenue growth, following some targeted investment in the current period

Matt Jones | CHIEF EXECUTIVE OFFICER

Overview/Summary of Trading Performance

The significant changes to the management team and Board over the past twelve months led to a period of stabilisation for the business and results which show a modest growth in revenues compared to the previous year. The restructuring of the business that took place towards the end of calendar year 2017 led to a significant reduction in the cost base of the business and a period of increased profitability in the second half of the year. There has also been very little change in the geographical or product splits in our revenue. It is to the credit of the Blancco team that revenues have been maintained and profits have increased over the last financial year. We now look forward to how we can invest to accelerate the revenue growth in the business and where the focus of our efforts should be.

Market Opportunity

Blancco has developed a strong reputation in the data erasure field over the course of the past twenty years. The regulatory environment has caught up with Blancco's proposition with regulations such as the EU General Data Protection Regulation (GDPR) and Payment Card Industry Data Security Standard (PCI DSS) all requiring that data is looked after carefully and is not held for a longer period than is required. Organisations need to find ways of securely erasing data and can no longer operate under the misconception that simply deleting data is sufficient for it to be disposed of securely.

The majority of data that is deleted can be recovered and is only safely erased when using solutions such as those provided by Blancco. Blancco is now very well placed to grow aggressively in this regulatory environment and to establish itself as the clear market leader in a rapidly growing space.

Business Overview

Mobile Retail

The customers here are companies who are selling mobile handsets from retail stores. These companies incur significant cost from their customers who believe that their handset is faulty. Blancco has developed tools to allow sales assistants to run a range of diagnostic tests in stores thus avoiding the expense our customers usually incur in sending devices for testing.

Between February and November 2017, tests were run on 1.3m mobile devices in customer stores of our largest client of which 0.7m were found to have no fault. The cost of sending the device off site for testing would be in the region of US$80 per device. As a result, the testing of the device in the store saved Blancco's customer approximately US$56m of cost during this ten month period.

Mobile Resellers

The market for reselling used mobile handsets is growing extremely quickly with the number of handsets traded in or resold expected to grow from 165 million to 290 million from 2017 to 2022. Going forward the value of handsets resold is expected to increase by 22% CAGR from $20 billion in 2017 to $53 billion in 2022 but it is critical that all handsets being resold have data from previous users erased prior to resale. We have seen a steep increase in recent years of the value of individual handsets, leading to a greater resale value and an increased inclination to recycle those handsets. There is competition in this market but competitors do not tend to offer a full and secure erasure of the handset. Many competitors do not have a diagnostic solution and nobody can process a similar number of simultaneous erasures thus increasing the time and cost of preparing handsets for resale.

Enterprise

Organisations which are processing large amounts of data will often have a large quantity of high value equipment housed within a data centre. These data centres will usually have a regular cycle of investment in order to keep the equipment up to date. At the point where older equipment is no longer required, regulations require that data held on the equipment is securely erased and certified. Blancco has been selling software into these enterprises for several years, supplying the most widely deployed, fully certified software product in the market.

IT Asset Disposition (ITAD)

ITAD services are provided on items of IT hardware where equipment is either being reused, resold or disposed of. Examples would be the erasure of data on a PC, laptop, mobile handset or server. Blancco can provide customers with the solution from several media such as from the cloud, on a CD, or a USB stick. Blancco has been a market leader in ITAD for a long period of time and has a longer list of accreditations and certifications than any of its competitors.

Strategic Review Conclusions

Whilst there are a number of opportunities open to Blancco, the primary outcome of the strategic review is to focus on three key markets that Blancco already has a strong position in, Mobile, Enterprise and ITAD.

Mobile

The mobile market is large and experiencing rapid growth. There are a number of small competitors but no clear market leader at this stage. Blancco intends to create a leadership position in the Mobile Asset Lifestyle space by providing a broad range of software based processing solutions that reach across the three major market segments of Carriers, Retail and Third Party Logistics. None of the competitors in the space offer a complete proposition across all three of these segments. Blancco will be adding resource to its R&D division to complete the proposition enabling it to establish itself as the market leader.

Enterprise

Unlike the Mobile and ITAD markets, Data Centre / Enterprise customers will be managing data rather than physical assets in most instances. The market is very large with high growth and little competition. In order to access these customers, Blancco will seek to develop relationships with OEM and Channel partners in order to become part of a larger proposition. Initial focus will be on the Data Centre market but it is anticipated that this will move to an Enterprise approach as the market matures. R&D resources will be supplemented for the Blancco proposition in order to be able to provide a best in class solution for these high quality customers.

IT Asset Disposition (ITAD)

Blancco is currently the clear leader in the ITAD market and it remains a key focus for Blancco to retain that position. This is the smallest of the three markets. There is a significant amount of overlap between the technology supporting the Mobile and Data Centre / Enterprise markets and the ITAD proposition will benefit from the increases to the R&D resource being implemented in those areas. We will continue to ensure that the ITAD offering remains the best in the market and the market leading position is maintained.

Matt Jones
CHIEF EXECUTIVE OFFICER

24 September 2018

Business Review

Results

The financial performance of the business, as compared to 2017 results, is summarised as follows. The 2017 results have been restated to remove the performance of the disposed Mexican subsidiary to discontinued operations, and the balance sheet has been restated following a revaluation of a number of legacy acquisition accounting entries which had not been revalued for movements in foreign exchange rates. The deferred tax liability has also been re-presented as gross deferred tax asset and liabilities in order to present these on a gross rather than net basis. The resulting impact of the latter two items is that the balance sheet for 30 June 2016 has been adjusted solely for these items and re-presented. This adjustment has had no impact to previously reported adjusted operating profit or cash flows. The full disclosure of the impact of these restatements is in note 1.2 to the financial statements.

Blancco's revenue from continuing operations was £27.5 million (2017: £26.9 million, growth of 2%, 5% in constant currency terms). Adjusted operating profit was £3.3 million (2017: £3.2 million, growth of 4%, 17% in constant currency terms). Operating loss was £0.4 million (2017: £2.7 million operating loss).

Net of the impact of adjustments to accruals and provisions as described in note 7, adjusted operating profit was £3.0 million (2017: £2.0 million) and operating loss was £0.7 million (2017: £3.9 million operating loss). These have not been excluded from adjusted operating profit since they relate to underlying business operations, albeit they represent a non cash movement in profit.

The increase in statutory operating profit is due to a reduction in the acquisition costs incurred by the Group and the share based payments credit which has resulted from the change in scheme in the year. In the prior year, the Group completed a number of minority interest buy-outs, particularly in the first half of the year. In 2018, the focus has been more internal, on managing our sales, general and administrative overheads and scaling these to a level to support the current size of the business.

REVENUE

£27.5m +2%

2017: £26.9m

Adjusted operating cash flow was £4.1 million (2017: £3.2 million), with a cash conversion of 123% (2017: 100%) relative to Adjusted Operating Profit. Operating cash outflow from continuing operations was £0.4 million (2017: £0.2 million outflow) which includes payments associated with M&A activity and exceptional one-off payments totalling £2.4 million (2017: £2.4 million) and tax payments of £1.9 million (2017: £0.7 million). Of these exceptional and tax payments, £0.9 million and £1.5 million were incurred as costs during the previous financial year but were settled in cash during the current year.

Significant other cash outflows include capital expenditure of £2.7 million which predominantly covers investment in R&D activity, and contingent consideration payments of £1.2 million. The Group also repaid borrowings of £1.0 million in the period, reducing our cash holdings.

Key Financials

	2018 £'million	2017 £'million
Invoiced revenue	**27.5**	27.8
Revenue	**27.5**	26.9
Adjusted operating profit	**3.3**	3.2
Operating loss	**(0.4)**	(2.7)
Adjusted operating profit margin %	**12.1%**	11.9%
Operating profit margin %	**(1.4%)**	(10.0%)

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

Group Review

The continuing business consists of the software business which includes our erasure and diagnostic product offerings but excludes our Mexican business following its sale on 18 January 2018. The Group now consists of one segment plus corporate costs, as the previously reported erasure and diagnostics businesses have been integrated across our operations and no longer run separately.

The discontinued business comprises our operations in Mexico, which were also engaged in the sale of erasure and diagnostic software. This is therefore presented separately in the financial statements. The discontinued operations for the prior year also include three months of trading in the Mobile Insurance business that was disposed in September 2016. There have been no profits or losses generated in the current period from the previously disposed Mobile Insurance or Repair Service businesses other than movements in disposal provisions, with only a very small level of cash outflow for commitments which have now been settled.

The total result for the year, including the impact of the required accounting for discontinued operations was a profit of £0.4 million (2017: loss of £4.4 million). The full results of the discontinued business are presented in note 8.

We have a wide range of products that enable customers to erase and repurpose IT devices with certified software and provide consistent, accurate and measurable diagnostics of smartphones and tablets. Both suites of products are marketed and sold by all of our trading subsidiaries, often as an integrated product offering. Revenue for the period covering both product sets was £27.5 million (2017: £26.9 million) with constant currency revenues of £28.3 million. The biggest currency impact on the results was observed in US Dollar and Japanese Yen which contributed 35% and 18% of our sales respectively, but saw Sterling weaken by 6% and 7% respectively resulting in an adverse impact on reported revenue.

Adjusting operating profit was £3.3 million (2017: £3.2 million) at a margin of 12.1% (2017: 11.9%). The margin has improved against the prior year due to revenue growth and steps taken to manage the cost base of the business.

Impact of Revenue Recognition

Blancco has two main pricing models, volume-based pricing, where clients purchase a fixed number of erasure licences and subscription pricing, where clients purchase a time-bound right of use of Blancco products. From a revenue perspective, absent of any other significant deliverables, volume-based sales are recognised at the point of invoice (being the point at which the software is delivered), whereas subscription sales are recognised monthly over the term of the subscription (even if the subscription is invoiced as an up-front payment).

Invoiced Sales recognises both volume-based and subscription business in the same way, at the point of invoice, and is the main internal management measure of sales performance. This differs from the reported revenue figures as IFRS revenue recognition requires the business to defer the revenue earned on software subscriptions – which have a defined term – over the duration of the contract.

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

	2018 £'million	2017 £'million
Invoiced revenue	**27.5**	27.8
Net revenue deferral of subscription sales	**–**	(0.7)
IFRS revenue discount	**–**	(0.2)
Reported revenue	**27.5**	26.9

Invoiced Sales has decreased year on year for a couple of reasons. Firstly, the prior year Invoiced Sales figure consisted of a number of deals where software was delivered in full to the customer, but would serve the customer for multiple years, and therefore have not fallen due for renewal in this period. Those non-repeating deals, which were volume in nature have impacted directly on invoiced sales, with new business wins mitigating the impact of these at the revenue line. A smaller number of non-repeating subscription deals have adversely impacted the year on year progression of invoiced sales but generally contribute to revenues in both years as the revenue is spread over the licence term.

An accounting adjustment for discounts has been recorded in the prior year 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 2018 was £4.8 million (2017: £5.9 million) which represents revenue to be recognised in future periods. The deferred revenue on the balance sheet has reduced despite a £nil net deferral of Invoiced Sales because the deferred revenue balance at 30 June 2017 included £1.0 million arising from an invoice raised to a customer in June 2017 for which the contract was subsequently renegotiated. This renegotiation has not resulted in any change to the profile of revenue to be recognised, with this £1.0 million partly recognised in the current year and partly to be recognised in the year ending 30 June 2019. An additional £0.1 million movement in deferred revenue is due to retranslation of foreign currency balances.

As a result of the above, we have restated the Invoiced Sales figure for the year ended 30 June 2017 to remove this invoice from the period.

Impact of Foreign Exchange Movements

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 periodic review of the Group's currency hedging activities and makes a formal recommendation for any changes to the Board every half year by exception.

The Group is well diversified across ten main currencies with Sterling representing only around 10% of revenues. Over the course of FY18, Sterling has strengthened against most currencies in which the Group trades, most significantly against the US Dollar (comprising 35% of sales) and Japanese Yen (comprising 18% of sales).

In comparison to the prior period, the main currencies in which the Group trades have weakened by 3% on average and therefore the overseas earnings are now worth less in Sterling terms. The Group has historically matched its revenues and costs denominated in the same currencies meaning the underlying impact on Adjusted Operating Profit is minimised. However, the Group has seen a more pronounced impact at Adjusted Operating Profit this year, where there have been two distinct impacts:

- We have seen a growth in our indirect sales, which carry a lower fixed cost base. Indirect sales are invoiced at a price effectively net of the cost of sales with the costs in Blancco being the channel sales team. The lower cost base on these sales means that the business is marginally less hedged on sales denominated in foreign currencies; and
- The foreign exchange movement specifically against the Yen has been significant in the period and has been passed down to Adjusted Operating Profit, due to strong revenue generation in this territory versus a relatively low fixed cost base.

Business Review

The average exchange rates applied throughout the year are as follows:

	Average FY18 rate	Average FY17 rate	Variance	% of FY18 Group sales
Euro	**1.130**	1.166	(3%)	22%
US Dollar	**1.347**	1.271	6%	35%
Japanese Yen	**148.622**	139.187	7%	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 2018 Actual Results £'million	Year ended 30 June 2018 Constant Currency £'million
Invoiced revenue	**27.5**	**28.4**
Revenue	**27.5**	**28.3**
Adjusted operating profit	**3.3**	**3.7**
Operating (loss)/profit	**(0.4)**	**0.1**
Adjusted earnings per share (pence)	**4.66**	**5.33**
Basic earnings per share (pence)	**(0.54)**	**0.21**

At a revenue level, the impact of the weakening of Sterling has been £0.8 million. The impact is less severe at profit level with Adjusted Operating Profit being £0.4 million higher on a constant currency basis since the Group matches its revenues and costs generated in overseas currencies as far as practicable, 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.

Dividends Paid to Non-controlling Interests

On 29 September 2017, a dividend was declared and paid by Blancco Japan Inc. The total dividend of ¥59.0 million (£0.4 million) was paid, of which ¥28.9 million (£0.2 million) was paid to the minority shareholder, representing its 49% interest in the subsidiary. 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. The reduction in the reserve represents the partner's realisation of cash from the subsidiary and therefore a reduction in the minority shareholder's interest in the net assets of Blancco Japan Inc and the consolidated Group.

Exceptional Acquisition and Restructuring Costs

The Group has undertaken restructuring of the business and management team in the first half of the year which has resulted in exceptional costs of £0.8 million. Additionally, the Group has incurred legal costs associated with matters arising from the review of contracts for the years ended 30 June 2016 and 2017. Further details regarding these matters were disclosed in the announcement made on 4 September 2017.

The total exceptional costs incurred in the period were £1.4 million (2017: £1.0 million) with the exceptional costs in the prior year period arising from restructuring and the legal fees associated with the defence of the Group's patents following claims from a competitor.

Acquisition costs incurred in the period were £nil (2017: £1.6 million) due to the fact that there was no acquisition activity initiated or completed in the current period for the continuing business. In the prior year, the Group's strategy focused on several acquisitions of non-controlling interests including France, Australia, South East Asia and Canada.

In the discontinued business, there were a small number of exceptional costs relating to the disposal of the Mexican entity that was completed in January 2018. The costs in the prior period of £0.9 million relate to the restructuring and subsequent disposal of the Mobile Insurance Business and also the acquisition of 19% of the shares previously held by the minority interest of the Mexican entity.

Amortisation of Internally Generated R&D Expenditure

The activity of the R&D team is split between research and administration activity which is not eligible for capitalisation, and development activity which is required to be capitalised under IFRS, when specific criteria are met. Amortisation of internally generated intangible assets which have been generated by the Group is presented within Adjusted Operating Profit. During 2018, the Group has capitalised development expenditure amounting to £2.2 million (2017: £2.6 million) and amortised previously capitalised development expenditure of £1.9 million (2017: £1.2 million).

The amortisation 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, which is generally assessed at 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 £2.6 million (2017: £2.6 million). These intangibles arose from the acquisition of Blancco in 2014, SafeIT in 2014, Tabernus in 2015 and Xcaliber in 2016.

Share-based Payments

The share-based payments credit was £0.3 million (2017: £0.7 million charge) and represents the impact of the Group's Software LTIP for senior Executives and the Blancco Performance Share Plan for Executive Directors and senior management. Full details of both of these schemes are provided in note 30 to the financial statements.

The Blancco Performance Share Plan awards conditional shares to members that will vest should the Company achieve certain Invoiced Sales and Adjusted Operating Cash Flow targets for the year ended 30 June 2020. The scheme takes the form of an equity settled share based payment scheme and a charge of £0.1 million has been recognised in the year with a corresponding credit in equity.

The Software LTIP was active between July 2015 and March 2018 and rewarded participants for growth in the total value of the Group. A credit of £0.4 million in respect of this scheme for the period represents the reduction in value of the scheme for the participants due to the fall in the share price of the Company since 30 June 2017. The scheme was replaced in March 2018 by the Blancco Performance Share Plan, at which time members of this scheme were awarded conditional shares subject to them waiving any outstanding awards from the Software LTIP. There is no further liability held on the balance sheet in respect of the discontinued schemes.

Net Financing Income

Net financing income was £0.1 million (2017: £0.8 million income). The principal components within the net 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 £0.4 million (2017: £0.5 million).
- The impact of revaluation of deferred consideration, due to future forecasts on which the contingent consideration is earned. A non-cash net credit of £0.8 million (2017: non-cash net credit of £1.6 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 the value of the Tabernus earn-out due to a change in the share price of the Company which is used as an estimate for the payout value; and
- The cost associated with the Group's banking facility of £0.3 million (2017: £0.3 million) which is in line with the prior period due to similar levels of banking facility being utilised in both periods.
- Interest income is negligible in both periods.

Taxation

The total tax credit was £0.1 million (2017: £0.6 million charge). This comprises a corporation tax charge of £0.3 million (2017: £0.1 million) and a deferred tax credit of £0.4 million (2017: charge of £0.6 million). A significant change in the recognition of deferred tax arose in the year following the US tax reform in December 2017, resulting in a large reduction in the tax rate used in the calculation of net deferred tax liabilities held there, as well as recognition of deferred tax assets on some accumulated losses where subsidiaries have moved to profitability.

Earnings Per Share

Adjusted earnings per share for the continuing business were 4.66p (2017: 2.83p) which is due to an increase in Adjusted Operating Profit.

The basic loss per share for the continuing business was 0.54p (2017: 5.32p) and has benefitted from the share based payment credit, the reduction in acquisition costs and a revaluation of the fair value of the Tabernus and Xcaliber deferred consideration.

Business Review

Cash and Working Capital

	Year ended 30 June 2018 £'m	Year ended 30 June 2017 £'m
Adjusted EBITDA	**5.9**	5.0
Movement in working capital and exceptionals	**(1.6)**	(1.1)
Movement in provisions	**(0.2)**	(0.7)
Adjusted operating cash flow	**4.1**	3.2
Net interest payments	**(0.3)**	(0.3)
Tax paid	**(1.9)**	(0.7)
M&A payments	**(0.3)**	(1.5)
Exceptional payments	**(2.0)**	(0.9)
Net cash from operating activities – continuing operations	**(0.4)**	(0.2)
Net capital expenditure	**(2.7)**	(3.4)
Acquisition of subsidiaries, including payment of contingent consideration	**(1.2)**	(1.0)
Net cash flow from share issues, option vesting and dividend payments	**(0.2)**	8.1
Other movements	**0.3**	(0.2)
Cash flow on discontinued operations	**(0.2)**	(2.6)
Total cash flow	**(4.4)**	(0.7)
Net cash	**(2.7)**	1.7

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

The Group closed the year with net debt of £2.7 million (2017: £1.7 million net cash). There has been a reduction in net cash since June 2017 with the adjusted operating cash inflow offset by the following items:

- £1.9 million of tax paid in the year, of which £1.5 million paid in the first half of the year related to prior periods;
- Acquisition payments in the period of £1.2 million relating to the Xcaliber, Sweden and France minority interest earn-outs; and
- Restructuring of the management team, which incurred exceptional payments of £0.6 million, further exceptional costs incurred in the first half of the year resulting in payments of £0.6 million and the settlement of unpaid exceptional costs from the prior year of £0.9 million.

The majority of the above impacts on cash related to legacy commitments or one off restructuring activity, and took place in the first half of the year. During the second half of the year the Group generated £0.7 million of cash, reducing net debt from £3.4 million at 31 December 2017 to £2.7 million at the end of the year.

Adjusted Operating Cash Flow was £4.1 million (2017: £3.2 million) with adjusted cash conversion (as defined in the glossary) of 123% (2017: 100%) showing continued strong levels of cash generation from our core operations.

Capital expenditure and R&D qualifying for capitalisation was £2.7 million (2017: £3.4 million). Of this capital expenditure, £2.2 million (2017: £2.6 million) was incurred in the ongoing development of the product range. The remaining expenditure relates to purchase of property, plant and equipment and investment in the continued development of the Group's operating systems.

Dividend paid of £0.2 million represents the dividend paid to minority shareholders of the Group's Japanese subsidiary. In the prior year, the dividends paid of £1.4 million represented both the dividend paid to shareholders of the Group (£1.1 million) and dividends paid to minority shareholders of the Group's Japanese and Australian subsidiaries (£0.3 million).

Other movements of £0.3 million inflow (2017: £0.2 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 debt of £2.7 million (2017: net cash of £1.7 million) comprised long term borrowings of £8.9 million (2017: £9.9 million) and cash and cash equivalents, inclusive of overdraft balances, of £6.2 million (2017: £11.6 million)

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 Balance Sheet Events

In July 2018, the Group announced that it had hired Adam Moloney as Chief Financial Officer. Adam replaced Simon Herrick who had held the role of interim Chief Financial Officer and additionally served as interim Chief Executive Officer from September 2017 to March 2018. Additionally, in July 2018, Adam Moloney was invited to participate in the Blancco Performance Share Plan and was granted a conditional award of 302,632 ordinary shares in the Company. These conditional awards will vest should the Group achieve certain Invoiced Sales and Adjusted Operating Cash Flow targets for the year ended 30 June 2021, in accordance with the rules of the Blancco Performance Share Plan. Further details of the scheme are provided in note 30 to the accounts.

On 13 September 2018, the Group extended its existing banking facility for 12 months under the same terms. The facility now expires on 31 October 2020 giving clarity over the Group's funding into the medium term, and allows the new management team to commence investments targeting the Group's strategic priorities.

Adam Moloney
CHIEF FINANCIAL OFFICER

24 September 2018

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 2018	Year ended 30 June 2017	Commentary
Invoiced Revenue (£'millions)	**27.5**	27.8	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. There has been a small year on year decline as multi-year deals closed in the prior year have not repeated and these have not been fully offset by new business wins.
Geography (Regional proportion of invoiced revenue)			
North America Europe Asia and ROW	**35%** **37%** **28%**	36% 36% 28%	The proportion of revenues generated in each geography has not significantly changed year on year as the sales focus has not substantially shifted.
	100%	100%	
Market type (proportion of invoiced revenue)			
Active Erasure Mobile IT and Other	**3%** **25%** **72%**	3% 23% 74%	The proportion of revenues generated in each market has not significantly changed year on year as the sales focus has not substantially shifted.
	100%	100%	
Average annual spend per customer* (£'000)	**59.4**	61.3	The metric shows the average spend level by customer which is marginally reduced this year, principally due to currency movements year on year.
End of year headcount			
Admin R&D Sales	**32** **104** **102**	42 106 125	The Group's headcount has reduced following the restructure exercise in the first half of the year which aligned the cost base to the revenue generation expectations at that time.
	238	273	

* 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.

Risk Management

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

Key leadership employees and functional managers have been, and will continue to be, involved in the risk identification process, and with support from the Risk and Opportunities Committee, risks are identified and recorded, along with the causes and consequences. The Committee is balanced with representatives from all operating locations and functions in order to provide a comprehensive aggregation of the Group's risks.

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

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 risk 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.

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, market benchmarking and consultation 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, including enhanced security, business continuity and back-up facilities.	The risk has reduced. The key Group systems have undergone development to ensure robustness, and in compliance with ISO 9001/27001 standards. Processes have been developed to help in mitigating a number of risks and the Board considers the control environment, which is largely controlled by systems, has improved since last year. Continual enhancements are being made to our systems. IT security has improved following investment in certain key areas, and continues to remain a focus for the coming year.

Key:
Increased Decreased Unchanged

Principal Risks and Uncertainties

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.	↓ The risk has reduced following a rebasing of the cost base during the year and extension of the facility in September 2018. The Group performs frequent cash flow reviews and reports on the ability to continue as a going concern to the Audit Committee at the results meeting. The management team acknowledges that financial considerations become key as the new strategic plan is implemented and considers the processes in place to manage performance and cash flows to be robust.
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 11.3% (2017: 11.4%) of the revenue, and the top 10 customers represent 27.2% (2017: 28.6%) of the Group's revenue.	→ The risk is unchanged. The proportionate size of our largest and top 10 customers has remained comparable to the prior year. The management team acknowledges the risks around customer concentration and this is mitigated through customer relationship management. During FY18, we have maintained our base of largest customers. In addition we continue to add new customers to our portfolio to attempt to spread the risk further, both through direct and indirect new business wins.
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.	↓ The risk has decreased. The management team has made a number of improvements in process implementation and standardisation, and continues to work on these.
Compliance risks	The Group operates in various jurisdictions globally, therefore is exposed to varying legislation and compliance requirements, as well as compliance with tax regulations and transfer pricing.	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 agreed to by all the Group's employees and is also covered within the higher level conduct of business document for the Group. Significant steps have been made in the area of compliance with Data Protection and GDPR, including implementation of processes and all-employee training and compliance with the Group's Data Privacy Policy and Information Security Policy. 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 Group periodically reviews the terms of its tax schemes to ensure these remain compliant under local regulations and that the Group is compliant with arms length pricing principles.	→ 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.

Risk Area	Potential Impact	Mitigation	Trend
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. 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.
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.

The Board does not consider Brexit to be a significant risk which may materially impact the performance of the Group in the future, other than the general economic uncertainty which exists, and the resulting impact on exchange rates which impacts the Group as noted above and as documented in the Financial Instruments note.

Cautionary Statement

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.

Matt Jones
CHIEF EXECUTIVE OFFICER

24 September 2018

Key:
Increased Decreased Unchanged

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 been engaged in a SustainabilitySMART project since January 2016 which is part of Horizon 2020, 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, 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 employees.

Employee Well-being, 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 provide 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.

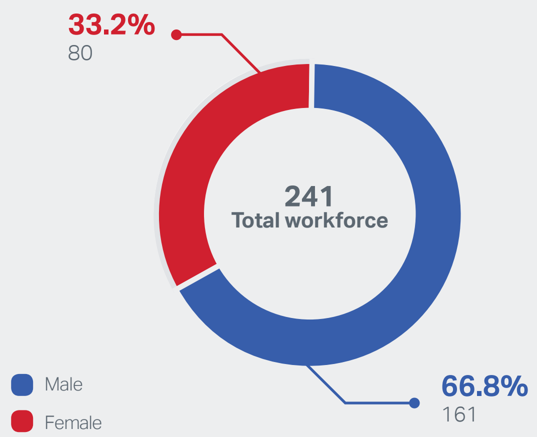
The following table shows the composition of the Group's workforce at the end of the year:

		Employees			
	Board	Senior Management	Other Staff	Total	%
Gender					
Female	0	0	80	80	33.2
Male	6	2	153	161	66.8
Total	6	2	233	241	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



Governance

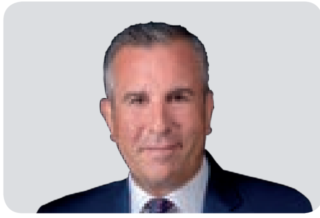
Directors and Advisors

Rob Woodward
CHAIR

Rob joined the Board in June 2013 and became Chair in March 2017. He has significant experience in the technology, media and telecommunications (TMT) industry, having spent 11 years as Chief Executive of STV Group plc. He has also been Commercial Director of Channel 4 Television, a Managing Director with UBS Corporate Finance and the lead partner for Deloitte's TMT industry group in Europe. Rob is also Chair of Ebiquity plc and the Met Office.

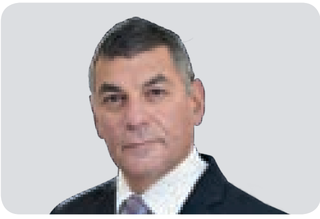
Matt Jones
CHIEF EXECUTIVE OFFICER

Matt joined the Board as CEO in March 2018. He has broad experience with both private equity backed and public companies. Specialising in the technology sector, Matt is a recognised leader with a successful track record of developing and overseeing the execution of growth strategies for companies in security, storage and communications. Matt was most recently CEO of E8 Security, a pioneer in behavioural intelligence and cybersecurity based in the USA (acquired by VMWare). Before this he held senior positions at InterAct, a leading cloud-based software provider for public safety, CloudShield Technologies, a provider of cybersecurity (acquired by SAIC) and Allocity a software company concentrating on storage management (acquired by EMC). Matt also has senior level experience at Excite@ Home, Sprint and AT&T.



Adam Moloney
CHIEF FINANCIAL OFFICER

Adam joined the Board as CFO in July 2018. Adam was CFO of AIM quoted Eckoh plc ("Eckoh"), a leading provider of customer service and secure payment technology solutions for contact centres until 2017. He had been with Eckoh since 2003 and was appointed CFO in 2005. During Adam's time there, he managed the negotiation and integration of various significant acquisitions in the UK and US as well as the opening of a US subsidiary. Prior to Eckoh, Adam held senior positions in the finance functions of a number of privately owned companies.



Frank Blin
INDEPENDENT NON-EXECUTIVE DIRECTOR

Chair of Audit Committee

Frank joined the Board in December 2014. He was a senior partner with PwC (Head of UK Regions and a UK Management Board member) until 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 is chairman of De La Rue plc and Bunzl 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. He 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.

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Company number
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Company Secretary
Lorraine Young Company Secretaries Limited
60 Gracechurch Street
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Directors' Report

The Directors present their report together with the audited consolidated financial statements for the year ended 30 June 2018.

Strategic Report

In accordance with sections 414A-D of the Companies Act 2006 a Strategic Report is set out on pages 1 to 19 which incorporates the Chair'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 used 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 33 to 36 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 the Company's 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 financial statements for the Group for the year ended 30 June 2018 are set out from page 46. The Group profit for the year after taxation was £0.4 million (2017: loss of £4.4 million). The growth plans for the business are such that we anticipate continued investment into the business that will require cash resources to be redeployed into opportunities for future growth. As such, the Board have decided that it would not be appropriate to be paying a dividend to shareholders for the time being.

Directors

Biographical details of the Directors are set out on page 22.

The Directors of the Company who served during the year were as follows:

F Blin
P Clawson (resigned 4 September 2017)
S E Herrick
M C Jones (appointed 28 March 2018)
P G Rogerson
T K Skelton
R S L Woodward

S E Herrick resigned on 23 July 2018. A P Moloney was appointed on the same date.

Matt Jones and Adam Moloney will be standing for election by shareholders at the AGM. Frank Blin and Tom Skelton will stand for re-election by shareholders at the AGM.

The interests of the Directors in the shares of the Company are set out on page 36.

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 32 to the financial statements.

Share Capital

The issued share capital of the Company at 30 June 2018 was £1,279,785.32 comprised of 63,989,266 ordinary shares of two pence each. There were no changes to the share capital during the year.

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.

Substantial Shareholdings

As at 24 September 2018, 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
JO Hambro Capital Management	11.32	7,241,000
Forager Funds Management Pty Ltd	10.92	6,990,806
Soros Fund Management	10.13	6,479,591
Schroder Investment Management	5.48	3,509,000
FIL Investment International	4.94	3,158,665
Columbia Threadneedle Investments	4.09	2,616,371
Canaccord Genuity Group Inc	4.02	2,569,436
The Blancco Employee Benefit Trust	3.56	2,275,442

Directors' Report

Going Concern

As highlighted in note 23 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 2020, following a 12 month extension agreed in September 2018.

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 6 to 7. 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 8 to 13. In addition, note 27 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 13.

Annual General Meeting

The AGM of the Company will be held at 12 noon on Wednesday 12 December 2018 at the offices of Shakespeare Martineau LLP, 60 Gracechurch Street, London EC3V 0HR.

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 27.

Independent Auditor

A resolution to reappoint 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

24 September 2018

Corporate Governance Report

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 Board has decided to continue to follow the UK Corporate Governance Code published by the Financial Reporting Council (the 'Code') and this statement explains how the Company applies the principles of the Code and indicates the extent to which the Company complies with the Code provisions.

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.

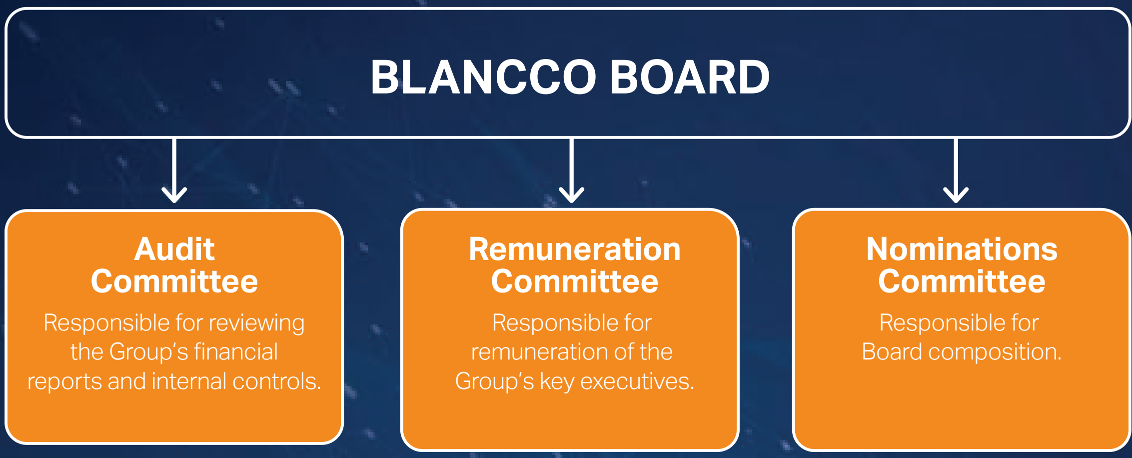
Role	Responsibility
Chair	The Chair is responsible for the leadership of the Board and ensuring its effectiveness. He is also responsible for creating the right Board dynamic and for promoting a culture of openness and debate, in addition to ensuring constructive and productive relations between Executive and Non-executive Directors. The Chair 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 Report

The Board

Structure and composition

The Board currently comprises two Executive Directors and four Non-executive Directors.



Read more on page 28

Read more on page 28

Read more on page 28

Name	Role	Audit Committee	Remuneration Committee	Nominations Committee
Rob Woodward	Independent Chair	Member	Member	Chair
Matt Jones	Chief Executive Officer	–	–	–
Adam Moloney	Chief Financial Officer	–	–	–
Frank Blin	Independent Non-executive Director	Chair	Member	Member
Philip Rogerson	Independent Non-executive Director	Member	Chair	Member
Tom Skelton	Independent Non-executive Director	Member	Member	Member

Read the biographies of all the Directors at the date of this report set out on page 22.

Chair 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. 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 18 and 19.

Board Process

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

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 2017 to 30 June 2018) 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	17	14	4	4	6	5	3	3
Patrick Clawson (resigned 4 September 2017)	4	4	–	–	–	–	–	–
Simon Herrick	17	17	–	4*	–	5*	–	1*
Matt Jones (appointed 28 March 2018)	2	2	–	1*	–	1*	–	–
Philip Rogerson	17	16	4	4	6	6	3	2
Tom Skelton	17	15	4	4	6	5	3	2
Rob Woodward	17	17	4	4	6	6	3	3

* 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 contracts.
- Major divestments and capital expenditure.
- Ensuring maintenance of a sound system of internal control and risk management by the Group.
- Approving appointments to the Board and the appointment of the Company Secretary.

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties, including providing constructive challenge to and scrutiny of management. Procedures are in place for Directors to take independent professional advice, if necessary, at the Company's expense.

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.

Corporate Governance Report

Board Performance and Evaluation

A formal Board evaluation was not carried out during the 2018 financial year due to the appointments of the new CEO and CFO during and after the end of the year, respectively. It is anticipated that an evaluation will be carried out during next year.

Relations with Shareholders

Dialogue

The Board is committed to maintaining good communications with shareholders. The Chair is available to discuss the Company's corporate governance arrangements with shareholders as well as any other matters which they may wish to raise. 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.

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 and Committee Chairs will be available to answer questions at the meeting.

Board Committees

Remuneration Committee

The Remuneration Committee is chaired by Philip Rogerson. The other members are Frank Blin, Tom Skelton and Rob Woodward. The Executive Directors may be invited to attend meetings but are not present when their own remuneration is discussed. The terms of reference of the remuneration committee are available on the Company's website.

During the year the Remuneration Committee approved the adoption of a new performance share plan to incentivise the executive directors and senior management. Although as an AIM company, the Company is not required to seek formal shareholder approval for such a plan, the remuneration committee consulted the Company's major institutional shareholders before the plan was adopted. Deloitte LLP were appointed by the Remuneration Committee as consultants to advise on the new plan. They have no other connection with the Company.

Further details of the new plan and the work of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 33 to 36. The terms of reference of the Remuneration Committee are available on the Company's website.

Nominations Committee

The Nominations Committee is chaired by Rob Woodward. Frank Blin, Philip Rogerson and Tom Skelton are also members. The CEO may be invited to attend meetings. During the financial year the committee considered the appointment of the new CEO and CFO. Russell Reynolds was engaged to assist with the recruitment of the CEO and Independent Search Partnership was engaged to assist with the recruitment of the CFO. Neither firm has any other connection with the Company.

The terms of reference of the Nominations Committee are available on the Company's website.

Audit Committee

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 report of the Audit Committee is set out on pages 29 to 32. The terms of reference of the Audit Committee are available on the Company's website.

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.

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 Audit Committee is notified of any whistleblowing incidents.

The Group's financial reporting processes are regularly reviewed. The detailed reporting is reviewed at least monthly by the Group Financial Controller 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 CFO covering both historic and forthcoming financial and business performance, as well as anticipating key future events.

By order of the Board

Lorraine Young Company Secretaries Limited
COMPANY SECRETARY

24 September 2018

Audit Committee Report

Key Areas of Focus During the Year

During the 2018 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 chose to focus on.

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

Following an audit tender process at the end of the 2017 financial year, PricewaterhouseCoopers LLP (PwC) was appointed auditor, in place of KPMG LLP. 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. The Group has not instructed any non-audit work by PwC during the 2018 financial year or since the year end.

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.

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, capitalisation of development costs, going concern and, for the parent company, amounts due from subsidiaries.

These issues were discussed with management during the year and with the external auditor at the time the Committee reviewed and agreed the external auditor's audit plan, and also at the conclusion of the audit of the annual financial statements in September 2018.

FRC Review

During the year, the Group received correspondence from the Financial Reporting Council (FRC). As a result of this correspondence, the prior year adjustment recorded in the financial statements to goodwill, intangible assets and accruals was identified, as well as the prior year reclassification of cash flows for share subscription transactions with non controlling interest shareholdings that did not result in a change of control, which have been moved from investing to financing activities. In addition, the Directors have provided additional disclosure around a number of accounting items in the notes to the accounts.

When reviewing the Company's 2017 Annual Report and Accounts, the FRC has made clear to us the limitations of its review as follows:

- its review is based on the 2017 Annual Report and Accounts only and does not benefit from a detailed knowledge of the Group's business or an understanding of the underlying transactions entered into;
- communications from the FRC provide no assurance that the Company's 2017 Annual Report and Accounts are correct in all material respects and are made on the basis that the FRC (and its officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders; and
- the FRC's role is not to verify information provided but to consider compliance with reporting requirements.

Prior Year Adjustment

Following the FRC review, management analysed the accounting for the legacy acquisitions and the subsequent recognition of amounts through the period ending 30 June 2018. It was identified that certain of the assets and liabilities acquired on previous M&A activity were those of the underlying overseas operation rather than of the UK Group, and had not been revalued to reflect foreign exchange movements since initial recognition.

Due to the size of the adjustment required, a prior year adjustment has been made against goodwill, intangible assets, accruals and associated deferred tax amounts.

Additionally, a classification adjustment has been made for payment for acquisition of, and proceeds from issue of, shares to non-controlling interests from investing to financing activities, since these payments did not result in a change of control.

Further detail on these adjustments is included within note 1.2.

The Committee reviewed the analysis performed by management and concluded that the criteria for a prior year adjustment had been met. The Committee reviewed the disclosure made in the accounts and is satisfied this was appropriately recorded.

Audit Committee Report

Revenue Recognition

The Group enters into 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. Judgement is also needed to identify the separable components of the revenue and to determine the timing of the recognition of revenue.

The accounting policies of the Group are outlined in note 1.10 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.

Following the reversal of revenues during the audit for the year ended 30 June 2017, the Committee has exercised greater scrutiny over reviewing the controls in place and the steps taken by management to improve the control environment, including:

- Management's control over the approval of contracts at the quoting stage
- Management's review of the terms driving revenue recognition
- Management's control over the processing of invoices and substantiation of contracts
- Management's review over the material contracts over the course of the year

The Committee's deliberations involved considering 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 gaining 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.

The Committee is satisfied that there is a reasonable basis for the revenue recognition assessments, there is an expectation that the revenue recognised will be collected in full (or provided for as a doubtful debtor where necessary) and that the accounting treatment adopted 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
- The controls in place for approvals for material and non-standard contracts are appropriate
- The controls in place for review of contracts and ensuring checking of revenue recognition are appropriate.
- In respect of the cash collected, there was a strong correlation between revenues recognised and cash collected and the level of cash collections against debtors subsequent to the year end was good.

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

Management Override of Controls

During the previous financial year, the Committee acknowledged that there had been an override by previous management over certain business controls particularly in relation to revenue recognition. The Board recognises that the risk of override of controls cannot be fully eliminated in any business and that there are clearly defined policies and controls in place. Following last year's override and in consultation with the Group's advisors, actions have been taken to strengthen and improve the control environment to mitigate these risks as far as practicable, focussing primarily on revenue recognition including an increased level of scrutiny to customer contracts.

The Board has further reviewed the controls over access to cash and cash management to ensure that the risk of misappropriation of cash is at a sufficiently low level.

The Committee concluded that:

- The Board has performed appropriate procedures to minimise the risk of any possible management override of controls as they relate to the financial statements;
- The Group's control environment including the controls over revenue management has improved and provides an appropriate level of coverage and review over revenue contracts;
- Management's oversight of its operating locations covering accounting, banking and operational matters has improved and risks of errors or fraud have been reduced; and
- The Group's systems are appropriate for the business

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

The Group has been particularly active in acquisitions in the past and this has led to the creation of significant acquired goodwill. There is potential risk of non-recoverability of this goodwill. Similarly for the parent company, the recoverability of amounts due from subsidiaries is considered to be a potential risk should the future profitability of the Group be insufficient to substantiate the carrying value of assets.

Uncertainty arises due to the difficulties in forecasting and discounting future cash flows that support the recoverability of the goodwill and cash generation in the future.

The Committee has acknowledged that in recent years the headroom of future cash flows versus the carrying value of goodwill has been sensitive to assumptions used in the modelling by management.

The relevant accounting policies of the Group are outlined in notes 1.6, 2.1 and 2.2 to the accounts.

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

- A robust budget process including the input of functional managers across the business for the financial year ending June 2019.
- Other underlying assumptions, by benchmarking these against prior performance and also market and sector trends
- 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
- Assessment of the discount rates used

The Committee evaluated management's budgeting process in light of the relatively low level of sales growth compared to previous years, 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.

The Committee noted that one of the topics of the FRC letter was to ensure clear description in the disclosure of goodwill, including the sensitivities which might trigger an impairment and evaluated the increased level of disclosure in the Annual Report.

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

- In respect of the consolidation of the Group's operations into one segment, this assessment 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, albeit subject to certain sensitivities;
- These sensitivities have been sufficiently documented in the Annual Report; and
- 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 products. A large proportion of this cost capitalisation is for internal staff costs working on these projects. The accounting policies of the Group are outlined in note 1.6 to the financial statements.

There is a potential risk of misstatement because of:

- Inappropriate judgements on whether a project meets the criteria for capitalisation;
- Inappropriate allocation of staff time between research and administration, which does not qualify for capitalisation, and development work; and
- Impairment of capitalised assets which depends on future cash flows.

In addition, uncertainty arises specifically in the assessment of future cash flows which are inherently difficult to predict.

Audit Committee Report

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, and assessment of contracted future revenues and the pipeline of new business.
- 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 requirement to raise funds during the prior 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 2019, including the likelihood and impact of deviations from the budget;
- An extension of the cash flow forecast to the end of December 2019, including the extension of the available banking facility to October 2020;
- Forecast cash covenant compliance over this period;
- Assessments over the amount and timing of significant non-trading cash outflows, and the impact of any 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 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;
- Assessment of management's short term cash flow forecasting;
- Considering through discussion with management the availability of further sources of funds;
- Understanding management's mitigation plans in the case of downside sensitivities; and
- Managements improvements implemented in the processes for managing cash flows and forecasting

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 Statements

The production and the audit of the Company's Annual Report and 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 2018, 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 37.

Frank Blin
CHAIR OF THE AUDIT COMMITTEE

24 September 2018

Remuneration Committee Report

Remuneration Committee

The Remuneration 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 Remuneration Committee meetings 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 28.

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 attract, retain and motivate individuals of a high calibre at all levels across the Group, while ensuring that arrangements are aligned with business strategy and shareholders' interests.

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

- Total rewards are set to provide a fair and attractive remuneration package without paying more than is necessary
- Appropriate elements of the remuneration package are designed to create alignment with business strategy and to reinforce the link between performance and reward.

Remuneration of Executive Directors

The Executive Directors' remuneration is made up of:

- Fixed elements, comprising base 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.

Base Salary

Base salaries are set by the Remuneration Committee each year, after taking into consideration the performance of the individuals, their levels of responsibility and salary levels for similar positions in comparator companies.

Matt Jones joined the business as CEO on 28 March 2018 and his salary was set at US$375,000 per annum. Adam Moloney joined the business as CFO on 23 July 2018 and his salary was set at £230,000 per annum. It is expected that salaries will next be reviewed with effect from 1 July 2019.

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. Benefits do not form part of pensionable earnings.

Pensions

The Group makes defined contributions into individual pension plans. The CEO will receive a contribution into his pension plan after six completed months of service. The CFO receives a pension contribution of 7% of base salary.

The amounts paid in the financial year are set out in the Directors' emoluments table on page 36.

Annual Bonuses

Annual bonuses for the Executive Directors 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 CEO's maximum bonus is 100% of base salary per annum. The CFO's maximum bonus is 60% of base salary per annum.

For the year ending 30 June 2019 the annual bonus will be based on stretching targets in respect of invoiced sales.

For the year ending 30 June 2018 the CEO was entitled to a pro-rata bonus from the date of joining. The bonus related solely to the achievement of strategic objectives to ensure the new CEO was fully aligned with the strategic progress the Company needs to make to achieve its long-term objectives and generate value for shareholders.

Since joining, the CEO has led a thorough review of the business and, with the executive leadership team, has developed a strategic plan which has been discussed and agreed with the Board over the past few months. This plan is now being communicated to shareholders. The Committee therefore judged that the CEO should be awarded a maximum level of bonus. Details of the amount paid are set out in the table on page 36. The Committee considers that this level of bonus is appropriate in the context of business performance and the CEO's contribution during his period of service.

Remuneration Committee Report continued

Long Term Incentive Arrangements

The Group has in place long term incentive arrangements for its Executive Directors and senior management in order to align their interests to those of shareholders and to incentivise them to deliver performance over the longer term.

Blancco Performance Share Plan

During the year, the Company set up a new long term incentive plan - the Blancco Performance Share Plan (2018) (the Plan) to incentivise Executive Directors and senior management and drive long term sustainable growth for shareholders.

It is intended to grant annual awards under the plan to Executive Directors and senior management. The maximum opportunity under the plan is 150% of base salary. However, it is intended that the maximum award for Executive Directors will normally be 100% of base salary.

These awards will usually be subject to stretching performance conditions over a three year period. The performance measures and targets will be selected annually by the Remuneration Committee prior to the grant of awards and will closely align to the Company's key business objectives.

On 28 March 2018 Matt Jones was granted an award over 524,928 ordinary shares of 2p each in the Company in the form of conditional shares under the Plan. In order to enable the Company to attract and motivate the high calibre individual required for the role, the award granted to the CEO on appointment was at the level of 130% of salary.

This award shall vest based 50% on Invoiced Revenue and 50% Adjusted Operating Cash Flow. Performance will be assessed based on outcomes for the year ended 30 June 2020 against the following targets.

Measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Invoiced Revenue	**50% weighting**	**£42.4m** (53%)*	**£44.4m** (60%)*	**£46.4m** (67%)*
Adjusted Operating Cash Flow	**50% weighting**	**£5.0m** (79%)*	**£5.3m** (89%)*	**£5.6m** (100%)*

*The percentages relate to growth from the actual figures for the year ended 30 June 2017.

The targets are measured in terms of constant currency.

The performance measures have been adjusted to reflect the restatement of invoiced revenue in the base year (year ended 30 June 2017). The required percentage increases remain the same.

Both Invoiced Revenue and Operating Cash Flow are key financial metrics for the Company. Strong performance in both of these areas is essential to the long-term success of the business and delivering value for shareholders.

When assessing the level of vesting in respect of the Invoiced Revenue portion the Committee will also consider the profitability of such revenue to ensure that growth in Invoiced Revenue reflects value creation for shareholders.

Awards of 100% of base salary will be made to the CEO and CFO during the year ended 30 June 2019. It is intended that these awards will continue to be based 50% on Invoiced Revenue and 50% Adjusted Operating Cash Flow.

Other key points of the Plan are as follows:

- Awards will be entitled to dividend equivalents, to reflect the value of any dividends paid during the vesting period.
- The Plan limits shareholder dilution to 10% of the issued share capital over a ten year period.
- There are malus and clawback provisions for all awards under the Plan, which allow the Remuneration Committee to reduce or clawback awards made, in the event of a material misstatement of the accounts; error in assessing the performance condition; material failure of risk management; serious reputational damage; or gross misconduct on the part of the participant. The malus and clawback provisions will apply, unless the Remuneration Committee determines otherwise, for a period of five years from the date of grant.
- Where an individual leaves the Group they would normally lose their awards, unless the Remuneration Committee determines that they should be treated as a 'good leaver' in which case they would be allowed to keep their awards. A participant is classified a 'good leaver' in the case of ill-health, injury, disability, the individual's employing company or business being sold out of the Group or any other reason at the discretion of the Remuneration Committee. Awards for good leavers would normally continue post leaving and vest on the normal vesting date and would normally be pro-rated for time and performance (where applicable).
- Awards would normally vest on a change of control. In these circumstances awards would normally be pro-rated for time and would vest taking into account performance achieved.

As of 30 June 2018, the total number of shares for which awards had been granted represented 2.6% of the Company's issued share capital.

The Committee consulted with the Company's major shareholders in relation to the introduction of the new PSP and was pleased with the level of support received.

Software LTIP

The previous Software LTIP has been replaced by the Blancco Performance Share Plan, described above.

As disclosed in last year's remuneration report, at 30 June 2017, Patrick Clawson, a former director, had been awarded grants over 3% of the value growth of two sub-Groups of Blancco Technology Group Plc. On this date, he had vested but unexercised options over the 'Blancco' sub-Group of 8.3% of that award, corresponding to 0.25% of total value growth (8.3% of 3%); and over the 'Xcaliber' sub-Group of 51.9% of that award, corresponding to 1.56% of total value growth (51.9% of 3%). The Blancco sub-Group comprised all subsidiaries acquired by the Group via the acquisitions of Blancco, Tabernus and SafeIT. The Xcaliber sub-Group comprised all subsidiaries acquired via the acquisition of Xcaliber.

There are no awards remaining under the Software LTIP and the interests in the Software LTIP disclosed in last year's remuneration report have all since lapsed.

Service Contracts

The CEO and CFO have both entered into service agreements with the Company. The agreement with the CEO provides for 12 months' notice from the Company and six months' notice from the executive. The agreement with the CFO provides for six months' notice from both the Company and the executive. Under the service agreements a payment in lieu of notice may be made in respect of salary and benefits only.

Remuneration for Departing Directors

Simon Herrick acted as Interim Chief Financial Officer from 14 March 2017 until 23 July 2018. In addition, he held the position of Interim Chief Executive Officer from 4 September 2017 until 28 March 2018. He received fees during this period. Details of the fees paid to him during the year to 30 June 2018 are shown in the emoluments table on page 36. He did not receive any payment for loss of office or any bonus payments.

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 was paid to him.

Payments to Past Directors

No payments were made to past directors during the year.

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 the Chairs of the Audit and Remuneration Committees. No incentives, pensions or other benefits are available to the Non-executive Directors. The Board Chair receives an annual fee of £95,000 per annum which reflects the additional responsibilities of and time commitment required for 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 and none was undertaken during the year to 30 June 2018.

Remuneration Committee Report continued

Audited details of the Directors' emoluments are given below.

	Salary, fees, benefits 2018 £'000	Contractual bonus 2018 £'000	Pension contributions 2018 £'000	**Total 2018 £'000**	**Total 2017 £'000**
Executive					
Patrick Clawson	106	–	–	**106**	275
Jog Dhody	–	–	–	**–**	140
Keith Butcher	–	–	–	**–**	124
Matthew Peacock[1]	–	–	–	**–**	94
Simon Herrick[2]	505	–	–	**505**	102
Matt Jones	73	67	–	**140**	–
	684	67	–	**751**	735
Non-executive					
Frank Blin	48	–	–	**48**	48
Rob Woodward	95	–	–	**95**	60
Tom Skelton[3]	49	–	–	**49**	52
Philip Rogerson	48	–	–	**48**	14
	240	–	–	**240**	174
Total	924	67	–	**991**	909

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 and includes costs for his services as Interim Chief Financial Officer and Interim Chief Executive Officer.
3. Tom Skelton's remuneration is paid in US Dollars and is therefore subject to exchange rate fluctuations when translated into Sterling.

Directors' Beneficial Interests in Shares

The interests of the Directors who held office at 30 June 2018 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 2018 Number**	**As at 30 June 2017 (or date of appointment, if later) Number**
Executive			
Matt Jones	**–**	**–**	N/A
Adam Moloney	**–**	**N/A**	N/A
Non-executive			
Frank Blin	**27,893**	**27,893**	27,893
Philip Rogerson	**17,500**	**17,500**	17,500
Tom Skelton	**27,500**	**27,500**	12,500
Rob Woodward	**23,911**	**23,911**	23,911

Signed on behalf of the Remuneration Committee

Philip Rogerson
CHAIR OF THE REMUNERATION COMMITTEE

24 September 2018

Statement of Directors' Responsibilities
in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Financials

OTHER INFORMATION

Independent Auditors' Report

to the members of Blancco Technology Group plc

Report on the Audit of the Financial Statements

Opinion

In our opinion:

- Blancco Technology Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2018 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 30 June 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach

Overview

- Overall group materiality: £275,000 (2017: £275,000), based on 1% of revenue.
- Overall company materiality: £245,000 (2017: £200,000), based on 1% of total assets.

- Audit procedures provide coverage of 91% of the Group's revenues.
- Audit scope covers six countries performing procedures over 11 entities.
- Five financially significant components in UK, Germany, Japan and two in the US.

- Revenue recognition (Group).
- Carrying value of Goodwill, and for the company, recoverability of the amounts due from subsidiaries (Group and parent).
- Capitalisation of development costs (Group).

The Scope of Our Audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key Audit Matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The timing of software based revenue recognition is inherently complex. 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 and whether the revenue has been recognised in the correct period. 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. In addition, ISAs (UK) presume there is a risk of fraud in revenue recognition for every audit because of the pressure management may feel to achieve the forecast results. Group	We read a sample of licence contracts selected on a high value basis and assessed whether the revenue recognition methodology and the Group's accounting policy was consistent with accounting standards and had been applied consistently. We inspected 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. Where a contract contained multiple elements, we considered management's judgements as to whether there were elements that should be accounted for separately, and, in such cases, challenged the judgements made in the allocation of the consideration to each element by considering alternative judgements that could have been made. We utilised data auditing techniques to identify transactions impacting revenue and trade receivables which had not arisen through the standard revenue recognition process. Only a small number of such items were noted and these were agreed to supporting information on a targeted basis with no exceptions noted. In response to the presumed risk of fraud, where revenue was recorded through journal entries, we tested a sample of journals to establish whether there were any unusual items. No such items were identified from our testing.

Independent Auditors' Report continued

to the members of Blancco Technology Group plc

Key audit matter	How our audit addressed the key audit matter
Carrying value of Goodwill, and for the company, recoverability of the amounts due from subsidiaries The assessment of whether the carrying value of goodwill is impaired involves significant judgement from the directors. The directors are required to determine estimates of forecast future cash flows and discount rates as part of the calculation of the Group's value-in-use. Similarly for the parent company, the recoverability of amounts invested in or due from subsidiaries is considered to be a significant audit risk. Group and parent	We reviewed the methodology used in the directors' cash flow projections and the process by which they were drawn up, including reconciling them to the latest Board-approved budgets and testing the accuracy of the underlying calculations. We considered: – The estimated future cash flows included by management within the value-in-use model; – The directors' key assumptions for long term growth rates in the forecasts by comparing them to external analysts' and industry expert forecasts; and – The discount rate by comparing to our own estimate of the cost of capital for the company, with the assistance of our internal valuation specialists. We also performed sensitivity analysis around the key assumptions including the revenue growth and discount rates used within the cash flow forecasts.
Capitalisation of development costs The Group spends a significant amount in developing new products and product functionality. As set out in Note 15, during the current period the Group has capitalised £2.2 million of internal development expenditure within Intangible assets and had a net book value of £4.7 million of capitalised development expenditure at 30 June 2018. We focussed on this area due to the amount of the costs capitalised, and the fact that judgement is involved in assessing whether the criteria set out in IAS 38 "Intangible assets" ("IAS 38") required for capitalisation of such costs have been met, particularly: – The appropriateness and support for the costs capitalised; and – The likelihood of the project delivering sufficient future economic benefits. Group	We obtained a breakdown, by value, of all individual development projects (new products and product functionality) capitalised in the period and reconciled this to the amounts recorded in the general ledger. Capitalised development expenditure principally comprises internal labour costs. To determine whether labour costs were correctly capitalised, we agreed a sample of capitalised internal labour costs to supporting payroll and timesheet records. No adjustments were noted from our testing. We considered whether each project was being appropriately capitalised under the specific requirements of the relevant accounting standard (IAS 38 "Intangible assets"). We inspected project documentation and held discussions with staff as necessary to confirm the projects were being accounted for appropriately. No material exceptions were noted in this testing.

How We Tailored the Audit Scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is structured as one core operating business focussed on the development and sale of data erasure and device diagnostic services, comprised of 30 separate legal entities across 14 countries.

In establishing the overall approach to the Group audit, we determined the type of work to be performed at the legal entities by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those legal entities to be able to conclude on whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Of the Group's 30 legal entities, we identified five legal entities covering the UK, USA (two entities), Japan, and Germany as requiring an audit of their complete financial information based on their contribution to the Group's revenue. To further increase the level of coverage over the Group's income statement and balance sheet, we also performed an audit of the complete financial information for a further four legal entities covering the UK and Finland. In addition, specific procedures were performed over revenue in one legal entity in Australia. This, together with additional procedures performed at the Group level, gave us the evidence that we needed for our opinion on the Group financial statements as a whole and provided coverage of 91% of the Group's revenues.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£275,000 (2017: £275,000).	£245,000 (2017: £200,000).
How we determined it	1% of revenue.	1% of total assets.
Rationale for benchmark applied	Revenue was considered to be an appropriate benchmark as using a profit-based benchmark would result in an inappropriately low benchmark which would not be a useful basis for determining materiality.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the company, and is a generally accepted benchmark. This has been capped at a level below that of the group materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £27,500 and £245,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £13,750 (Group audit) (2017: £14,000) and £13,750 (Company audit) (2017: £14,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report continued

to the members of Blancco Technology Group plc

Conclusions Relating to Going Concern
We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the Financial Statements and the Audit
Responsibilities of the Directors for the Financial Statements
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for 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.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this Report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Companies Act 2006 Exception Reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Simon Ormiston
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

24 September 2018

Consolidated Income Statement

for the year ended 30 June 2018

	Note	Year ended 30 June 2018 £'000	*Year ended 30 June 2017 £'000
Revenue		**27,487**	**26,913**
Cost of sales		(1,084)	(1,097)
Gross profit		**26,403**	**25,816**
Administrative expenses and depreciation		(26,786)	(28,513)
Operating loss		**(383)**	**(2,697)**
Acquisition costs	5	2	1,558
Exceptional restructuring costs	6	1,366	1,024
Amortisation of acquired intangible assets		2,597	2,635
Share-based payments (credit)/charge	30	(255)	675
Adjusted administrative expenses		(23,076)	(22,621)
Adjusted operating profit		**3,327**	**3,195**
Finance income	10	781	1,688
Finance costs	10	(730)	(928)
Loss before tax		**(332)**	**(1,937)**
Taxation	11	70	(632)
Loss for the year		**(262)**	**(2,569)**
Discontinued operations			
Post tax results from discontinued operations	8	696	(1,856)
Profit/(loss) for the year		**434**	**(4,425)**
Attributable to:			
Equity holders of the Company		338	(4,979)
Non-controlling interest		96	554
Profit/(loss) for the year		**434**	**(4,425)**

*restated - see note 1.2

Earnings per share			
Continuing operations:			
Basic	12	**(0.54 p)**	(5.32 p)
Diluted	12	**(0.54 p)**	(5.32 p)
Discontinued operations:			
Basic	12	**1.09 p**	(3.46 p)
Diluted	12	**1.09 p**	(3.46 p)
Total Group:			
Basic	12	**0.55 p**	(8.78 p)
Diluted	12	**0.55 p**	(8.78 p)

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2018

	Year ended 30 June 2018 £'000	*Year ended 30 June 2017 £'000
Profit/(loss) for the year	**434**	**(4,425)**
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:		
Recycling of translation reserve on disposal of discontinued operation	(198)	–
Exchange differences arising on translation of foreign entities	53	2,608
Total comprehensive profit/(loss) for the year	**289**	**(1,817)**
Attributable to:		
Equity holders of the Company	201	(2,392)
Non-controlling interests	88	575
Total comprehensive profit/(loss) for the year	**289**	**(1,817)**

*restated - see note 1.2

Consolidated Balance Sheet

as at 30 June 2018

	Note	30 June 2018 £'000	*30 June 2017 £'000	*30 June 2016 £'000
Assets				
Non-current assets				
Goodwill	14	46,348	46,359	44,282
Other intangible assets	15	22,313	24,621	24,484
Property, plant and equipment	16	371	446	430
Deferred tax assets	28	670	888	1,917
		69,702	**72,314**	**71,113**
Current assets				
Inventory	18	99	142	116
Trade and other receivables	19	7,079	8,438	6,551
Current tax asset		101	–	–
Cash and cash equivalents	20	6,220	11,648	4,769
Assets held for sale		–	–	4,804
		13,499	**20,228**	**16,240**
Total assets		**83,201**	**92,542**	**87,353**
Current liabilities				
Trade and other payables	21	(10,064)	(14,298)	(13,791)
Contingent consideration	27	(2,044)	(1,726)	(2,213)
Current tax liability		–	(1,450)	(2,264)
Provisions	26	(63)	(386)	(1,569)
Liabilities held for sale		–	–	(3,038)
		(12,171)	**(17,860)**	**(22,875)**
Non-current liabilities				
Borrowings	23	(8,930)	(9,916)	(3,727)
Other payables	21	(1,752)	(1,681)	(954)
Contingent consideration	27	(156)	(2,418)	(3,196)
Deferred tax liabilities	28	(3,171)	(3,803)	(3,879)
Provisions	26	(1,981)	(2,035)	(3,782)
		(15,990)	**(19,853)**	**(15,538)**
Total liabilities		**(28,161)**	**(37,713)**	**(38,413)**
Net assets		**55,040**	**54,829**	**48,940**
Equity				
Called up share capital		1,280	1,280	1,164
Share premium account		9,152	9,152	–
Merger reserve		4,034	4,034	4,034
Capital redemption reserve		417	417	417
Translation reserve		3,463	3,600	1,195
Retained earnings		35,757	35,304	41,609
Total equity attributable to equity holders of the Company		**54,103**	**53,787**	**48,419**
Non-controlling interest reserve		937	1,042	521
Total equity		**55,040**	**54,829**	**48,940**

* Restated - see note 1.2

The financial statements on pages 46 to 50 were approved by the Board of Directors and authorised for issue on 24 September 2018. These were signed on its behalf by:

Adam Moloney
CHIEF FINANCIAL OFFICER

Company number: 05113820

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Non-controlling interest reserve £'000	Capital redemption reserve £'000	Total £'000
Balance as at 1 July 2016*	**1,164**	**–**	**4,034**	**1,195**	**41,609**	**521**	**417**	**48,940**
Comprehensive income:								
(Loss)/profit for the year	–	–	–	–	(4,979)	554	–	(4,425)
Other comprehensive income:								
Exchange differences arising on translation of foreign entities	–	–	–	2,587	–	21	–	2,608
Transactions with owners recorded directly in equity:								
Recognition of share-based payments	–	–	–	–	343	–	–	343
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
Acquisition of non-controlling interest without a change in control	–	–	–	–	(1,041)	–	–	(1,041)
Reserves transfer on disposal of subsidiary	–	–	–	(182)	–	–	–	(182)
Issue 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**	**3,600**	**35,304**	**1,042**	**417**	**54,829**
Comprehensive income:								
Profit for the year	–	–	–	–	338	96	–	434
Other comprehensive income:								
Recycling of translation reserve on disposal of discontinued operation	–	–	–	(139)	–	(59)	–	(198)
Exchange differences arising on translation of foreign entities	–	–	–	2	–	51	–	53
Transactions with owners recorded directly in equity:								
Dividends paid to non-controlling interest	–	–	–	–	–	(240)	–	(240)
Disposal of non-controlling interest	–	–	–	–	–	47	–	47
Share based payment charge	–	–	–	–	115	–	–	115
Balance as at 30 June 2018	**1,280**	**9,152**	**4,034**	**3,463**	**35,757**	**937**	**417**	**55,040**

*Restated - see note 1.2

Consolidated Cash Flow Statement

for the year ended 30 June 2018

	Note	Year ended 30 June 2018 £'000	*Year ended 30 June 2017 £'000
Profit/(loss) for the period		**434**	**(4,425)**
Adjustments for:			
Results of discontinued operations	8	(696)	1,856
Net finance income	10	(51)	(760)
Tax (income)/expense	11	(70)	632
Depreciation on property, plant and equipment	7	202	191
Amortisation of intangible assets	7	2,332	1,579
Amortisation of acquired intangible assets	7	2,597	2,635
Share-based payments (income)/expense		(255)	675
Operating cash flow before movement in working capital		**4,493**	**2,383**
Acquisition costs		2	1,558
Exceptional restructuring costs		1,366	1,024
Adjusted EBITDA		**5,861**	**4,965**
Decrease/(increase) in inventories		43	(26)
Decrease/(increase) in receivables		696	(941)
(Decrease)/increase in payables and accruals		(3,346)	131
Decrease in provisions	26	(163)	(732)
Cash generated from continuing operations		**1,723**	**815**
Acquisition costs payments		322	1,477
Exceptional restructuring payments		2,044	890
Adjusted operating cash flow		**4,089**	**3,182**
Interest received	10	14	2
Interest paid		(291)	(321)
Tax paid		(1,854)	(731)
Net cash outflow from operating activities – continuing operations		**(408)**	**(235)**
Net cash outflow from operating activities – discontinued operations	8	(23)	(2,551)
Net cash outflow from operating activities – continuing and discontinued operations		**(431)**	**(2,786)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(162)	(243)
Purchase and development of intangible assets		(2,517)	(3,146)
Acquisition of subsidiaries, net of cash acquired	13	(1,095)	(657)
Net cash used in investing activities – continuing operations		**(3,774)**	**(4,046)**
Net cash used in investing activities – discontinued operations	8	(132)	(67)
Net cash used in investing activities – continuing and discontinued operations		**(3,906)**	**(4,113)**
Cash flows from financing activities			
Dividends paid	22	–	(1,139)
Dividends paid to non-controlling interests		(240)	(278)
(Repayment)/drawdown of borrowings	25	(1,000)	6,174
Share placing net of fees		–	9,479
Payments made to acquire non-controlling interests	13	(110)	(462)
Proceeds from issue of shares to non-controlling interests		–	136
Net cash (used in)/from financing activities		**(1,350)**	**13,910**
Net cash used in financing activities – discontinued operations		–	–
Net cash (used in)/from financing activities – continuing and discontinued operations		**(1,350)**	**13,910**
Net (decrease)/increase in cash and cash equivalents		**(5,687)**	**7,011**
Other non-cash movements – exchange rate changes		259	(132)
Cash and cash equivalents at beginning of period		11,648	4,769
Cash and cash equivalents at end of period		**6,220**	**11,648**
Bank borrowings	25	(8,930)	(9,916)
Net (debt)/cash		**(2,710)**	**1,732**

*Restated - see note 1.2

Notes to the Accounts

for the year ended 30 June 2018

1. General Information

Blancco Technology Group Plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. Details of its registered office are published on page 22, whilst the nature of the Group's operations and principal activities are set out in the Business Review from page 8. These financial statements are presented in thousands pounds Sterling, which is the functional currency of the Group and Parent Company. Foreign operations are included in accordance with the policies set out in note 1.4.

1.1 Basis of Preparation

These consolidated financial statements have been prepared in accordance with all International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) interpretations as adopted by the European Union and with the Companies Act 2006 applicable is companies reporting under 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 IFRS2	Clarification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS15	Revenue from Contracts with Customers	1 January 2018
IFRS16	Leases	1 January 2019

The new standard IFRS15 will come into effect for the Group for the year ending 30 June 2019, which will include the year just ended as the transition year. Initial analysis of the impact of conversion from IAS18 to IFRS15 is complete, with the quantification of the impact for the year ended 30 June 2018 in progress.

This standard will impact primarily on the Group's subscription sales, where revenue recognition will move from the current model of spreading over the contract term to when the contract is fulfilled. In a large number of cases, this will result in the acceleration of revenue to the start of the contract as this is when the majority of the delivery takes place. Accordingly, we currently expect that the deferred revenue balance will materially reduce following the adoption of IFRS15.

The resulting impact of the Group's assessment on the Income Statement for the year ended 30 June 2018 is not expected to be as significant as the impact on the balance sheet, since the impact of reducing the level of deferred revenue accelerates revenue previously recognised in this year into preceding years, and also accelerates revenues currently deferred into the current year.

The Group has reviewed all material contracts, and all subscription contracts closed during the year ended 30 June 2018, and also those subscription contracts which comprise the deferred revenue balance at 30 June 2017 and 30 June 2018. During the year ended 30 June 2018, the total sales base was represented by approximately 35% of contracts which were subscription in nature, albeit some of these represent licence delivery over the contract terms and therefore will not require restatement following the accounting policy change. Our current estimation is that the change in standard will impact approximately half of these invoices, and only a portion of these will require adjustments to defer or accrue revenues across reporting dates.

The Group will continue to record deferred revenue, albeit at a much smaller amount, in cases where contracts are closed and invoiced but where the delivery or contract commencement date is in the future. This treatment of deferring revenue until contract commencement is consistent with the current revenue recognition policy under IAS 18.

In certain cases, the Group may accrue revenue, where a subscription contract is predominantly fulfilled by up front licence delivery, at which point the customer has the ability to control the use of the licences, but the customer is invoiced periodically throughout the contract. This assessment will be made to the extent the Group has fulfilled its delivery obligation against the overall contract terms. Under the current revenue recognition policy, revenue is not accrued in cases where subscription contracts have invoicing over the term, since the invoicing is always done in advance of the time period the subscription is being offered.

There will be no impact on the Income Statement, Balance Sheet or retained earnings for the Company since no revenue contracts are held at this level.

Notes to the Accounts continued

for the year ended 30 June 2018

The Group has additionally considered the impact of IFRS9 and IFRS 16, which are effective in the year ending 30 June 2019 and year ending 30 June 2020 respectively. IFRS9 is not expected to have a material impact on the Income Statement, with the principle changes being the computation of the provision against trade receivables and disclosure requirements.

IFRS16 will result in the recognition of the Group's operating leases as a "right-to-use" asset, with a corresponding liability for the net present value of the lease payments. The total of the Group's committed operating leases at 30 June 2018 is shown in note 31 and management is currently assessing the impact of the transition to IFRS16. The resulting impact of the adoption of this standard is expected to be to increase the Group's depreciation charge against the assets newly recognised, reduce administrative expenses as lease payments will be offset against the contract liability, and increase the Group's interest charge as the unwind of the discount factor on the net present value of future cash flows is recorded.

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 value of goodwill, acquired intangibles and provisions arising from acquisition accounting. In light of a review of the accounts for the year ended 30 June 2017 by the Financial Reporting Council, the company concluded that the aforementioned assets and liabilities were those of the underlying overseas operations rather than of the UK Group, and therefore should be denominated in the same functional currency as the overseas operation. These had not been revalued due to foreign exchange movements since initial recognition. This meant that the carrying values of these respective assets were measured at the exchange rates on the relevant acquisition dates.

In addition, a restatement of the deferred tax assets and liabilities has been made in order to present these on a gross rather than net basis as balances relating to different tax jurisdictions should not be offset.

A summary of the impact of the prior period on the consolidated income statement for the year ended 30 June 2017, as well as the consolidated balance sheet as at 30 June 2017 arising from the restatement is as follows:

Continuing Operations	As reported £'000	Revaluation of Goodwill, Acquired Intangibles and Provisions £'000	Reclassification of Mexico results to discontinued £'000	Restated £'000
Revenue	27,683	–	(770)	26,913
Adjusted operating profit	3,440	–	(245)	3,195
Operating loss	(2,489)	(141)	(67)	(2,697)
Loss before tax	(1,729)	(141)	(67)	(1,937)
Tax	(666)	28	6	(632)
Loss for the period	(2,395)	(113)	(61)	(2,569)
Loss from discontinued operations	(1,917)	–	61	(1,856)
Loss for the year	(4,312)	(113)	–	(4,425)

	As reported £'000	Revaluation of Goodwill, Acquired Intangibles and Provisions £'000	Grossing up of deferred tax balances £'000	Restated £'000
Assets				
Non-current assets				
Goodwill	42,821	3,538	–	46,359
Other intangible assets	23,330	1,291	–	24,621
Property, plant and equipment	446	–	–	446
Deferred tax assets	–	–	888	888
	66,597	**4,829**	**888**	**72,314**
Current assets				
Current Assets	20,228	–	–	20,228
	20,228	–	–	**20,228**
Total assets	**86,825**	**4,829**	**888**	**92,542**
Current liabilities				
Trade and other payables	(13,958)	(340)	–	(14,298)
Other current liabilities	(3,562)	–	–	(3,562)
	(17,520)	**(340)**	**–**	**(17,860)**
Non-current liabilities				
Deferred tax	(2,661)	(304)	(888)	(3,803)
Non-current liabilities	(16,050)	–	–	(16,050)
	(18,661)	**(304)**	**(888)**	**(19,853)**
Total liabilities	**(36,181)**	**(644)**	**(888)**	**(37,713)**
Net assets	**50,644**	**4,185**	**–**	**54,829**
Equity				
Ordinary share capital	1,280	–	–	1,280
Share premium	9,152	–	–	9,152
Merger reserve	4,034	–	–	4,034
Capital redemption reserve	417	–	–	417
Translation reserve	(984)	4,584	–	3,600
Retained earnings	35,703	(399)	–	35,304
Total equity attributable to equity holders of the Company	**49,602**	**4,185**	–	**53,787**
Non-controlling interest reserve	1,042	–	–	1,042
Total equity	**50,644**	**4,185**	–	**54,829**

Notes to the Accounts continued

for the year ended 30 June 2018

An adjustment has also been made to the balance sheet as at 30 June 2016. A summary of the impact of the prior year adjustment on the consolidated balance sheet at this date is as follows:

	As reported £'000	Revaluation of Goodwill, Acquired Intangibles and Provisions £'000	Grossing up of deferred tax balances £'000	Restated £'000
Assets				
Non-current assets				
Goodwill	42,821	1,461	–	44,282
Other intangible assets	24,071	413	–	24,484
Property, plant and equipment	430	–	–	430
Deferred tax assets	–	–	1,917	1,917
	67,322	**1,874**	**1,917**	**71,113**
Current assets				
Current Assets	16,240	–	–	16,240
	16,240	**–**	–	**16,240**
Total assets	**83,562**	**1,874**	**1,917**	**87,353**
Current liabilities				
Trade and other payables	(13,378)	(413)	–	(13,791)
Other current liabilities	(9,084)	–	–	(9,084)
	(22,462)	**(413)**	**–**	**(22,875)**
Non-current liabilities				
Deferred tax	(1,844)	(118)	(1,917)	(3,879)
Non-current liabilities	(11,659)	–	–	(11,659)
	(13,503)	**(118)**	**(1,917)**	**(15,538)**
Total liabilities	**(35,965)**	**(531)**	**(1,917)**	**(38,413)**
Net assets	**47,597**	**1,343**	**–**	**48,940**
Equity				
Ordinary share capital	1,164	–	–	1,164
Merger reserve	4,034	–	–	4,034
Capital redemption reserve	417	–	–	417
Translation reserve	(434)	1,629	–	1,195
Retained earnings	41,895	(286)	–	41,609
Total equity attributable to equity holders of the Company	**47,076**	**1,343**	**–**	**48,419**
Non-controlling interest reserve	521	**–**	**–**	521
Total equity	**47,597**	**1,343**	**–**	**48,940**

There has also been a restatement of the consolidated cash flow statement to reclassify the cash flows payments made to acquire non-controlling interests and proceeds from issue of shares to non-controlling interests from cash flows from investing activities to cash flows from financing activities, since these activities do not result in a change of control. There has been no change to the values within each caption or on the overall cash flow for the prior year.

A summary of the impact on the consolidated cash flow statement for the year ended 30 June 2017 is as follows:

	As reported £'000	Reclassification of cash flows £'000	Restated £'000
Net cash outflow from operating activities – continuing and discontinued operations	(2,786)	–	(2,786)
Net cash outflow from investing activities – continuing and discontinued operations	(4,439)	326	(4,113)
Net cash from/(used in) financing activities	14,236	(326)	13,910
Net increase in cash and cash equivalents	7,011	–	7,011

1.3 Going Concern

As highlighted in note 23 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 2020 following a 12 month extension taken out in September 2018.

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 8. 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 27 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 17. 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. Acquisition of non-controlling interests' equity stakes in the Group's subsidiaries are recorded directly through reserves, with a transfer of the non-controlling interests' share of net assets directly to retained earnings on the date of acquisition.

Notes to the Accounts continued

for the year ended 30 June 2018

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 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.

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 which do not meet the criteria for capitalisation 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:

- There is technical feasibility to complete the asset to be available for sale and that there are adequate resources available to complete development;
- There is an intention to complete the asset;
- The asset can be reasonably expected to generate future economic benefit;
- The costs can be reliably measured; and
- There is an ability to use or sell the product.

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

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

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

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

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

Revenue on software sales is recognised according to the terms of individual contracts, which fall into two types; either a volume or subscription basis. For sales of licences made under a subscription model, revenue is deferred and recognised over the length of the user agreement. Revenue billed in advance is deferred within deferred 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.

Notes to the Accounts continued

for the year ended 30 June 2018

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.

1.11 Taxation

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

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

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

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

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

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

1.12 Employee Benefits

Pensions

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

Share-based Payments

Historically, the Group has operated schemes which were based on the share price of the Company. 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 the business value growth. This scheme was superseded by the Performance Share Plan which was created in March 2018.

The specific schemes are detailed in Note 30 to the accounts.

The fair value of the options granted under the new equity settled scheme 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 entitled to the options. The fair value of the awards granted is measured using the average share price on the five days preceding the grant date and the number of shares the employee is awarded. The fair value of the awards is reassessed at each reporting date based on the likelihood of achieving the vesting criteria and the likely level of attainment of the vesting criteria. Any corresponding change in the fair value would be recorded as an expense with a corresponding increase in equity.

The fair value of options granted under the prior year non-market based schemes were recorded as cash settled, with the fair value reassessed at each reporting date and the corresponding change in fair value recorded as an expense and a corresponding increase in liability.

1.13 Own Shares Held by EBT

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

1.14 Dividends on Shares Presented Within Equity

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

1.15 Leases

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

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

Notes to the Accounts continued

for the year ended 30 June 2018

1.16 Financial Instruments

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

Equity Instruments

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

Non-derivative Financial Instruments

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

- Cash and cash equivalents comprise cash balances and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement.
- Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost.
- Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost.
- Bank borrowings are recognised initially at fair value net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised costs. Any difference between the proceeds (net of transaction costs) and redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

1.17 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 irregular in nature.
- Exceptional restructuring costs, because these are irregular and 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 an irregular non-cash profit or loss to the consolidated income statement.

Adjusted operating profit includes the release of provisions originally recorded from legacy M&A to the extent that these relate to operational business matters. To the extent these relate to exceptional or taxation related matters, they are recorded in the relevant Income Statement caption.

'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.

1.18 Adjusted Earnings Per Share

An adjusted measure of earnings per share has also been presented. 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, which do not involve management estimates of amounts disclosed in the financial statements, are considered to be the following:

- Recoverability of goodwill and carrying value and useful economic life of other intangible assets. Judgement is required as the recoverability of goodwill is assessed based on the future cash generation of the business which is inherently uncertain and requires management judgement over future performance. Judgement is required over the useful economic life of intangible assets as the Group's product portfolio is varied and it is likely that both current product sets and current product versions across the portfolio will vary in the useful economic life. This will include decisions on further development of the products in the future which may impact upon the useful economic life of the current asset base. Management have considered the average useful economic life of the assets generated historically as well as the forecast sales generation of these assets, and considers four years to be a reasonable judgement.
- Revenue recognition on new revenue streams in more complex areas of the business including identification of the separable elements generating revenue within each contract and estimation of the fair value of those elements. Judgement is required as the underlying economics of the transaction may differ from what is commercially agreed, and in many cases the extent of services to be provided in the future is difficult to assess, both in scope and value. Management has reached a judgement by using historic data on the cost of fulfilment of undelivered elements, such as post contract customer support, and cost of constituent parts of multi-service contracts to ensure these have been recognised appropriately.
- Underlying assumptions used in taxation and recoverability of any related deferred tax assets, based on the likelihood of future profitability against which to offset each deferred tax asset. Judgement is required in assessing whether certain subsidiaries will generate profits in the future against which to offset deferred tax assets, and uses historic performance and committed contractual revenues in making this assessment.
- Judgements in determining whether development expenditure meets the criteria for capitalisation, specifically on the activities of staff to ascertain whether all criteria to recognise capitalisation are met.

Notes to the Accounts continued

for the year ended 30 June 2018

2.2 Estimations

Additionally, management are also required to make judgements over certain balances which are uncertain and therefore require a degree of estimation as to the amounts to be settled in future periods.

The material areas of estimation uncertainty are considered to be the following:

- **Goodwill and Other Intangible Assets**

  Determining whether goodwill or other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or other intangible assets are 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 14 to the financial statements.

- **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 (see note 28). 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.

  In addition, the Group has various uncertain tax provisions where the tax accounts or returns in each jurisdiction are not filed at the date of the filing of the Consolidated Financial Statements. Additionally there may be tax judgements which have not yet been made by local authorities which have an impact on tax liabilities in historic periods. Management must therefore estimate the exposure on corporate tax liabilities based on the likelihood of potential tax liabilities crystallising.

- **Contingent Consideration**

  The Directors use their judgement to determine the extent to which contingent consideration will be payable. To assist in estimating the carrying value of the contingent consideration at the end of each reporting period the Directors use all available information, including contracted future cash flows but also estimates of future sales and profitability.

- **Useful Economic Life of Intangible Assets**

  In setting the amortisation rates for the Group's intangible assets, management have to make an estimate of the time periods over which value will accrue on that particular asset. This can particularly fluctuate on capitalised development expenditure based on the timing and level of product releases. Changes in the actual usage of each asset would impact on the amortisation charge in each period of account.

- **Provisions**

  The Group carries a number of provisions (see note 26) against potential future liabilities for which the settlement value is uncertain. Management estimates the most likely outcome based on the range of potential outcomes and records a provision estimate accordingly. These provisions include those which were generated on the Group's previous accounting for business combinations.

3. Segmental Reporting

As outlined in the Group Financial Review, the Group's continuing operations consist of one segment covering the previous erasure and diagnostic product offerings. The Chief Operating decision maker of the business is the Chief Executive Officer, and in the prior year the Group reported results from its continuing operations in two distinct segments, erasure and diagnostics. In the current year, the business is viewed as one segment with reporting to management being completed on this basis.

Discontinued Operations

Discontinued revenues comprise the results of the Mexican legal entity that was disposed of in January 2018, and additionally, in the prior year revenues associated with the Digital Care Mobile Insurance business disposed of in September 2016.

Discontinued operations	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Software Revenue	185	770
Mobile Insurance Revenue	–	1,740
Total Revenue	**185**	**2,510**
Cost of sales	–	–
Gross profit	**185**	**2,510**
Administrative expenses and depreciation	40	(2,486)
Operating profit	**225**	**24**
Exceptional costs	43	938
Other exceptional income	(200)	(1,478)
Adjusted administrative expenses	(117)	(3,026)
Software adjusted operating profit	**68**	**245**
Mobile Insurance adjusted operating profit	**–**	**(761)**
Finance income	8	–
Profit before tax	**233**	**24**

All of the exceptional costs incurred in the current year relate to the disposal of the Mexican entity within the Software segment (2017: disposal of the Mobile Insurance Business in the Mobile Insurance segment and acquisition of the minority interest of the Mexican entity in the Software segment).

The exceptional income incurred relates to a release of a provision from the previously disposed Mobile Insurance Business following indication from the purchaser that the liability has been extinguished (2017: release of provisions against disposed Repair Services Business where the period for claim elapsed).

Notes to the Accounts continued
for the year ended 30 June 2018

3. Segmental Reporting continued

Geographical Information

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

Continuing Operations

Revenue from external customers	2018 £'000	2017 £'000
UK	3,074	2,718
USA	8,796	8,823
Asia Pacific	7,437	7,680
Rest of World	8,180	7,692
	27,487	**26,913**

Discontinued Operations

Revenue from external customers	2018 £'000	2017 £'000
Poland	–	1,740
South America	185	770
	185	**2,510**

Inter-Location	2018 £'000	2017 £'000
UK	2	–
USA	153	824
Asia Pacific	–	1,204
Rest of World	98	–
	253	**2,028**

Non-current assets	2018 £'000	2017 £'000
UK	366	325
Non-UK	69,336	71,989
	69,702	**72,314**

4. Auditor's Remuneration

	2018 £'000	2017 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company and Consolidated financial statements	20	20
The audit of the Company's subsidiaries pursuant to legislation	179	141
Total audit fees	**199**	**161**
Non-audit fees		
Taxation compliance services	–	125
Taxation advisory services	–	432
Transaction services	–	83
Non-audit fees	**–**	**640**
	199	**801**

There have been no non-audit fees in the year as PricewaterhouseCoopers LLP have not been engaged to provide any non-audit services. PricewaterhouseCoopers LLP were appointed as the Group's auditors in place of previously appointed KPMG LLP, who's fees are reported in the prior period of account above.

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. Acquisition Costs

	2018 £'000	2017 £'000
Acquisition costs and other M&A related costs	**2**	**1,558**

The acquisition costs are significantly lower than the prior period, as the prior year included acquisition costs incurred in the non-controlling interest buy-outs of Group companies in France, South East Asia and Australia that took place in the period.

A small level of deal costs are not included above as they relate to the disposal of the Mexican entity and are presented within discontinued operations. Deal costs of £0.7 million incurred in the prior year relate to the disposal of the Mobile Insurance business and the acquisition of the minority interest of the Mexican entity in the Software segment.

6. Exceptional Restructuring Costs

	2018 £'000	2017 £'000
Restructuring	775	846
Legal costs	591	178
	1,366	**1,024**

Exceptional restructuring costs related to costs associated with the restructure of the business during the first half of the year and legal costs associated with matters arising from the review of contracts for the years ended 30 June 2016 and 30 June 2017, which were detailed in a previous announcement released on 4 September 2017.

The costs in the previous year relate to integration of acquired businesses and the defence of a claim against one of the Group's patents.

Exceptional redundancy and restructuring costs related to discontinued operations were £nil in the period (2017: £0.2 million) with the exceptional restructuring costs in the prior period relating to the Mobile Insurance business, and they are presented within discontinued operations.

Notes to the Accounts continued

for the year ended 30 June 2018

7. Profit/(loss) for the Year

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

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Depreciation of property, plant and equipment – owned	208	211
Loss on disposal of property, plant and equipment	22	12
Amortisation of intangible assets	4,929	4,270
Cost of inventories recognised as an expense	177	167
Research & Development expense	607	706
Staff costs recognised as an expense	12,204	13,579
Net foreign exchange loss/(profit)	(693)	(1,226)

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

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Depreciation of property, plant and equipment – owned	202	191
Loss on disposal of property, plant and equipment	3	12
Amortisation of intangible assets	4,929	4,214
Cost of inventories recognised as an expense	177	167
Research & Development expense	607	706
Staff costs recognised as an expense	12,176	12,490
Net foreign exchange loss/(profit)	(649)	(1,195)

Included within operating profit are profits totalling £0.3 million (2017: £1.2 million) arising from the release of provisions recognised on acquisition on contingent liabilities for which the business has made steps to eliminate the risk and deem to no longer be required. These liabilities cover provisions relating to the underlying operating expenses of the acquired business and accordingly the releases are recorded within adjusted operating profit.

8. Discontinued Operations

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Revenue	**185**	**2,510**
Cost of sales	–	–
Gross profit	**185**	**2,510**
Administrative expenses and depreciation	40	(2,486)
Operating profit	**225**	**24**
Exceptional costs	**43**	938
Other exceptional income	**(200)**	(1,478)
Adjusted administrative expenses	**(117)**	(3,026)
Adjusted operating profit	**68**	**(516)**
Finance income	8	–
Profit before tax	**233**	**24**
Taxation	–	(324)
Profit/(loss) for the year	**233**	**(300)**
Post tax profit/(loss) on disposal of discontinued business	463	(1,556)
Post tax results from discontinued operations	**696**	**(1,856)**

The discontinued income statement includes both the Mexican operations and the Mobile Insurance business which are presented separately in note 3. The profit on disposal in the current year relates to the Mexican entity and the loss in the previous year relates solely to the Mobile Insurance business.

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Proceeds	355	–
Assets		
Other intangible assets	–	1,472
Property, plant and equipment	–	125
Deferred taxation	–	298
Cash	77	154
Inventory	–	42
Trade and other receivables	868	2,441
Total assets disposed	**945**	**4,532**
Liabilities		
Trade and other payables	(902)	(2,794)
Total liabilities disposed	**(902)**	**(2,794)**
Total net assets disposed	**43**	**1,738**
Transfer of translation differences to Consolidated Income Statement	**198**	**(182)**
Minority interest share of net assets on disposal and transfer of translation differences	**(47)**	**–**
Profit/(loss) on disposal	**463**	**(1,556)**

Notes to the Accounts continued

for the year ended 30 June 2018

The proceeds of the disposal of the Mexican business represent amounts owed to the retained Group which were previously recognised as an intercompany balance and eliminated on consolidation, and for which the disposed business remained liable for after the disposal date.

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 (2017: credit amount of £0.2 million).

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

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Profit/(loss) for the period	**233**	**(300)**
Adjustments for:		
Net finance income	(8)	–
Tax expense	–	324
Depreciation on property, plant and equipment	6	20
Amortisation of intangible assets	–	56
Operating cash flow before movement in working capital	**231**	**100**
Increase in inventories	–	(11)
Increase in receivables	(205)	(263)
Increase/(decrease) in payables and accruals	165	(899)
Decrease in provisions	(214)	(1,478)
Cash used in discontinued operations	**(23)**	**(2,551)**
Interest received	–	–
Interest paid	–	–
Tax paid	–	–
Net cash outflow from operating activities – discontinued operations	**(23)**	**(2,551)**
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(18)
Purchase and development of intangible assets	–	(49)
Acquisition of subsidiaries and payment of contingent consideration	(322)	–
Disposal of subsidiaries, net of cash disposed	190	–
Net cash (used in)/from investing activities – discontinued operations	**(132)**	**(67)**

9. Staff Costs

	2018 Continuing number	2018 Discontinued number*	2018 Average number	2017 Average number
Production	–	–	–	39
Sales and business development	111	6	117	129
Administration	35	2	37	58
Research and development	104	–	104	112
	250	**8**	**258**	**338**

* Average discontinued headcount in FY18 until the disposal of the Software Blancco S.A. de CV Mx business in January 2018

Aggregate employment costs	2018 Continuing £'000	2018 Discontinued £'000	2018 Total £'000	2017 Total £'000
Wages and salaries	13,067	28	13,095	13,375
Social security costs	980	–	980	1,355
Share-based payments	(316)	–	(316)	675
Other pension costs	792	–	792	660
	14,523	**28**	**14,551**	**16,065**

Of continuing staff costs of £14.5 million, £2.3 million were capitalised as other intangible assets (2017: £2.4 million).

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	2018 £'000	2017 £'000
Short term employee benefits	1,705	1,826
Compensation for loss of office	245	225
Share-based payments	(318)	675
	1,632	**2,726**

The remuneration of individual Directors as detailed in the tables on page 36 and the share interests in the table on page 36 in the Remuneration Report form part of this note to the financial statements.

10. Finance Income

Continuing operations	2018 £'000	2017 £'000
Bank interest receivable and similar income	14	2
Interest payable on borrowings:		
Bank loans and overdrafts	(276)	(307)
Other finance costs	(15)	(14)
Revaluation of contingent consideration (note 27)	767	1,602
Unwind of discount factor on contingent consideration (note 27)	(439)	(523)
Net finance income	**51**	**760**

Contingent consideration was revalued in respect of the Xcaliber acquisition which is based on the performance of the business and revenue and associated cash collection targets. The contingent consideration for Tabernus was also revalued due to a change in the share price of the company which is used as an estimate for the expected payout value. The impact of both of these revaluations was a credit of £0.8 million to the Consolidated Income Statement.

Notes to the Accounts continued

for the year ended 30 June 2018

11. Tax

Continuing operations	2018 £'000	2017 £'000
Current tax		
UK corporation tax	–	–
Overseas tax	393	572
Adjustments in respect of prior years	(75)	(519)
Total current tax charge	**318**	**53**
Deferred tax		
UK	53	225
Overseas	(453)	(246)
Adjustments in respect of prior years	12	600
Total deferred tax charge/(credit) (note 28)	**(388)**	**579**
Tax (credit)/charge	**(70)**	**632**

UK Corporation tax is calculated at 19.00% (2017: 19.75%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2018 £'000	2017 £'000
Loss before tax	(332)	(1,937)
Tax at standard UK corporation tax rate of 19% (2017: 19.75%)	(63)	(383)
Effects of:		
Permanent differences	(171)	369
Rate differences	274	251
Adjustment in respect of previous periods	(63)	119
Revaluation of deferred tax balances	138	–
Brought-forward losses (recognised)/no longer recognised	(55)	120
Movement on unrecognised deferred tax assets	(241)	146
Effect of change in tax rates	111	10
	(70)	**632**

Factors That May Affect Future Current and Total Tax Charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12. Earnings Per Share (EPS)

	Year ended 30 June 2018 Pence	Year ended 30 June 2017 Pence
Continuing operations		
Basic earnings per share	(0.54p)	(5.32p)
Diluted earnings per share	(0.54p)	(5.32p)
Adjusted earnings per share	4.66p	2.83p
Diluted adjusted earnings per share	4.64p	2.83p
Discontinued operations		
Basic earnings per share	1.09p	(3.46p)
Diluted earnings per share	1.09p	(3.46p)
Adjusted earnings per share	0.09p	(1.67p)
Diluted adjusted earnings per share	0.09p	(1.67p)
Total Group		
Basic earnings per share	0.55p	(8.78p)
Diluted earnings per share	0.55p	(8.78p)
Adjusted earnings per share	4.75p	1.16p
Diluted adjusted earnings per share	4.73p	1.16p

Continuing operations	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Loss for the period	(262)	(2,569)
Profit attributable to non-controlling interests	(75)	(448)
Loss attributable to equity holders of the Parent	**(337)**	**(3,017)**
Reconciliation to adjusted profit:		
Unwinding of contingent consideration	439	523
Revaluation of contingent consideration	(767)	(1,602)
Acquisition costs	2	1,558
Amortisation of acquired intangible assets	2,597	2,635
Exceptional restructuring costs	1,366	1,024
Exceptional bank charges	14	14
Share-based payments	(255)	675
Tax impact of above adjustments	(183)	(205)
Adjusted profit for the period	**2,876**	**1,605**

The weighted average number of shares and reconciliation between basic and diluted measures is presented below:

Number of shares	Year ended 30 June 2018 '000s	Year ended 30 June 2017 '000s
Basic	**61,714**	**56,668**
Impact of dilutive share options	216	–
Diluted	**61,930**	**56,668**

Notes to the Accounts continued

for the year ended 30 June 2018

13. Cash Flows Associated with Acquisitions 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 £0.9 million (2017: £0.7 million) and payment of contingent consideration on Blancco Sweden of £0.2 million (2017: £nil).

Also, within the consolidated cash flow statement, the payments made to acquire non-controlling interest relates to the final earn-out payment of €0.1 million (£0.1 million) for the acquisition of 49% of the issued share capital of Blancco France SAS in January 2018.

Recorded within the discontinued cash flows is a payment of $0.4 million (2017: £nil) to acquire 19% of the share capital of Software Blancco S.A. de CV. In addition, the Group generated proceeds of $0.4 million (£0.3 million) in respect of the disposal of the 70% share of the issued share capital in Software Blancco S.A. de CV in January 2018. This was fully collected in cash prior to 24 September 2018.

14. Goodwill

	Total £'000
Cost*	
At 1 July 2016	**44,282**
Foreign exchange movement	2,077
At 1 July 2017	**46,359**
Foreign exchange movement	(11)
At 30 June 2018	**46,348**
Accumulated impairment losses	
At 1 July 2016, 1 July 2017 and 30 June 2018	–
Net book value	
At 30 June 2018	**46,348**
At 30 June 2017	**46,359**
At 30 June 2016	**44,282**

*restated – see note 1.2

An adjustment to goodwill at 1 July 2016 has been recorded, which is detailed in note 1.2.

Following the reassessment of the Directors that the Group now constitutes one reportable segment, no split of cash-generating units is required. In the prior year, the goodwill was allocated between the two cash-generating units of Erasure and Diagnostics and an impairment assessment performed on each.

Management has used the approved budget for the year ending 30 June 2019 as the basis on which future cash flow projections are calculated, and following two full months of trading in the year ending 30 June 2019 there is no reason to believe that the budget will be unrepresentative of cash flows for the forthcoming year.

A future cash flow projection is then modelled out for ten years using assumption of annual growth rates, increase in cost of direct and indirect costs. Additionally, the modelling takes into account the movement in working capital required to sustain the growth, and the continued annual investment in R&D in order to maintain the product to support the projected revenues.

The projections in excess of the budget period extend to ten years which is in excess of the standard projection period of 5 years. The Directors consider the extended period appropriate for the following reasons:

- The Group has historically observed growth rates in excess of the post-war real annual average growth rate, and over a sustained period in excess of 5 years.
- The technology sector is generally growing at a higher rate than the average for the countries in which we operate, with the level of data creation far in excess of long term average growth rates
- Data security is becoming a much more regulated sector which is leading to higher levels of market education around the benefits of data erasure – which is continuing to expand our market reach.

The assumptions used in the 10 year projection period are of:

- Annual compound growth in revenues of 7.5%, being lower than the compound average growth rates observed within the Group since acquisition, but more closely linked to the growth rate of 5.2% observed in the current period. A rate higher than 5.2% is considered appropriate given that the year just ended was seen as a year of stabilising and rebuilding, and would be seen as the minimum level of growth expectation in future years
- Growth in sales and marketing costs in line with revenues, of 7.5%, being an assumption of no growth in sales productivity. While the business continues to invest in training for sales staff, given the inherent difficulty in forecasting future performance, it has been deemed prudent to maintain the directly attributable costs at the sales rate of revenue growth
- Growth in the fixed cost base of 2%, representing the long term average growth rate and on the basis that there is no requirement to invest to strengthen the supporting cost base in order to scale the business as forecast.

This equates to a compound annual growth in EBITDA over this period of 15%. In the prior year, the EBITDA growth rates were 17.5% and 15.0% for the previously reported segments of Erasure and Diagnostics respectively. The Directors consider the increase in operating margin to be appropriate given the low cost of sales of the product, resulting in the overall cost base growing at a slower rate than revenues.

A terminal growth value of 2% has been used in year 10, which is benchmarked upon the post-war real annual average growth in GDP in the markets the group serves.

The pre-tax discount rate applied is 12%. In the prior year, the pre-tax discount rates applied were 13.5% and 14.0% for Erasure and Diagnostics respectively.

Management has undertaken sensitivity analysis on a number of the key assumptions in the cash flow projections due to the uncertain nature of these, principally focussed around those impacting on EBITDA as a proxy for long term cash generation.

In order to trigger an impairment, compound annual revenue growth would need to decline to 4.8%, which would correspond to a compound annual growth rate in EBITDA of 9.4%. This level of growth in the medium terms is considered to be unrepresentative due to the observed prior growth rates. It is further noted that this is below the revenue growth rate of 5.2% in the current period, which saw a significant amount of management change and therefore the Board considers should be exceeded in future years now that the business is refocussed.

The other significant sensitivity to future cash flows is higher than forecast growth in operating expenditure. With respect to sales and marketing expense, the management consider it unlikely that the cost of these functions will exceed the forecast revenue growth over the medium term due to the ability to flex the fixed cost associated with these functions in line with revenue growth, and continued focus of the management team to improve sales efficiency, which has been observed during the year ended 30 June 2018 on the current resource base.

The fixed cost based could grow at a level of 6.6% before an impairment could be triggered, versus a modelled growth rate of 2%. While the Board considers that there is likely to be some fixed cost investment required to support the business growth it is not expected to materially exceed 2% per annum and not expected to be required at a level as high as the growth in revenues.

While the Boards acknowledges that there is a possibility that the future performance of the business could fall to the above sensitivity limits which would trigger an impairment, having considered the prior performance and market opportunity of the business, it believes it is reasonable to value the goodwill at its purchased value and that no impairment is necessary at 30 June 2018

Notes to the Accounts continued

for the year ended 30 June 2018

15. Other Intangible Assets

	Brand name £'000	Intellectual property £'000	Customer contracts £'000	Development expenditure £'000	Software licences £'000	Total £'000
Cost						
At 1 July 2016 (restated)	**3,337**	**14,539**	**8,330**	**3,456**	**1,044**	**30,706**
Additions	–	–	–	2,564	582	3,146
Exchange movement	170	609	546	184	37	1,546
At 30 June 2017 (restated)	**3,507**	**15,148**	**8,876**	**6,204**	**1,663**	**35,398**
Additions	–	–	–	2,215	302	2,517
Disposals	–	–	–	–	(35)	(35)
Exchange movement	17	50	41	56	8	172
At 30 June 2018	**3,524**	**15,198**	**8,917**	**8,475**	**1,938**	**38,052**
Accumulated amortisation						
At 1 July 2016 (restated)	**716**	**2,803**	**1,873**	**693**	**137**	**6,222**
Charge for the year	296	1,527	812	1,183	396	4,214
Exchange movement	35	157	114	24	11	341
At 30 June 2017 (restated)	**1,047**	**4,487**	**2,799**	**1,900**	**544**	**10,777**
Charge for the year	241	1,554	802	1,875	457	4,929
Disposal	–	–	–	–	(35)	(35)
Exchange movement	–	28	11	26	3	68
At 30 June 2018	**1,288**	**6,069**	**3,612**	**3,801**	**969**	**15,739**
Net book value at 30 June 2018	**2,236**	**9,129**	**5,305**	**4,674**	**969**	**22,313**
Net book value at 30 June 2017	2,460	10,661	6,077	4,304	1,119	24,621
Net book value at 30 June 2016	2,621	11,736	6,457	2,763	907	24,484

The Group's continuing operations capitalised internal development expenditure of £2.2 million (2017: £2.6 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 £1.9 million (2017: £1.2 million).

The amortisation is presented in the Income Statement within administrative expenses, with the amortisation associated with acquired intangibles not included within adjusted administrative expenses and therefore not recorded in adjusted operating profit.

16. Property, Plant and Equipment

	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 July 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**
Additions	–	149	13	162
Disposals	–	(4)	(19)	(23)
Exchange movement	–	(6)	(14)	(20)
At 30 June 2018	**282**	**518**	**334**	**1,134**
Accumulated depreciation				
At 1 July 2016	**192**	**61**	**94**	**347**
Charge for the year	48	110	44	202
Disposals	1	10	–	11
Exchange movement	3	5	1	9
At 30 June 2017	**244**	**186**	**139**	**569**
Charge for the year	36	138	34	208
Disposals	–	(1)	–	(1)
Exchange movement	–	(4)	(9)	(13)
At 30 June 2018	**280**	**319**	**164**	**763**
Net book value at 30 June 2018	**2**	**199**	**170**	**371**
Net book value at 30 June 2017	38	193	215	446
Net book value at 30 June 2016	71	36	323	430

There are no assets held under finance leases.

Notes to the Accounts continued
for the year ended 30 June 2018

17. 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 2018
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 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 holding company	**100%**
Blancco Technology Group IP Oy	Data erasure	**100%**
Blancco Diagnostics (India) Pvt Ltd**	Smartphone diagnostics	**100%**
Blancco (Software) India Private Limited**	Data erasure	**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*	Smartphone diagnostics	**100%**
Blancco Oy Ltd	Data erasure	**100%**
Blancco UK Ltd	Data erasure	**100%**
Blancco France SAS	Data erasure	**100%**
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	60 Gracechurch Street, London, EC3V 0HR
England and Wales	60 Gracechurch Street, London, EC3V 0HR
England and Wales	60 Gracechurch Street, London, EC3V 0HR
England and Wales	60 Gracechurch Street, London, EC3V 0HR
Singapore	Suite 33, 2 Changi Business Park, Avenue 1 Level 2, Singapore, 468015
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
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	60 Gracechurch Street, London EC3V 0HR
France	29/31 Rue du Chemin de Fer, 59100 Roubaix
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

Notes to the Accounts continued

for the year ended 30 June 2018

18. Inventories

	2018 £'000	2017 £'000
Finished goods	**99**	**142**

There is currently no provision for obsolete stock held in the Consolidated Balance Sheet (2017: £nil)

19. Trade and Other Receivables

	2018 £'000	2017 £'000
Trade receivables	5,986	7,127
Less: provision for doubtful trade receivables	(360)	(455)
Trade receivables net of provision	5,626	6,672
Prepayments and accrued income	1,453	1,766
	7,079	**8,438**

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

	2018 £'000	2017 £'000
At 1 July	455	372
Provision created	109	210
Amounts written off as uncollectable	(130)	(32)
Amounts recovered during the year	(74)	–
Amounts written off resulting from disposal of subsidiary or classified as held for sale	–	(95)
At 30 June	**360**	**455**

20. Cash and Cash Equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	**6,220**	**11,648**

21. Trade and Other Payables

Included within the trade and other payables current liability are:

	2018 £'000	2017 £'000
Trade payables	619	2,405
Other taxes and social security	1,081	1,008
Other payables	47	150
Accruals	4,947	6,213
Deferred revenue	3,370	4,522
	10,064	**14,298**

Included within the other payables non-current liability are:

	2018 £'000	2017 £'000
Deferred revenue	1,471	1,400
Other payables	281	281
	1,752	**1,681**

22. Dividends

	2018 £'000	2018 Pence per share	2017 £'000	2017 Pence per share
Previous year final dividend	–	–	747	1.34
Current year interim dividend	–	–	392	0.70
	–	**–**	**1,139**	**2.04**

A dividend of £0.2 million (2017: £0.3 million) was paid to a non-controlling interest, which has been recorded as a debit through the non-controlling interest reserve.

23. Bank Borrowings

	2018 £'000	2017 £'000
Due after more than one year:		
Secured bank loan	8,930	9,916
Repayable:		
In the first to second years inclusive	–	–
In the third to fifth years inclusive	8,930	9,916

The bank borrowing is secured on the majority of the Company's assets for the duration of the Revolving Credit Facility. The total cash facility available to the Company as at 30 June 2018 totalled £12.0 million (2017: £12.4 million), of which £10.6 million (2017: £9.9 million) had been drawn down in cash, resulting in an unutilised facility of £1.4 million (2017: £2.5 million). Borrowing costs of £nil (2017: £nil) are set off against the amount owing at year end.

The drawn facility is represented within borrowings and an overdraft facility of £1.7 million (2017: £nil) shown within cash.

The facility is available until October 2020, following a 12 month extension entered into during September 2018, which gives Blancco clear certainty of funding over the next year.

Under the 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.

24. Net (Debt)/Cash

	2018 £'000	2017 £'000
Cash and cash equivalents	6,220	11,648
Bank borrowings (non-current)	(8,930)	(9,916)
	(2,710)	**1,732**

The total cash facility available to the Group is £12.0 million (30 June 2017: £12.4 million). The facility expires on 31 October 2020, and all banking covenants were met during the year.

Included within cash and cash equivalents is an overdraft balance of £1.7 million (30 June 2017: £nil).

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for the year ended 30 June 2018

25. Reconciliation of Movement in Net (Debt)/Cash

	Net cash at 1 July 2017 £'000	Cash flow £'000	Repayment of borrowings £'000	Other non-cash items £'000	Net Debt at 30 June 2018 £'000
Cash at bank and in hand	11,648	(5,687)	–	259	6,220
Borrowings	(9,916)	–	1,000	(14)	(8,930)
	1,732	**(5,687)**	**1,000**	**245**	**(2,710)**

26. Provisions

	Onerous leases £'000	Tax and other provisions £'000	Total £'000
At 1 July 2017	**226**	**2,195**	**2,421**
Released during year	–	(200)	(200)
Utilised during year	(163)	(14)	(177)
At 30 June 2018	**63**	**1,981**	**2,044**

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.

At 24 September, the timing of outflows with respect of tax and other provisions is unknown due to the uncertain nature of historical tax positions. The outflows with respect of the onerous leases will be settled during the year ending 30 June 2019.

	2018 £'000	2017 £'000
Current	63	386
Non-current	1,981	2,035
	2,044	**2,421**

27. 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:

	2018 £'000	2017 £'000
Total borrowings	(8,930)	(9,916)
Cash and cash equivalents	6,220	11,648
Net (debt)/cash	(2,710)	1,732
Equity holders of the Company	54,103	53,787
Gearing ratio (net debt to equity)	0.050	n/a

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.

	2018 £'000	2017 £'000
Assets carried at amortised cost		
Trade and other receivables	7,079	8,438
Cash	6,220	11,648
Financial assets	**13,299**	**20,086**

	2018 £'000	2017 £'000
Liabilities carried at amortised cost		
Trade and other payables	5,893	9,049
Provisions	2,044	2,421
Borrowings	8,930	9,916
Liabilities carried at fair value		
Contingent consideration	2,200	4,144
Financial liabilities	**19,067**	**25,530**

Estimation of Fair Values

The Group 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 2017	**177**	**2,180**	**1,347**	**110**	**330**	**4,144**
Unwinding of discount factor on contingent consideration	–	270	169	–	–	439
Payment of contingent consideration	(177)	(918)	–	(110)	(322)	(1,527)
Reassessment of fair value of contingent consideration	–	(432)	(335)	–	–	(767)
Revaluation of contingent consideration	–	(57)	(24)	–	(8)	(89)
At 30 June 2018	**–**	**1,043**	**1,157**	**–**	**–**	**2,200**

In August 2017, £0.2 million (€0.2 million) was paid in respect of Blancco Sweden as part of the renegotiation of the terms of the earn-out completed in August 2017. The remaining contingent consideration will be settled following collection of cash from contracts with customers which comprised part of the unpaid earn-out value, subject to those contracts being won prior to 31 December 2018. At 30 June 2018, the fair value of the deferred contingent consideration was £nil due to management's assessment of the likelihood of these contracts materialising.

Notes to the Accounts continued

for the year ended 30 June 2018

Also, in August 2017, £0.3 million ($0.4 million) of deferred consideration was paid in respect of the acquisition of 19% of the issued share capital in Software Blancco S.A de C.V (Blancco Mexico). Following the disposal of this business in January 2018, all obligations from the acquisition of the previous 19% were extinguished. The fair value of the payment obligations at the balance sheet date was £nil

In January 2018, £0.1 million (€0.1 million) was paid in respect of the acquisition of the remaining 49% of Blancco France it did not already own. The required sales target in order to earn a full pay out was achieved in June 2017.

All contingent consideration is current except for £0.2 million in respect of Xcaliber, over which the contingent consideration obligation period ends during the first half of financial year 2020.

The contingent consideration with respect to Tabernus is payable in cash or shares at the Group's discretion, subject to a triggering event from the purchaser which is available to exercise from 9 September 2018.

The contingent consideration for Tabernus and Xcaliber have been reassessed because the criteria on which the fair value of the contingent consideration is measured are performance related.

The contingent consideration for Tabernus and Xcaliber have been revalued, resulting in a credit to the Translation Reserve, since these liabilities are recorded in subsidiaries whose reporting currency is non-sterling.

The value of Xcaliber consideration is calculated based on forecast performance, and therefore the valuation is most sensitive to movements in forecast sales to certain customers. An estimate of the range of the amount payable cannot be determined because the calculation relies on sales performance which is theoretically unlimited, although a significant rise in the earn out value would be offset by a greater rise in revenues.

The Tabernus contingent consideration is calculated based on business valuation, and is sensitive to the assumptions used in assessing this. An estimate of the range of the amount payable cannot be determined because the calculation is based on something which is inherently uncertain, albeit management considers that an increase in the market capitalisation of the Group is a reasonable proxy for movements in the Tabernus contingent consideration.

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

During the year, the Revolving Credit Facility attracted margins of 1.65% above LIBOR (for GBP amounts drawn down). In the prior year, the margin 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 2018 of £8.9 million (2017: £9.9 million) by £89,500 (2017: £99,500).

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 as necessary.

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.

There are no forward contracts in place as at 30 June 2018 (2017: none).

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, for those currencies which represent over 10% of revenues.

	JPY denominated		Euro denominated		USD denominated	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Monetary assets	727	431	1,822	616	1,318	1,003
Monetary liabilities	–	–	(3,883)	(4,186)	(2,464)	(2,730)
Net monetary assets / (liabilities)	**727**	**431**	**(2,061)**	**(3,570)**	**(1,146)**	**(1,727)**

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.

The large Euro and US Dollar monetary liabilities represent the overdraft balance held in foreign currencies by the Company, which are hedged against cash balances denominated in those currencies which are held in overseas subsidiaries. These do not generate foreign currency volatility since they generally report their results in the currencies of those cash balances.

Notes to the Accounts continued

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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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Profit/(loss) before tax – gain/(loss)						
10% appreciation of JPY/Euro/USD	73	43	(206)	(357)	(115)	(173)
10% depreciation of JPY/Euro/ USD	(73)	(43)	206	357	115	173

The analysis has been performed using the Group exchange rates at the 30 June 2018 reporting date of 1.130 €/£ (2017: 1.139 €/£); 146.12 JPY/£ (2017: 145.44 JPY/£); and 1.32 US$/£ (2017: 1.30 US$/£).

It is noted that while volatility exists in future income statements, due to the hedging of overdraft and cash balances across currencies, the balance sheet volatility in respect of net debt is minimised.

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 27.15% (2017: 28.62%) of the Group's revenue and hence there is some customer reliance risk, although the biggest single customer accounts for 11.27% (2017: 11.42%) of revenue.

As at the year-end, 83% (2017: 80%) 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:

	2018 £'000	**2018 %**	2017 £'000	2017 %
Neither past due nor impaired	**4,689**	**83%**	5,355	80%
Past due but not impaired				
Less than 30 days overdue	830	15%	578	9%
30 to 60 days overdue	70	1%	368	5%
More than 60 days overdue	37	1%	371	6%
	5,626	**100%**	**6,672**	**100%**

The average credit period taken on sales is 58 days (2017: 59 days).

The Group has provided for specific trade receivables where the recoverability is uncertain. As at 30 June 2018 the doubtful debtors balance was £360,000 (2017: £455,000). 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 cash facility available to the Group as at 30 June 2018 totalled £12.0 million (2017: £12.4 million), of which £10.6 million (2017: £9.9 million) had been drawn down in cash, resulting in an unutilised facility of £1.4 million (2017: £2.5 million).

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

	2018 Effective interest rate (%)	2018 Less than one year £'000	2018 One to five years £'000	2017 Effective interest rate (%)	2017 Less than one year £'000	2017 One to five years £'000
Trade and other payables	–	5,612	281	–	8,768	281
Provisions	–	63	1,981	–	386	2,035
Contingent consideration	14	2,044	236	11	1,726	2,957
Bank borrowings	3	–	8,930	3	–	9,916
	–	**7,719**	**11,428**	–	**10,880**	**15,189**

28. Deferred Tax Assets/(Liabilities)

	At 1 July 2017* £'000	Recognised in the income statement £'000	Exchange £'000	At 30 June 2018 £'000
Property plant and equipment	143	–	–	143
Intangible assets	(5,298)	228	23	(5,047)
Short term timing differences	611	61	(42)	630
Employee benefits	406	(16)	–	390
Tax losses	1,223	115	45	1,383
	(2,915)	**388**	**26**	**(2,501)**

	At 1 July 2016* £'000	Recognised in the income statement £'000	Exchange £'000	At 30 June 2017 £'000
Property plant and equipment	200	(57)	–	143
Intangible assets	(4,144)	(936)	(218)	(5,298)
Short term timing differences	886	(291)	16	611
Employee benefits	226	180	–	406
Tax losses	870	525	(172)	1,223
	(1,962)	**(579)**	**(374)**	**(2,915)**

*restated - see note1.2

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 £1.5 million (2017: £1.7 million).

Certain deferred tax assets and liabilities have been offset to the extent permitted by IAS 12. The deferred tax asset balance of £0.7 million as at 30 June 2018 is made up of a UK deferred tax asset balance of £0.3 million (2017: £0.3 million) and an overseas deferred tax asset of £0.4 million (2017: £0.6 million). The deferred tax liability balance as at 30 June 2018 is made up of an overseas deferred tax liability of £3.2 million (2017: £3.8 million).

Of the total deferred tax asset of £0.7 million, all of this balance is current (2017: £0.6 million current). Of the deferred tax liability of £3.2 million, £0.4 million is current (2017: £0.4 million).

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for the year ended 30 June 2018

29. Called Up Share Capital

	2018 Number of shares	2018 £'000	2017 Number of shares	2017 £'000
Allotted, called up and fully paid:				
Ordinary shares of 2p	**63,989,266**	**1,280**	63,989,266	1,280

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 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.

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 arose on the cancellation of part of the Group's previous share capital.

Employee Benefit Trust (EBT)

Of the issued share capital at 30 June 2018, 2,275,442 shares (30 June 2017: 2,275,442) are held by the Employee Benefit Trust.

The redemption of the Blancco Performance Share Plan 2018 can be settled in shares or cash at the Company's discretion, with shares totalling 1,685,513 awarded as at 30 June 2018.

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

30. 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.

Share-Based Payments in the Current Year

During the year a new long term incentive plan – the Blancco Performance Share Plan (the Plan) – was established. The Plan has replaced the previous long term incentive plan, under which there are no awards remaining.

Further details of the Plan are given in the Remuneration Committee Report on pages 33 to 36.

As of 30 June 2018, awards representing 2.6% of the current issued share capital had been granted.

Details of share awards outstanding at the end of the year, which represents the maximum amount exercised should all performance criteria be met, are as follows:

Scheme	Performance Share Plan (March Award)	Performance Share Plan (April Award)	Performance Share Plan (April Award)	Total
Exercise Price	0.0p	0.0p	2.0p	
Year in which options are exercisable	2020	2020	2020	
At 30 June 2017	**–**	**–**	**–**	**–**
Granted	524,928	931,291	229,294	1,685,513
Exercised	–	–	–	–
Lapsed – leavers	–	–	–	–
At 30 June 2018	**524,928**	**931,291**	**229,294**	**1,685,513**

The fair value for the Performance Share Plan was calculated using the inputs outlined in the table below:

	Performance Share Plan (March Award)	Performance Share Plan (April Award)
Date of grant	28 March 2018	23 April 2018
Fair value of options granted (per share) at date of grant	65.6p	77.4p
Expected term (years)	2.25	2.17
Settlement	Equity	Equity

The total cost for the scheme represents the accrued value to date, in addition to directly attributable fees of implementing and administering the scheme. This corresponded to a charge of £0.2 million. The accrued scheme expense has been recorded as an equity settled share based payment scheme and accordingly has been recognised as an expense through the consolidated income statement, with a corresponding credit in equity of £0.1 million which represents the accrued value at 30 June 2018.

Software Incentive Share Plan

The Software Incentive Share Plan was in place during the year ended 30 June 2018. During the year, no vested awards were exercised due to the share price of the Group meaning that no awards had any vesting valued throughout FY18 until the scheme ceased to exist in May 2018. Details of the mechanics of the scheme are disclosed below.

Due to the reduction in the share price, at the time that the scheme ceased to exist, the fair value of all outstanding awards was £nil. As a result, the Group released the liability held in respect of the scheme of £0.4 million from the year ended 30 June 2017.

In March 2018, the group created the Blancco Performance Share Plan to replace the Software Incentive Share Plan. In April 2018, all remaining participants of the Software Incentive Share Plan were awarded conditional shares in the Performance Share Plan on the condition that upon acceptance of these awards, any outstanding awards from the Software Incentive Share Plan would be cancelled.

After April 2018, there were no outstanding awards in respect of the Software Incentive Share Plan, no new awards will be granted and no previous awards will vest under this scheme.

Notes to the Accounts continued

for the year ended 30 June 2018

30. Share-Based Payments continued

Total expense/(income) recognised in the consolidated income statement for each of the schemes were as follows:

	2018 £'000	2017 £'000
Performance Share Plan	176	–
Software Incentive Share Plan	(431)	332
Incentive Share Plan 3	–	343
Total	**(255)**	**675**

Share-Based Payments Scheme in the Prior Year

In the prior year, the Software Incentive Share Plan was the only scheme in place. This took the form of a Stock Appreciation Rights plan which had been offered to the Executive leadership team (including Patrick Clawson) and other members of the senior management team.

The scheme rewarded participants for growth in the valuation of a sub-Group of Blancco which contained the entirety of the trading of the Group other than the costs incurred in running the PLC function. Growth accrued to participants based on increase in the value of this sub-Group between the point of grant of awards and the point of vesting. There were no performance criteria tied to the scheme other than continued employment, with the vesting taking place rateably over a pre-defined period.

The plan was established on 30 June 2015 and over its term ran 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)

Upon any exercises of vested options, the accrued value was payable in shares or cash at the Group's discretion.

Valuation Scheme

Patrick Clawson, in addition to four other members of the senior management team, were granted stock appreciation rights under this scheme, totalling grants which would award them with 5.25% of the growth in value of the sub-Group from grant date. Grants were awarded between 1 July 2015 and 4 April 2016. There were no performance conditions attached to these awards other than continued service, and provided the continued service obligation was satisfied, the awards could be exercised up to ten years subsequent to grant date.

The normal vesting profile of these awards was 25% on the first anniversary of the grant and the remaining 75% evenly over 36 months from the first anniversary, although the grant to Patrick Clawson in respect of 3% of the value growth had an initial 25% vesting only six months from grant date.

During the year ended 30 June 2017, vested awards were exercised corresponding to a total value of £0.4 million. This was paid in shares transferred from the Employee Benefit Trust to the participants. This covered two tranches of exercise by two individuals, the first being an exercise of £0.3 million of value at a share price of 280.0 pence and the second being an exercise of £0.1 million of value at a share price of 298.0 pence.

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 were granted rights on this scheme, totalling grants which would award them with 3.75% of the growth in value of the sub-Group from grant date. Grants were awarded between 1 July 2016 and 18 April 2017. There were no performance conditions attached to these awards other than continued service, and provided the continued service obligation was satisfied, the awards could be exercised up to ten years subsequent to grant date.

The normal vesting profile of these awards was 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 had an accelerated 25% vesting condition.
- Grants in respect of 0.25% of the value vested according to achieving certain sales targets in the period 1 July 2016 to 31 December 2017, which were not met.

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

Scheme	Members	Total Grant Outstanding	Grant Available to Exercise	Weighted average share price of grants	Value Available to Exercise*	Weighted Average Remaining Contract Life
Valuation	5	5.25%	1.88%	£1.25**	£0.4 million	8.1
Share Price	6	3.75%	0.75%	£2.20	£nil	9.2

* based on a 2017 year end share price of £1.505
** indicative based on valuation mechanism

The movement on each scheme during the year ended 30 June 2017 was 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%

The scheme was accounted for as a cash-settled share scheme and accordingly a balance sheet liability at 30 June 2017 existed of £0.4 million.

The total cost for the schemes recorded in the Income Statement was comprised of the value accrued to participants due to vesting of awards, totalling £0.3 million, and a small expense incurred of the fees of administering the scheme.

The cumulative value exercised on this scheme since its inception was £0.4 million. Since the value was settled in shares originally owned by the Employee Benefit Trust, a credit was been recorded through the Statement of Changes in Equity.

The total potential share awards under these scheme were technically unlimited as the value growth which could be earned by participants was uncapped, and therefore it was not practicable to disclose the number of share options outstanding. However, this scheme has been discontinued and all the awards under it have lapsed.

Notes to the Accounts continued

for the year ended 30 June 2018

31. Commitments

	2018 £'000	2017 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**951**	**988**

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

	2018 £'000	2017 £'000
Not less than one year	644	777
Later than one year and not later than five years	195	547
Later than five years	–	–
	839	**1,324**

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.

32. 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.

All transactions with Directors are included in the Directors' Remuneration Report from page 33 as well as in the key management personnel disclosures in note 9.

33. Subsequent Events

In July 2018, the Group announced that it had hired Adam Moloney as Chief Financial Officer. Adam replaced Simon Herrick who had held the role of interim Chief Financial Officer and additionally served as interim Chief Executive Officer from September 2017 to March 2018. Additionally, in July 2018, Adam Moloney was invited to participate in the Blancco Performance Share Plan and was granted a conditional award of 302,632 ordinary shares in the company. These conditional awards will vest should the Group achieve certain Invoiced Sales and Adjusted Operating Cash Flow targets for the year ended 30 June 2021, in accordance with the rules of the Blancco Performance Share Plan. Further details on the scheme are provided in note 30 to the accounts.

On 13 September 2018, the Group extended its existing banking facility for 12 months under the same terms. The facility now expires on 31 October 2020 giving clarity over the Group's funding into the medium term, and allowing the management team to commence investments targeting the Group's strategic priorities

Company Balance Sheet

As at 30 June 2018

	Note	2018 £'000	2017 £'000
Assets			
Fixed assets			
Tangible Assets	4	–	–
Investments	5	9,661	9,546
Deferred tax	7	213	213
		9,874	**9,759**
Current assets			
Debtors	6	78,822	77,222
Cash and cash equivalents		542	4,122
		79,364	**81,344**
Creditors:			
Amounts falling due within one year	8	(1,143)	(4,028)
Net current assets		**78,221**	**77,316**
Total assets less current liabilities		**88,095**	**87,075**
Creditors:			
Amounts falling due after more than one year	9	(8,930)	(9,916)
Amounts falling due after more than one year		**(8,930)**	**(9,916)**
Net assets		**79,165**	**77,159**
Equity			
Called up share capital		1,280	1,280
Share premium account		9,152	9,152
Merger reserve		4,034	4,034
Capital redemption reserve		417	417
Profit and loss account		64,282	62,276
Equity shareholders' funds		**79,165**	**77,159**

The Company's profit for the year was £1.9 million (2017: loss of £1.7 million).

The financial statements were approved by the Board of Directors and authorised for issue on 24 September 2018 and were signed on its behalf by:

Adam Moloney
CHIEF FINANCIAL OFFICER

Company number: 05113820

Company Statement of Changes in Equity

for the year ended 30 June 2018

	Called up Share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Capital redemption £'000	Total shareholder' funds £'000
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**
Profit for the year	–	–	–	1,891	–	1,891
Recognition of share-based payments	–	–	–	115	–	115
Balance as at 30 June 2018	**1,280**	**9,152**	**4,034**	**64,282**	**417**	**79,165**

Notes to the Company Accounts
for the year ended 30 June 2018

1. Basis of Preparation

Blancco Technology Group Plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. Details of its registered office are published on page 22.

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.

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 23 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 2018, was extended until October 2020.

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 8. 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 27 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.

Notes to the Company Accounts continued

for the year ended 30 June 2018

2.2 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.

2.3 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.

2.4 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 improvements- over the period of the lease or life of the improvements if less

2.5 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. All other exchange differences are dealt with in the profit and loss account.

2.6 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.

2.7 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.

2.8 Share-based Payments

Some Directors and senior management were granted share options which, if certain performance criteria were met, allowed these employees to acquire shares in the Company. The scheme is detailed in Note 30 to the Group's Financial Statements.

The fair value of options granted under the new equity settled scheme 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 entitled to the options. The fair value of the awards granted is measured using the average share price on the five days preceding the grant date and the number of shares the employee is awarded. The fair value of the awards is reassessed at each reporting date based on the likely level of attainment and likelihood of achieving the vesting criteria. Any change in the fair value would be recorded as an expense with a corresponding increase in equity.

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.

2.9 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 9 to the Group's financial statements.

Disclosure of individual Directors' remuneration is included in the Remuneration Report on pages 33 to 36.

4. Tangible Assets

	Leasehold improvements £'000	Total £'000
Cost		
At 1 July 2017	237	237
At 30 June 2018	**237**	**237**
Depreciation		
1 July 2017	237	237
At 30 June 2018	**237**	**237**
Net book value		
30 June 2018	**–**	**–**
30 June 2017	–	–

Notes to the Company Accounts continued

for the year ended 30 June 2018

5. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 July 2017	**9,546**
Additions	115
At 30 June 2018	**9,661**
Impairment	
1 July 2017	**–**
At 30 June 2018	**–**
Net book value	
30 June 2018	**9,661**
30 June 2017	**9,546**

The additions in the period relate to the grant of options over the Company's own shares to the employees of subsidiaries, which is accounted for as an increase to investments with corresponding credit in equity. Details of the scheme are found in note 30 to the consolidated accounts.

See Note 17 in the consolidated accounts for a list of all the Company's direct and indirect investments.

6. Debtors

Amounts falling due within one year:

	2018 £'000	2017 £'000
Trade receivables	–	277
Amounts due from subsidiaries	78,433	76,479
Prepayments, other debtors and accrued income	389	466
	78,822	**77,222**

Amounts due from subsidiaries are repayable on demand. Interest is charged at one month Libor/Euribor rate (where applicable) plus a benchmarked arms length margin which varies by subsidiary.

7. Deferred Tax Assets

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

	2018 £'000	2017 £'000
Property, plant and equipment	76	76
Losses	137	137
Tax assets	**213**	**213**

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

2018	At 1 July £'000	Recognised in income statement £'000	At 30 June £'000
Depreciation in excess of capital allowances	76	–	76
Losses	137	–	137
	213	**–**	**213**

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**

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 (2017: £0.2 million). No deferred tax asset has been recognised in relation to taxation on losses amounting to £1.2 million (2017: £1.4 million).

8. Creditors – Amounts Falling Due Within One Year

	2018 £'000	2017 £'000
Trade creditors	115	956
Amounts due to subsidiaries	692	2,613
Taxation creditor	–	4
Accruals and deferred revenue	336	455
	1,143	**4,028**

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

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

	2018 £'000	2017 £'000
Bank loans and other borrowings	**8,930**	**9,916**

10. Bank and Other Borrowings

	2018 £'000	2017 £'000
Due after more than one year:		
Secured bank loan	8,930	9,916
Repayable:		
In the first to second years inclusive	–	–
In the third to fifth years inclusive	8,930	9,916

The terms of the Company's borrowing facility are disclosed in note 23 to the consolidated financial statements.

11. Subsequent Events

The subsequent events of the Company are disclosed in note 33 to the consolidated financial statements.

Notice of AGM

Notice is given that the Annual General Meeting of Blancco Technology Group Plc ("the Company") will be held at 12 noon on Wednesday 12 December 2018 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 8 will be proposed as ordinary resolutions, and numbers 9 and 10 as special resolutions:

1. To receive the Annual Report and Accounts for the year ended 30 June 2018.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2018.
3. To elect Matt Jones as a Director of the Company.
4. To elect Adam Moloney as a Director of the Company.
5. To re-elect Frank Blin as a Director of the Company.
6. To re-elect Tom Skelton as a Director of the Company.
7. To reappoint 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.
8. That, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the Act) and in substitution for all existing authorities under that section, to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company (Rights) up to an aggregate nominal amount of £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 2019, 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.

Special resolutions

9. That, subject to the passing of resolution 8 above, the Directors be empowered under section 570 of the Act to allot equity securities as defined in section 560 of the Act, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment or allotments of equity securities up to a nominal amount or (in the case of any other equity securities) giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £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 2019, whichever is earlier, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot securities under such offer or agreement as if this power had not expired.
10. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 2 pence each in the capital of the Company, 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 2019, 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

2 November 2018

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 12 noon on 10 December 2018

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 12 noon on 10 December 2018.

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.

Notice of AGM continued

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 31 October 2018 (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 33 to 36 of the Annual Report. It describes the Group's policy on remuneration and gives details of Directors' remuneration for the year ended 30 June 2018. The vote is advisory and does not affect the actual remuneration paid to any individual Director.

Resolutions 3 to 6: To elect and re-elect Directors
Matt Jones and Adam Moloney have been appointed to the Board since the last AGM and they are therefore standing for election by shareholders at this year's AGM. Frank Blin and Tom Skelton retire by rotation under the Company's articles of association and offer themselves for re-election. Directors' biographical details are given on page 22 of the Annual Report.

Resolution 7: To reappoint the auditor and authorise the Board to determine their remuneration
A resolution to reappoint PricewaterhouseCoopers 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 8: Directors' authority to allot shares
At the 2017 Annual General Meeting, the Directors were given authority to allot shares in the Company and Resolution 8 seeks to renew that authority until the conclusion of the next Annual General Meeting or 31 December 2019, 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 31 October 2018, 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 the employee share incentive plan.

Resolution 9: Disapplication of pre-emption rights
If Directors of a company wish to allot shares in the Company, or to sell treasury shares, for cash (other than in connection with an employee share scheme) company law requires that these shares are offered first to shareholders in proportion to their existing holdings.

The purpose of Resolution 9 is to authorise the Directors to allot ordinary shares in the Company, or sell treasury shares, for cash (i) in connection with a rights issue; and, otherwise, (ii) up to a nominal value of £127,979, equivalent to 10% of the total issued ordinary share capital of the Company as at 31 October 2018 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 10: Authority to buy back shares
Under company law, the Company requires authorisation from shareholders if it wishes to purchase its own shares. Resolution 10 seeks to renew the authority given at the last Annual General Meeting. The resolution specifies the maximum number of shares that may be purchased (approximately 10% of the Company's issued share capital) and the highest and lowest prices at which they may be bought.

If the Company buys back its own shares it may cancel them immediately or hold them in treasury. Treasury shares may be sold for cash, cancelled or used to satisfy awards under employee share schemes. The Directors believe that it is desirable for the Company to have this choice as it will give flexibility in the management of its capital base.

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

Adjusted Earnings Per Share: Adjusted earnings are stated before amortisation or impairment of acquired intangible assets, 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), and disposal of subsidiaries (because these represent a one-off non-cash charge to the consolidated income statement).

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.

Compound Annual Growth Rate (CAGR): Accumulated growth rate over a number of periods.

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.

Constant Currency Basis: The results of the Group when translating the performance of foreign operations in to Sterling at the foreign exchange rates observed in the prior period. This allows comparison of like-for-like results with the elimination of foreign exchange rate fluctuations.

Corporate Costs: Costs incurred in the running and administration of the Plc function.

Digital Care: Part of the Aftermarket Services segment (but not the Repair Services business) which was disposed of in September 2016. This represents the Group's previous 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.

Forward Contracts (currency hedging): A banking mechanism for fixing the future exchange rates for known and committed cash flows in order to mitigate the exposure of the Group to movements on exchange rates for these cash flows.

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

M&A: Mergers and acquisitions. This is the Group's activity in acquisitions of other companies, both to full and part ownership.

Net Debt/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.

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.

Subscription (revenue stream): Contracts with customers which are for a fixed term, typically one to three years.

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.

Shareholder Notes

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