



Pioneering
the future
of data
and device
lifecycle
hygiene.

ANNUAL REPORT & ACCOUNTS
for the year ended 30 June 2019

Stock Code: BLTG

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.

Our vision is to become the market leading company for erasure and diagnostic software.

15

Global reach with offices in 15 countries and experienced team of c.300 employees worldwide

15+

Software tested, certified and approved by over 15 governing bodies around the world

CONTENTS

STRATEGIC REPORT

Highlights	
At a Glance	04
Chair's Statement	06
Marketplace	08
Business Model	12
Strategy and Progress	14
Key Performance Indicators	15
Chief Executive's Report	16
Chief Financial Officer's Report	18
Principal Risks and Uncertainties	22
Corporate Social Responsibility and Sustainability	26

GOVERNANCE

Directors and Advisors	30
Directors' Report	32
Corporate Governance Report	34
Audit Committee Report	40
Remuneration Committee Report	45
Statement of Directors' Responsibilities	49

FINANCIALS

Independent Auditors' Report	52
Consolidated Income Statement	58
Consolidated Statement of Comprehensive Income	59
Consolidated Balance Sheet	60
Consolidated Statement of Changes in Equity	61
Consolidated Cash Flow Statement	62
Notes to the Accounts	63
Company Balance Sheet	102
Company Statement of Changes in Equity	103
Notes to the Company Accounts	104

OTHER INFORMATION

Notice of AGM	110
Glossary	116
Shareholder Notes	118
Locations	IBC

Highlights

We have seen a period of good organic revenue and profit growth. We also generated strong cash flows from these results that enabled the net debt position to be cleared prior to year end. We have seen growth in all three of the key markets and also in each of the three geographies in which we operate.

Financial

Revenue

£30.5m +13%

2018*: £26.9m



Adjusted Operating Cash Flow

£8.3m +102%

2018: £4.1m



Group Operating Profit

£0.1m

2018*: (£0.8m)



Group Adjusted Operating Profit

£3.5m +21%

2018*: £2.9m



Net Cash

£0.1m

2018: (£2.7m)



Basic Loss per Share (pence)

(1.02p)

2018*: (1.05p)



Operational

- Channel sales increased by 48% to £5.3 million (FY 2018 restated*: £3.6 million), now representing 48% (FY 2018 restated*: 38%) of total Data Centre / Enterprise revenue
- Employee headcount increased by 12% to 272 at the end of June 2019 (30 June 2018: 243), largely driven by an increased investment in Research & Development
- Investment in R&D continuing to build protected IP position with seven patents filed for in the period

* 2018 results were restated following the implementation of IFRS15 "Revenue from contracts with customers" and IFRS9 "Financial instruments". See note 1.2 for details.

1 Strategic Report

At a Glance	04
Chair's Statement	06
Marketplace	08
Business Model	12
Strategy and Progress	14
Key Performance Indicators	15
Chief Executive's Report	16
Chief Financial Officer's Report	18
Principal Risks and Uncertainties	22
Corporate Social Responsibility and Sustainability	26





At a Glance

Blancco Technology Group is a leading global provider of mobile device diagnostics and secure data erasure solutions.

Blancco is focused on becoming the market leading company for eraser and diagnostic software.

In order to achieve this we will focus on three markets:

- Enterprise
- Mobile
- ITAD



Enterprise

- Blancco has been selling software into these enterprises for several years, supplying the most widely deployed, fully certified software product in the market
- Data centres have a regular cycle of investment in order to keep the equipment up to date
- Regulations require that data held on the equipment is securely erased and certified

Over 50

automated mobile diagnostics tests



Mobile

Diagnostics:

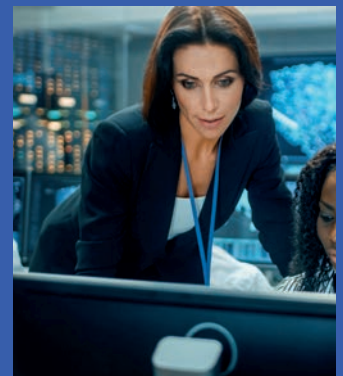
- Blancco has tools to allow employees to run a range of diagnostic tests in stores, avoiding the expense our customers usually incur in sending devices for testing

Erasure:

- Critical that all handsets being resold have data from previous users erased prior to resale

27%

annual growth rate of data stored globally

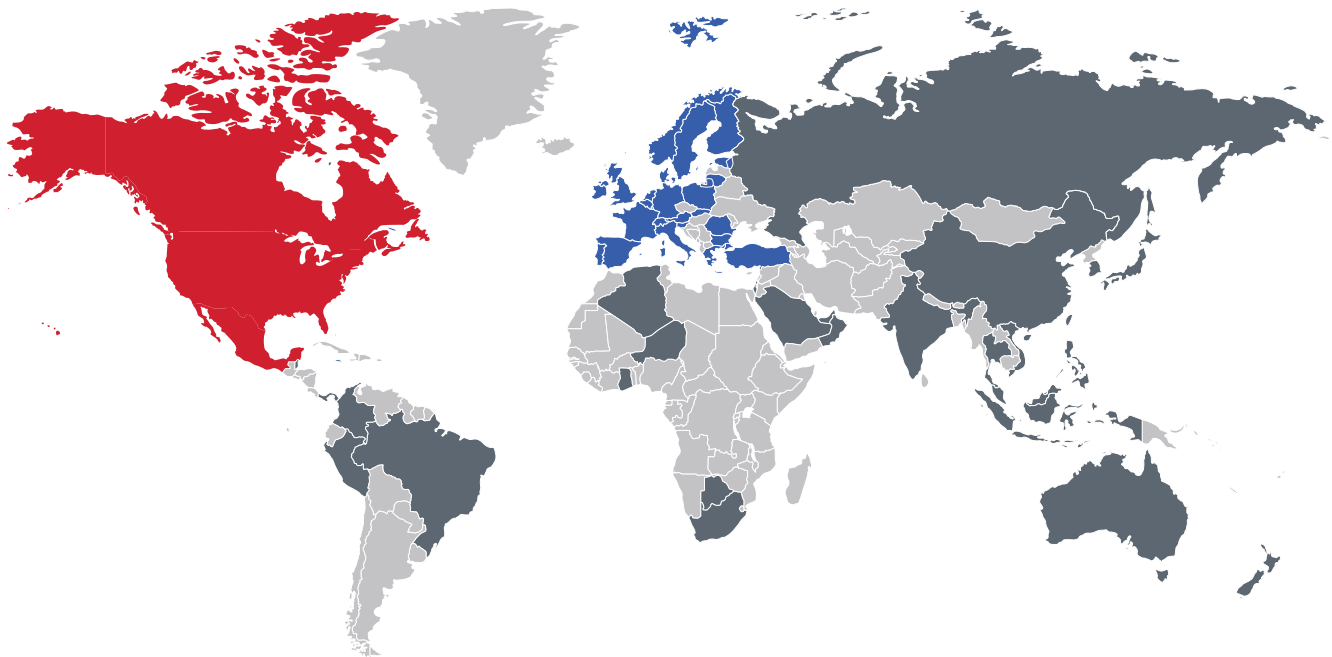


ITAD

- ITAD services are provided on items of IT hardware where equipment is either being reused, resold or disposed of
- Blancco can provide customers with the solution from several media such as from the cloud, on a CD, or a USB stick
- Blancco is the clear market leader in ITAD and has a longer list of accreditations and certifications than any of its competitors

Where we operate: Location of customers

Key: ■ North America ■ Europe ■ Asia & Rest of the World



North America

Canada
Costa Rica
Mexico
United States

Europe

Austria
Belgium
Croatia
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Lithuania
Luxembourg
Netherlands
Norway
Poland
Portugal
Romania
Russian Federation
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
United Kingdom

Asia & Rest of the World

Argentina
Australia
Brazil
Brunei
China
Colombia
Fiji
Ghana
Hong Kong
India
Indonesia
Israel
Ivory Coast
Japan
Malaysia
Morocco
New Zealand
Nigeria
Oman
Philippines
Saudi Arabia
Singapore
South Africa
South Korea
Taiwan
Thailand
United Arab Emirates
Vietnam
Zambia

Chair's Statement



Rob Woodward | Chair

"The results validate the strategy announced 12 months ago along with the strength of the management team that has implemented it. The Board is confident of further revenue and profit growth in the periods ahead."

Summary

In my statement of last year, I reported that the Company had recruited a new Executive team who had in turn strengthened the management team to drive the business forward. The Board is delighted with the progress made by the Company over the first financial year since making those appointments.

The team quickly implemented a strategy to focus on the three key markets of Data Centre / Enterprise, Mobile and ITAD. The Data Centre / Enterprise and ITAD markets are supported by an established product set that has enabled strong growth in the period. We identified that the Mobile market was a more competitive market that would require investment in R&D and marketing to facilitate faster growth. This investment has been ongoing throughout the year and has been enhanced further by the acquisition of Inhance and the Consulting Agreement

with ZroBlack that have taken place in recent months. We now believe that we have the most complete proposition in the market for the provision of a full suite of diagnostic and erasure solutions for resold mobile handsets.

We have seen a period of good organic revenue and profit growth. We also generated strong cash flows from these results that enabled the net debt position to be cleared prior to year-end. We have seen growth in all three of the key markets and also in each of the three geographies (EMEA, North America and APAC) in which we operated during the period.

The results validate the strategy announced 12 months ago along with the strength of the management team that has implemented it. The team has rebuilt confidence in the Company which was demonstrated in the support gained for the recent share placing and raising of £10 million to fund the acquisition and Consulting Agreement and to improve the working capital position of the Company.

Outlook

The Board is confident of further revenue and profit growth in the periods ahead. The recent fines issued for GDPR data breaches are increasingly incentivising companies to protect data that they hold through to the end of the full life cycle and also to consider the volume of information that they hold. Blancco has a solution that will benefit from these regulatory drivers and is confident in delivering growth in the Data Centre / Enterprise market in particular. It is anticipated that these regulatory drivers will also drive further growth in the ITAD market where Blancco has a market leading position.

Following the R&D investment made in the year and recent acquisitions, we now have a complete proposition in the Mobile market that will enable growth to accelerate in the coming year.

We would like to thank shareholders for their ongoing support and look forward with confidence to the continued growth that Blancco is positioned to deliver.

Rob Woodward
Chair

Our solutions help businesses by supporting them to transition towards more sustainable practices.

Marketplace

Demand for Data Sanitization solutions

Research published in 2018 by IDC forecast that sum of data stored globally will increase from 33 zettabytes ("ZB") in 2018 to 175 ZB by 2025, a compounded annual growth rate of 27%. The Gartner reports on the Hype Cycles for Privacy and Data Security published in July 2019 reported that "Growing concerns about data privacy and security, leakage, regulatory compliance, and the ever-expanding capacity of storage media and volume of edge computing and IoT devices are making robust data sanitization a core C-level requirement for all IT organizations."

The Gartner reports define Data Sanitization as being the disciplined process of deliberately, permanently and irreversibly removing or destroying the data stored on a memory device to make it unrecoverable. A device that has been sanitized has no usable residual data, and even with the assistance of advanced forensic tools, the data will not ever be recovered.

Blancco is a market leader with over 20 years of experience in providing software solutions that enable organisations to ensure that data that is no longer required can be securely erased. Blancco's software has been tested, certified, approved and recommended by 15+ governing bodies and leading organisations around the world.

Data erasure technology is considered to be at the early stages of mainstream adoption with around 20-50% of the target audience utilising the technology.

While the solution could be applied to any data bearing device, Blancco has focused its attention on three segments which exhibit attractive growth characteristics and/or high barriers to entry and where it already has a strong market presence – these include sectors which are exposed to both enterprise and consumer demand.











Enterprise

The implementation of Data Protection regulations such as GDPR is being replicated globally with similar regulation leading large organisations to fully consider how data can be protected throughout its lifecycle. There are multiple use cases where Blancco's software is used to assist organisations to manage data at the end of its lifecycle. This could physically be end of life equipment from hardware refresh to staff turnover. From a logical perspective the software can be used when migrating data, changing cloud provider, repurposing data storage or implementing data retention policies.

There is limited competition in this segment with the alternative to Blancco often being the physical destruction of the assets. However, the increasing scrutiny of Environmental, Social and Governance ("ESG") behaviours of large organisations and additional expense often makes physical destruction an undesirable option.

Certifications

GLOBAL CERTIFICATIONS

				
NYCE	Netherlands National Communication Security Agency	National Cyber Security Centre (NCSC)	The Federal Service for Technical and Export Control (FSTEC)	Refurbished (Reuse) & Recycle Information Technology Equipment Association*
MEXICO	NETHERLANDS	UK	RUSSIA	JAPAN
				
BSI – Federal Office for Information Security	Certified for Common Criteria (ISO 15408)	Swedish Armed Forces	Central Information Systems Security Division	The Polish Internal Security Agency
GERMANY	VARIOUS	SWEDEN	FRANCE	POLAND

GLOBAL APPROVALS & RECOMMENDATIONS

					
Asset Disposal & Information Security Alliance (ADISA)	The Norwegian National Security Authority	The Defence INFOSEC Product Co-Operation Group of the UK	TÜV Saarland	The Finnish Communications Regulatory Authority	NATO*
US & UK	NORWAY	UK	GERMANY	FINLAND	VARIOUS

THIRD-PARTY ENDORSEMENTS

Ontrack

ONTRACK

VARIOUS

* Certification update in progress.

Marketplace continued

Our solutions markets

Mobile

As well as data erasure, Blancco has the additional capability to run diagnostic tests on mobile handsets to ensure that they are suitable for resale. Blancco customers are mobile carriers, retailers or third-party logistic companies. Carriers and Retailers are primarily driven by a desire to encourage customers to purchase new handsets and want to offer effective "trade in" programmes where customers can offset monies received from trading in a used handset against the increasing cost of buying a new handset. Once these handsets are received by the carrier or retailer, they will usually be sent to a third-party logistic company who will run diagnostic tests to ensure that the handset can be resold as well as running a full data erasure procedure to remove any risk that data remains on the handset from the previous owner.

Recent research has shown that the market for purchasing new, first-hand handsets has slowed significantly while the number of handsets that are resold is expected to increase from 140 million in 2017 to 290 million in 2022. As this market matures, it is expected that the running of diagnostic tests and full erasures will be a routine part of the process.

This market has fragmented competition with no clear market leader. Over the past 12 months, Blancco has invested in internal Research & Development as well as having bought in external Intellectual Property and made the acquisition of Inhance, a business with a leading, app-based mobile diagnostic solution for the retail market.

Our strategy has been to develop a solution which spans across each of the carrier, retail and third-party logistic markets and we now have a proposition which does that. Our software can run a broad range of tests using either a tethered solution or by installing an app. The recent investments have also ensured that Blancco's data erasure and diagnostics can be run in a shorter period of time than competitors.

Information Technology Asset Disposition ("ITAD")

The ITAD market is generated from the disposal of obsolete or unwanted equipment in a secure and ecologically responsible manner. Blancco has operated in this market for a number of years by offering software to organisations who are disposing of the equipment which can be used to ensure that all data residing on the device is erased.

There is limited competition in this market, and certainly no competitors have the accreditations and experience that can be offered by Blancco. This market is expected to continue to grow as organisations look to comply with data protection and environmental regulation. Growth in this segment will be slower than the other two but Blancco will continue to innovate to ensure that it retains a leading position in the market.



Key differentiators of Blancco

- Market leader in data erasure
- Our data erasure software erases to 22 standards and provides tamper-proof reports to meet security and regulatory compliance requirements
- 15+ global certificates, approvals and recommendations
- Global business
- Our mobile diagnostics solution includes 52 automated tests to find errors on all Android and iOS mobile devices

Business Model



Our business model enables us to generate value for our stakeholders.

Our key resources

EXPERTISE	Over 20 years' experience of providing data erasure software solutions
INTELLECTUAL PROPERTY	13 patents granted or filed
LOCATIONS	Global reach with offices in 15 countries
ACCREDITATIONS	Software tested, certified and approved by over 15 governing bodies around the world
TESTING CAPABILITIES	Mobile diagnostics solution includes over 50 automated tests to find errors on all Android and iOS mobile devices
PEOPLE	Experienced team of c.300 employees worldwide



Our key activities

1

Focused on research and thought leadership

5

We utilise the revenue from our solutions to reinvest into our thought leadership





Our competitive advantages



BREADTH OF COVERAGE

Approach data erasure as an integral part of the information lifecycle management process, helping enterprises of all sizes meet their security and compliance needs



CUSTOMER BASE

A growing and loyal global customer base



SIGNIFICANT BARRIERS TO ENTRY

Growing patent portfolio and regional certifications widen the gap



INVESTING IN INNOVATION

Focused solutions on key growth areas while leading innovation in new technologies



The value created for our stakeholders

EMPLOYEES

The opportunity to work for a growing, market leading, experienced business with global operations

CUSTOMERS

Our 1,400+ customers gain secure, auditable solutions, innovative products and peace of mind that enable them to meet their regulatory requirements

END-USERS

The knowledge that their data has been completely erased, the "right to be forgotten" (Article 17, GDPR)

INVESTORS

Opportunity to create significant medium-term value from a growth business

Strategy and Progress

Blancco has developed a three-year strategic plan focused on the key markets in which the company can be a market leader and which have inherent synergies.

Blancco has a worldwide footprint to sell and service its target markets and all three market segments have an immediate need to buy Blancco's products due to various trends, including regulation, security risks and technology change. This expansion will be generated through direct sales and increasingly indirect channels via our international partners.

A summary of our segment and three end user markets is provided in note 3 to the financial statements.

Mission – To deliver the highest quality technology and efficient data management processes by leveraging our global expertise in data and asset lifecycle solutions

Vision – To enable companies to responsibly manage their data by erasing concerns for organisations worldwide

KEY OBJECTIVES	PERFORMANCE	COMMENTARY
Enterprise / Data Centre:		
<ul style="list-style-type: none"> – Increase revenues through the development of indirect sales channels, comprising both OEM and channel partners – Continue to develop intellectual property to provide a best in class solution for customers 	<ul style="list-style-type: none"> – Revenue increased by 20% to £10.3 million (FY 2018 restated: £8.6 million) – Channel sales increased by 48% to £5.3 million (FY 2018 restated: £3.6 million) now representing 48% (FY 2018: 39%) of Enterprise / Data Centre revenues – Seven new patents filed in the 2019 financial year 	<ul style="list-style-type: none"> – The Group will continue with the existing strategy over the coming years to enable organisations to cope with the increasing regulatory burden being placed upon them
Mobile:		
<ul style="list-style-type: none"> – Create a leadership position in the Mobile Asset Lifecycle space by providing a broad range of software-based processing solutions that reach across the three markets sectors of Carrier, Retailer and Third-Party Logistics – Add resource to the R&D division to accelerate product development 	<ul style="list-style-type: none"> – Headcount increased from 243 at 30 June 2018 to 272 on 30 June 2019 – Capitalised Research & Development spend increased to £2.6 million (FY 2018: £2.2 million) – Revenue increased by 4% to £10.0 million (FY 2018: £9.7 million) 	<ul style="list-style-type: none"> – FY 2019 has been a year of product investment supplemented by the innovation brought by the ZroBlack Consulting Agreement and acquisition of Inhance. A complete solution reaching across all market sectors will be brought to market in H1 2020, accelerating growth
ITAD (IT Asset Disposition):		
<ul style="list-style-type: none"> – Retain market leading position in ITAD market – Gain increasing market share in a moderately growing market 	<ul style="list-style-type: none"> – Revenue increased by 18% to £10.2 million (FY 2018: £8.6 million) 	<ul style="list-style-type: none"> – Blancco has been market leader in the ITAD market for many years and will look to continue to further enhance the leadership position by continuing to innovate and gaining market share – The ITAD market is not expected to grow at the rapid rate of the Enterprise / Data Centre and Mobile markets

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 2019	YEAR ENDED 30 JUNE 2018
Revenue (£millions)	30.5	26.9
Geography (Regional proportion of Revenue)		
North America	35%	35%
Europe	37%	37%
Asia and ROW	28%	28%
	100%	100%
Market type (proportion of invoiced revenue)		
Enterprise / Data Centre	34%	32%
ITAD	33%	32%
Mobile	33%	36%
	100%	100%
End of year headcount		
Admin	44	43
R&D	104	88
Sales	124	112
	272	243

Chief Executive's Report



Matt Jones | Chief Executive Officer

"A year ago, we announced a strategy to focus on three key markets being Data Centre / Enterprise, Mobile and ITAD, in which the Company already had a strong competitive position. The Group is delivering on this strategy and cementing its position as a leading cyber security and mobile diagnostics business, with international revenues growing in our key markets."

Business Overview

ENTERPRISE / DATA CENTRE

We have seen strong levels of revenue growth in the Data Centre / Enterprise market with revenue growing by 20% to £10.3 million (FY 2018 restated¹: £8.6 million). There continues to be a focus on developing indirect sales through channel relationships to grow revenues in this market, and so we are delighted that channel sales grew by 48% to £5.3 million (FY 2018 restated: £3.6 million) and now represent 48% of total Data Centre / Enterprise revenues.

This growth is being driven by the pressures of regulation such as GDPR and increased cyber security risks. Recent months have seen the first fines for data breaches under GDPR that came into effect from May 2018. In the first year, 200,000 investigations took place with 64,000 being upheld. Fines in

this initial period totalled €56 million. While GDPR only relates to organisations trading in Europe, similar data privacy laws are being established in other parts of the world and most notably in North America with the introduction of legislation such as the California Consumer Privacy Act.

The increased level of penalties is causing organisations to focus on how they manage the full data life cycle. It is causing organisations to be selective over the data that they hold, and to make sure that they have the necessary controls in place to protect that data. The final part of the lifecycle is how data is managed that is no longer required, known as Data Sanitisation, where organisations need to ensure that data is permanently erased and that there is an audit trail to demonstrate that the erasure has taken place.

The primary competition in this market comes from the physical destruction of assets. The Group believes Data Sanitisation is only at the early stages of mainstream adoption, and that there is significant scope for further growth in this market within which it is well placed to be the clear market leader.

The full suite of Blancco products works across the entire data lifecycle. It also works well in a cloud environment where they can be used to erase data, whether it be on an individual file or device basis or a full data migration to an alternative cloud provider. Blancco has over 20 years' experience of providing data erasure solutions and has accreditations with over fifteen governing bodies and leading organisations around the world. It is important for our customers to be able to demonstrate to their security auditors that data has been erased by a credible organisation and that there is an auditable record of that erasure.

Furthermore, increasing Environmental, Social and Governance pressures, along with the cost of physical destruction is causing organisations to look for alternative solutions such as using Blancco software to permanently erase data before reusing or reselling the physical assets.

MOBILE

We highlighted when outlining our strategy in the Mobile market a year ago that this was a large market experiencing rapid growth. Counterpoint Research released a report recently that estimated that the market for resold mobile handsets will increase from 140 million devices in 2017 to 290 million devices in 2022. Before being resold, these handsets need to have diagnostic tests run on them to ensure that they are fully

¹ 2018 results were restated following the implementation of IFRS15 "Revenue from contracts with customers" and IFRS9 "Financial instruments". See note 1.2 for details.

functioning and should be fully erased to ensure that no data from previous owners can be accessed.

The Mobile market is more competitive than the other markets in which Blancco operates and we have had the aim over the past 12 months to provide a broad range of software-based processing solutions that reach across the three major market sectors of Carrier, Retail and Third Party Logistics. This has resulted in a period of R&D investment supported by technology acquisitions.

Carriers and Retailers are primarily interested in winning new and retaining existing customers with the provision of the facility for customers to trade in their old handset in return for a discount on the purchase of a new handset being critical to that strategy. Blancco has been able for a number of years to run diagnostic tests on used handsets to identify if they are fully functioning but has only been able to do that through a tethered solution when a customer brings their handset into a retail store or third party logistics centre. In July 2019, we announced the acquisition of Inhance for consideration of €5.25 million (£4.7 million). The Inhance solution allows consumers to run diagnostic tests on their handsets through the remote use of an app that can use this information to provide a trade in value to the customer. The customer can then redeem this value by either taking the phone into a store or by making an online order. The app is also able to detect damage to the screen of a handset which is a capability that the previous Blancco solution did not have.

Third Party Logistics companies are used to take possession of the used handsets and prepare them ready for resale. The critical capability for these organisations is the ability to process handsets securely through diagnostic tests and erasure in the shortest time frame to ensure that the handset loses as little value as possible while going through the warehouse. Much of our internal R&D investment has been expended in making advancements to shorten the amount of time required to process a handset.

In April 2019, Blancco entered into a Consulting Agreement with ZroBlack under which its development team agreed to develop intellectual property for Blancco that enables the Group's erasure and diagnostic solutions to reduce significantly the amount of time that it will take to complete diagnostic and erasure processes on a mobile handset. Under the terms of the Consulting Agreement, Blancco has paid US\$1.5 million to ZroBlack for its development team to work alongside

Blancco's developers to further develop this IP and the first implementation of the technology has been incorporated into the most recent software release.

As we enter the new financial year, Blancco believes that it now has the full solution to reach across all three market sectors of Carrier, Retail and Third Party Logistics. While enhancements will continue to be developed, Blancco now has a diagnostic solution that can operate remotely or on a tethered basis, has a complete set of diagnostic tests that can be modified to the requirements of the customers and can run all of these processes more quickly than our competitors.

During this investment phase, we have seen modest revenue growth in Mobile over the year with a 4% increase to £10.0 million (FY 2018 restated: £9.7 million). Following the R&D investments we have made, we would expect to see increased growth in this area in coming periods.

ITAD

As we continue to cement our position as market leader in the ITAD market, we have seen a very strong performance over the year with revenue increasing by 18% to £10.2 million (FY 2018 restated: £8.6 million). ITAD services are provided on items of IT hardware where equipment is either being reused, resold or disposed of. Customers in this market are looking to partner with a credible organisation that can point to third party accreditations and provide them with an auditable record that data on any hardware has been permanently erased. With over 20 years of experience in this market, Blancco has an unrivalled list of accreditations and certifications in comparison to any of its competitors. Following a year of limited growth in FY 2018, FY 2019 saw growth ahead of overall market rates. While we expect further growth in this area, it is a relatively mature market with revenue growth linked to the underlying performance of the IT recycling market and is anticipated to generate more modest growth in the next financial year.

Matt Jones Chief Executive Officer

Chief Financial Officer's Report



Adam Moloney | Chief Financial Officer

"The Group is pleased with the progress made in the financial performance of the business since the new strategy was put in place twelve months ago. Since the release of last year's results, we have seen a double digit increase in both revenue and profit of the Group and the net debt position was cleared through a good trading performance."

This is the first set of the Group's financial statements in which IFRS15 "Revenue from Contracts with customers" and IFRS9 "Financial Instruments" has been applied. IFRS15, replacing IAS18 Revenue, establishes a framework for recognising revenue on contracts with customers including timing and value of recognition. IFRS9, replacing IAS39 Financial Instruments: Recognition and Measurement, sets out the requirements for measuring financial assets and financial liabilities.

The full disclosure of the impact of these restatements is in note 1.2.

Revenue

Blancco's revenue for the period was £30.5 million (FY 2018 restated: £26.9 million), representing growth of 13%. Growth rates on a constant currency basis were very similar at 12%.

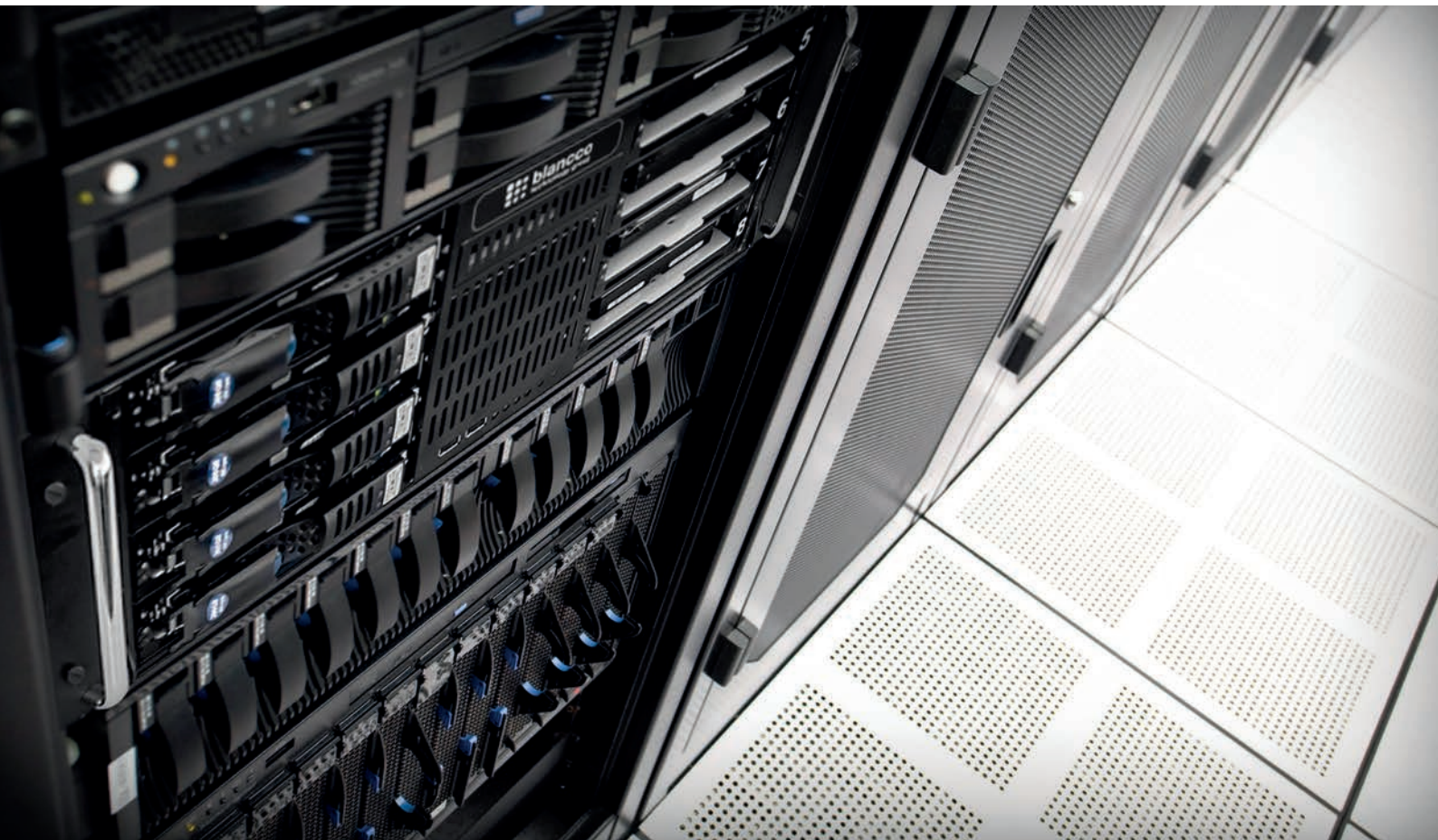
As can be seen from the table below, the Group is experiencing revenue growth across all three markets and all three geographies.

REVENUE BREAKDOWN

	Year ended 30 June 2019	Year ended 30 June 2018 (restated)	Growth rate
Revenue (£ millions)	30.5	26.9	13%
Revenue by Geography			
North America	10.7	9.4	14%
Europe	11.4	10.0	13%
Asia and ROW	8.4	7.5	13%
Revenue by Market			
Data Centre / Enterprise	10.3	8.6	20%
ITAD	10.2	8.6	18%
Mobile	10.0	9.7	4%

Revenue on software sales is recognised according to the terms of individual contracts, which fall into two types – either a volume or subscription basis:

- **Volume contracts.** 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 control is transferred to the customer, and there are no continuing obligations to the Group. There is no change in recognition profile under IFRS15.
- **Subscription contracts.** Under IAS18, revenue was deferred and recognised over the length of the user agreement. Under IFRS15, revenue is recognised at specific points throughout the contract term at which point delivery has taken place or (in the case of ongoing performance obligations) is expected to take place. In the majority of cases, delivery takes place concurrently with the invoice being issued, at the outset of a contract (or is part delivered if the customer is invoiced periodically), and accordingly licence revenue closer aligns to the point the invoice is booked with no revenue deferral. In cases where deliveries are expected to be made periodically throughout the contract term, sufficient revenue will be deferred to reflect management's best estimate of licences still to be delivered. In cases where a customer has been delivered licences in advance of an invoice being issued, a contract asset is recognised.



From a balance sheet perspective, the transition has resulted in a significant reduction in contract liabilities (previously denoted as deferred revenue), with the June 2018 balance being restated from £4.8 million to £0.7 million. This is a result of the impact on subscription contracts, described above, where the point of recognition of revenue is typically at the inception of the contract rather than over the contract term. Revenue deferrals are mostly now represented by timing delays between delivery and invoicing.

A contract asset has arisen from a small number of subscription contracts which were previously invoiced over the term but IFRS15 requires that the revenue be recognised on delivery at the start of the contract.

Profitability Measures

Adjusted operating profit, as defined in the glossary on page 116, was £3.5 million (FY 2018 restated: £2.9 million). Operating profit was £0.1 million (FY 2018 restated: £0.8 million operating loss). This year saw an increase in headcount from 243 at 30 June 2018 to 272 at the end of the financial year. This along with the increased investment in marketing, which had previously been under invested, has resulted in an 11% increase in Adjusted Administrative Expenses as detailed below.

	Year ended 30 June 2019	Year ended 30 June 2018 (restated)	Growth rate
	£'000	£'000	
Administrative expenses	28,924	26,633	
Acquisition costs	(486)	(2)	
Exceptional income/(costs)	630	(1,366)	
Amortisation of acquired intangible assets	(2,605)	(2,597)	
Share based payments (charge)/credit	(935)	255	
Adjusted Administrative Expenses	25,528	22,923	11%

We expect to see the cost base increase in the coming year as a full 12-month impact of the headcount increases made in FY 2019 come through. While there will continue to be a cost base increase in future years as we resource ourselves to cope with anticipated growth, cost increases are anticipated at a slower rate than revenue growth resulting in increasing operating margins.

The Group released provisions recognised on acquisition of £0.7 million which has generated an exceptional income in the period of £0.6 million (FY 2018: £1.4 million exceptional cost). The costs in the prior year were 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 2017.

Chief Financial Officer's Report continued

Cash and Working Capital

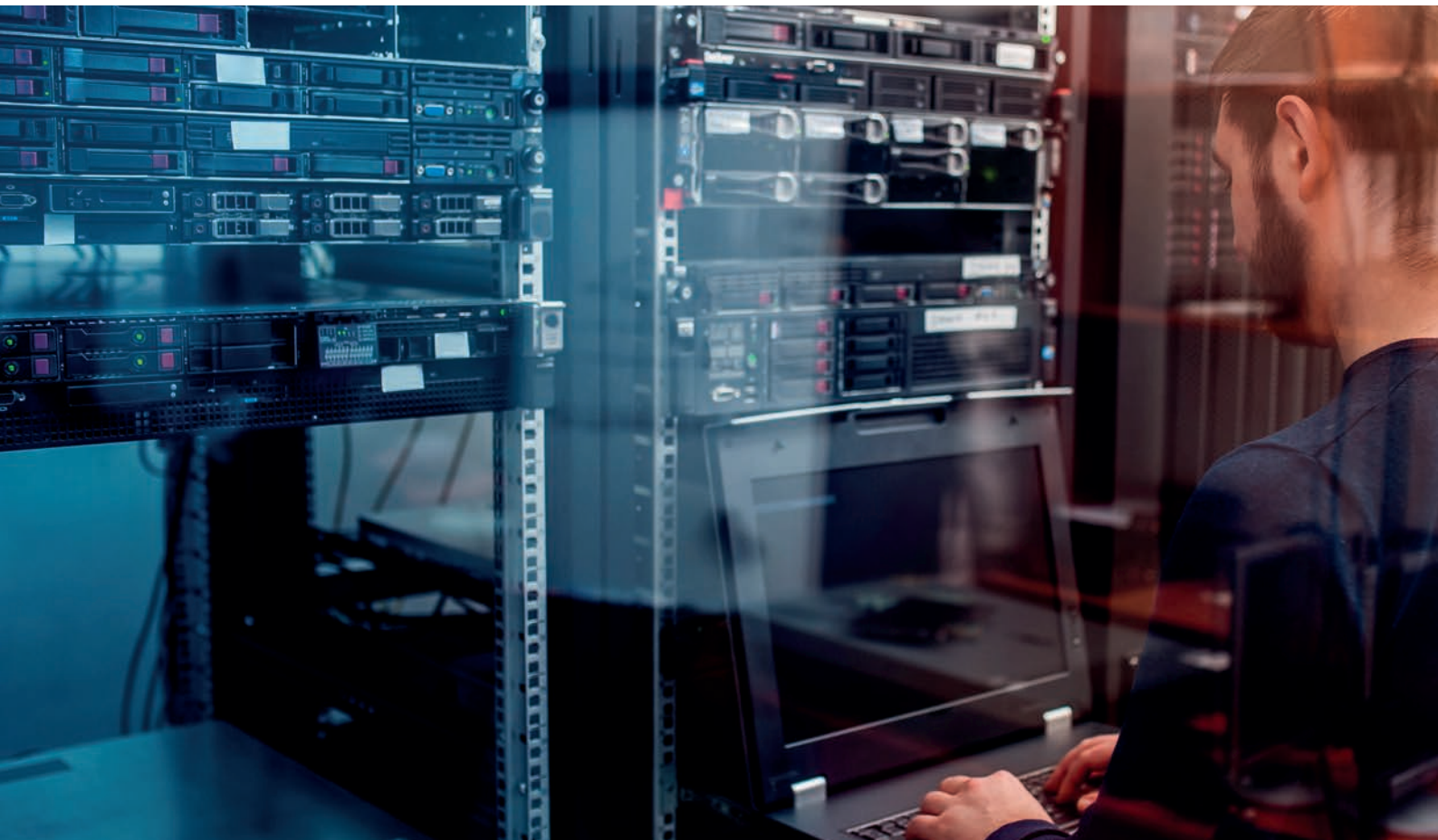
The Group generated strong levels of cash from operations during the year, with the net debt position of £2.7 million at the end of the previous financial year being cleared, and ended the year with a net cash position of £0.1 million. This was achieved despite the cash outflow of \$1.5 million relating to the ZroBlack Consulting Agreement.

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Profit for the period	910	115
Adjustments for:		
Profit from discontinued operations	(1,252)	(696)
Net finance expense/(income)	437	(51)
Tax income	(33)	(162)
Loss on disposal of property, plant and equipment	3	–
Depreciation on property, plant and equipment	180	202
Amortisation of intangible assets	2,508	2,332
Amortisation of acquired intangible assets	2,605	2,597
Share-based payments expense/(income)	935	(255)
Operating cash flow before movement in working capital	6,293	4,082
Acquisition costs	486	–
Exceptional (income)/costs	(630)	1,368
Adjusted EBITDA	6,149	5,450
Decrease in inventories	11	43
Increase in receivables	(325)	(237)
Increase/(decrease) in payables and accruals	2,337	(2,022)
Decrease in provisions	(63)	(163)
Cash generated from continuing operations	8,253	1,703
Acquisition costs payments	–	322
Exceptional payments	46	2,044
Adjusted operating cash flow	8,299	4,069

In May 2019, the Group announced it had successfully renewed and significantly expanded a three year contract with a US-based, Fortune 500 software company. The contract will see the Group deliver its Drive Erasure solution across data centres around the world, generating revenues of approximately US\$1.2 million over the duration of the contract. While the majority of revenues generated will be recognised over the subsequent three years in line with delivery, payment was received up front for the entire three year period resulting in recognition of a contract liability and cash. In the coming periods we will see revenue from the contract, but the cash has already been received which will dilute cash conversion modestly.

Capital expenditure and R&D qualifying for capitalisation was £4.4 million (FY 2018: £2.7 million), with the total inflated by the \$1.5 million paid in relation to the ZroBlack Consulting Agreement. Of this capital expenditure, £2.6 million (FY 2018: £2.2 million) was incurred in the ongoing development of the product range. Amortisation of these costs totalled £2.2 million (FY 2018: £1.9 million), resulting in net capitalisation of £0.4 million (FY 2018: £0.3 million).

At the beginning of the year the Group had a contingent consideration balance of £2.2 million in relation to acquisitions made in prior years. Of this balance, £1.2 million related to the acquisition of Tabernus and was settled by the issue



of 1.2 million ordinary shares in December 2018. The remaining balance related to the acquisition of Xcaliber and was directly related to the revenues arising from a customer contract. The majority of this balance was paid down through the year with a balance of £0.3 million remaining at 30 June 2019 that is expected to be fully cleared in the first half of the new financial year.

Dividend paid of £0.2 million (FY 2018: £0.2 million) represents the dividend paid to minority shareholders of the Group's Japanese subsidiary.

At 30 June 2019, net cash of £0.1 million (FY 2018: net debt of £2.7 million) comprised long-term borrowings of £6.5 million (FY 2018: £8.9 million) and cash and cash equivalents, inclusive of overdraft balances, of £6.6 million (FY 2018: £6.2 million).

Post Period End Events

On 11 July 2019, the Group announced it had raised £10 million, before expenses, through a placement of 8,000,000 new ordinary shares of 2p each in the capital of the Company at 125p per share. The net proceeds of the Placing were used: (i) to fund the cash element (€3.25 million) of the consideration for the acquisition of Inhance, (ii) to refinance the \$1.5 million payment made in relation to the ZroBlack Consulting Agreement and (iii) to pay down a proportion of the Group's current indebtedness and for general working capital purposes.

Summary and Outlook

The Group is pleased with the progress made in the financial performance of the business since the new strategy was put in place 12 months ago. Since the release of last year's results, we have seen a double digit increase in both revenue and profit of the Group and the net debt position was cleared through a good trading performance. Furthermore, the continued investment in R&D continues to build our protected IP position with seven patents filed for in the period.

Going into the new financial year, we have successfully completed the acquisition of Inhance and a £10 million fund raise that has provided the Group with a significantly stronger balance sheet and the ability to substantially clear any gross debt. The newly formed management team is now embedded into the business and the recent fund raise has ensured that the Company is well financed with a strong balance sheet.

Looking forward, the Board is confident in the Group's ability to drive strong levels of organic revenue growth and, combined with the operating leverage of the business, convert this into increasingly profitable performance in the years ahead in line with market expectations.

Adam Moloney
Chief Financial Officer

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.

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, i.e. 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.

Risk management framework

**TOP DOWN:
IDENTIFYING, ASSESSING
AND MITIGATING RISK AT
GROUP LEVEL**



THE BOARD
The Board assesses the strategic risk appetite annually.

AUDIT COMMITTEE
The Audit Committee will be asked to assess whether risks are within the Group's risk appetite.

**KEY LEADERSHIP
EMPLOYEES AND
FUNCTIONAL MANAGERS**
Key Leadership employees and Functional Managers have been, and will continue to be, involved in the risk identification process,

**BOTTOM UP:
IDENTIFYING, ASSESSING
AND MITIGATING
RISK AT BUSINESS
OPERATIONAL LEVEL**



**RISK AND OPPORTUNITIES
COMMITTEE**
The Risk and Opportunities Committee ensure 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.

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.

Key:  Increased  Decreased  Unchanged

RISK AREA	POTENTIAL IMPACT	MITIGATION	TREND
Market and economic risks	<p>The software sector is fast moving with regular changes in technological advancements and offerings.</p> <p>This may impact the future compatibility of our products, or new solutions could even render our products obsolete.</p> <p>The business faces further challenge in price competition for less highly developed products which can result in price erosion or customer loss.</p>	<p>Continuing R&D processes with internal expertise, market benchmarking and consultation and continual tracking of technological direction.</p> <p>We closely manage our key accounts and interact with our largest stakeholders in order to keep abreast of market development and ensure that our product development roadmap remains market focused.</p> <p>Obtaining new patents, certifications and technological offerings, alongside the existing diversity and strength of the product set gives us a strong position in the market to maintain prices and position ourselves ahead of competitors.</p>	<p></p> <p>The risk is unchanged. Mitigations reduce the risk, but this risk is inherent in the market and cannot be fully removed.</p> <p>The expanding portfolio of products, services, offerings, and geographies reduces these risks.</p>
Internal systems	<p>Our internal systems are integral to our service offerings, our process efficiencies, and our development abilities. The flexibility and reliability of the systems is critical to the ongoing growth of the Group. The integrity of our systems is maintained through regular backup testing and robust disaster recovery planning.</p> <p>A potential data breach resulting in loss of data or compromising the product would create significant market discontent and could expose the Company to regulatory investigation or fines.</p>	<p>We have implemented high level policies and procedures to efficiently and safely manage our operations and to maintain our systems.</p> <p>We are continuing to highlight the potential risks internally and raise the profile of internal security.</p> <p>System enhancement teams work on the continual improvement and integration of key systems, including enhanced security, business continuity and backup facilities.</p>	<p></p> <p>The risk has remained the same but the mitigation is considered robust having obtained ISO 9001/27001 accreditation.</p>
Financing risks	<p>There is a risk the Group will not be able to meet the day-to-day running obligations of the business.</p>	<p>The Group maintains a rolling cash flow forecast and performs sensitivity analysis on this in order to manage financing risk.</p>	<p></p> <p>The risk has reduced, following a strong year of trading from a profit and cash flow perspective. The gross debt of the business has fallen by £2.5 million in the reporting period, and the business has turned net cash positive at the reporting date and after the year end, the Group completed a fund raise generating £9.6 million, net of fees, which was used to pay down the majority of borrowings.</p> <p>The cost base is considered appropriate for the current size of the Group and the risk associated with not meeting our obligations has reduced significantly over the last two years.</p>

Principal Risks and Uncertainties continued

RISK AREA	POTENTIAL IMPACT	MITIGATION	TREND
Customer concentration risks	Reliance on a small number of large customers creates risks, as a customer loss can have a material impact on margins and cash flows. The loss of key contracts could impact the ability of the Group to continue to operate as a going concern.	<p>The Board is conscious of this ongoing risk and continues to mitigate this through the development and diversification of new customers, and the continued strengthening of relationships with its existing customers.</p> <p>A number of customers are significant in the context of the Group as a whole. However, no single customer accounts for more than 8.83% (2018 restated: 11.51%) of the revenue, and the top ten customers represent 24.99% (2018 restated: 27.71%) of the Group's revenue.</p>	<p>↓</p> <p>The risk is declining. The proportionate size of our largest and top ten customers has reduced in comparison to prior year. The management team acknowledges the risks around customer concentration and this is mitigated through customer relationship management. During the year, we have maintained our base of largest customers. In addition, we continue to add new customers to our portfolio to attempt to mitigate the risk further, both through direct and indirect new business wins.</p>
Operational efficiency risks	<p>Operational efficiency is vital to the profitability of the Group and to customer service.</p> <p>The risk arises both at an internal level, where inefficient operating processes can adversely affect the profitability of the Group; and at a customer level, where ineffective products or poor client service could lead to termination of the relationship.</p>	<p>The Group continues to focus on standardising operating procedures across all locations, which drives consistency in client service.</p> <p>System enhancement teams work on the continual improvement and integration of key systems, which supports continual automation and standardisation of processes.</p> <p>The Group maintains a collaborative relationship with customers and tracks customer satisfaction in order to identify any product or service delivery risks</p>	<p>→</p> <p>The risk is unchanged. The Group continues to invest in product and its service teams but acknowledges the changing market dynamics means this is an iterative process.</p>
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.	<p>The Group monitors global compliance, and gains local advice and guidance when required.</p> <p>Blancco continues to be mindful of the implications of the Data Protection Act, and a Data Protection policy is in place across the Group, and 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.</p> <p>The Group maintains internal processes to ensure appropriate guidelines are followed – especially in regard to data protection and anti-bribery and corruption.</p> <p>The Group periodically reviews the terms of its tax schemes to ensure these remain compliant under local regulations and that the Group is compliant with arm's length pricing principles.</p>	<p>→</p> <p>The risk is unchanged.</p> <p>The Group continues to monitor its compliance across locations and deems the compliance risk to be at a suitably low level.</p>

Key:  Increased  Decreased  Unchanged

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, with only a small percentage of the Group's revenue being generated in Sterling. The risk presented by currency fluctuations may affect business forecasting and create volatility in the results and cash holdings.	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. Alongside this we perform periodic reviews of employee remuneration to ensure this is set at a competitive level. 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 has invested in human resources over the last two years and continues to monitor its performance in this area across locations and deems the employee engagement risk to be reduced to a suitably low level.

Due to the geographic spread of our operations, and the very low level of export sales from the UK, 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 investment decisions of existing and potential customers, as well as volatility in exchange rates which impacts the Group as noted above and as documented in the Financial Instruments note.

Matt Jones
Chief Executive Officer

23 September 2019

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 focus

The Group has two key areas of focus in carrying out its corporate social responsibility.

Our primary contribution is towards supporting the lifecycle of technology and associated hardware. Our product offerings promote the recycling and repurposing of devices through diagnostics and resell and erasure and re-use. One of our principal competitors is physical destruction of assets, driven by a gap in the knowledge of the market, which often results in hardware moving into landfill. We aim to educate the market to move away from device destruction, which promotes a positive environmental impact as our market penetration grows. Alongside this – the environmental footprint of the product is low given the virtual nature of software transfer.

Secondly, the Group invests in its human capital, aligning with the UN's Sustainable Development Goals in providing opportunities and promoting human development. The Group's impact here is far reaching with our global presence across a number of operating locations.

Employees

We view our employees as our most important asset and endeavour to ensure they have a safe and stimulating working environment. We aim to ensure they are passionate in their roles and interact positively with all stakeholders both within and outside the organisation.

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 have invested heavily in our employee well-being over the last 12 months. As a result, our employee engagement has increased significantly. On a day-to-day basis we promote employee engagement through training, all company presentations, employee surveys, appraisal and performance reviews, and the involvement of employees in setting the Group's mission, vision and values. There is an employee forum which meets on a monthly basis and comprises individuals from a cross section of departments, locations and job roles.

Integrity is regarded by the workforce as one of our key values and as an organisation we ensure that we promote honesty, transparency and a duty of care across the entire workforce.

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

There is a whistleblowing hotline, which 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.

Blancco is committed to:

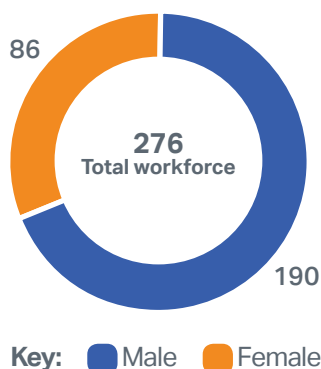
- Recruiting and retaining high calibre employees – We seek out employees who will help to maximise business growth and performance. We operate an equal opportunities policy and regard this as a commitment to make full use of the talents and resources of all our employees.
- Developing our staff – We 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			Total	%
	Board	Senior Management	Other Staff		
Gender					
Female	–	1	85	86	31.2
North America	–	–	13	13	
Europe	–	1	38	39	
Asia and ROW	–	–	34	34	
Male	6	3	181	190	68.8
North America	2	2	27	31	
Europe	4	1	79	84	
Asia and ROW	–	–	75	75	
Total	6	4	266	276	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. There have been no fatalities or reportable incidents for the previous five years.

We map our Group against the following of the UN's Sustainable Development Goals:

- (3) Good health and well-being – we actively encourage good health for employees – ranging from providing a safe working environment to providing good health at work through provision of fruit, offering standing desks and subsidising gym membership.
- (8) Decent work and economic growth – we run a university partnership scheme in our development centre in Finland to encourage development of individuals leaving education, as well as relying on a number of university graduates in our India office to work on the product development and support. This promotes knowledge sharing across seniority and encourages diversity in the workplace. Our Company growth generally contributes positively in the locations in which we operate – often tracking ahead of the long-term economic growth rates observed in those countries.
- (9) Industry, innovation and infrastructure – we promote innovation and growth as a market leader. We invest in new product developments and integrations and work closely with our customers in order to develop products to slot seamlessly into their processes.
- (12) Responsible consumption and production – our products promote responsible consumption through the re-use of hardware.



Governance

Directors and Advisors	30
Directors' Report	32
Corporate Governance Report	34
Audit Committee Report	40
Remuneration Committee Report	45
Statement of Directors' Responsibilities	49





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 joined the Board in March 2017. He 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.

Registered office

Unit 6b
Vantage Park
Washingley Road
Huntingdon
Cambridgeshire PE29 6SR

Company number

05113820

Independent auditors

PricewaterhouseCoopers LLP
The Maurice Wilkes Building
St. John's Innovation Park
Cowley Road
Cambridge
CB4 0DS

Nominated advisor and joint broker

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

Joint broker

Panmure Gordon (UK) Ltd
One New Change
London EC4M 9AF

Bankers

HSBC
4th Floor, 120 Edmund Street
Birmingham B3 2QZ

Registrars

Computershare Investor Services
plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Lawyers

Goodwin Procter (UK) LLP
100 Cheapside
London
EC2V 6DY

Pinsent Masons
3 Colmore Circus
Birmingham B4 6BH

Financial public relations

Buchanan
107 Cheapside
London EC2V 6DN
85 Fleet Street
London EC4Y 1AE

Financial advisor

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

Company Secretary

Lorraine Young Company
Secretaries Limited
Unit 6b
Vantage Park
Washingley Road
Huntingdon
Cambridgeshire PE29 6SR

Directors' Report

The Directors present their report together with the audited consolidated financial statements for the year ended 30 June 2019.

Strategic Report

In accordance with sections 414A-D of the Companies Act 2006 a Strategic Report is set out on pages 1 to 27 which incorporates the Chair's Statement, the Chief Executive's Report, the Chief Financial Officer's Report and Business Model. The Strategic Report includes details of expected future developments in the business of the Group, principal risks and uncertainties and the 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 45 to 48 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 2019 are set out from page 58. The Group profit for the year after taxation was £0.9 million (2018 restated: £0.1 million). The future plans for the business are such that the Board anticipates continued investment into the business that will require cash resources to be deployed into opportunities for future growth. As such, the Board has decided that it is not appropriate to pay a dividend for the time being.

Directors

Biographical details of the Directors are set out on page 30.

The Directors of the Company who served during the year and up to the date of signing were as follows:

F Blin
M C Jones
A P Moloney (appointed 23 July 2018)
P G Rogerson
T K Skelton
R S L Woodward

S E Herrick resigned on 23 July 2018.

Rob Woodward 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 48.

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 31 to the financial statements.

Share Capital

The issued share capital of the Company at 30 June 2019 was £1,303,952.78 comprised of 65,197,639 ordinary shares of two pence each ("ordinary shares"). During the year (on 2 January 2019) 1,208,373 ordinary shares were issued to satisfy the deferred consideration for the acquisition of Tabernus LLC and Tabernus Europe Limited.

On 15 July 2019, a further 9,311,264 ordinary shares were issued. Of these, 8,000,000 ordinary shares were issued at a price of 125p per share following a placing and the remaining 1,311,264 ordinary shares were issued as part of the consideration for the acquisition of Inhance Technology. Following these allotments, the issued share capital of the Company was £1,490,178.06 comprised of 74,508,903 ordinary shares.

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 23 September 2019, the following shareholders owned more than 3% of the issued share capital of the Company:

	% of issued share capital	Number of shares
Soros Fund Management	18.32	13,651,003
M&G Investment Management/ Prudential plc Group of companies	15.16	11,302,515
Forager Funds Management Pty Ltd	9.27	6,908,711
Canaccord Genuity Group Inc	9.22	6,869,479
JO Hambro Capital Management	7.08	5,276,708
Schroder Investment Management	6.33	4,178,228
Janus Henderson Investors	5.21	3,880,043
William Christopher Currie	3.42	2,550,000
The Blancco Employee Benefit Trust	3.05	2,275,442

Going Concern

As highlighted in note 22 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 16 to 17. Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facility are described in the Chief Financial Officer's Report on pages 18 to 21. In addition, note 26 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 relationship with HSBC is good and the Group reasonably expects it should be able to enter into a new facility upon expiry should it continue to require a level of debt to execute its strategic objectives. 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 it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Post Year End Events

These are detailed on page 21.

Annual General Meeting

The Company's 2019 AGM will be held at 2 pm on Thursday 12 December 2019 at The Old Bridge Hotel, 1 High Street, Huntingdon, Cambridgeshire, PE29 3TQ. The notice of meeting with an explanation of the business to be transacted can be found on pages 110 to 115 of the Annual Report.

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 26.

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as independent auditors will be proposed at the AGM.

Disclosure of Information to the Auditors

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 auditors are 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 auditors are 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

23 September 2019

Corporate Governance Report



Rob Woodward | Chair

Corporate Governance Statement from the Chair

During the last financial year, the Board has reviewed the Company's corporate governance arrangements, as the AIM rules were updated in 2018 to require companies whose shares are traded on that market to state which corporate governance code they follow and to provide a corporate governance statement on their website. We had previously followed the UK Corporate Governance Code, published by the Financial Reporting Council. However, the Board has now decided to adopt the Quoted Companies Alliance Corporate Governance Code (2018) ("the QCA Code"), believing this to be more appropriate for Blancco. This does not mean that we are any less committed to observing high standards of corporate governance but rather that the Board believes that the QCA Code provides greater flexibility and is more relevant to Blancco's circumstances.

This is the first year we have disclosed under the QCA Code. Information about how the Company has applied the ten principles from the QCA Code follows this statement. The Board considers that the Company complies with the QCA Code.

In my role as Chair, I lead the Board's deliberations on governance matters and work with the rest of the Board and the Company Secretary to promote good governance across the Group. I am also responsible for the effective running of the Board, including ensuring that the Board has open debate on appropriate matters, in which all Directors are encouraged to participate. This debate should be based on clear, timely and good quality information. Where we agree to make changes to our governance arrangements, I take responsibility to make sure the agreed actions are completed. More information about my role is given under principle 9 below.

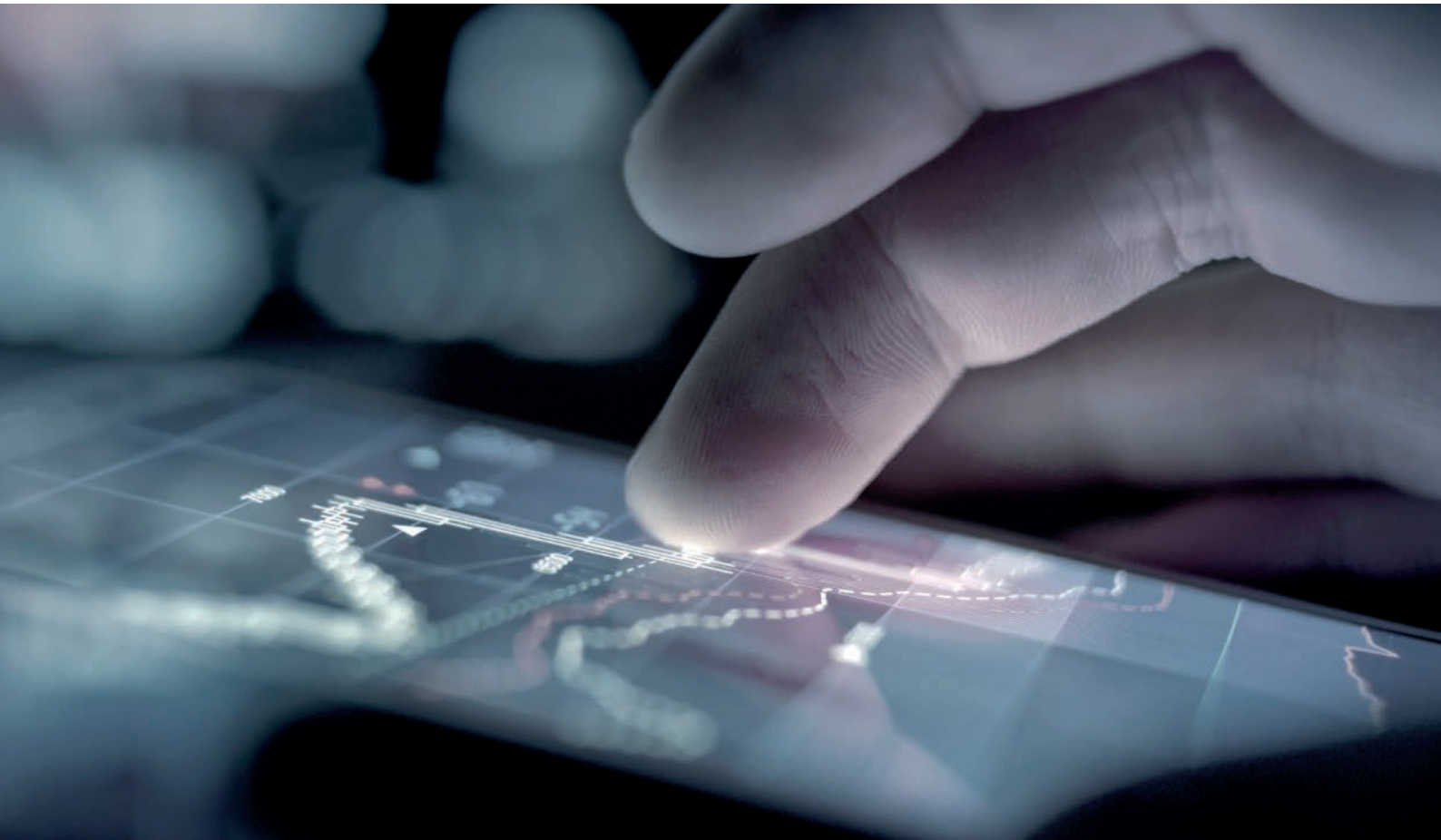
Each year the Company reviews its governance arrangements and this year has been no exception.

As part of this year's Board effectiveness review, I considered the composition of the Board, with the Nominations Committee. For the first time, we carried out a skills audit of the Board. Although the Board overall has a good mixture of skills and experience to support the business in the pursuit of its strategy, we have for some time acknowledged the need for greater diversity, particularly gender diversity. The Directors will seek to address this when making future appointments to the Board. At the point when we

next welcome a new member to the Board it will give us the chance to ensure our induction process is up-to-date and provides all of the information which a new Director will need, together with the opportunity to meet key people, both inside and outside the organisation, so that they can better understand our business, key goals and objectives.

The other aspects of governance which the Board has particularly considered during the year are the Company's culture and values and engagement with stakeholders.

The Chief Executive led an initiative with the executive team and participation from employees across the Group, to set the Company's vision, mission and values. The Board was invited to comment on these before they were launched throughout the organisation. Further information on them is given on the Company's website. The Board has also been considering who are the Company's key stakeholders and how it can best engage with them. In addition, taking account of good business practice, the Board has begun to look at the way in which Blancco acts as a responsible corporation in terms of issues such as the environment and the communities in which it operates. More details are on pages 26 to 27 in the



Corporate Responsibility Statement. The review of stakeholder engagement and corporate responsibility are expected to continue during the current financial year and a further update will be provided in next year's annual report.

Our engagement with our shareholders has continued. I wrote to our largest investors last autumn, offering to meet them to discuss our governance arrangements and any other issues they wished to address. Meetings were held with four institutions as a result and I shall be extending the same invitation this year. We also communicate with our major investors about any proposed changes to Executive Director remuneration. Our CEO and CFO continue to meet investors at the time of the full and half year results announcements and I attend the analysts' briefing. In June this year, we also held a Capital Markets Day which I attended.

The opportunity for retail investors to attend the AGM and ask questions was taken up by a number of individuals in 2018 and the CEO also provides them with a brief business update at the meeting. This opportunity will again be available in 2019. We have made significant improvements to the investor section of the website which will continue to be kept under review to ensure it is up-to-date and informative. We also reviewed the Annual Report both on paper and online with a view to improving our communication with shareholders via these channels.

During the year, in addition to the above, we reviewed our governance framework and documentation. The list of matters reserved to the Board for decision and the terms of reference for each of the Board committees were reviewed and updated. No major changes were necessary. The Board also reviewed and made minor changes to its policies on inside information and share dealing for Directors and senior managers, which are in place to ensure the Company complies with its obligations under the Market Abuse Regulation. We also undertook a board effectiveness review, which I referred to earlier. Further details of the process we undertook and the outcomes are given under principle 7 below.

In conclusion, all of the Directors take seriously their obligations to act in good faith to promote the success of the Company for the longer term and we strive to provide the right support and challenge for the Executive team to deliver outstanding performance at an exciting stage in the Company's growth and development. This is done while maintaining appropriate checks and balances to ensure risk is properly managed and that there is no compromise in adhering to our corporate culture and values.

Rob Woodward
Chair

23 September 2019

Corporate Governance Report continued

The following statement describes how Blancco has applied the ten principles in the QCA Code during the past year. The full version of this statement can be found under the investor section of the Company's website (www.blancco.com). The QCA Code recommends that certain disclosures appear in the Annual Report and others appear on the website. Where more information is provided on the website, this is indicated in the statement below.

Deliver Growth

Principle 1: Deliver a strategy and business model which promote long-term value for shareholders

The Company's strategy and business model, the challenges faced by the business in executing them and how those challenges are being addressed, are described on pages 12 to 14 of the Annual Report. The Board has a discussion on strategy in May each year with the senior management team, following deliberations by the executive. This is part of a two-day Board offsite meeting. In 2018, this resulted in the Company's strategy being articulated afresh under the new CEO and in 2019 the strategy remains on track, with some minor alterations to reflect changes in the markets in which we operate and the initiatives we took during the year.

The Board receives regular updates from members of the senior management team about progress in delivering the strategy and will, from time to time, invite individuals to present to the Board so that Directors can understand and discuss various aspects of the business model, providing support and challenge from their skills and experience.

During the last financial year, the Board provided feedback to the executive on the proposed relaunch of the Group's mission, vision and values, which are being rolled out across the Group.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Company seeks to engage with shareholders in a number of ways. These are described in the full version of the governance statement which is on the Company's website.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

As the executive team reviews the Group's strategy from time to time, they consider the key resources and relationships which are essential to the ongoing success and growth of the business in light of the evolution of the technology, products and services offered, the markets in which the business operates and the competitor landscape among other things. Their conclusions are shared with the Board. Further information on the Company's stakeholders and how the Board takes their views into account is given on the Company's website.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

During the year, as part of the review of strategy and the updating of the Group's business plan, the executive team has refreshed the assessment of the opportunities and risks facing the Group and produced an updated risk analysis and matrix, which lists the key risks faced by the Group, their likelihood and impact and what is being done to mitigate them.

The Board considers this high level analysis as a regular agenda item at least twice each year and on other occasions if something significant has changed which requires reconsideration of the risks the business faces. The executive team also reviews the risk analysis quarterly.

The Audit Committee reviews the risk management and internal control framework at least annually and reports to the Board on its effectiveness, with any recommendations for improvements.

A list of the key risks facing the Group, with the actions taken to mitigate them, can be found in the Strategic Report.



Maintain a Dynamic Management Framework

Principle 5: Maintain the board as a well-functioning, balanced team led by the Chair

The Board considers that each of the Non-executive Directors is independent. The Executive Directors are both employed by the Company on a full time basis. All of the Non-executive Directors demonstrate the commitment to their roles which is expected of them and give sufficient time to carry out their duties properly.

Information on the roles and duties of the Chair, CEO, Non-executive Directors and the Company Secretary is given under principle 9 below. The time commitment for the Chair is approximately one day per week. The time commitment for the other Non-executive Directors is approximately two/three days per month.

The table below shows the number of Board and Committee meetings held during the financial year to 30 June 2019 and the attendance record of each Director.

	Board		Audit Committee		Remuneration Committee		Nominations Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Frank Blin	15	14	4	4	4	4	3	3
Adam Moloney	14	14	–	4*	–	3*	–	2*
Matt Jones	15	15	–	4*	–	3*	–	3*
Philip Rogerson	15	14	4	4	4	4	3	3
Tom Skelton	15	14	4	4	4	4	3	2
Rob Woodward	15	15	4	4	4	4	3	3
Simon Herrick	1	1	–	–	–	–	–	–

*Attended by invitation

Simon Herrick resigned on 23 July 2018. Adam Moloney was appointed on the same date.

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

Corporate Governance Report continued

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The names of the Directors who served during the year are given in the Directors' Report on page 32. Brief biographical details of each Director are set out on page 30. The Directors come from diverse backgrounds and have a wide range of experience. Three of them have served as CEOs in public companies and all have experience of running businesses and/or advising business owners and leaders, some of which was carried out with international organisations. In their other roles, they have contributed to the development of strategy and handled M&A and other corporate finance transactions. Several have dealt successfully with turnaround situations as well as business growth. Four of the Directors have extensive experience in the technology (including cybersecurity) and related sectors. Three are accountants and several have served on listed company boards (including as Chair) for many years, bringing a good breadth of corporate governance knowledge.

Each year the Board receives an update on the AIM rules from the Company's nomad. As part of the strategy review sessions and at other times during the year, the Board is given presentations by members of the leadership team on various aspects of the business. During the year the Board also attended presentations by two of the Group's key business customers. The Company Secretary provides a regular update to the Board on relevant legal and governance matters and the external Auditors provide information about changes to accounting standards and developments in financial reporting.

The Remuneration Committee has appointed Deloitte to advise it on market practice and investor relations in respect of remuneration matters.

Details of the Company's other retained professional advisers are given on page 31 of the Annual Report.

The Company Secretary provides advice to the Board and Committees as well as to individual Directors as required. She supports the Chair on matters of corporate governance and the running of the Board and Nominations Committee. A full role description for the Company Secretary can be found on the Company's website.

Philip Rogerson is the Senior Independent Director (SID) and a role description for this position is on the Company's website. During the year the SID carried out a review of the performance of the Chair. He is also available to engage with investors if they prefer this route to the normal channels of communication. Any engagement with shareholders is reported to the Board either immediately or at the next following Board meeting, as appropriate.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board carries out a regular (usually annual) effectiveness review using questionnaires. The questions are updated each year. This year the responses to the questionnaire were sent to the Company Secretary. The results were reviewed by the Company Secretary with the Chair, then presented to the whole Board.

The Board agreed a number of actions as a result of the review, which were tracked and progress reported at each subsequent Board meeting.

Further details of the review are given on the Company's website.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

A description of how the Board has applied this principle is given in the Chair's Corporate Governance Statement above and more information is on the Company's website.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is made up of six Directors, two of whom are Executive and four of whom are Non-executive. All of the Non-executive Directors are independent. The Board has an Audit Committee, chaired by Dr Frank Blin, a Remuneration Committee chaired by Philip Rogerson and a Nominations Committee chaired by Rob Woodward. All of the Non-executive Directors are members of these committees. The Executive Directors and others may be invited to attend the Committee meetings from time to time.

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.

The CEO, with the senior management team, is responsible for running the business, developing Group strategy having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders. He is also responsible for delivery of the successful achievement of objectives and execution of strategy following presentation to, and approval by, the Board, optimising the use of the Group's resources.

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.

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.

The Company Secretary is responsible for advising the Board on corporate governance matters, supporting the Board and Committee chairs in the running of the Board and Committees and liaising with shareholders on governance matters, among other things.

Further information, including links to role descriptions for the Board, the list of matters reserved to the Board and the terms of reference for the Board Committees can be found on the Company's website.

The Board considers that the current governance framework is fit for purpose for the Company at its present stage of development and there are no current plans to change it.

Build Trust

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The work of the Audit and Remuneration Committees during the year is given in their respective reports.

The report of the Audit Committee is on pages 40 to 44.

The report of the Remuneration Committee is on pages 45 to 48.

During the year, the Nominations Committee considered the results of the skills audit and the composition of the Board in light of this. It also discussed succession planning. As noted above, the Directors will seek to address the issue of gender diversity when making future Board appointments.

The skills audit showed that the Directors do have between them a wide range of skills and experience which is sufficient for the needs of the Company at the current time. This will be kept under review as the business grows.

Information about the disclosure of AGM voting and publication of the Annual Report can be found on the Company's website.

Audit Committee Report

Key Areas of Focus During the Year

During the 2019 annual cycle, the Audit Committee met three 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 which the Committee chooses to focus on.

The Audit Committee primarily focuses 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 Board.

Auditor's Independence

The Group's auditors are PricewaterhouseCoopers LLP (PwC). PwC were appointed auditors at the 2017 Annual General Meeting. 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 2019 financial year.

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 attend 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, 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 2019.

With respect to changes in accounting standards which are material for the Group, the Audit Committee has reviewed the impact of changes to accounting standards which have materially impacted on the financial statements. These include the transition to IFRS15, Revenue from Contracts with Customers (replacing IAS 18, Revenue) and IFRS9, Financial Instruments (replacing IAS 39, Financial Instruments: Recognition and Measurement). Additionally, they have reviewed the impact of the change for IFRS16, Leases (replacing IAS 16, Leases) which will have a material impact on the financial statements for the year ending 30 June 2020.

A prior year adjustment has been presented which quantifies the impact of the change in standards, as presented in note 1.2. The Committee has considered the implementation of the new standards and held discussions with the auditor in order to ensure this is accurately reflected in the financial statements and associated disclosures. Further details on the transition to IFRS15 are provided below as they linked with revenue recognition as a significant risk. The details provided on the IFRS9 transition are presented in the notes to the accounts and the Audit Committee does not assess this to contain a significant risk of judgement or misstatement.

The Audit Committee further reviewed the accounting for the Inhance acquisition which completed after the year end. As agreed with the external auditors, the Committee did not consider this to be a key risk of material misstatement, but acknowledged the elevated risk associated with the disclosure given both the significance of the transaction, and the judgements required particularly in measuring the fair value of the assets and liabilities acquired. The Committee reviewed management's approach to valuing the assets and liabilities acquired including the methodology and assumptions used in valuing the intangible assets, which rely on future forecasts of the acquired business, and also the extent to which previously non-recognised or contingent liabilities should be recognised. Management's assumptions were challenged and corroborated to third party reports at the point of acquisition to ascertain the existence of liabilities. The Committee assessed the quantum of these liabilities to have been reasonably measured given the evidence available and the close proximity between the acquisition date and approval of the financial statements. The Committee and the external auditors agree that management should use the 12-month hindsight period, as permitted by IFRS3, to reassess the acquired value of the assets and liabilities recognised, at which time further information about their value can be more reliably established.

Internal Audit

On a periodic basis, the Committee discusses the requirement for the Group to have an internal audit function. The Committee believes that the existing control framework, reporting from management, and work performed by the external auditor is sufficient for the size and complexity of the business, and there are therefore no current plans to appoint an internal auditor.

Revenue Recognition

The Group enters into contracts where revenue recognition can be complex. During the year, the Group transitioned to IFRS15. The transition is inherently risky, as it requires a one-time retrospective assessment of a large volume of transactions (rather than a revenue recognition decision being made on a case-by-case basis at the point of invoicing) and the move to IFRS15 has had a material impact on the Group's financial statements, further detail of which is provided in note 1.2.

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.
- The criteria for revenue recognition have changed.

Judgement is required in establishing the transfer of control under IFRS15. This is particularly pertinent for multiple element contracts where certain deliverables could be inherently tied to others and that this judgement could vary on a contract-by-contract basis. There are further judgements made in regard to the point at which delivery has occurred where licences are held on a cloud account managed by Blancco, and with regard to the allocation of the transaction price to separable performance obligations of a revenue contract.

Judgement is required to determine whether the conditions for recognising revenue for any particular contract under the Group's new accounting policies have been met.

The accounting policies of the Group, including the impact of transition to IFRS15, are outlined in note 1.10 to the accounts.

Management has documented the steps they have taken through the IFRS15 transition process, which included:

- The requirements of revenue recognition under IFRS15.
- The overall impact on each of the Group's revenue streams, principally focused on the difference between volume and subscription contracts.
- The judgement areas involved in establishing the new accounting policy.
- The level of work performed over contracts in the previous financial year and prior.
- How the policy conversion has been performed.
- How management has communicated the change in policy to the finance teams as well as other departments in the business.

Audit Committee Report continued

With respect to revenue recognition on specific contracts, management highlighted to the Committee how it 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 ended 30 June 2019.

The Committee's review includes continued scrutiny of controls following the FRC review undertaken in the prior year. The related areas of focus are discussed both with management and the independent auditor in order to make an assessment on the design and effectiveness of controls in place around revenue recognition.

The Committee's deliberations involved considering and understanding the outcome of management's review of material contracts on an individual basis, both in the current year and the transitional period, to ensure there was sufficient evidence for both meeting the revenue recognition criteria under IFRS15 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 was satisfied that there was a reasonable basis for the revenue recognition assessments, there was an expectation that the revenue recognised will be collected in full and that the accounting treatment adopted was reasonable.

The Committee concluded that:

- In respect of the transition to IFRS15, this has been performed in line with the accounting standards and fairly presented in the financial statements.
- In respect of management's judgements in the setting of a new revenue recognition standard, these judgements were reasonable.
- In respect of the software and services element arrangements, the basis used was based on contract terms and the treatment adopted by management was reasonable.
- In respect of nature and timing of delivery of software, the point of transfer of control was reasonably recorded.
- 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

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. The Board is in constant communication with management and requests updates on the state of the control environment, in order to be comfortable that risks are mitigated as far as practicable. This focus has been 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 scope of work of the auditor has been sufficient to test for material weaknesses in the control environment, and that the prevalence of weakness is at a reasonable level.
- The Group's control environment including the controls over revenue management provides an appropriate level of coverage and review over revenue contracts.
- Management's oversight of its operating locations covering accounting, banking and operational matters is reasonable.
- The Group's systems are appropriate for the business.

Carrying Value of Goodwill and, for the Company, Recoverability of 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.

Furthermore, estimation uncertainty exists in assessing the appropriate level of loss provision on amounts due from subsidiaries for the parent company, considering the lack of historical evidence available within the Group.

With respect to the carrying value of goodwill, the Committee has acknowledged that in recent years the headroom of future cash flows 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 it 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 2020.
- 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 assumptions through the budgeting process and in its assessment of the net present value of future cash flows into the medium term, 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 sufficient headroom existed.

The Committee reviewed the basis of calculation of loss provision as required under IFRS9, being with respect to default rates on bonds, and concluded this was an appropriate benchmark.

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

- In respect of the recovery of goodwill, impairment testing and sensitivity analysis indicated continuing satisfactory levels of headroom on goodwill.
- The pertinent sensitivities have been sufficiently documented in the Annual Report.
- In respect of the recoverability of amounts due from subsidiaries, the loss allowance applied was appropriate based on management's benchmarking, and impairment testing and sensitivity analysis thereon indicated evidence of recoverability was otherwise sufficient.

Audit Committee Report continued

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. During the year, the Group has made a significant investment in acquiring a piece of intellectual property from a third party, which is currently in the process of being integrated with the Group's existing technology.

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 or asset meets the criteria for capitalisation.
- Inappropriate allocation of staff time between research and administration, which does not qualify for capitalisation, and development work.
- Impairment of capitalised assets which depends on future cash flows.
- Development of new technology or acquired assets may render previously capitalised assets obsolete.

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

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 and acquired IP, including scrutiny of budget, and assessment of contracted future revenues and the pipeline of new business.
- Review of internal due diligence performed with respect to the acquired IP.
- 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 acquisition of IP from a third party, there was sufficient evidence to substantiate the potential value of the IP to future sales growth and profitability.
- In respect of the presentation of the acquired IP as an asset in the course of construction, this assessment was reasonable.
- In respect of potential impairment, future cash flows sufficiently supported each category of asset.
- 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.

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 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 2019, 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 49.

Frank Blin
Chair of the Audit Committee

23 September 2019

Remuneration Committee Report

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 38.

Remuneration Policy

The Group operates in a highly competitive global environment. For the Group to continue to compete successfully, it is essential that the level of remuneration and benefits offered is reflective of the market in each location in order to 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.

Last year was a year of change for Blancco. Following the appointment of Matt Jones as our new Chief Executive Officer in March 2018, we appointed a new Chief Financial Officer, Adam Moloney in July 2018, as well as recruiting other members of the Executive team during the year. A new three-year strategic plan was developed which was presented to shareholders in September 2018. Our strategy outlines a number of key investments focusing on technical innovation and our distribution capabilities which has positioned Blancco for future growth.

As we move forward and look to build on the work completed over the last year, the Committee has undertaken a thorough review of our Executive Director remuneration framework to ensure it appropriately supports the delivery of our new strategic objectives while rewarding management for the creation of long-term value for our shareholders.

A large part of our business and management team, including the CEO, are based in the US where the market for pay is very different and the quantum offered is often higher than in the UK. As part of our review we have considered this to ensure that we continue to pay at a level which enables us to recruit and retain the executives required to execute the strategy and deliver value for shareholders while continuing to reflect market practice and shareholders' expectations in the UK where we are listed.

As a result of this review the Committee has made changes to the remuneration for Executive Directors which are summarised below.

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 awards under the Performance Share 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 and location.

Matt Jones' salary was increased from US\$375,000 to US\$393,750 per annum (5% increase) on 1 July 2019. The Committee considered that this increase was appropriate to reflect Matt's performance as well as the increasing scope of his role as the Company grows in complexity. The Committee has agreed to increase Adam Moloney's salary from £230,000 to £236,900 per annum (3% increase) with effect from 1 October 2019 to reflect his performance.

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.

Remuneration Committee

Report continued

PENSIONS

The Group makes defined contributions into individual pension plans. The CEO receives a pension contribution of 4% of base salary. The CFO receives a pension contribution of 4% of base salary. The amounts payable in the financial year are set out in the Directors' emoluments table on page 48.

ANNUAL BONUSES

Annual bonuses for the Executive Directors are typically 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.

Operation for the year ending 30 June 2019

For the year ending 30 June 2019 the CEO's maximum bonus was 100% of salary and the CFO's bonus was 60% of salary. The annual bonus was based on stretching targets in respect of invoiced sales, subject to a minimum level of adjusted operating profit being achieved. Invoiced sales increased by 16% to £31.5 million on a constant currency basis which was close to maximum performance. The minimum level of adjusted operating profit was significantly exceeded and given the exceptional performance over the year the Committee agreed to award both the CEO and CFO a bonus of 100% of the maximum opportunity. Details of the amounts payable are set out in the table on page 48.

Operation for the year ending 30 June 2020

Following its review of remuneration during the year the Committee has changed the structure of the annual bonus for the year ending 30 June 2020. In order to drive strong Group financial performance, the Committee has introduced an additional element into the annual bonus for the achievement of superior performance above that which is currently required to deliver the maximum payout (the "kicker"). The operation of the "kicker" will enable participants to earn up to 125% of their core annual bonus opportunity for delivering exceptional levels of performance.

The CEO's core bonus will remain 100% of base salary per annum (maximum of 125% of salary including the "kicker"). The CFO's core bonus will increase to 100% of salary (125% of salary including the "kicker") to more closely align with market practice for a company of our size and complexity.

For the year ending 30 June 2020 the annual bonus will be based on 2/3 revenue targets and 1/3 personal objectives, subject to a minimum level of attainment on adjusted operating profit. Personal objectives for the CEO relate to driving the long-term strategy, building a strong employee culture, product initiatives and financial metrics and for the CFO relate to driving the long-term financial strategy, communication of financial information, acquisition integration and continuous improvement of the finance function.

BLANCCO PERFORMANCE SHARE PLAN

The Company has in place a 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 be reflective of market conditions in their location.

The awards to Executive Directors will 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.

Operation for grants made in the year ended 30 June 2019

On 5 November 2018 Matt Jones was granted an award over 407,455 ordinary shares of 2p each in the Company in the form of conditional shares under the Plan. This corresponded to 150% of salary. On 25 July 2018 Adam Moloney was granted an award over 302,632 ordinary shares of 2p each in the Company in the form of conditional Shares under the Plan. This corresponded to 100% of salary.

These awards shall vest based 50% on invoiced revenue and 50% adjusted operating cash flow. These measures were selected to support the delivery of long-term success of the business and increasing value for shareholders. Performance will be assessed based on outcomes for the year ended 30 June 2021 against the following targets, and will vest upon completion of the financial accounts for that year.

Measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Invoiced revenue	50% weighting	£36.1m	£38.1m	£40.0m
Adjusted operating cash flow	50% weighting	£4.9m	£5.1m	£5.3m

The targets are measured in terms of constant currency to allow for the participant to neither benefit from, or be hindered by, currency movements.

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

OPERATION FOR GRANTS MADE IN THE YEAR ENDING 30 JUNE 2020

An award of 130% of base salary will be made to the CEO during the year ending 30 June 2020. An award of 60% of base salary will be made to the CFO during the year ending 30 June 2020. It is intended that these awards will be based one-third on Revenue, one-third on adjusted operating profit and one-third on adjusted operating cash flow.

For grants made from the year ending 30 June 2021 onwards the PSP award for the CEO will be set at 130% of salary and the PSP award for the CFO will be 60% of salary. The Committee considers that this level of award is appropriate to reflect the Group's recent performance both from a growth and profitability perspective but also to ensure we continue to remain competitive in key geographies from which we source talent, particularly the US.

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 be retained 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 2019, the total number of shares for which awards had been granted represented 4.7% of the Company's issued share capital.

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.

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 2019.

Remuneration Committee Report continued

Audited details of the Directors' emoluments are given below.

	Salary, fees, benefits 2019 £'000	Annual bonus 2019 £'000	Pension contributions 2019 £'000	Total 2019 £'000	Total 2018 £'000
Current Executive Directors					
Matt Jones	289	289	12	590	140
Adam Moloney	218	138	9	365	–
Former Executive Directors					
Patrick Clawson	–	–	–	–	106
Simon Herrick ¹	24	–	–	24	505
	531	427	21	979	751
Non-executive Directors					
Frank Blin	48	–	–	48	48
Rob Woodward	95	–	–	95	95
Tom Skelton ²	51	–	–	51	49
Philip Rogerson	48	–	–	48	48
	242	–	–	242	240
Total	773	427	21	1,221	991

¹ Simon Herrick's fees were paid to Eton Bridge Limited and included costs for his services as Interim Chief Financial Officer and Interim Chief Executive Officer.

² 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 2019 and their connected parties in the ordinary share capital of the Company are as shown in the table below.

	As at 30 June 2019 Number	As at 30 June 2018 Number
Executive Directors		
Matt Jones	18,000	–
Adam Moloney	18,000	N/A
Non-executive Directors		
Frank Blin	37,893	27,893
Philip Rogerson	17,500	17,500
Tom Skelton	27,500	27,500
Rob Woodward	42,134	23,911

Signed on behalf of the Remuneration Committee

Philip Rogerson
Chair of the Remuneration Committee

23 September 2019

Statement of Directors' Responsibilities

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.

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.

On behalf of the Board

Adam Moloney
Chief Financial Officer

Financials

Independent Auditors' Report	52
Consolidated Income Statement	58
Consolidated Statement of Comprehensive Income	59
Consolidated Balance Sheet	60
Consolidated Statement of Changes in Equity	61
Consolidated Cash Flow Statement	62
Notes to the Accounts	63
Company Balance Sheet	102
Company Statement of Changes in Equity	103
Notes to the Company Accounts	104

OTHER INFORMATION

Notice of AGM	110
Glossary	116
Shareholder Notes	118
Locations	IBC





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 2019 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 2019; 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: £305,000 (2018: £275,000), based on 1% of revenues.
- Overall Company materiality: £182,700 (2018: £245,000), based on 1% of total assets.
- Audit procedures provide coverage of 79% of the Group's revenues.
- Audit scope covers five countries performing procedures over ten legal entities.
- Four financially significant components in the UK, the USA, Japan and Germany.
- 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
<p><i>Revenue recognition</i></p> <p>The timing of software-based revenue recognition is inherently complex, and the Group has implemented IFRS15 "Revenue from contracts with customers" on a fully retrospective basis in the year. 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.</p> <p>In particular, 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.</p> <p>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.</p> <p>Group</p>	<p>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 were consistent with accounting standards and had been applied consistently following the implementation of IFRS15 "Revenue from contracts with customers" in the Group's financial statements. 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 classified appropriately as a volume or subscription sale, and the revenue had been recognised appropriately and in the correct period.</p> <p>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.</p> <p>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.</p>

Independent Auditors' Report continued

to the members of Blancco Technology Group Plc

Key audit matter	How our audit addressed the key audit matter
<p><i>Carrying value of goodwill, and for the Company, recoverability of the amounts due from subsidiaries</i></p> <p>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.</p> <p>Similarly for the parent company, the recoverability of amounts invested in or due from subsidiaries is considered to be a significant audit risk.</p> <p>Group and parent</p>	<p>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.</p> <p>We considered:</p> <ul style="list-style-type: none"> – 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. <p>We also performed sensitivity analysis around the key assumptions including the revenue growth and discount rates used within the cash flow forecasts.</p>
<p><i>Capitalisation of development costs</i></p> <p>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 £2.6 million of internal development expenditure within intangible assets and had a net book value of £5.1 million of capitalised development expenditure at 30 June 2019. We focused 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:</p> <ul style="list-style-type: none"> – the appropriateness and support for the costs capitalised; and – the likelihood of the project delivering sufficient future economic benefits. <p>Group</p>	<p>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.</p> <p>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.</p> <p>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.</p>

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 focused on the development and sale of data erasure and device diagnostic services, comprised of 27 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 27 legal entities, we identified four legal entities covering the UK, the USA, 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 six legal entities covering the UK, the USA and Finland. 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 79% 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	£305,000 (2018: £275,000).	£182,700 (2018: £245,000).
How we determined it	1% of revenues.	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.

Independent Auditors' Report continued

to the members of Blancco Technology Group Plc

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 £288,800 and £15,200. 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 £15,200 (Group audit) (2018: £13,750) and £15,200 (Company audit) (2018: £13,750) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

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 12 months from the date when the financial statements are authorised for issue.

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

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

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 2019 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 in respect of the financial statements, 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
23 September 2019

Consolidated Income Statement

for the year ended 30 June 2019

	Note	Year ended 30 June 2019 £'000	*Year ended 30 June 2018 £'000
Revenue		30,519	26,923
Cost of sales		(1,533)	(1,084)
Gross profit		28,986	25,839
Administrative expenses and depreciation		(28,924)	(26,633)
Operating profit/(loss)		62	(794)
Acquisition costs	5	486	2
Exceptional (income)/costs	5	(630)	1,366
Amortisation of acquired intangible assets		2,605	2,597
Share-based payments charge/(credit)	29	935	(255)
Adjusted administrative expenses		(25,528)	(22,923)
Adjusted operating profit		3,458	2,916
Finance income	9	71	781
Finance costs	9	(508)	(730)
Loss before tax		(375)	(743)
Taxation	10	33	162
Loss for the year		(342)	(581)
Discontinued operations			
Post tax profit from discontinued operations	7	1,252	696
Profit for the year		910	115
Attributable to:			
Equity holders of the Company		614	27
Non-controlling interests		296	88
Profit for the year		910	115
* restated – see note 1.2			
Earnings per share			
<i>Continuing operations:</i>			
Basic	11	(1.02 p)	(1.05 p)
Diluted	11	(1.02 p)	(1.05 p)
<i>Discontinued operations:</i>			
Basic	11	2.00 p	1.09 p
Diluted	11	1.96 p	1.09 p
<i>Total Group:</i>			
Basic	11	0.98 p	0.04 p
Diluted	11	0.96 p	0.04 p

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	Year ended 30 June 2019 £'000	*Year ended 30 June 2018 £'000
Profit for the year	910	115
Other comprehensive income/(loss) – amounts that may be reclassified to profit or loss in the future:		
Recycling of translation reserve on disposal of discontinued operations	–	(198)
Exchange differences arising on translation of foreign entities	1,246	73
Total comprehensive profit/(loss) for the year	2,156	(10)
Attributable to:		
Equity holders of the Company	1,770	(123)
Non-controlling interests	386	113
Total comprehensive profit/(loss) for the year	2,156	(10)

* restated – see note 1.2

Consolidated Balance Sheet

as at 30 June 2019

	Note	30 June 2019 £'000	*30 June 2018 £'000	*30 June 2017 £'000
Assets				
Non-current assets				
Goodwill	14	47,262	46,348	46,359
Other intangible assets	15	21,722	22,313	24,621
Property, plant and equipment	16	382	371	446
Deferred tax assets	27	626	670	888
		69,992	69,702	72,314
Current assets				
Inventory	18	91	99	142
Trade and other receivables	19	7,397	6,967	7,393
Current tax asset		–	101	–
Cash and cash equivalents	20	6,636	6,220	11,648
		14,124	13,387	19,183
Total assets		84,116	83,089	91,497
Current liabilities				
Trade and other payables	21	(9,163)	(7,406)	(10,245)
Contingent consideration	26	(278)	(2,044)	(1,726)
Current tax liability		(155)	–	(1,450)
Provisions	25	(787)	(63)	(386)
		(10,383)	(9,513)	(13,807)
Non-current liabilities				
Borrowings	22	(6,494)	(8,930)	(9,916)
Other payables	21	(979)	(281)	(281)
Contingent consideration	26	–	(156)	(2,418)
Deferred tax liabilities	27	(3,639)	(4,040)	(4,764)
Provisions	25	(332)	(1,981)	(2,035)
		(11,444)	(15,388)	(19,414)
Total liabilities		(21,827)	(24,901)	(33,221)
Net assets		62,289	58,188	58,276
Equity				
Called up share capital	28	1,304	1,280	1,280
Share premium account		10,397	9,152	9,152
Merger reserve		4,034	4,034	4,034
Capital redemption reserve		417	417	417
Translation reserve		4,606	3,450	3,600
Retained earnings		40,316	38,840	38,698
Total equity attributable to equity holders of the Company		61,074	57,173	57,181
Non-controlling interest reserve		1,215	1,015	1,095
Total equity		62,289	58,188	58,276

* restated – see note 1.2

The financial statements on pages 58 to 62 were approved by the Board of Directors and authorised for issue on 23 September 2019.

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 2019

	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 30 June 2017 as previously reported	1,280	9,152	4,034	3,600	35,304	1,042	417	54,829
Adjustment on initial application of IFRS9	–	–	–	–	75	–	–	75
Adjustment on initial application of IFRS15	–	–	–	–	3,319	53	–	3,372
Restated balance as at 30 June 2017	1,280	9,152	4,034	3,600	38,698	1,095	417	58,276
Comprehensive loss:								
Profit for the year	–	–	–	–	27	88	–	115
Other comprehensive loss:								
Recycling of translation reserve on disposal of discontinued operation	–	–	–	(139)	–	(59)	–	(198)
Exchange differences arising on translation of foreign entities	–	–	–	(11)	–	84	–	73
Total comprehensive loss	–	–	–	(150)	27	113	–	(10)
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	3,450	38,840	1,015	417	58,188
Comprehensive income:								
Profit for the year	–	–	–	–	614	296	–	910
Other comprehensive income:								
Exchange differences arising on translation of foreign entities	–	–	–	1,156	–	90	–	1,246
Total comprehensive income	–	–	–	1,156	614	386	–	2,156
Transactions with owners recorded directly in equity:								
Dividends paid to non-controlling interest	–	–	–	–	–	(190)	–	(190)
Reclassification of deferred consideration to equity instrument	–	–	–	–	1,317	–	–	1,317
Issue of shares	24	1,245	–	–	(1,269)	–	–	–
Acquisition of non-controlling interest without a change in control	–	–	–	–	(28)	–	–	(28)
Reserves transfer on acquisition of non-controlling interest	–	–	–	–	(4)	4	–	–
Share-based payment charge	–	–	–	–	846	–	–	846
Balance as at 30 June 2019	1,304	10,397	4,034	4,606	40,316	1,215	417	62,289

* restated – see note 1.2

Consolidated Cash Flow Statement

for the year ended 30 June 2019

	Note	Year ended 30 June 2019 £'000	*Year ended 30 June 2018 £'000
Profit for the period		910	115
Adjustments for:			
Profit from discontinued operations	7	(1,252)	(696)
Net finance expense/(income)	9	437	(51)
Tax income	10	(33)	(162)
Loss on disposal of property, plant and equipment	6	3	–
Depreciation on property, plant and equipment	6	180	202
Amortisation of intangible assets	6	2,508	2,332
Amortisation of acquired intangible assets	6	2,605	2,597
Share-based payments expense/(income)		935	(255)
Operating cash flow before movement in working capital		6,293	4,082
Acquisition costs		486	–
Exceptional (income)/costs		(630)	1,368
Adjusted EBITDA		6,149	5,450
Decrease in inventories		11	43
Increase in receivables		(325)	(237)
Increase/(decrease) in payables and accruals		2,337	(2,022)
Decrease in provisions	25	(63)	(163)
Cash generated from continuing operations		8,253	1,703
Acquisition costs payments		–	322
Exceptional payments		46	2,044
Adjusted operating cash flow		8,299	4,069
Interest received	9	1	14
Interest paid		(295)	(291)
Tax paid		(356)	(1,854)
Net cash generated from/(used in) from operating activities – continuing operations		7,603	(428)
Net cash outflow from operating activities – discontinued operations	7	346	(23)
Net cash generated from/(used in) from operating activities – continuing and discontinued operations		7,949	(451)
Cash flows from investing activities			
Purchase of property, plant and equipment		(196)	(162)
Purchase and development of intangible assets		(4,166)	(2,517)
Acquisition of subsidiaries, net of cash acquired	12	(796)	(1,095)
Net cash used in investing activities – continuing operations		(5,158)	(3,774)
Net cash generated from/(used in) investing activities – discontinued operations	7	102	(132)
Net cash used in investing activities – continuing and discontinued operations		(5,056)	(3,906)
Cash flows from financing activities			
Dividends paid to non-controlling interests		(190)	(240)
Repayment of borrowings	24	(2,450)	(1,000)
Payments made to acquire non-controlling interests	12	–	(110)
Net cash used in financing activities		(2,640)	(1,350)
Net cash used in financing activities – continuing and discontinued operations		(2,640)	(1,350)
Net increase/(decrease) in cash and cash equivalents		253	(5,707)
Other non-cash movements – exchange rate changes		163	279
Cash and cash equivalents at beginning of period		6,220	11,648
Cash and cash equivalents at end of period		6,636	6,220
Bank borrowings	24	(6,494)	(8,930)
Net cash/(debt)		142	(2,710)

* restated – see note 1.2

Notes to the Accounts

for the year ended 30 June 2019

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 31, whilst the nature of the Group's operations and principal activities are set out in the Business Model from page 12. These financial statements are presented in thousands pounds Sterling, which is the functional currency of the Company. Foreign operations are included in accordance with the policies set out in note 1.5.

1.1 Basis of Preparation

The consolidated financial statements of Blancco Technology Group Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and with the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value. The principal accounting policies adopted are set out below and have been consistently applied to all the years presented, unless otherwise stated.

Changes in Accounting Policies

The Group has adopted IFRS15, "Revenue from Contracts with Customers" and IFRS9, "Financial Instruments", retrospectively adjusting the comparative year to be reported under these standards. Further details are provided in note 1.2.

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:
IFRS16	Leases	1 January 2019

The application of IFRS16 "Leases" is mandatory for financial years commencing on or after 1 January 2019 and will be fully incorporated to the Group's financial statements for the year ending 30 June 2020. The distinction between operating and finance leases is removed and requirements are set out to recognise "right to use" assets and liabilities on the balance sheet. Under the new standard, the asset represents the "right to use" the leased item over the lease term and the liability represents the commitment to make future payments over the duration of the contract. The asset will be depreciated through the income statement, which contrasts with the outgoing standard where operating lease payments were expensed.

The standard will affect the majority of the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of £1.2 million. Included within this figure are short-term leases and leases with annual payments below a de minimis limit, which are not required to be brought onto the balance sheet, therefore the impact on operating expenses and depreciation as a result of the transition is expected to be lower than the full annual commitment. The standard also requires the Group to make a judgement on the length of lease agreements, considering any options to extend or terminate contracts in the process and the likelihood that these options will be taken. The Group has made an initial assessment over this judgement and expects that on the transition date of 1 July 2018, this will result in the recognition of an asset of approximately £1.4 million, a liability of approximately £1.5 million and an immaterial net profit impact in the year ended 30 June 2019.

The Group will adopt a fully retrospective approach which will result in a restatement of the 2019 financial statements, including opening balances, in the financial statements for the year ending 30 June 2020.

Notes to the Accounts continued

for the year ended 30 June 2019

1.2 Prior Period Adjustment

This is the first set of the Group's financial statements in which IFRS15 "Revenue from Contracts with Customers" and IFRS9 "Financial Instruments" have been applied. IFRS15, replacing IAS18 "Revenue", establishes a framework for recognising revenue on customer contracts including timing and value of recognition. IFRS9, replacing IAS 39 "Financial Instruments: Recognition and Measurement", sets out the requirements for measuring financial assets and financial liabilities.

The Group has retrospectively applied both standards and the financial statements for the financial year ended 30 June 2018, including opening balances, have been restated.

IFRS9 has not had a material impact on the Group's financial results, impacting only debtor provisioning. IFRS15 has had the impact of earlier recognition of revenue on subscription contracts; previously recognised over the term of the agreement under IAS18, but now recognised at the point at which the customer obtains control of the product (generally at the point of licence delivery). There has been no material change in the recognition of volume contracts, which, under both IAS18 and IFRS15, are recognised at the point of delivery.

A summary of the impact of the prior period adjustments on the consolidated income statement and the consolidated statement of cash flows for the year ended 30 June 2018, as well as the consolidated balance sheets as at 30 June 2018 and 30 June 2017 is as follows:

	Year ended 30 June 2018 As reported £'000	IFRS15 application £'000	IFRS9 application £'000	Year ended 30 June 2018 As restated £'000
Consolidated Income Statement				
Revenue	27,487	(564)	–	26,923
Adjusted operating profit	3,327	(460)	49	2,916
Operating loss	(383)	(460)	49	(794)
Loss before tax	(332)	(460)	49	(743)
Taxation	70	92	–	162
Loss for the period	(262)	(368)	49	(581)
Post tax profit from discontinued operations	696	–	–	696
Profit for the year	434	(368)	49	115

Consolidated Cash Flow Statement

for the year ended 30 June 2018

	As reported £'000	IFRS15 application £'000	IFRS9 application £'000	As restated £'000
Profit for the period	434	(368)	49	115
Adjustments for:				
Results of discontinued operations	(696)	-	-	(696)
Net finance income	(51)	-	-	(51)
Tax income	(70)	(92)	-	(162)
Depreciation on property, plant and equipment	202	-	-	202
Amortisation of intangible assets	2,332	-	-	2,332
Amortisation of acquired intangible assets	2,597	-	-	2,597
Share-based payments income	(255)	-	-	(255)
Operating cash flow before movement in working capital	4,493	(460)	49	4,082
Exceptional and acquisition costs	1,368	-	-	1,368
Adjusted EBITDA	5,861	(460)	49	5,450
Decrease in inventories	43	-	-	43
Decrease/(increase) in receivables	696	(884)	(49)	(237)
(Decrease)/increase in payables and accruals	(3,346)	1,324	-	(2,022)
Decrease in provisions	(163)	-	-	(163)
Cash generated from/(used in) continuing operations	1,723	(20)	-	1,703
Acquisition costs payments	322	-	-	322
Exceptional restructuring payments	2,044	-	-	2,044
Adjusted operating cash flow	4,089	(20)	-	4,069
Interest received	14	-	-	14
Interest paid	(291)	-	-	(291)
Tax paid	(1,854)	-	-	(1,854)
Net cash used in operating activities – continuing operations	(408)	(20)	-	(428)
Net cash used in operating activities – discontinued operations	(23)	-	-	(23)
Net cash used in operating activities – continuing and discontinued operations	(431)	(20)	-	(451)
Cash flows from investing activities				
Net cash used in investing activities – continuing and discontinued operations	(3,906)	-	-	(3,906)
Cash flows from financing activities				
Net cash used in financing activities – continuing and discontinued operations	(1,350)	-	-	(1,350)
Net decrease in cash and cash equivalents	(5,687)	(20)	-	(5,707)
Other non-cash movements – exchange rate changes	259	20	-	279
Cash and cash equivalents at the beginning of period	11,648	-	-	11,648
Cash and cash equivalents at end of period	6,220	-	-	6,220
Bank borrowings	(8,930)	-	-	(8,930)
Net debt	(2,710)	-	-	(2,710)

Notes to the Accounts continued

for the year ended 30 June 2019

Consolidated Balance Sheet

as at 30 June 2018

	As reported £'000	IFRS15 application £'000	IFRS9 application £'000	As restated £'000
Assets				
Non-current assets	69,702	–	–	69,702
Current assets				
Trade and other receivables	7,079	(236)	124	6,967
Other current assets	6,420	–	–	6,420
	13,499	(236)	124	13,387
Total assets	83,201	(236)	124	83,089
Current liabilities				
Trade and other payables	(10,064)	2,658	–	(7,406)
Other current liabilities	(2,107)	–	–	(2,107)
	(12,171)	2,658	–	(9,513)
Non-current liabilities				
Other payables	(1,752)	1,471	–	(281)
Deferred tax	(3,171)	(869)	–	(4,040)
Other non-current liabilities	(11,067)	–	–	(11,067)
	(15,990)	602	–	(15,388)
Total liabilities	(28,161)	3,260	–	(24,901)
Net assets	55,040	3,024	124	58,188
Equity				
Called up 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	3,463	(13)	–	3,450
Retained earnings	35,757	2,959	124	38,840
Total equity attributable to equity holders of the Company	54,103	2,946	124	57,173
Non-controlling interest reserve	937	78	–	1,015
Total equity	55,040	3,024	124	58,188

Consolidated Balance Sheet

as at 30 June 2017

	As reported £'000	IFRS15 application £'000	IFRS9 application £'000	As restated £'000
Assets				
Non-current assets	72,314	–	–	72,314
Current assets				
Trade and other receivables	8,438	(1,120)	75	7,393
Other current assets	11,790	–	–	11,790
	20,228	(1,120)	75	19,183
Total assets	92,542	(1,120)	75	91,497
Current liabilities				
Trade and other payables	(14,298)	4,053	–	(10,245)
Other current liabilities	(3,562)	–	–	(3,562)
	(17,860)	4,053	–	(13,807)
Non-current liabilities				
Other payables	(1,681)	1,400	–	(281)
Deferred tax	(3,803)	(961)	–	(4,764)
Other non-current liabilities	(14,369)	–	–	(14,369)
	(19,853)	439	–	(19,414)
Total liabilities	(37,713)	4,492	–	(33,221)
Net assets	54,829	3,372	75	58,276
Equity				
Called up 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	3,600	–	–	3,600
Retained earnings	35,304	3,319	75	38,698
Total equity attributable to equity holders of the Company	53,787	3,319	75	57,181
Non-controlling interest reserve	1,042	53	–	1,095
Total equity	54,829	3,372	75	58,276

Notes to the Accounts continued

for the year ended 30 June 2019

1.3 Going Concern

As highlighted in note 22 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. In addition, a fund raise completed in July 2019 resulted in a net increase in cash of approximately £6.0 million after fees and payments for the acquisition of Inhance (see note 13), resulting in a significant level of headroom on the existing borrowing facility.

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 Chief Financial Officer's Report on pages 18 to 21. 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 26 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 possible changes in trading performance, show that it should be able to operate within the level of its current revolving credit facility. The relationship with HSBC is good and the Group reasonably expects it should be able to enter into a new facility upon expiry should it continue to require a level of debt to execute its strategic objectives.

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 financial statements. 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.

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.

Notes to the Accounts continued

for the year ended 30 June 2019

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.

Assets in the Course of Construction

Intangible assets which are in the process of development and not yet ready for market and are disclosed within assets in the course of construction. Amortisation does not commence on these assets until they are ready for market, subject to reviewing for impairment.

Assets in the course of construction are subject to the same recognition criteria as noted above for intangible assets, and are comprised of amounts paid up to the balance sheet date.

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.

Contingent Payments for Intangible Assets

Contingent payments for intangible assets represent future payments to be made for which the value currently is uncertain, and dependent on future sales performance. Any future contingent payments will be capitalised when they are incurred and the capitalised amount will be subsequently amortised in future periods.

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 control has transferred to the customer. Delivery is deemed to have taken place when the customer has full access to use the product and there is no further supply obligation for Blancco.

Revenue on software sales is recognised according to the terms of individual contracts, which fall into two types; either a volume or subscription basis:

- **Volume contracts.** 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 control is transferred to the customer and there are no continuing obligations to the Group. There is no change in policy under IFRS15.
- **Subscription contracts.** Under IAS18, revenue was deferred and recognised over the length of the user agreement. Under IFRS15, revenue is recognised at specific points throughout the contract term at which point delivery has or (in the case of ongoing performance obligations) is expected to take place. In the majority of cases, delivery takes place concurrently with the invoice being issued, at the outset of a contract (or is part-delivered if the customer is invoiced periodically), and accordingly licence revenue closer aligns to the point the invoice is booked with no revenue deferral. In cases where deliveries are expected to be made periodically throughout the contract term, sufficient revenue will be deferred to reflect management’s best estimate of licences still to be delivered. In cases where a customer has been delivered licences in advance of an invoice being issued, a contract asset is recognised.

Revenue billed in advance is deferred within contract liabilities. Revenue billed in arrears is recognised in contract assets and discounted to net present value where this impact is material. No other contract assets or liabilities arise as a result of the transition to IFRS15.

Discounting is required where a financing component exists on contracts. Our standard payment terms are 30 days and contracts are not entered into with significant financing components. On long-term contracts, delivery is generally aligned with invoicing (either up front or periodically throughout the term) such that the timing difference between revenue recognition and cash collection is representative of our normal payment terms. The average days outstanding on debtors is disclosed in note 26.

Under IAS18, the key judgement involved in assessing the criteria for revenue recognition were the identification of separate performance elements and their respective fair values, including assessing the underlying economics of the transaction versus what is contractually agreed. The judgement is unchanged under IFRS15. No additional material judgements have been required as part of the transition to IFRS15.

Notes to the Accounts continued

for the year ended 30 June 2019

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, thereby identifying the different performance obligations. 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. While all contracts are assessed on a case-by-case basis, for the majority of Blancco's sales, all components are measured separately except for:

- Cases where two or more components are inherently linked. This can arise on contracts where licences are sold with bespoke hardware or development and integration work, on the basis that either component relies on the other in order to function as a complete product.
- Product upgrades which are linked to the licence element of contracts on the basis that these are unspecified, not required in order to maintain functionality of the product and that product upgrades to existing customers are only a by-product of the Group's product development activity.

The fair values of each performance element are calculated with respect to the cost of the respective inputs.

There is no change in this assessment or the apportionment of fair values as a result of the change from IAS18 to IFRS15.

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.
- Cost of providing the service.

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.

Blancco contracts a part of its revenue acting as an agent or reseller for third party licences which are sometimes sold in isolation or as a bundle with other Blancco products. This revenue is measured at fair value and recognised gross with a corresponding cost of sale on the basis that Blancco:

- Takes full title and ownership of the products prior to onward sale.
- Is exposed to variable returns of the sales of the product.
- 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.

The revenue is recorded at the point that Blancco's obligation to deliver the third party software has been satisfied.

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 substantively 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 a non-market based scheme which 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 and all options under the previous scheme have been waived.

The terms of the schemes in operation are detailed in note 29 to the accounts. The scheme for current employees is treated as an equity-settled scheme since the exercise can be settled in cash or shares at the Company's discretion, and the Group has historically settled such schemes in shares.

The fair values 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.

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 Company and Group financial statements. In particular, the trust's transactions of shares in the Company are recorded directly to equity.

Notes to the Accounts continued

for the year ended 30 June 2019

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.

The expected impact of the transition to IFRS16 on 1 July 2019 is disclosed in note 1.1.

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.

Contingent Consideration Payable

Contingent consideration payable is recognised at present value, subject to discounting for the time value of money. Changes in fair value are recognised in profit and loss.

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 cost. 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.

The application of IFRS9 has resulted in a change in the method of debtor provisioning. The Group now measures the provision with reference to expected lifetime credit losses, and by taking advantage of the simplified model for calculating this which is available for trade receivables. This requires a loss allowance to be recognised based on lifetime expected credit losses at each balance sheet date.

Blancco has adopted a "provision matrix" approach which uses historical credit loss experience as well as factoring in the current market conditions to set a level of provisioning for debts which are segregated by their key features such as location and ageing.

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:

- Revenue recognition requires judgement over what constitutes a separable performance obligation which can be complex in customer contracts where a number of services are being provided to the customer alongside licences. This judgement largely requires consideration of whether the performance obligations are stand-alone, and therefore should be recognised separately, or inherently linked, and therefore recognised together. There is further judgement on product delivery: (1) over whether a contract is fulfilled at the point the licence is delivered or whether the Group retains an ongoing obligation to redeliver licences for product updates or enhancements; and (2) whether holding a stock of licences in a customer account on a shared cloud platform demonstrates that sufficient control has passed to the customer in order to recognise revenue. Management uses specific contractual terms in making this judgement over how much revenue to recognise.
- 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, which is done by reviewing the nature of work being undertaken by the development team.

Notes to the Accounts continued

for the year ended 30 June 2019

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, while not critical estimates as defined by IAS1, 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 15 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 27). 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 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.

– **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 25) 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, being the Software segment. The segment consists of several key markets, comprising Enterprise / Data Centre, Mobile and ITAD, however these are not separately considered segments in accordance with IFRS8, "Operating Segments", since they do not form part of management information provided to key decision-makers and are measured only at revenue level and not a profit level.

Discontinued Operations

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Discontinued operations		
Revenue	-	185
Cost of sales	-	-
Gross profit	-	185
Administrative expenses and depreciation	1,252	40
Operating profit	1,252	225
Exceptional costs	-	43
Other exceptional income	(1,252)	(200)
Adjusted administrative income	-	(117)
Adjusted operating profit	-	68
Finance income	-	8
Profit before tax	1,252	233

Discontinued revenues in the prior year comprise the results of the Mexican legal entity that was disposed of in January 2018.

The post-tax results from discontinued operations in the year was a profit of £1.3 million (2018: £0.2 million). This arose from the reassessment of provisions over time that were created upon the disposal of the Repair Services business in the year ended 30 June 2016 (£0.9 million) and the release of a provision following the conclusion of a VAT investigation (£0.4 million).

All of the exceptional costs incurred in the prior period relate to the disposal of the Mexican entity within 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.

Geographical Information

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

Continuing Operations

	2019 £'000	2018 £'000 (restated)
Revenue from external customers		
UK	3,329	3,337
USA	9,883	8,510
Asia Pacific	8,441	7,449
Rest of World	8,866	7,627
	30,519	26,923

No customer represented more than 10% of the Group's revenue (2018: one).

Discontinued Operations

	2019 £'000	2018 £'000
Revenue from external customers		
South America	-	185

Notes to the Accounts continued

for the year ended 30 June 2019

The Group derived revenue from the transfer of goods and services over time and at a point in time on the following basis:

Revenue	2019 £'000	2018 £'000
Timing of revenue recognition:		
At a point in time	26,619	23,200
Over time	3,900	3,723
	30,519	26,923

Unsatisfied Long-term Contracts

As at 30 June 2019, the Group had unsatisfied performance obligations amounting to £11.3 million of which £7.0 million is expected to be recognised as revenue in the next reporting period. As permitted under the transitional provisions in IFRS15, the transaction price allocated to (partially) unsatisfied performance obligations as of 30 June 2018 is not disclosed.

Assets and Liabilities Related to Contracts With Customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019 £'000	2018 £'000
Current contract assets relating to performance obligations satisfied	333	398
Contract liabilities	1,920	712

Contract assets arise predominantly where the Group expects to deliver no further product but the customer has not yet been fully billed. The prevalence of these contracts has declined over the last 12 months, hence a reduction in the contract asset balance. No loss allowance is recognised as the Group expects to collect all revenue on these contracts in full, based on the observed loss allowance historically for similar customers.

Contract liabilities have risen predominantly due to one long-term contract signed in the year for which the delivery obligation is spread over the three-year contract period.

The total contract liability of £0.7 million (2018: £0.5 million) at the beginning of the period has been fully recognised (2018: fully recognised) in the year.

In the current year, there is no (2018: none) revenue recognised from performance obligations satisfied in prior periods.

Non-current assets	2019 £'000	2018 £'000
UK	216	366
Non-UK	69,776	69,336
	69,992	69,702

4. Auditors' Remuneration

	2019 £'000	2018 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company and consolidated financial statements	123	20
The audit of the Company's subsidiaries pursuant to legislation	100	179
Total audit fees	223	199

There have been no non-audit fees in the year as PricewaterhouseCoopers LLP have not been engaged to provide any non-audit services.

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

5. Exceptional and Acquisition (Income)/Costs

	2019 £'000	2018 £'000
Provision releases	(630)	–
Restructuring	–	775
Legal costs	–	591
Acquisition and deal costs	486	2
	(144)	1,368

Exceptional income arises from the release of provisions recognised on the acquisition of Tabernus that the business deem to no longer be required. These cover items that are exceptional in nature and do not relate to the underlying operating expenses of the acquired business and accordingly the releases are recorded through exceptional income. In the prior period, 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.

Acquisition costs relate to the acquisition of YouGetItBack Limited, trading as Inhance Technology, which was completed on 11 July 2019. Acquisition costs in the prior period exclude a small level of deal costs as they relate to the disposal of the Mexican entity and are presented within discontinued operations.

6. Profit for the Year

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

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Depreciation of property, plant and equipment – owned	180	208
Loss on disposal of property, plant and equipment	3	22
Amortisation of intangible assets	5,113	4,929
Cost of inventories recognised as an expense	252	177
Research and development expense	869	607
Staff costs recognised as an expense, excluding share-based payments	14,816	12,204
Net foreign exchange loss/(profit)	158	(693)

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

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Depreciation of property, plant and equipment – owned	180	202
Loss on disposal of property, plant and equipment	3	3
Amortisation of intangible assets	5,113	4,929
Cost of inventories recognised as an expense	252	177
Research and development expense	869	607
Staff costs recognised as an expense, excluding share-based payments	14,816	12,176
Net foreign exchange loss/(profit)	158	(649)

Included within operating profit are profits totalling £0.3 million (2018: £0.3 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.

Notes to the Accounts continued

for the year ended 30 June 2019

7. Discontinued Operations

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Revenue	–	185
Cost of sales	–	–
Gross profit	–	185
Administrative expenses and depreciation	1,252	40
Operating profit	1,252	225
Exceptional costs	–	43
Other exceptional income	(1,252)	(200)
Adjusted administrative income	–	(117)
Adjusted operating profit	–	68
Finance income	–	8
Profit before tax	1,252	233
Taxation	–	–
Profit for the year	1,252	233
Post tax profit on disposal of discontinued business	–	463
Post tax profit from discontinued operations	1,252	696

The discontinued income statement in the prior year includes the profit on disposal in relation to the Mexican entity.

	Year ended 30 June 2018 £'000
Proceeds	355
Assets	
Cash	77
Trade and other receivables	868
Total assets disposed	945
Liabilities	
Trade and other payables	(902)
Total liabilities disposed	(902)
Total net assets disposed	43
Transfer of translation differences to consolidated income statement	198
Minority interest share of net assets on disposal and transfer of translation differences	(47)
Profit on disposal	463

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

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Profit for the year	1,252	233
Adjustments for:		
Net finance income	–	(8)
Depreciation on property, plant and equipment	–	6
Operating cash flow before movement in working capital	1,252	231
Increase in receivables	–	(205)
(Decrease)/increase in payables and accruals	(44)	165
Decrease in provisions	(862)	(214)
Net cash generated from/(used in) from operating activities – discontinued operations	346	(23)
Cash flows from investing activities		
Acquisition of subsidiaries and payment of contingent consideration	–	(322)
Disposal of subsidiaries, net of cash disposed	102	190
Net cash generated from/(used in) investing activities – discontinued operations	102	(132)

8. Staff Costs

	2019 Average number	2018 Average number
Sales and business development	118	116
Administration	44	41
Research and development	95	93
	257	250

	2019 Total £'000	2018 Total £'000
Aggregate employment costs		
Wages and salaries	15,296	13,095
Social security costs	1,277	980
Share-based payments	935	(316)
Other pension costs	865	792
	18,373	14,551

Of continuing staff costs of £18.2 million, £2.6 million were capitalised as other intangible assets (2018: £2.2 million).

Key management personnel have been identified as the main Board and Executive leadership team.

Remuneration of key management personnel is as follows:

	2019 £'000	2018 £'000
Key management personnel costs		
Short-term employee benefits	2,146	1,705
Compensation for loss of office	–	245
Share-based payments	599	(318)
	2,745	1,632

The remuneration of individual Directors as detailed in the tables on page 48 and the share interests in the table on page 48 in the Remuneration Report form part of this note to the financial statements.

Notes to the Accounts continued

for the year ended 30 June 2019

9. Finance (Costs)/Income

	2019 £'000	2018 £'000
Continuing operations		
Bank interest receivable and similar income	1	14
Interest payable on borrowings:		
Bank loans and overdrafts	(295)	(276)
Other finance costs	(15)	(15)
Revaluation of contingent consideration (note 26)	(46)	767
Unwind of discount factor on contingent consideration (note 26)	(82)	(439)
Net finance (cost)/income	(437)	51

Contingent consideration was revalued in respect of the Xcaliber acquisition which is based on post-acquisition revenue and associated cash collection targets. This resulted in a non-cash credit of £0.1 million to the income statement. During the year it was agreed that the contingent consideration in respect of the Tabernus acquisition would be settled in shares instead of cash. The fair value of the contingent consideration was measured at the date of the agreement. This resulted in a non-cash charge of £0.1 million to the income statement.

10. Tax

	2019 £'000	2018 £'000 (restated)
Continuing operations		
Current tax		
UK corporation tax	–	–
Overseas tax	589	393
Adjustments in respect of prior years	19	(75)
Total current tax charge	608	318
Deferred tax		
UK	(120)	53
Overseas	(405)	(545)
Adjustments in respect of prior years	(116)	12
Total deferred tax credit (note 27)	(641)	(480)
Tax credit	(33)	(162)

UK corporation tax is calculated at 19% (2018: 19%) 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 credit for the year can be reconciled to the loss before tax per the consolidated income statement as follows:

	2019 £'000	2018 £'000 (restated)
Loss before tax	(375)	(743)
Tax at standard UK corporation tax rate of 19% (2018: 19%)	(71)	(141)
Effects of:		
Permanent differences	4	(171)
Rate differences	190	260
Adjustment in respect of previous periods	(97)	(63)
Revaluation of deferred tax balances	75	138
Brought-forward losses recognised	–	(55)
Movement on unrecognised deferred tax assets	(134)	(241)
Effect of change in tax rates	–	111
	(33)	(162)

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.

11. Earnings Per Share (EPS)

	Year ended 30 June 2019 Pence	Year ended 30 June 2018 (restated) Pence
Continuing operations		
Basic earnings per share	(1.02p)	(1.05p)
Diluted earnings per share	(1.02p)	(1.05p)
Adjusted earnings per share	3.54p	3.54p
Diluted adjusted earnings per share	3.46p	3.53p
Discontinued operations		
Basic earnings per share	2.00p	1.09p
Diluted earnings per share	1.96p	1.09p
Adjusted earnings per share	2.00p	0.09p
Diluted adjusted earnings per share	1.96p	0.09p
Total Group		
Basic earnings per share	0.98p	0.04p
Diluted earnings per share	0.96p	0.04p
Adjusted earnings per share	5.54p	3.63p
Diluted adjusted earnings per share	5.42p	3.62p

Notes to the Accounts continued

for the year ended 30 June 2019

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 (restated) £'000
Continuing operations		
Loss for the period	(342)	(581)
Profit attributable to non-controlling interests	(296)	(67)
Loss attributable to equity holders of the parent Company	(638)	(648)
Reconciliation to adjusted profit:		
Unwinding of contingent consideration	82	439
Revaluation of contingent consideration	46	(767)
Acquisition costs	486	2
Amortisation of acquired intangible assets	2,605	2,597
Exceptional (income)/costs	(630)	1,366
Amortisation of bank fees	14	14
Share-based payments charge/(credit)	935	(255)
Tax impact of above adjustments	(688)	(556)
Adjusted profit for the year	2,212	2,192

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

	Year ended 30 June 2019 '000s	Year ended 30 June 2018 '000s
Number of shares		
Weighted average number of shares	62,310	61,714
Bonus element from share placing in July 2019	140	140
Basic	62,450	61,854
Impact of dilutive share options	1,428	216
Diluted	63,878	62,070

The bonus element increasing the basic number of shares used in the earnings per share calculation arises from the placing of 8,000,000 shares in July 2019 and represents the number of shares effectively issued without consideration, due to the issue price of 125 pence being at a discount on the market price of 127.5 pence prior to the placing. In accordance with IAS 33, the impact of the bonus element is allocated to all reporting periods prior to that in which the placing took place.

The dilutive share options are in respect of the shares awarded under the Blancco Performance Share Plan and further details on the scheme and awards made under this scheme are in note 29.

12. 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 relate to payment of contingent consideration on the Xcaliber acquisition of £0.8 million (2018: £0.9 million) and payment of contingent consideration on the Blancco Sweden acquisition of non-controlling interest of £nil (2018: £0.2 million).

Also, within the consolidated cash flow statement, the payments made to acquire the non-controlling interest in the prior year 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.

Within the discontinued cash flows is a receipt of £0.1 million (2018: £0.2 million) from the proceeds of deferred consideration from the disposal of the 70% share of the issued share capital in Software Blancco S.A. de CV in January 2018. The total consideration received was \$0.4 million (£0.3 million). In the prior year, there was a payment of \$0.4 million (£0.3 million) to acquire 19% of the share capital of Software Blancco S.A. de CV.

13. Acquisitions

Acquisition of YouGetItBack Limited, trading as Inhance Technology ("Inhance")

On 11 July 2019 the Group completed the acquisition of 100% of the issued share capital of YouGetItBack Limited, trading as Inhance Technology ("Inhance") for a consideration of €5.25 million, of which €3.25 million was satisfied in cash and €2 million of which was satisfied through the issue of 1,311,264 new ordinary shares in the Company.

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

	Book value £'000	Fair value adjustments and IFRS alignment £'000	Fair value £'000
Intangible assets arising on consolidation	–	1,649	1,649
Property, plant and equipment	12	65	77
Deferred tax	–	(130)	(130)
Cash and cash equivalents	327	–	327
Trade and other receivables	226	–	226
Trade and other payables	(293)	(819)	(1,112)
Net assets acquired	272	765	1,037
Goodwill			3,780
Total consideration			4,817

Satisfied by:

Cash payable during H1 2020			3,028
Shares issued			1,789
Total consideration			4,817

The Directors identified a number of adjustments that were required to the book values, following a review of all balance sheet categories. These adjustments included provisions against claims and other unrecorded liabilities (£819,000).

Under IFRS3 "Business Combinations" separately identifiable intangible assets arising from the acquisition have been capitalised. These relate to technology of £1,281,000, customer contracts of £312,000 and marketing brand of £56,000. The key assumption used was the discount rate for future cash flows estimated at 10.5%.

Trade receivables acquired totalled £226,000 gross and there was no expected loss provision. The goodwill of £3,780,000 was attributed to the anticipated growth of the combined Group, strategic benefits, synergies and workforce in place.

Notes to the Accounts continued

for the year ended 30 June 2019

14. Goodwill

	Total £'000
Cost	
At 1 July 2017	46,359
Foreign exchange movement	(11)
At 1 July 2018	46,348
Foreign exchange movement	914
At 30 June 2019	47,262
Accumulated impairment losses	
At 1 July 2017, 1 July 2018 and 30 June 2019	–
Net book value	
At 30 June 2019	47,262
At 30 June 2018	46,348
At 30 June 2017	46,359

Management has used the approved budget for the year ending 30 June 2020 as the basis on which future cash flow projections are calculated, and following two full months of trading in the year ending 30 June 2020, 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 modelled out for ten years using assumptions of annual growth rates, increases in the 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 products 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 five years. The Directors continue to 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 five 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 ten-year projection period are:

- Annual compound growth in revenues of 7.5%, being lower than the compound average growth rates observed within the Group since acquisition, and the growth rate used in the approved budget, but in line with the growth figure used historically in the model. This level of growth would be considered a minimum level of expectation for growth in the 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 13.5%. 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 10.5%. In the prior year, the pre-tax discount rate applied was 12%. The discount rate has reduced due to the reduction in the company-specific beta applied in the weighted average cost of capital calculations.

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 focused 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 3.0%, which would correspond to a compound annual growth rate in EBITDA of 4.1%. 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 significantly below the reported revenue growth of 13% in the current period.

The other significant sensitivity to future cash flows is higher than forecast growth in operating expenditure. With respect to sales and marketing expense, 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 2019 on the current resource base.

The fixed cost base could grow at a level of 8.9% 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 Board 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 2019.

15. Other Intangible Assets

	Brand name £'000	Intellectual property £'000	Customer contracts £'000	Development expenditure £'000	Assets under construction £'000	Software licences £'000	Total £'000
Cost							
At 1 July 2017	3,507	15,148	8,876	6,204	–	1,663	35,398
Additions	–	–	–	2,215	–	302	2,517
Disposal	–	–	–	–	–	(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
Additions	–	–	–	2,577	1,175	414	4,166
Exchange movement	61	393	31	129	45	10	669
At 30 June 2019	3,585	15,591	8,948	11,181	1,220	2,362	42,887
Accumulated amortisation							
At 1 July 2017	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
Charge for the year	240	1,561	804	2,197	–	311	5,113
Exchange movement	35	150	69	59	–	–	313
At 30 June 2019	1,563	7,780	4,485	6,057	–	1,280	21,165
Net book value at 30 June 2019	2,022	7,811	4,463	5,124	1,220	1,082	21,722
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

The Group's continuing operations capitalised internal development expenditure of £2.6 million (2018: £2.2 million), predominantly in the continued development of Blanco software and Xcaliber diagnostics. Amortisation of internally generated development expenditure for the Group's continuing operations is £2.2 million (2018: £1.9 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.

Notes to the Accounts continued

for the year ended 30 June 2019

16. Property, Plant and Equipment

	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 July 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
Additions	3	133	60	196
Disposals	(281)	–	(3)	(284)
Exchange movement	2	10	7	19
At 30 June 2019	6	661	398	1,065
Accumulated depreciation				
At 1 July 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
Charge for the year	5	117	58	180
Disposals	(281)	–	–	(281)
Exchange movement	2	9	10	21
At 30 June 2019	6	445	232	683
Net book value at 30 June 2019	–	216	166	382
Net book value at 30 June 2018	2	199	170	371
Net book value at 30 June 2017	38	193	215	446

There are no assets held under finance leases.

17. Investments

The Group's subsidiary undertakings are as follows:

Company name	Principal activity of the Company	Ownership percentage by the Group	Country of incorporation	Company address
Held directly by the Company				
Blancco Central Services Ltd	Intermediate services company	100%	England and Wales	Unit 6b Vantage Park, Washingley Road, Huntingdon, Cambridgeshire, United Kingdom, PE29 6SR
Blancco Finance Ltd***	Intermediate holding company	100%	England and Wales	4 Cyrus Way, Cygnet Park, Hampton, Peterborough, PE7 8HP
Blancco (Software) Services Ltd	Intermediate holding company	100%	England and Wales	Unit 6b Vantage Park, Washingley Road, Huntingdon, Cambridgeshire, United Kingdom, PE29 6SR
Blancco Trustees Ltd	Trustee for the Blancco Employee Benefit Trust	100%	England and Wales	Unit 6b Vantage Park, Washingley Road, Huntingdon, Cambridgeshire, United Kingdom, PE29 6SR
Yougetitback Limited*^	Smartphone diagnostics	100%	Ireland	Unit 5, Cleve Business Park, Monahan Road, Blackrock, Cork

Company name	Principal activity of the Company	Ownership percentage by the Group	Country of incorporation	Company address
Held indirectly by the Company				
Blancco APAC Pte. Limited	Data erasure	70%	Singapore	1 Paya Lebar Link #04-01 Paya Lebar Quarter 408533
Blancco Finland Acquisitions Oy	Intermediate holding company	100%	Finland	Upseerinkatu 1-3 FIN-02600 Espoo Lansikatu 15
Blancco Technology Group IP Oy	Data erasure	100%	Finland	Upseerinkatu 1-3 FIN-02600 Espoo Lansikatu 15
Blancco Diagnostics (India) Pvt Ltd**	Smartphone diagnostics	100%	India	Wing A 6 th Floor, Downtown Centre (DTC), Mhatre Bridge, Vakil Nagar, Erandwane, Pune 411004
Blancco (Software) India Private Limited**	Data erasure	100%	India	Wing A 6 th Floor, Downtown Centre (DTC), Mhatre Bridge, Vakil Nagar, Erandwane, Pune 411004
Blancco (Software) Netherlands BV	Data erasure	100%	Netherlands	Schiphol Boulevard 127, 1118 BG Schiphol
Blancco Technology (Beijing) Co., Ltd*	Data erasure	70%	China	17/F, Tower D1 DRC Diplomatic Office Building No.19 Dongfangdong Road Chaoyang District Beijing 100016
Blancco Software Services Inc.	Intermediate holding company	100%	United States of America	555 Northpoint Center East, Suite 400, Alpharetta, GA, 30022
Blancco Services US LLC	Intermediate services company	100%	United States of America	555 Northpoint Center East, Suite 400, Alpharetta, GA, 30022
Blancco Mobile Diagnostics Inc.	Intermediate holding company	100%	United States of America	555 Northpoint Center East, Suite 400, Alpharetta, GA, 30022
Xcaliber Technologies LLC	Smartphone diagnostics	100%	United States of America	555 Northpoint Center East, Suite 400, Alpharetta, GA, 30022
Xcaliber IP LLC	Smartphone diagnostics	100%	United States of America	555 Northpoint Center East, Suite 400, Alpharetta, GA, 30022
Blancco Oy Ltd	Data erasure	100%	Finland	Upseerinkatu 1-3 FIN-0200 Espoo Lansikatu 15
Blancco UK Ltd	Data erasure	100%	England and Wales	Unit 6b Vantage Park, Washingley Road, Huntingdon, Cambridgeshire, United Kingdom, PE29 6SR
Blancco France SAS	Data erasure	100%	France	2, Allée de la Marque Centre d'Affaires du Moline Bât E - 2ème étage 59290 Wasquehal France
Blancco US LLC	Data erasure	100%	United States of America	555 Northpoint Center East, Suite 400, Alpharetta, GA, 30022
Blancco Central Europe GmbH	Data erasure	100%	Germany	Monreposstrasse 53, D-71634 Ludwigsburg
Blancco Canada Inc.	Data erasure	100%	Canada	Unit 1B, 33820 South Fraser Way, Abbotsford, B.C. V2S2C5
Blancco SEA Sdn Bhd	Data erasure	70%	Malaysia	Unit 19-10, Level 19 Tower A, Vertical Business Unit Avenue 3, Bangsar South No. 8 Jalan Kerinchi 59200 Kuala Lumpur

Notes to the Accounts continued

for the year ended 30 June 2019

Company name	Principal activity of the Company	Ownership percentage by the Group	Country of incorporation	Company address
Blancco Australasia Pty Ltd	Data erasure	100%	Australia	Gateway Tower, Level 36 1 Macquarie Place Circular Quay NSW 2000
Blancco Japan Inc.	Data erasure	51%	Japan	Gaien Building SF 2-23-8 Minami-Aoyama Minato-Ku Tokyo, 107-002
Blancco Sweden SFO	Data erasure	100%	Sweden	Engelbrektsgatan 7 11432 Stockholm
SafeIT Security Sweden AB	Data erasure	100%	Sweden	Engelbrektsgatan 7 11432 Stockholm
Yougetitback (Nominees) Limited*^	Smartphone diagnostics	100%	Ireland	Unit 5, Cleve Business Park, Monahan Road, Blackrock, Cork
Yougetitback Inc**^	Smartphone diagnostics	100%	United States of America	One Broadway, 14 th Floor Kendall Square, Cambridge, MA, 02142

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

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

*** Dissolved on 17 September 2019

^ Acquired on 11 July 2019

Investments in Part-owned Subsidiaries

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

	2019 £'000	2018 (restated) £'000
Shareholdings	51-70%	51-70%
Current assets	4,334	3,734
Non-current assets	1,227	1,243
Current liabilities	(2,519)	(2,210)
Non-current liabilities	(560)	(462)
Net assets	2,482	2,305
Net assets attributable to NCI	1,217	1,015
Revenue	7,148	6,616
Profit after taxation	422	154
Profit after taxation attributable to NCI	296	88

18. Inventory

	2019 £'000	2018 £'000
Finished goods	91	99

There is no provision for obsolete stock held in the consolidated balance sheet (2018: £nil).

19. Trade and Other Receivables

	2019 £'000	2018 (restated) £'000
Trade receivables	6,060	5,764
Less: loss allowance for doubtful trade receivables	(284)	(236)
Trade receivables net of provision	5,776	5,528
Prepayments and contract assets	1,621	1,439
	7,397	6,967

A reconciliation of the movement in the loss allowances for trade receivables is as follows:

	2019 £'000	2018 (restated) £'000
At 1 July	236	380
Increase in loss allowance recognised in profit or loss during the year	48	–
Amounts written off as uncollectable	–	(130)
Unused amount reversed	–	(14)
At 30 June	284	236

20. Cash and Cash Equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	6,636	6,220

21. Trade and Other Payables

Included within the trade and other payables current liability are:

	2019 £'000	2018 (restated) £'000
Trade payables	1,372	619
Other taxes and social security	1,350	1,081
Other payables	146	47
Accruals	5,354	4,947
Contract liabilities	941	712
	9,163	7,406

Included within the other payables non-current liability are:

	2019 £'000	2018 (restated) £'000
Contract liabilities	979	–
Other payables	–	281
	979	281

Notes to the Accounts continued

for the year ended 30 June 2019

22. Bank Borrowings

	2019 £'000	2018 £'000
Due after more than one year:		
Secured bank loan	6,494	8,930
Repayable:		
In the first to second years inclusive	6,494	–
In the third to fifth years inclusive	–	8,930

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 2019 totalled £12.0 million (2018: £12.0 million), of which £8.0 million (2018: £10.6 million) had been drawn down in cash, resulting in an unutilised facility of £4.0 million (2018: £1.4 million). An immaterial level of borrowing costs are set off against the amount owing at year end.

The drawn Revolving Credit Facility is represented within borrowings and the utilised overdraft facility of £1.5 million (2018: £1.7 million) shown within cash.

The facility is available until October 2020, following a 12-month extension entered into during September 2018.

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 remaining duration of the facility.

23. Net Cash/(Debt)

	2019 £'000	2018 £'000
Cash and cash equivalents	6,636	6,220
Bank borrowings (non-current)	(6,494)	(8,930)
	142	(2,710)

The total cash facility available to the Group is £12.0 million (30 June 2018: £12.0 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 £1.5 million (30 June 2018: £1.7 million).

24. Reconciliation of Movement in Net Cash

	Net cash at 1 July 2018 £'000	Cash flow £'000	Repayment of borrowings £'000	Other non- cash items £'000	Net cash at 30 June 2019 £'000
Cash at bank and in hand	6,220	253	–	163	6,636
Borrowings	(8,930)	–	2,450	(14)	(6,494)
	(2,710)	253	2,450	149	142

25. Provisions

	Onerous leases £'000	Tax and other provisions £'000	Total £'000
At 1 July 2018	63	1,981	2,044
Released during year	–	(862)	(862)
Utilised during year	(63)	–	(63)
At 30 June 2019	–	1,119	1,119

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

	2019 £'000	2018 £'000
Current	787	63
Non-current	332	1,981
	1,119	2,044

26. 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:

	2019 £'000	2018 £'000
Total borrowings	(6,494)	(8,930)
Cash and cash equivalents	6,636	6,220
Net cash/(debt)	142	(2,710)
Equity holders of the Company	61,074	57,173
Gearing ratio (net debt to equity)	n/a	0.047

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 remaining duration of the facility.

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:

	2019 £'000	2018 (restated) £'000
Assets carried at amortised cost		
Trade and other receivables	6,109	5,878
Cash	6,636	6,220
Financial assets	12,745	12,098

Notes to the Accounts continued

for the year ended 30 June 2019

	2019 £'000	2018 £'000
Liabilities carried at amortised cost		
Trade and other payables	6,817	5,710
Provisions	1,119	2,044
Borrowings	6,494	8,930
Liabilities carried at fair value through profit and loss		
Contingent consideration	278	2,200
Financial liabilities	14,708	18,884

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:

	Xcaliber £'000	Tabernus £'000	Total £'000
At 1 July 2018	1,043	1,157	2,200
Unwinding of discount factor on contingent consideration	82	–	82
Payment of contingent consideration	(796)	–	(796)
Reassessment of fair value of contingent consideration	(70)	116	46
Reclassification of contingent consideration to equity	–	(1,317)	(1,317)
Revaluation of contingent consideration	19	44	63
At 30 June 2019	278	–	278

During the year, it was agreed that the deferred consideration arising from the acquisition of Tabernus would be settled in shares instead of cash. The fair value of the contingent consideration was measured at the date of the agreement and then reclassified to equity. This resulted in a £0.1 million non-cash charge to the consolidated income statement. This was then settled through the issue of 1,208,373 new fully paid-up ordinary shares of the Company in January 2019.

The contingent consideration for Xcaliber was reassessed based on the fair value of the final amount owed in July 2019, resulting in a £0.1 million non-cash credit to the consolidated income statement.

During the year, both the contingent consideration for Tabernus and Xcaliber have been revalued resulting in a £0.1 million charge to the Translation Reserve, since these liabilities are recorded in subsidiaries whose reporting currency is non-Sterling.

At the start of the year, a contingent obligation existed to satisfy a deferred consideration on the acquisition of the minority interest of Blancco Sweden. This required the Group to win and collect cash from named customers on or before 31 December 2018. No value was ascribed to this liability at the prior year end, and no settlement has been triggered in the current year. The contingent liability is now extinguished.

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% (2018: 1.65%) above LIBOR (for GBP amounts drawn down). 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 2019 of £6.5 million (2018: £8.9 million) by £65,000 (2018: £89,500).

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's hedging policy is the responsibility of the Board. The CFO periodically reviews the Group's hedging activities and will formally recommend any changes to the Board as necessary.

- We may 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 may undertake natural hedging between the cash and loan balances of different currencies.
- We may 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 2019 (2018: 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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Monetary assets	362	727	3,007	1,822	798	1,318
Monetary liabilities	–	–	(3,939)	(3,883)	(1,758)	(2,464)
Net monetary assets/(liabilities)	362	727	(932)	(2,061)	(960)	(1,146)

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

for the year ended 30 June 2019

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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Profit/(loss) before tax – gain/(loss)						
10% appreciation of JPY/Euro/USD	36	73	(93)	(206)	(96)	(115)
10% depreciation of JPY/Euro/USD	(36)	(73)	93	206	96	115

The analysis has been performed using the Group exchange rates at the 30 June 2019 reporting date of 1.11 €/£ (2018: 1.13 €/£); 136.96 JPY/£ (2018: 146.12 JPY/£); and 1.27 US\$/£ (2018: 1.32 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 foreign subsidiaries. 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 24.99% (2018 restated: 27.71%) of the Group's revenue and hence there is some customer reliance risk, although the biggest single customer accounts for 8.83% (2018 restated: 11.27%) of revenue.

As at the year end, 81% (2018 restated: 81%) 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:

	2019 £'000	2019 %	2018 (restated) £'000	2018 %
Neither past due nor impaired	4,662	81%	4,572	81%
Past due but not impaired				
Less than 30 days overdue	753	13%	827	15%
30 to 60 days overdue	186	3%	69	1%
More than 60 days overdue	175	3%	158	3%
	5,776	100%	5,626	100%

The average credit period taken on sales is 57 days (2018: 58 days).

The Group has provided for specific trade receivables where the recoverability is highly unlikely, and provided an expected loss provision across all other debtors based on observed historic loss rates. As at 30 June 2019 the expected loss allowance was £284,000 (2018 restated: £236,000). The Board believes there is no further provision required in excess of the expected loss allowance.

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 2019 totalled £12.0 million (2018: £12.0 million), of which £8.0 million (2018: £10.6 million) had been drawn down in cash, resulting in an unutilised facility of £4.0 million (2018: £1.4 million).

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

	2019 Effective interest rate (%)	2019 Less than one year £'000	2019 One to five years £'000	2018 Effective interest rate (%)	2018 Less than one year £'000	2018 One to five years £'000
Trade and other payables	–	6,872	–	–	5,429	281
Provisions	–	787	332	–	63	1,981
Contingent consideration	14	278	–	14	2,044	236
Bank borrowings	3	–	6,494	3	–	8,930
	–	7,937	6,826	–	7,536	11,428

27. Deferred Tax Assets/(Liabilities)

	At 1 July 2018* £'000	Recognised in the income statement £'000	Exchange £'000	At 30 June 2019 £'000
Property, plant and equipment	143	(93)	–	50
Intangible assets	(5,047)	353	(82)	(4,776)
Short-term timing differences	(239)	634	(240)	155
Employee benefits	390	410	–	800
Tax losses	1,383	(663)	38	758
	(3,370)	641	(284)	(3,013)

	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	(350)	153	(42)	(239)
Employee benefits	406	(16)	–	390
Tax losses	1,223	115	45	1,383
	(3,876)	480	26	(3,370)

* restated – see note 1.2

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 £1.4 million (2018: £1.5 million).

Certain deferred tax assets and liabilities have been offset to the extent permitted by IAS 12. The deferred tax asset balance of £0.6 million (2018: £0.7 million) as at 30 June 2019 is made up of a UK deferred tax asset balance of £0.2 million (2018: £0.3 million) and an overseas deferred tax asset of £0.4 million (2018: £0.4 million). The deferred tax liability balance as at 30 June 2019 is made up of an overseas deferred tax liability of £3.6 million (2018: £4.0 million).

Of the total deferred tax asset of £0.6 million (2018: £0.7 million), all of this balance is current (2018: £0.7 million current). Of the deferred tax liability of £3.6 million (2018: £4.0 million), £0.6 million is current (2018: £0.4 million current).

Notes to the Accounts continued

for the year ended 30 June 2019

28. Called Up Share Capital

	2019 Number of shares	2019 £'000	2018 Number of shares	2018 £'000
Allotted, called up and fully paid:				
Ordinary shares of 2p	65,197,639	1,304	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 Issue

On 2 January 2019, the Company allotted a total of 1,208,373 new fully paid-up ordinary shares of 2p each in the capital of the Company. The Ordinary Shares were issued to the former management of Tabernus in settlement of the deferred consideration for the acquisition of Tabernus in September 2015.

Following the share issue, the Company's Issued Ordinary Share Capital consists of 65,197,639 ordinary shares, all of which carry voting rights. Therefore the total number of voting rights attaching to the ordinary shares in the Company is 65,197,639.

On 11 July 2019, the Company issued 8,000,000 new ordinary shares of 2p each in the capital of the Group at a price of 125p per share. This generated gross proceeds of £10.0 million before fees.

Additionally, on 11 July 2019, the Company issued 1,311,264 new ordinary shares in the Company as partial consideration for the acquisition of Inhance.

Following the placing and shares issued as consideration, the total number of ordinary shares in issue is 74,508,903 and the total number of voting rights is 74,508,903.

Share Premium

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

The increase in share premium in the year of £1.2 million is a result of the share issue described above and represents the gross value in excess of the nominal value of the shares issued.

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 2019, 2,275,442 shares (30 June 2018: 2,275,442) are held by the Employee Benefit Trust.

29. 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 scheme in place which is the Blancco Performance Share Plan ("the Plan"), that was established in March 2018 and comprises a number of tranches of award since this date. The Plan was created 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.

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.

Existing awards shall vest based 50% on invoiced sales and 50% on adjusted operating cash flow. Performance will be assessed based on outcomes for the years ending 30 June 2020 and 30 June 2021. Invoiced sales, being closely linked to revenue, and adjusted 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. Following a review by the Remuneration Committee in the year, it is planned that future awards are expected to be based on revenue, adjusted operating cash flow and adjusted operating profit.

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

As of 30 June 2019, awards representing 4.7% 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 2018 Award)	Performance Share Plan (April 2018 Award)	Performance Share Plan (April 2018 Award)	Performance Share Plan (July 2018 Award)	Performance Share Plan (November 2018 Award)	Performance Share Plan (November 2018 Award)	Total
Exercise price	0.0p	0.0p	2.0p	0.0p	0.0p	2.0p	
Year in which options are exercisable	2020	2020	2020	2021	2021	2021	
At 30 June 2018	524,928	931,291	229,294	-	-	-	1,685,513
Granted	-	-	-	302,632	1,011,552	59,836	1,374,020
Exercised	-	-	-	-	-	-	-
Lapsed – leavers	-	-	-	-	-	-	-
At 30 June 2019	524,928	931,291	229,294	302,632	1,011,552	59,836	3,059,533

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

	Performance Share Plan (March 2018 Award)	Performance Share Plan (April 2018 Award)	Performance Share Plan (July 2019 Award)	Performance Share Plan (November 2019 Award)
Date of grant	28 March 2018	23 April 2018	25 July 2018	5 November 2019
Fair value of options granted (per share) at date of grant	65.6p	77.4p	76.0p	106.3p
Expected term (years)	2.25	2.17	2.97	2.89
Settlement	Equity	Equity	Equity	Equity

The total cost for the scheme represents the accrued value during the year, in addition to directly attributable fees of implementing and administering the scheme and accrued employer taxes in respect of the scheme. This corresponded to a charge of £0.9 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 £0.8 million which represents the accrued value at 30 June 2018.

Notes to the Accounts continued

for the year ended 30 June 2019

Software Incentive Share Plan

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

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.

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

	2019 £'000	2018 £'000
Performance Share Plan	935	176
Software Incentive Share Plan	–	(431)
	935	(255)

30. Commitments

	2019 £'000	2018 £'000
Minimum lease payments under operating leases recognised as an expense in the year	894	951

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

	2019 £'000	2018 £'000
Not less than one year	695	644
Later than one year and not later than five years	537	195
Later than five years	–	–
	1,232	839

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.

31. Related Party Transactions

Transactions between Blancco and its 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 45 as well as in the key management personnel disclosures in note 8.

32. Subsequent Events

On 11 July 2019, the Group agreed to acquire YouGetItBack Limited, trading as Inhance Technology, for consideration of €5.25 million (£4.7 million), of which €3.25 million (£2.9 million) was satisfied in cash and €2 million (£1.8 million) of which was satisfied through the issue of 1,311,264 new ordinary shares in the Company. The acquisition completed on 11 July 2019. Inhance was established in 2005 in Cork, Ireland and was initially focused on security tagging software, specifically for mobile handsets. In 2018, following a period of significant research and development investment, Inhance launched a mobile diagnostic product. The diagnostic solution is a retail-focused, app-based solution experience that enables consumers to easily establish a trade in value for their handset and complete a trade in transaction without having to visit a retail store. The provisional acquisition accounting disclosures are presented in note 13 to the accounts.

Also on 11 July 2019, the Group raised £10 million, before expenses, through a placement of 8,000,000 new ordinary shares of 2p each in the capital of the Group at a price of 125p per share. The net proceeds of the placing were used to fund the cash element of the acquisition of Inhance, to refinance US\$1.5 million of capital expenditure in relation to the development of certain IP with ZroBlack LLC, and to pay down a proportion of the Group's current indebtedness and for general working capital purposes. The total cash facility available to the Group remains at £12.0 million and remains in place until 31 October 2020.

Company Balance Sheet

as at 30 June 2019

	Note	30 June 2019 £'000	30 June 2018* £'000	30 June 2017* £'000
Assets				
Non-current assets				
Tangible assets	5	–	–	–
Investments	6	10,506	9,661	9,546
Deferred tax	8	188	213	213
		10,694	9,874	9,759
Current assets				
Debtors	7	84,518	78,038	76,457
Cash and cash equivalents		–	542	4,122
		84,518	78,580	80,579
Creditors:				
Amounts falling due within one year	9	(6,036)	(1,143)	(4,028)
Net current assets		78,482	77,437	76,551
Total assets less current liabilities		89,176	87,311	86,310
Creditors:				
Amounts falling due after more than one year	10	(6,494)	(8,930)	(9,916)
Amounts falling due after more than one year		(6,494)	(8,930)	(9,916)
Net assets		82,682	78,381	76,394
Equity				
Called up share capital		1,304	1,280	1,280
Share premium account		10,397	9,152	9,152
Merger reserve		4,034	4,034	4,034
Capital redemption reserve		417	417	417
Retained earnings		66,530	63,498	61,511
Equity shareholders' funds		82,682	78,381	76,394

* restated – see note 1.1

The Company's profit for the year was £2.2 million (2018: £1.9 million).

The financial statements on pages 102 to 103 were approved by the Board of Directors and authorised for issue on 23 September 2019 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 2019

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Capital redemption reserve £'000	Total shareholders' funds £'000
Balance as at 30 June 2017 as previously reported	1,280	9,152	4,034	62,276	417	77,159
Adjustment on initial application of IFRS9	–	–	–	(765)	–	(765)
Restated balance as at 30 June 2017	1,280	9,152	4,034	61,511	417	76,394
Profit for the year	–	–	–	1,872	–	1,872
Recognition of share-based payments	–	–	–	115	–	115
Balance as at 30 June 2018	1,280	9,152	4,034	63,498	417	78,381
Profit for the year	–	–	–	2,186	–	2,186
Issue of new share capital	24	1,245	–	–	–	1,269
Recognition of share-based payments	–	–	–	846	–	846
Balance as at 30 June 2019	1,304	10,397	4,034	66,530	417	82,682

Notes to the Company Accounts

for the year ended 30 June 2019

1. Basis of Preparation

Blanco 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 31.

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.

1.1 Prior Year Adjustment

This is the first set of the Company's financial statements in which IFRS9 "Financial Instruments" has been applied. The Company has retrospectively applied the standard and the financial statements for the financial year ended 30 June 2018, including opening balances, have been restated.

The impact of the initial application of IFRS9 is a reduction to the brought forward retained earnings as at 30 June 2017 of £765,000 which represents a loss allowance on amounts due from subsidiaries. For the financial year ended 30 June 2018, the expected credit loss increased by £20,000, thus restating the profit previously reported for the year.

The IFRS15 transition had no impact on the Company as it does not generate revenue other than income from Group undertakings which is recognised at the point of providing the relevant services.

2. Accounting Policies

The significant accounting policies applied in the preparation of the Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Going Concern

As highlighted in note 22 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. In addition, a fund raise completed in July 2019 resulted in a net increase in cash of approximately £6.0 million after fees and payments for the acquisition of Inhance (see note 13 to the Group's financial statements), resulting in a significant level of headroom on the existing borrowing facility.

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 Chief Financial Officer's Report on pages 18 to 21. 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 26 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 financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the Annual Report and Accounts.

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.

Notes to the Company

Accounts continued

for the year ended 30 June 2019

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 are granted share options which may, if certain performance criteria are met, allow these employees to acquire shares in the Company. The specific schemes are detailed in note 29 to the Group's financial statements.

The fair value of options granted under market-based schemes are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

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

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

3.1 Judgements

In the process of applying the Company's accounting policies, management makes various judgements that can significantly affect the amounts recognised in the financial statements.

The critical judgement, which does not involve management estimates of amounts disclosed in the financial statements, are considered to be the following:

- 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 the Company will generate profits in the future against which to offset deferred tax assets and uses forecasts, including sensitivity analysis, in making this assessment.

3.2 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:

– Impairment of Intercompany Receivables

Determining to what extent a loss provision is required against intercompany receivables. The receivable is illiquid given the annual cash flow generation of subsidiaries, therefore historical data of the Group is insufficient to provide evidence on default rates. Management must make a best estimate using alternative data in order to assess the likelihood of a loss. An increase in the loss provision rate by 1% would increase the provision by £0.8 million.

4. Staff Costs

The Company has four employees (2018: two) being the Chief Financial Officer and three Non-executive Directors (2018: two Non-executive Directors). Their remuneration and the remuneration of the other Directors is included in the Remuneration Report on pages 45 to 48.

5. Tangible Assets

	Leasehold improvements £'000	Total £'000
Cost		
At 1 July 2018	237	237
Disposal	(237)	(237)
At 30 June 2019	-	-
Depreciation		
At 1 July 2018	237	237
Disposal	(237)	(237)
At 30 June 2019	-	-
Net book value		
30 June 2019	-	-
30 June 2018	-	-

Notes to the Company

Accounts continued

for the year ended 30 June 2019

6. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 July 2018	9,661
Additions	845
At 30 June 2019	10,506
Impairment	
1 July 2018	–
At 30 June 2019	–
Net book value	
30 June 2019	10,506
30 June 2018	9,661

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 29 to the consolidated accounts.

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

7. Debtors

Amounts falling due within one year:

	2019 £'000	2018 Restated £'000
Amounts due from subsidiaries	84,669	78,433
Less: loss allowance	(847)	(784)
Amounts due from subsidiaries net of provision	83,822	77,649
Prepayments, other debtors and contract assets	696	389
	84,518	78,038

Interest is charged on amounts due from subsidiaries at one month Libor/Euribor rate (where applicable) plus a benchmarked arm's length margin.

8. Deferred Tax

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

	2019 £'000	2018 £'000
Property, plant and equipment	51	76
Losses	137	137
Tax assets	188	213

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

	At 1 July £'000	Recognised in income statement £'000	At 30 June £'000
2019			
Depreciation in excess of capital allowances	76	(25)	51
Losses	137	–	137
	213	(25)	188
		Recognised in income statement £'000	At 30 June £'000
2018	At 1 July £'000		
Depreciation in excess of capital allowances	76	–	76
Losses	137	–	137
	213	–	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 (2018: £0.2 million). No deferred tax asset has been recognised in relation to taxation on losses amounting to £0.9 million (2018: £1.2 million).

9. Creditors: Amounts Falling Due Within One Year

	2019 £'000	2018 £'000
Trade creditors	478	115
Overdraft	4,263	–
Amounts due to subsidiaries	730	692
Accruals	565	336
	6,036	1,143

Interest is charged on amounts due to subsidiaries at the central bank short-term lending rate in the jurisdiction where the subsidiary is based.

The overdraft of £4.3 million (2018: £nil) is offset against pooled cash balances held by other Group companies.

10. Creditors: Amounts Falling Due After More Than One Year

	2019 £'000	2018 £'000
Bank loans and other borrowings	6,494	8,930

11. Bank and Other Borrowings

	2019 £'000	2018 £'000
Due after more than one year:		
Secured bank loan	6,494	8,930
Repayable:		
In the first to second years inclusive	6,494	–
In the third to fifth years inclusive	–	8,930

The terms of the Company's borrowing facility are disclosed in note 22 to the consolidated financial statements.

12. Subsequent Events

The subsequent events of the Company are disclosed in note 32 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 2 pm on Thursday 12 December 2019 at The Old Bridge Hotel, 1 High Street, Huntingdon, Cambridgeshire PE29 3TQ to consider the following resolutions, of which numbers 1 to 5 will be proposed as ordinary resolutions, and numbers 6 and 7 as special resolutions:

Ordinary Resolutions

1. To receive the Annual Report and Accounts for the year ended 30 June 2019.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2019.
3. To re-elect Rob Woodward as a Director of the Company.
4. 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.
5. That, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 ("the Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to an aggregate nominal amount of £496,726 during the period commencing on the date of the passing of this resolution and such authority shall expire, unless previously revoked, renewed or varied, at the conclusion of the next Annual General Meeting of the Company or on 11 March 2021, 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

6. That, subject to the passing of resolution 5 above, the Directors be empowered under section 570 of the Act to allot equity securities as defined in section 560 of the Act, for cash and/or to sell ordinary shares held in treasury for cash as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
 - a. the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities:
 - i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,
 - iii. and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of any territory or any other matter; and
 - b. the allotment of equity securities or sale of treasury shares otherwise than under paragraph (a) above up to a nominal amount of 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, £149,018,

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 11 March 2021, 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 (and treasury shares to be sold) after such expiry and the Directors may allot securities (and sell treasury shares) under such offer or agreement as if this power had not expired.

7. 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 7,450,890;
 - 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 11 March 2021, 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
8 November 2019

Registered Office

Unit 6b
Vantage Park
Washingley Road
Huntingdon
Cambridgeshire
PE29 6SR

Notice of AGM continued

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 2pm on 10 December 2019.

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 2pm on 10 December 2019.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4. Joint Holders

In the case of joint holdings, only one holder needs to sign the form of proxy. The vote of the senior holder who tenders a vote will be accepted to the exclusion of the votes of the other joint holders, seniority for this purpose being determined by the order in which the names stand in the register of members in respect of joint holdings.

5. Entitlement to Attend and Vote

In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those whose names are on the register of members of the Company at the close of business two days (excluding non-working days) before the meeting or any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

6. Corporate Representatives

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

7. Voting Rights

As at 31 October 2019 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consisted of 74,508,903 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 74,508,903.

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 c/o the Company's registered office or send an email to investors@blancco.com.

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.

Notice of AGM continued

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 45 to 48 of the Annual Report. It describes the Group's policy on remuneration and gives details of Directors' remuneration for the year ended 30 June 2019. The vote is advisory and does not affect the actual remuneration paid to any individual Director.

Resolution 3: To re-elect Directors

Rob Woodward retires by rotation under the Company's articles of association and offers himself for re-election at the AGM. His biographical details are given on page 30 of the Annual Report. Rob's deep knowledge of the TMT sector and extensive experience of international corporate advisory work help ensure the Group's strategy is aligned with its external commercial environment. In addition, the time he has spent on other boards, his knowledge of corporate governance and his leadership skills ensure the effective running of the Board. The Board unanimously recommends Rob's re-election.

Resolution 4: 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 5: Directors' authority to allot shares

At the 2018 Annual General Meeting, the Directors were given authority to allot shares in the Company and Resolution 5 seeks to renew that authority until the conclusion of the next Annual General Meeting or 11 March 2021, 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 £496,726. This amount represents one-third of the issued ordinary share capital of the Company as at 31 October 2019, 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 6: 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 6 is to authorise the Directors to allot 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 £149,018, equivalent to 10% of the total issued ordinary share capital of the Company as at 31 October 2019 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 7: Authority to buy back shares

Under company law, the Company requires authorisation from shareholders if it wishes to purchase its own shares. Resolution 7 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

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.

Carrier: One of the three key sectors of the Mobile Market, along with Retail and Third Party Logistics. A mobile carrier is a wireless service provider that supplies cellular connectivity services to mobile phone and tablet subscribers.

Cash Conversion: Adjusted operating cash flow stated as a percentage of adjusted operating profit.

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 into 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.

Data Centre / Enterprise: One of the three end user markets alongside Mobile and ITAD. Blancco provides data sanitisation software that integrates within the Enterprise ecosystem.

Data Sanitisation: The managing of data that is no longer required by organisations.

Digital Care: Part of the Aftermarket Services segment (but not the Repair Services business) which operates in the mobile phone insurance market, also referred to as the Mobile Insurance business.

Diluted Adjusted Earnings Per Share: Adjusted earnings per share stated after adjustments to the number of shares for convertible share options.

Diluted Earnings Per Share: Basic earnings per share stated after adjustments to the number of shares for convertible share options.

Earn-out: See Contingent Consideration.

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.

GDPR: General Data Protection Regulation. The General Data Protection Regulation (GDPR) is a legal framework that sets guidelines for the collection and processing of personal information from individuals who live in the European Union.

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

IDC: International Data Corporation. The International Data Corporation is a premier global provider of market intelligence, advisory services and events, offering global, regional and local expertise on technology and industry opportunities and trends.

ITAD: IT Asset Disposition. This is the business built around disposing of obsolete or unwanted equipment in a safe and ecologically responsible manner.

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

Managed Services Provider (MSP): Companies which provide applications, networking and data storage and security solutions over networks or the cloud.

Mobile: One of our three end user markets along with ITAD and Data Centre / Enterprise. The mobile market has three main sectors: Carrier, Retail and Third Party Logistics.

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.

Retail: One of the three key areas in the Mobile market, along with Carrier and Third Party Logistics.

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

Third Party Logistics: An area of the Mobile market, alongside Carrier and Retail, consisting of companies who take possession of large volumes of handsets and prepare them ready for resale, repair or recycle. For these companies, efficiency is crucial as they are focused on processing high volumes in the shortest time frame to retain handset value.

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, contract assets, current creditors and accrued payments.

Shareholder Notes

Locations

Australia

Gateway Tower, Level 36
1 Macquarie Place
Circular Quay
NSW 2000

Canada

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

China

17/F, Tower D1
DRC Diplomatic Office Building
No.19 Dongfangdong Road
Chaoyang District
Beijing
100016

Finland

Upseerinkatu 1-3
FIN-02600 Espoo

Länsikatu 15
FIN-80110 Joensuu

Hermiankatu 6-8 D
FI-33720 Tampere

France

2, Allée de la Marque
Centre d'Affaires du Molinel
Bât E – 2ème étage
59290 Wasquehal

Germany

Monreposstraße 53
D-71634 Ludwigsburg

David-Gilly Straße 1
D-14469 Potsdam

India

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

Japan

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

Korea

514, JNK Digital Tower
111, Digital-ro 26-gil
Guro-gu
Seoul
08390

Malaysia

Unit 19-10, Level 19
Tower A, Vertical Business Unit
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur

Netherlands

Schiphol Boulevard 127
1118 BG Schiphol

Singapore

1 Paya Lebar Link
#04-01
Paya Lebar Quarter
408533

Sweden

Engelbrektskatan 7
11432 Stockholm

United Arab Emirates

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

United Kingdom

Vantage Park
Washingley Road
Huntingdon
Cambridgeshire
PE29 6SR

Suite 1, Chapel House
Thremhall Park
Start Hill
Bishops Stortford
Hertfordshire
CM22 7WE

United States

555 Northpoint Center E.
Suite 400
Alpharetta
GA 30022

10801 N. Mopac Expressway
Bldg. 1
Suite 350
Austin
TX 78759



Blanco Technology Group Plc
6th Floor, 60 Gracechurch Street,
London EC3V 0HR
T: +44 (0) 20 3637 6283
Company number 05113820