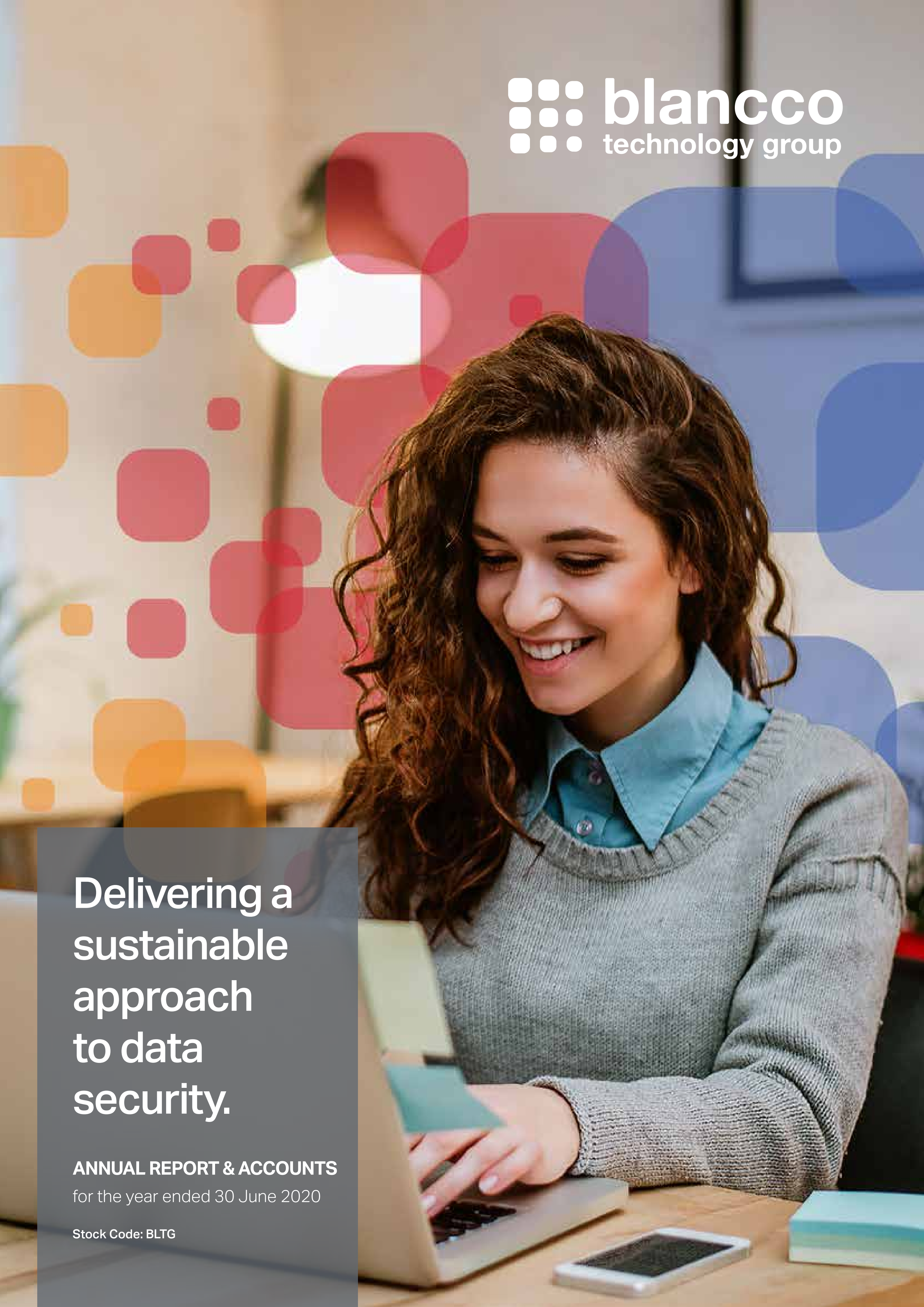

blancco
technology group

Delivering a sustainable approach to data security.

ANNUAL REPORT & ACCOUNTS

for the year ended 30 June 2020

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 Culture

Our vision is to enable companies to responsibly manage their data by erasing concerns for organisations worldwide.

READ MORE ON OUR CULTURE ON PAGES 30 TO 41

Our Environmental Impact

Blancco was one of the first companies to be awarded the London Stock Exchange's new Green Economy Mark accreditation. This certification is given to companies which generate between 50% and 100% of total annual revenues from products and services that contribute to the Green Economy.

READ MORE ON OUR ENVIRONMENTAL IMPACT ON PAGES 37 TO 41

Blancco is proud to be awarded the London Stock Exchange Green Economy Mark.

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Highlights

Financial

Revenue
£33.4m +9%
2019: £30.5m

Adjusted Operating Cash Flow
£7.3m
2019*: £9.1m

Group Operating (Loss)/Profit
(£0.0m)
2019: £0.1m

Group Adjusted Operating Profit
£4.0m +14%
2019: £3.5m

Net Cash
£6.7m
2019: £0.1m

Earnings per share (pence)
£0.04p
2019*: (1.01p)

* 2019 results were restated following the implementation of IFRS16 "Leases". See note 1.2 to the financial statements for details.

Operational

- Full integration of Inhance Technology with additional mobile diagnostics capability driving new business generation, particularly in the mobile phone insurance sector
- Achieved "Advanced Technology Partner" status with Amazon Web Services ("AWS") in December 2019 and launched services on the AWS marketplace in June 2020
- Secured a key distribution partnership with Deloitte India
- Master Services Agreement secured with Aon to open new revenue stream in mobile insurance
- Continuing investment in R&D: protected IP position strengthened further with nine new patents filed in the period, entirely relating to the mobile product
- One of the first companies to be awarded the London Stock Exchange Green Economy Mark accreditation in recognition of over 50 per cent revenue generation from contribution to the sustainable economy

STRATEGIC REPORT

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At a Glance

Our Culture

OUR VISION:

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

OUR VALUES:

- One Global Team
- Customer Focused Organisation
- Innovative Technology
- Honesty and Integrity
- Professional and Ambitious Workforce
- Sustainability

OUR MISSION:

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

OUR CULTURE:

We believe in an environment where people welcome and expect opposing views, think on their feet and adapt calmly to changing circumstances

Our Markets

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 Erasure solutions enable organisations to resell or recycle their IT assets, reducing e-waste and improving sustainability
- 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

MOBILE

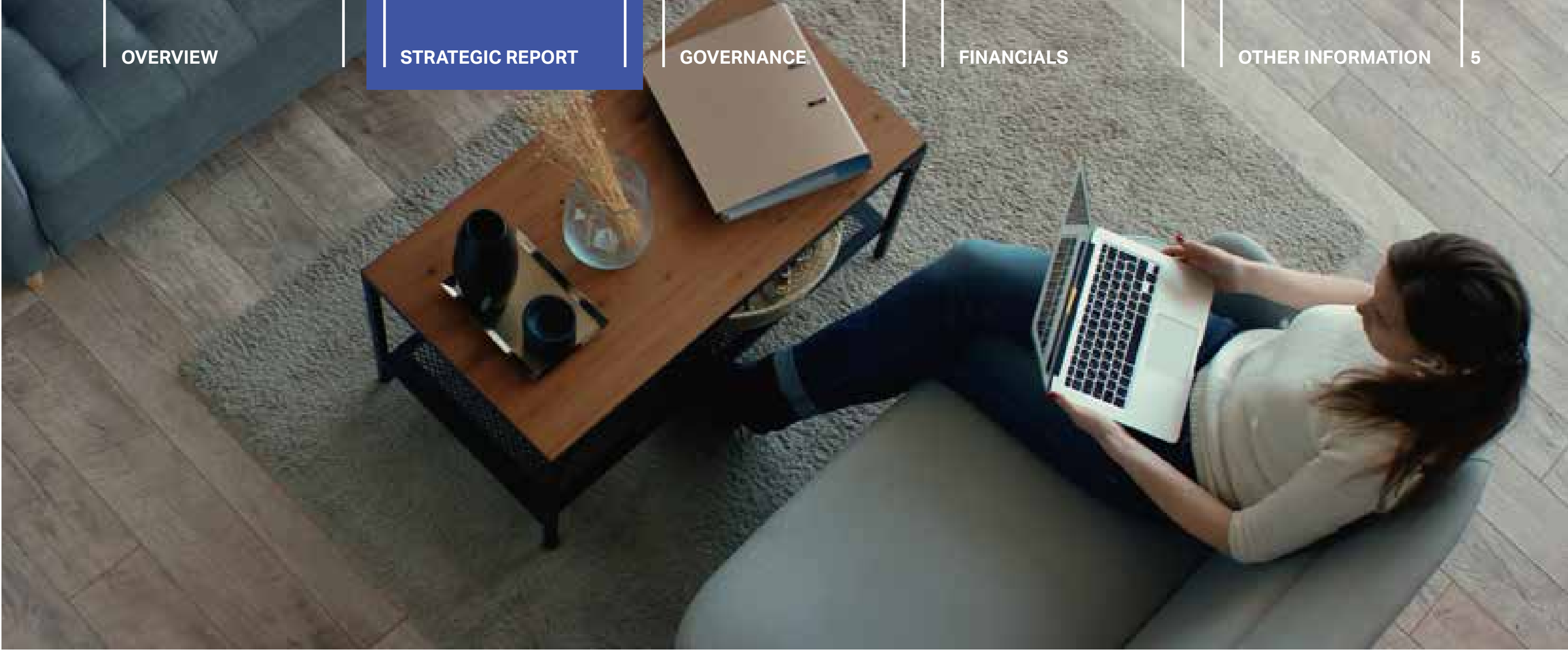
Diagnostics: – Blancco has tools to allow employees to run a range of diagnostic tests, ensuring used handsets are fully operational before being resold

Erasure: – Critical that all handsets being resold have data from previous users erased prior to resale

Insurance: – Diagnostic tests run on a mobile app allows insurers to test for screen damage or faults before offering insurance, thus reducing fraudulent claims

IT ASSET DISPOSITION (“ITAD”)

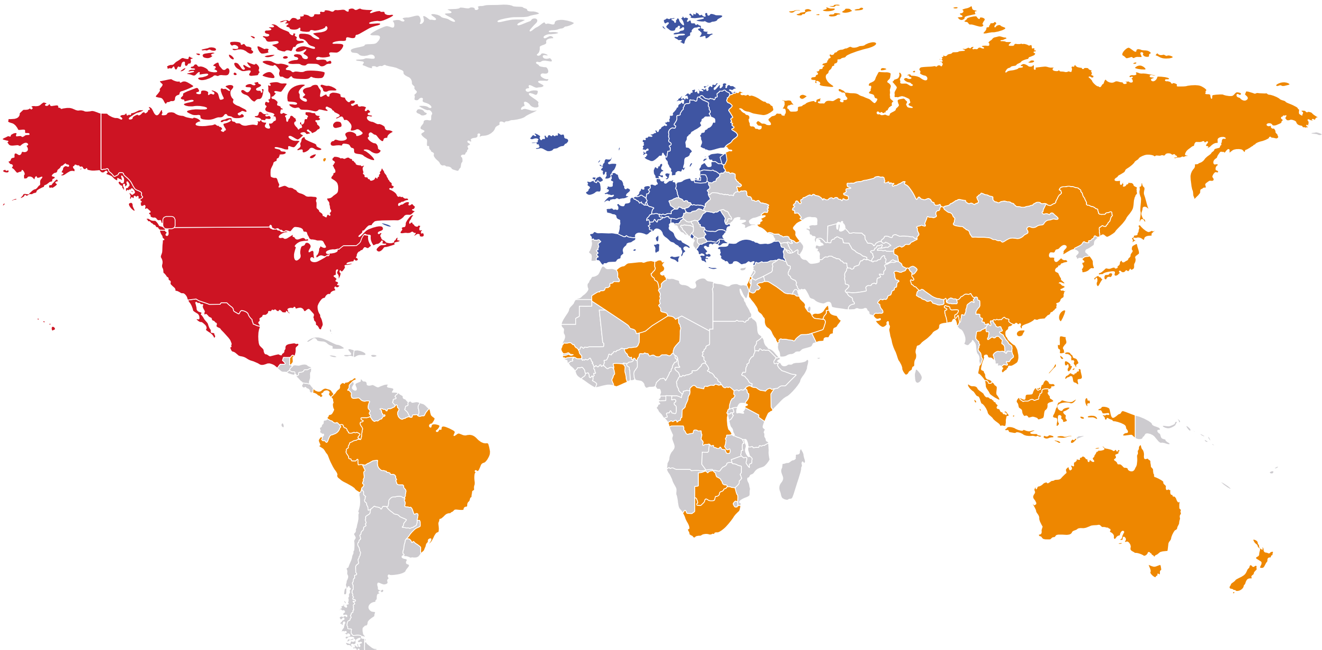
- Software is provided to ITAD customers to enable them to fully erase data on items of IT hardware where equipment is either being reused, resold or disposed of
- Blancco can deliver the software solution from several media such as from the cloud, on a CD, or a USB stick
- Blancco is the clear market 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
Mexico
United States

EUROPE

Austria
Belgium
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Ireland
Italy
Latvia
Liechtenstein
Lithuania
Luxembourg
Monaco
Montenegro
Netherlands
Norway
Poland
Romania
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
Turkey
United Kingdom

ASIA & REST OF THE WORLD

Australia
Bangladesh
Botswana
Brazil
Brunei
China
Colombia
DR Congo
Ghana
Guadeloupe
Hong Kong
India
Indonesia
Israel
Ivory Coast
Japan
Kenya
Kuwait
Malaysia
Mauritius
Morocco
New Zealand
Oman
Philippines
Qatar
Russian Federation
Saudi Arabia
Senegal
Singapore
South Africa
South Korea
Taiwan
Thailand
Tunisia
United Arab Emirates
Vietnam

Investment Case

01 Unique Solutions

- Data erasure solutions meet 22 standards, along with 15+ global certificates, approvals and recommendations
- Constantly developing and improving our solutions by developing new IP through R&D and collaborative partnerships

READ MORE ON PAGES 12 TO 13

02 Strong Financials

- Solid cash position
- Balance sheet provides stability and opportunity for investment
- Significant revenue growth year-on-year

READ MORE ON PAGES 22 TO 23

03 Growing Markets

- Need for data erasure and data sanitisation solutions is growing, due to growth in data and greater focus of business models on digital processes
- Growing use of mobiles and second-hand mobile market, requiring data erasure and sanitisation solutions

READ MORE ON PAGES 08 TO 11

04 Targeted Growth Strategy

- Strategy is focused on markets that have a growing need for Blancco's solutions
- Strategy ensures Blancco will have leading positions in these markets

READ MORE ON PAGES 14 TO 15

05 Brand and Reputation

- Blancco's solutions are seen as the standard in our industry

READ MORE ON PAGES 12 TO 13

Chair's Statement

Rob Woodward | Chair

Summary

I am pleased to report on another year of encouraging progress across the business. The first half of the financial year saw a period of strong financial growth while the second half of the year brought the global challenges of the COVID-19 pandemic. It is to the credit of the Blancco team that the Company managed the transition of enabling our employees to work from home in a very short period of time with minimal disruption to the business. I would like to take this opportunity to thank our employees on behalf of the Board for their hard work in ensuring that the business continued to prosper through this challenging period. I am particularly pleased that we have managed to get through these difficult months without a single employee being made redundant or furloughed. The resilience of our business model with high levels of repeat business from customers meant that revenue was maintained throughout the period although growth slowed and sales cycles lengthened as we moved to a virtual operating model.

The financial year began with a share placing and equity fundraising of £10 million to fund the acquisition of Inhance Technology and the Consulting Agreement with ZroBlack. These investments strengthened both the offering in the Mobile segment and our Balance Sheet. Over the course of the year, these investments have been fully integrated within the business and have given Blancco a market leading offering in the Mobile segment. Most notably, the acquisition of Inhance Technology has enabled us to enter the mobile insurance market by providing a solution which enables insurers to assess the condition of mobile handsets prior to an insurance policy being agreed. This opportunity is being supported by a Master Services Agreement secured with leading global professional services company, Aon.

In the Enterprise segment, we have been successful in developing important channel partnerships to accelerate medium-term growth. Further partnerships with large global organisations are expected to be announced as we progress through the new financial year. We remain the clear market leader in the IT Asset Disposition ("ITAD") segment which continues to grow above expectations.

Outlook

The current management team was appointed two years ago and has been delivering against the growth strategy launched in 2018. Even in a global market impacted by the pandemic the strategy remains robust and provides clear focus for future growth.

While the pandemic certainly slowed the pace of growth as sales became more difficult to close at the height of lockdown, the medium-term trends are very encouraging. We have seen the global workforce swiftly converting to working on a remote basis which has caused a sharp increase in the amounts spent by organisations on IT hardware in recent months. There has also been a focus on data security as the challenges for IT teams have increased with more data being stored outside of the office environment. Both of these factors are likely to drive more companies to use data sanitisation to cleanse assets before they are reused, resold or recycled.

The alternative to data sanitisation is the physical destruction of assets which is becoming an increasingly outdated method of managing data in a world which is developing an environmental conscience. These regulatory and environmental drivers give us added confidence that we will continue to deliver strong growth in the periods ahead and particularly once the current uncertainty of the pandemic has passed.

Environmental, Social and Governance ("ESG")

We are committed to enhancing our ESG credentials. We have embraced a number of initiatives that support our commitment and we were delighted to be recognised by the London Stock Exchange by being awarded its Green Economy Award recognising listed companies who derive 50% or more of their revenues from environmental solutions.

Rob Woodward

Chair

Marketplace

The Need for Data Sanitisation Solutions

Demand for Data Sanitisation solutions

Gartner published three reports on the Hype Cycles for Privacy, Endpoint Security and Data Security in July 2020 which 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."

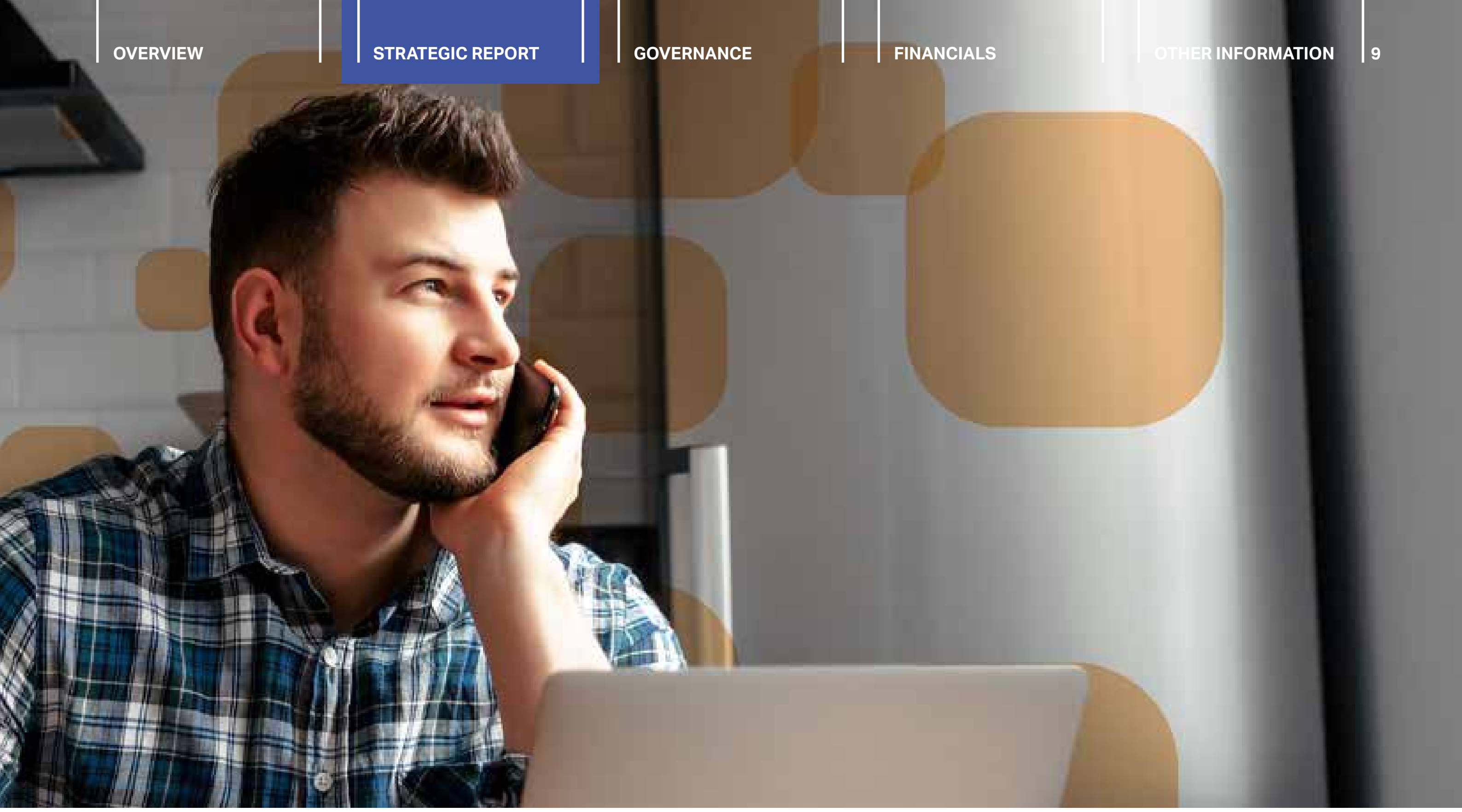
The Gartner reports define Data Sanitisation as being the disciplined process of deliberately, permanently and irreversibly removing or destroying the data stored on a memory device to make it irrecoverable. A device that has been sanitised has no usable residual data, and even with the assistance of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

Blancco is a market leader with over twenty 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 over 15 governing bodies and leading organisations around the world.

In addition to resolving security and governance concerns of organisations, Blancco solutions also enable organisations to reuse, recycle or resell their IT assets without fear of sensitive data being compromised. The alternative to using Data Sanitisation is the physical destruction of assets which remains a common method of managing IT assets. According to the World Economic Forum and the UN E-Waste Coalition, 50 million metric tons of e-waste are produced each year.

Gartner reports that 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. They cover Enterprise, Mobile and IT Asset Disposition ("ITAD") and are described more fully below.



GLOBAL CERTIFICATIONS

NYCE	Netherlands National Communication Security Agency	National Cyber Security Centre (NCSC)	The Federal Service for Technical and Export Control (FSTEC)	BSI – Federal Office for Information Security
MEXICO	**NETHERLANDS**	**UK**	**RUSSIA**	**GERMANY**

Certified for Common Criteria (ISO 15408)	Swedish Armed Forces	Central Information Systems Security Division	The Polish Internal Security Agency
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
VARIOUS

*Certification update in progress.

Marketplace
continued

Enterprise

The implementation of Data Protection regulations such as GDPR is being replicated globally with similar regulation obliging large organisations to fully consider how data can be protected throughout its lifecycle. There are multiple use cases where Blancco's software assists organisations to manage data at the end of its lifecycle. For example, this could be physically, at the end of life of equipment for reasons ranging from hardware refresh to staff turnover or it could be 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 sustainability behaviours of large organisations and additional expense often makes physical destruction an undesirable option.

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 logistics 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 handsets has slowed significantly while the number of handsets that are resold is expected to increase from 175 million in 2018 to 332 million in 2023. As this market matures, it is expected that the running of diagnostic tests and full erasures will be a routine part of the process.

In recent months Blancco has used its diagnostic capability to enter the mobile insurance market. Using the capabilities developed by the Blancco R&D team, mobile insurers can now run diagnostic tests on a mobile device using a mobile app when insurance cover is being sought. The diagnostic tests can establish whether the device is damaged, including any cracks or damage to the screen. This capability enables insurers to eliminate fraudulent claims for damage suffered prior to a policy being taken out.

Our strategy has been to develop a solution which spans across each of the carrier, retail and third-party logistics 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 those of 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 which 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 is expected to 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 Key Resources

EXPERTISE
Over 20 years' experience of providing data erasure software solutions

INTELLECTUAL PROPERTY
36 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 300+ employees worldwide

Our Key Activities

01 FOCUSED ON RESEARCH AND THOUGHT LEADERSHIP

02 UTILISING OUR THOUGHT LEADERSHIP WE DEVELOP OUR SOLUTIONS AND PRODUCTS

03 WE MARKET AND SELL THESE PRODUCTS AND SOLUTIONS

04 WE BUILD AND MAINTAIN RELATIONSHIPS WITH OUR PARTNERS AND CUSTOMERS

05 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
36 patents now either granted or filed

CERTIFICATIONS
Blancco data erasure solutions have been tested, certified, approved and recommended by 15+ governing bodies and leading organisations around the world

EXPERIENCE
Over 20 years of providing leading data erasure solutions

QUALITY
ISO 9001 and ISO 27001 certified development centres

Value Created for our Stakeholders

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

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

CUSTOMERS
Our 1400+, customers gain secure, auditable solutions, innovative products and peace of mind that enable them to meet their regulatory requirements

INVESTORS
Opportunity to create significant value from a growth business

Strategy and Progress

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, environmental, security risks and technology change. This expansion will be generated through direct sales and increasingly indirect channels via our international partners.

A financial 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

Enterprise / Data Centre

KEY OBJECTIVES

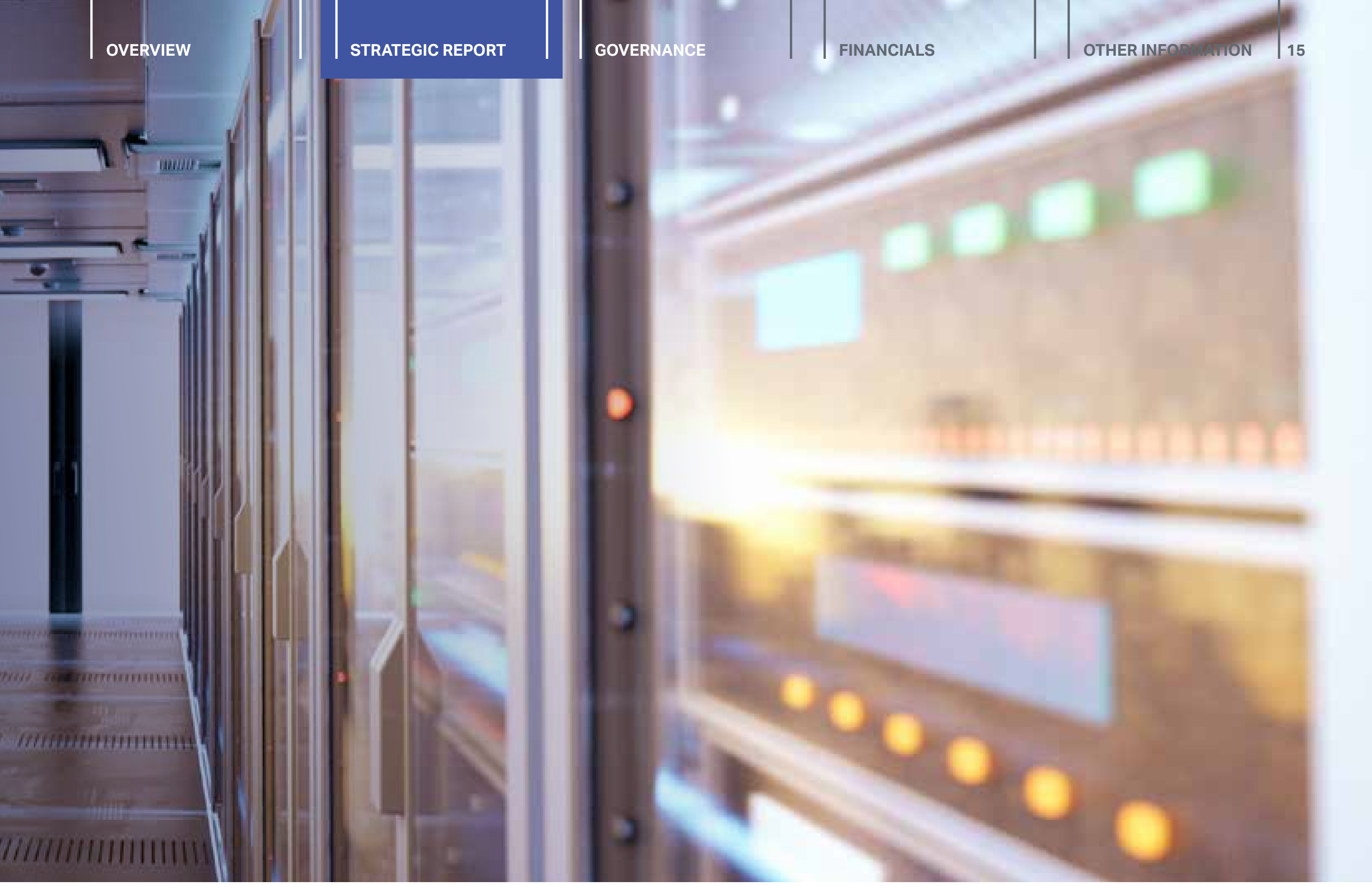
- Increase revenues through the development of indirect sales channels, comprising both OEM and channel partners
- Continue to develop intellectual property to provide a best in class solution for customers

PERFORMANCE

- Revenue increased by 13% to £11.7 million (FY 2019: £10.3 million)
- Channel sales increased by 3% to £5.1 million (FY 2019: £4.9 million)
- Achieved "Advanced Technology Partner" status with Amazon Web Services ("AWS") in December 2019 and launched services on the AWS marketplace in June 2020.

COMMENTARY

- 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
- Increased remote working from the COVID-19 pandemic has increased the quantity of hardware in circulation which should lead to more devices requiring to be sanitised by organisations
- Stakeholder pressures on organisations to improve their position on sustainability should lead to data erasure becoming a preferred alternative to the physical destruction of assets



Mobile

KEY OBJECTIVES

- 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

PERFORMANCE

- Completed acquisition of Inhance Technologies ("Blancco Ireland") in July 2019
- Revenue increased by 8% to £10.8 million (FY 2019: £10.0 million)
- Master Services Agreement secured with Aon, to open new revenue stream in mobile insurance

COMMENTARY

- Blancco Ireland is now fully integrated within the Blancco organisation, resulting in the announcement of the Aon partnership.
- The market for resold mobile devices continues to grow strongly

ITAD (IT Asset Disposition)

KEY OBJECTIVES

- Retain market leading position in ITAD market
- Gain increasing market share in a moderately growing market

PERFORMANCE

- Revenue increased by 7% to £10.9m (FY 2019: £10.2 million)

COMMENTARY

- Blancco has been a market leader in the ITAD market for many years and will look to continue to further enhance its leadership position by continuing to innovate and gaining market share.
- Increased remote working, resulting from the COVID-19 pandemic, has increased the quantity of hardware in circulation which should lead to more devices requiring to be sanitised by organisations
- Stakeholder pressures on organisations to improve their position on sustainability should lead to data erasure becoming a preferred alternative to the physical destruction of assets

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 2020	Year ended 30 June 2019
Revenue (£'m)	**33.4**	30.5
Geography (Regional proportion of revenue)		
North America	**31%**	35%
Europe	**37%**	37%
Asia and ROW	**32%**	28%
	100%	100%
Market type (Proportion of revenue)		
Data Centre / Enterprise	**35%**	34%
ITAD	**33%**	33%
Mobile	**32%**	33%
	100%	100%
End of year headcount		
Admin	**49**	44
R&D	**120**	104
Sales	**143**	124
	312	272

Chief Executive's Report

Matt Jones | Chief Executive Officer

Business overview

I am pleased to be able to report another year of good financial and operational performance despite the challenging conditions seen since the onset of the COVID-19 pandemic in the second half of the year. The fundamental growth drivers in the business have continued to gain momentum over the course of the year:

- Sustainability – the alternative to using data sanitisation software on IT assets is the physical destruction of those assets which will ultimately end up in landfill sites and cause harm to the environment. The Executive management teams that are leading organisations, from multinational blue chip companies to SMEs, are becoming increasingly aware of the sustainability impact of their operations which is driving greater awareness and use of Blancco's solutions.
- Governance – all organisations have an obligation to ensure that the data held on their assets is not accessed by unauthorised persons. This has become a greater challenge in recent months as employees are increasingly working from remote locations and the volume of IT assets in circulation has increased sharply to allow employees to work remotely.

"We are confident in the future prospects for growth as the environmental and governance aspects of the solutions provided by Blancco become increasingly attractive for prospective customers."

These drivers continue to give us great confidence in the continued and increasing adoption of Blancco's solutions and the outlook for the continued financial growth of the business in the medium term.

Enterprise

Blancco continued to see good momentum in the year as revenue grew by 13% to £11.7m (FY 2019: £10.3m). Revenue from channel partners grew by 3% to £5.1m (FY 2019: £4.9m) and this is expected to accelerate as new channel relationships develop. The relatively low levels of market penetration of the use of data sanitisation coupled with our strong proposition give us confidence that the revenue growth opportunity in the Enterprise market is significant as companies become increasingly aware that there is an alternative to the physical destruction of assets.

All organisations continue to be challenged with how to manage obsolete data or assets which contain data and now need to be repurposed. The challenge has been exacerbated in recent months with many employees being required to work from home. Companies are understandably reluctant to ask employees to use personal devices to process company data so many companies have had to buy additional devices for issue to these employees. The revenue opportunity for Blancco can be directly linked to the number of IT assets that are being used for work purposes. As these employees return to work, they will either continue to use the new asset rendering their previous desktop PC redundant or they will return the device to the IT team who will need to sanitise the asset before it can be reused.

In either scenario, the employer will need to make sure that the device doesn't store data which can be accessed by unauthorised persons before it can be repurposed, recycled or resold. Data Sanitisation solutions such as those provided by Blancco are the only way of making sure that data can be permanently erased before an asset is repurposed, recycled or resold. Blancco has over twenty years' experience in providing data erasure solutions, supported by a long list of third-party security accreditations and IP portfolio that has led to a market leading position.

According to the World Economic Forum and the UN E-Waste Coalition, 50 million metric tons of e-waste are produced each year. The physical destruction of assets has long been viewed as the most secure method of IT asset disposition. However, the physical destruction of assets often requires companies to allow third parties to remove assets from their sites before data is erased meaning there is no way of knowing whether the assets have been destroyed. Data Erasure software can resolve this problem by performing a full erasure at the premises of the company which owns the asset before it leaves their IT environment, producing an audit certificate detailing the serial number of the asset and date and time that the erasure took place. The physical destruction of assets cannot generate a similar audit trail. Blancco's ability to enable organisations to recycle equipment led to Blancco being awarded the London Stock Exchange Green Economy Mark in October 2019. This accreditation recognises companies and investment funds on all segments of the Main Market and AIM that derive 50% or more of their total annual revenues from products and services that contribute to the global green economy.

> "The business model has proven to be extremely resilient with financial performance in line with the market expectations originally set twelve months ago, pre COVID-19."

Gartner reports that Data Sanitisation is at the early stages of mainstream adoption and Blancco believes that the best way to accelerate demand is through the development of a channel network of resellers. Over the course of the year Blancco has looked to develop significant new channel partnership opportunities. We were able to achieve Advanced Technology Partner status with Amazon Web Services ("AWS") Partner Network ("APN") in December 2019. The critical phase of developing that relationship was to enable customers to acquire Blancco's solutions through the use of the AWS marketplace platform, increasing visibility of our solutions and making it a simple process to complete a transaction. The solution offered to AWS customers will enable them to permanently remove data from legacy assets once there has been a migration of data to the AWS cloud.

Chief Executive's Report
continued

We continue to develop additional relationships with blue chip organisations on both a global and regional basis. The most recent example was our announcement of a Reseller Agreement with Deloitte India. The agreement allows Deloitte to add data erasure to their cybersecurity advisory expertise at a time when COVID-19 has hastened Indian public cloud adoption as organisations have transitioned to work from home processes.

Mobile

The financial year commenced with the acquisition of Inhance Technology which has been fully integrated within the Group and has been renamed Blancco Technology Group Ireland ("Blancco Ireland"). The Blancco Ireland R&D team has worked alongside our existing R&D team and has made a big contribution to the filing of nine new patents in the financial year, all of which related to the Mobile proposition. The Company now holds a portfolio of 36 patents across its three market segments which are either granted or pending.

The market for used smartphones continues to grow strongly with a January 2020 report from IDC stating that 206.7 million used handsets were sold globally in 2019, up 17.6% on the 2018 data. The forecast is for growth to continue at a rate of 13.6% CAGR resulting in an estimated 332.9 million used handsets to be sold in 2023. The global growth in this market is attributed to the difficulty that OEMs face in being able to produce new models that strike a balance between desirable new features and a price that is seen as reasonable. IDC also believe that the introduction of 5G will encourage smartphone owners to trade in 4G devices to offset the cost of a new 5G device. The used handset market will be looking for increasing levels of technology such as those produced by Blancco to support trade-in programmes and enable devices to be resold securely.

Blancco Ireland was acquired for its solution that allows diagnostic tests to be run on a mobile handset through the use of an easily downloadable mobile app. This initiative allows retailers to offer their customers the capability to run tests on their devices without the need to visit a store as well as the ability to offer customers a trade-in value for their handset in the event that they wish to upgrade it.

In our interim results in February 2020, we disclosed that the ability to run diagnostic tests through the use of a mobile app would also open an opportunity to develop a new revenue stream in the mobile insurance market. An important step in this initiative was the announcement in June 2020 of the Master Services Agreement secured with leading global professional services firm, Aon. Aon is now able to offer the Blancco Ireland capability as part of its insurance platform, allowing diagnostic tests to be run on prospective policyholders' phones thus detecting any defects on the phone prior to the insurance policy being taken out. This eliminates fraudulent claims for phones that are already damaged before the policy is taken out, thereby reducing claim rates and policy premiums. Aon is now actively selling the platform into mobile carriers and retailers with the first implementations now having been secured in Asia & Europe.

Revenue in the mobile segment grew by 8% to £10.8m (FY 2019: £10.0m) in the year. On an organic basis, adjusting for £1.2m of revenue from the newly acquired Blancco Ireland subsidiary, revenue in the mobile market segment shrank by 4%.

Organic Growth rates were affected by:

- The change in contractual terms with a mobile retailer, as disclosed in the interim results in February, who has changed from a model of providing diagnostic services in store to providing these services in third-party warehouses. While Blancco continues to provide these services to the third-party warehouses, the value of the contracts is significantly less.
- New mobile processor contracts announced in the interim results have had implementations delayed by COVID-19. These are now fully operational.

Mobile market segment revenue growth in the new financial year will be depressed in the first half while the change in the above contractual arrangements with the major retailer works through the comparator period but it is fully expected that growth rates will accelerate from the second half and beyond.

IT Asset Disposition ("ITAD")

Our ITAD customers expect similar growth trends to those in the Enterprise market segment. ITADs are third parties who manage the IT assets of companies who don't have sufficient IT resources to manage assets in-house. Many ITADs have been prevented from accessing company sites during the COVID-19 pandemic. However, the growth drivers around sustainability and governance that apply in the Enterprise market segment apply equally here. ITADs have seen their customers purchase increasing amounts of IT equipment in recent months and expect an increase in disposition activity once the disruption caused by COVID-19 passes.

Despite a modest slowing of growth in the second half of the year, ITAD revenue grew by 7% to £10.9m (FY 2019: £10.2m).

Summary and Outlook

While the impact of COVID-19 has undoubtedly been disruptive and slowed growth, the business model has proven to be extremely resilient with financial performance in line with the market expectations originally set 12 months ago, pre COVID-19.

As global lockdown measures have gradually eased in recent months, trading is in the process of returning to pre COVID-19 levels and we are confident in the future prospects for growth as the environmental and governance aspects of the solutions provided by Blancco become increasingly attractive for prospective customers.

The increase in the volume of IT hardware assets purchased in recent months along with the move to remote working will increase the use cases for Data Sanitisation and will lead to growth in the value of customer contracts. We also believe that the ongoing development of channel partnerships such as those with AWS, Deloitte and Aon will start to generate revenue in the current financial year.

In the Mobile market segment, significant growth in the number of handsets being sold in the second-hand mobile market continues to be forecast and Blancco has a market leading proposition in this area. This will be supplemented by the new revenue stream opportunity presented by the Blancco Ireland solution in the insurance market.

Overall, we remain cautious while there is global uncertainty around the COVID-19 pandemic and particularly in the first half of the financial year when the comparator period was unaffected by COVID-19. However, with a strong balance sheet, no debt and a business which has continued to generate cash through the most challenging months of the pandemic, we are confident that the Company remains very well placed to deliver returns to shareholders in the medium term and beyond.

Matt Jones

Chief Executive Officer

Chief Financial Officer's Report

Adam Moloney | Chief Financial Officer

Revenue

For the second successive year we have seen revenue growth in all three market segments in which we operate resulting in an increase in Group revenue of 9% to £33.4m (FY 2019: £30.5m, 7% increase on a constant currency basis). Excluding the impact of revenues coming from the acquired Inhance business, revenue growth in the period was 3% on a constant currency basis.

Growth has been particularly strong in APAC although this was offset by a modest reduction in revenue in North America arising from the mobile retailer contract, commented on in the mobile market segment report, reducing in value from the end of December 2019. Excluding the impact of this one contract, revenue growth in North America would have been 9%.

Revenue breakdown

	Year ended 30 June 2020	Year ended 30 June 2019	Growth rate
Revenue (£m)	**33.4**	30.5	9%
Revenue by Geography			
North America	**10.1**	10.7	(6%)
Europe	**12.5**	11.4	9%
Asia and ROW	**10.8**	8.4	28%
Revenue by Market			
Enterprise	**11.7**	10.3	13%
ITAD	**10.9**	10.2	7%
Mobile	**10.8**	10.0	8%

Profitability Measures

Adjusted Operating Profit for the period has increased by 14% to £4.0m (FY 2019: £3.5m). Operating loss for the period was £nil (2019: profit of £0.1m).

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 (restated) £'000
Operating (loss)/profit	**(31)**	141
Acquisition costs	**575**	486
Exceptional income	**(875)**	(630)
Amortisation of acquired intangible assets	**2,921**	2,605
Share-based payments charge	**1,447**	935
Adjusted administrative expenses	**(27,584)**	(25,449)
Adjusted operating profit	**4,037**	3,537

The Acquisition costs primarily relate to expenses incurred in respect of the acquisition of Blancco Ireland announced in July 2019. The Exceptional income relates to the release of provisions no longer required in respect of acquisitions made in previous years.

The new accounting standard, IFRS 16, on leases has been applied in the period. The standard requires that leases are recognised as both an asset and a liability on the balance sheet and are depreciated over time rather than expensed when incurred. Adjusted EBITDA for the year ended 30 June 2019 has been restated to £7.0m (previously reported as £6.1m). Adjusted EBITDA for the year ended 30 June 2020 increased by 17% to £8.1m.

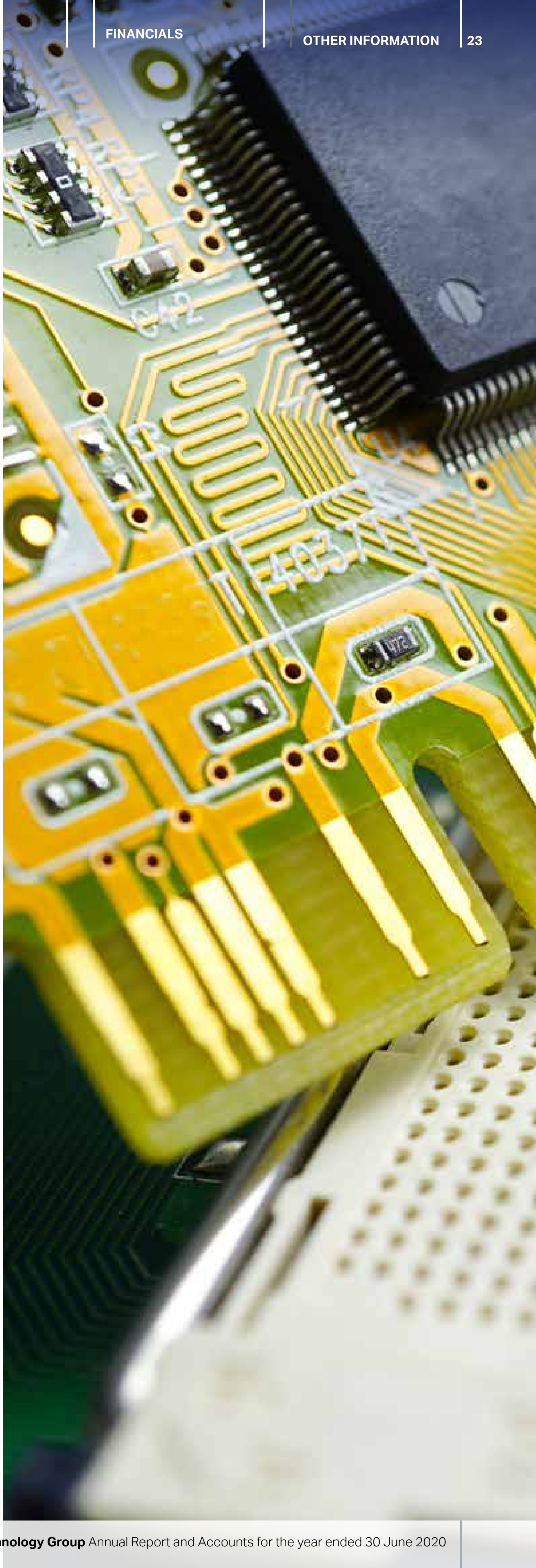
Group loss from continuing operations before tax narrowed to £0.2m (FY 2019: £0.4m). A profit in the year of £1.1m (FY 2019: £1.3m) was made from discontinued operations, largely relating to the release of provisions which are no longer required. This resulted in an overall profit for the year of £1.1m (FY 2019: £0.9m).

"For the second successive year we have seen revenue growth in all three market segments in which we operate resulting in an increase in Group revenue of 9%."

Balance Sheet

The Group ended the period with net cash of £6.7m (30 June 2019: £0.1m). This increase in cash was primarily driven by the equity fundraising of £10.0m announced in July 2019 in connection with the acquisition of Blancco Ireland supplemented by a strong period of cash generation through the second half of the financial year. While cash generated from operations of £6.5m (FY 2019: £9.1m) has reduced from the prior year, this is a function of an exceptional comparator period and in particular the payment for a large three year contract worth in excess of £1m being paid in full in the prior year. The rate of cash conversion seen in FY20 is expected to be a level that will be maintained into future periods. The gross debt position, which stood at £6.5m at the end of the previous financial year, has now been completely cleared.

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 is 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.

Principal risks

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

Risk Area	Potential Impact	Mitigation	Trend
COVID-19 PANDEMIC	Further regional or global lockdowns could adversely impact trading and result in a slower rate of revenue growth and impact profitability and cash flows. There is also a risk that our customers experience cash flow issues due to the pandemic which may in turn increase our bad debt risk or put pressure on our working capital cycle.	Management has set out a financial plan for the forthcoming financial year which it considers to appropriately reflect the growth prospects while reducing the potential for downside risk. This is achieved by managing the timing of new investments to ensure sufficient cash is available to meet the Group's present and future financial obligations. The financial model has also been stress tested by considering the implication of trading scenarios which are considerably worse than expected to ensure that the Group has the resources to endure globally challenging economic conditions. The Group is geographically spread mitigating the impact of any future regional specific lockdowns and we continue to monitor the sales pipeline. As mentioned below, our customer concentration continues to reduce year-on-year. Additionally, we continue to maintain communication with our customers and monitor our debtor profile closely. The percentage of debtors more than 30 days overdue, including those that have been granted payment extensions, is 9% (2019: 6%)	N This is a new risk. The Group continues to monitor the environment and the ongoing performance of the business in terms of both sales and cash flows; however, the duration of the pandemic and associated impacts is uncertain.

KEY: ↑ INCREASED ↓ DECREASED → UNCHANGED N NEW

Principal Risks and Uncertainties

continued

Risk Area	Potential Impact	Mitigation	Trend
EMPLOYEE CAPABILITIES AND ENGAGEMENT	Staff engagement is essential to the successful delivery of service to customers, and longer term, the overall business strategy. A workforce which is not engaged or motivated can hinder the growth of the business. Having the appropriate capabilities at all levels, by continuing to attract and retain key individuals 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. We have undertaken an exercise to identify who are the key individuals in the organisation and have also commenced a succession planning exercise for key roles.	→ The risk is unchanged. The Group has invested in human resources over the last few years and continues to monitor its performance in this area across locations. In addition, we have devoted greater resource to regional employee communications through the COVID-19 pandemic to ensure employees maintain their engagement and are kept up to date with economic developments. Accordingly, the Group deems the employee engagement risk to be reduced to a suitably low level.
MARKET AND ECONOMIC RISKS	The software sector is fast moving with regular changes in technological advancements and offerings. This may impact the future compatibility of our products, or new solutions could even render our products obsolete. The business faces further challenge in price competition for less highly developed products which can result in price erosion or customer loss.	Continuing R&D processes with internal expertise, market benchmarking and consultation and continual tracking of technological direction. We closely manage our key accounts and interact with our largest stakeholders in order to keep abreast of market developments and ensure that our product development roadmap remains market focused and our solutions address customer requirements. 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.	→ The risk is unchanged. Mitigations reduce the risk, but this risk is inherent in the market and cannot be fully removed. The expanding portfolio of products, services, offerings, and geographies reduces these risks.

KEY: ↑ INCREASED ↓ DECREASED → UNCHANGED N NEW

Risk Area	Potential Impact	Mitigation	Trend
INTERNAL SYSTEMS	Our internal systems are integral to our service offerings, our process efficiencies, and our development abilities. The flexibility and reliability of the systems is critical to the ongoing growth of the Group. The integrity of our systems is maintained through regular backup testing and robust disaster recovery planning. 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.	We have implemented policies and procedures to manage our operations efficiently and safely and to maintain our systems as evidenced by obtaining ISO 9001/27001 accreditation. We are continuing to highlight the potential risks internally and raise the profile of internal security. System enhancement teams work on the continual improvement and integration of key systems, including enhanced security, business continuity and back up facilities.	→ The risk has remained the same but we are further strengthening the mitigation by planning to achieve the ISO accreditation in our Ireland office.
FINANCING RISKS	There is a risk the Group will not be able to meet the day-to-day running obligations of the business.	The Group now has significant headroom on cash reserves, following the completion of a fund raise in July 2019 that generated £9.6 million, net of fees. This allowed the Group to pay down its borrowings in the year. The Group keeps up to date a rolling cash flow forecast and performs sensitivity analysis to assess whether we can continue to operate within the cash reserves, including assessment of potential downside scenarios as a result of the ongoing impact of COVID-19.	→ The risk is unchanged. The Group maintains cash reserves, and is no longer reliant on debt, as a result of the year's trading and share placing. The cost base is considered appropriate for the size of the business and therefore the risk associated with not meeting our obligations is considered low.

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.	The Board is conscious of this ongoing risk and continues to mitigate it through the development and diversification of new customers, and the continued strengthening of relationships with its existing customers. A number of customers are significant in the context of the Group as a whole. However, no single customer accounts for more than 4.2% (2019: 8.8%) of the revenue, and the top ten customers represent 19.6% (2019: 25.0%) of the Group's revenue.	↓ The risk is declining. The proportionate size of our largest and top ten customers has reduced in comparison to the prior year and with no single customer accounting for more than 5% of revenue, we are not overly reliant on a single customer. The management team acknowledges the risks around customer concentration and this is mitigated through customer relationship management. In addition, we continue to add new customers to our portfolio to mitigate the risk further, both through direct and indirect new business wins.
OPERATIONAL EFFICIENCY RISKS	Operational efficiency is vital to the profitability of the Group and to customer service. The risk arises both at an internal level, where inefficient operating processes can adversely affect the profitability of the Group; and at a customer level, where ineffective products or poor client service could lead to termination of the relationship.	The Group continues to focus on standardising operating procedures across all locations, which drives consistency in client service. System enhancement teams work on the continual improvement and integration of key systems, which supports further automation and standardisation of processes. The Group maintains a collaborative relationship with customers and tracks customer satisfaction in order to identify any product or service delivery risks	→ The risk is unchanged. The Group continues to invest in product and its service teams however acknowledges the changing market dynamics means this is an iterative process.

KEY: ↑ INCREASED ↓ DECREASED → UNCHANGED N NEW

Risk Area	Potential Impact	Mitigation	Trend
COMPLIANCE RISKS	The Group operates in various jurisdictions globally, therefore is exposed to varying legislation and compliance requirements, as well as compliance with tax regulations and transfer pricing.	The Group monitors global compliance and obtains local advice and guidance when required. Blancco continues to be mindful of the implications the increasing levels of Data Protection legislation in place globally, and a Data Protection policy is in place across the Group. This is agreed to by all the Group's employees and is also covered within the conduct of business policy for the Group. Compliance with Data Protection and GDPR remains a key focus, with ongoing all-employee training sessions to ensure compliance with the Group's Data Privacy Policy and Information Security Policy. The Group maintains internal processes to ensure appropriate guidelines are followed – especially with regard to data protection and anti-bribery and corruption. The Group periodically reviews the terms of its tax arrangements to ensure these remain compliant with local law and regulations and that the Group is compliant with arm's length pricing principles.	→ The risk is unchanged. The Group continues to monitor its compliance across locations and deems the compliance risk to be at a suitably low level.
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.

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

28 September 2020

Corporate Social Responsibility and Sustainability

Our focus

In October 2019, Blancco was able to announce that it had become one of the first companies to be awarded the London Stock Exchange's Green Economy Mark accreditation. The new certification has been created by the London Stock Exchange to clearly highlight to investors those companies listed on the London Stock Exchange's main and AIM markets which generate between 50% and 100% of total annual revenues from products and services that contribute to the Green Economy. This accreditation has led to an increased commitment to enhancing our sustainability credentials in both how our solutions can reduce the quantity of e-waste for our customers but also in terms of Blancco's own Environmental, Social and Governance impact. The early stages of this project are outlined below and will evolve over time with enhanced detailed reporting in this area.

Blancco has a few key areas of focus in our sustainable approach to business.

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 resale and erasure and reuse. One of our principal competitors is the 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, Blancco invests in its human capital, providing opportunities and promoting human development. Our impact here is far reaching with our global presence across a number of operating locations. Customer satisfaction is also a priority for Blancco, and we remain responsive to all feedback. Finally, Blancco recognises the positive societal impact its operations have, including driving industry standards and safeguarding data.

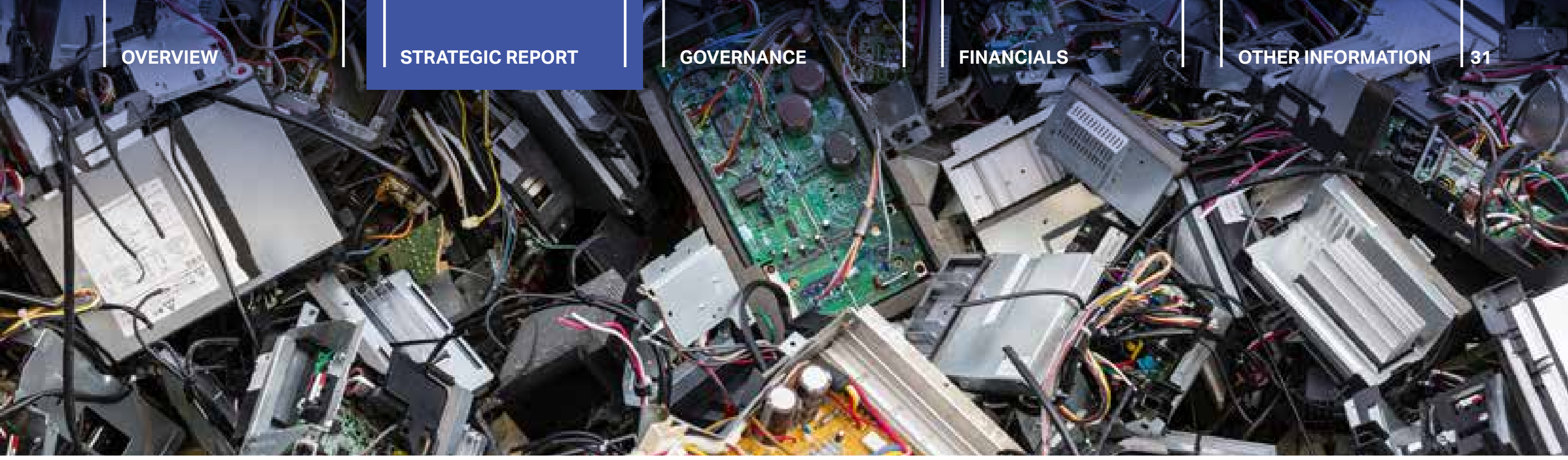
Section 172

The Directors are fully aware of their duties under s172 of the Companies Act 2006 to promote the success of the Company for the benefit of members as a whole. The Group's stakeholder engagement activities help to inform the Board's decisions, by ensuring the Directors are aware of stakeholders' interests. Further details of how this is achieved can be found in the Company's Corporate Governance Statement on our website.

The Board and Company Directors consider:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and other stakeholders;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

Blancco maintains a continuous dialogue with its stakeholders and takes into account their views before items are put to the Board for a decision.



Stakeholder Group	Why we engage	Material ESG Issues	How we engage
INVESTORS	We understand the importance of our shareholders' role in supporting the success and direction of the business. We therefore engage in open and regular communication, to ensure shareholders are well-informed. Engagement is designed to ensure confidence and support from those that invest in, and lend to Blancco.	– Meeting Regulatory Requirements – GDPR etc. – Environmental impact of products and services to support circular economy movement – Emissions and emissions management – Diversity of Workforce – Supporting customers' ESG objectives – Business Model Resilience – Business ethics and compliance	We engage with investors consistently and on request throughout the year. We host investor meetings periodically and the AGM and attend investor roadshows upon release of our financial results. We also attend investor conferences. We issue financially material updates via RNS and provide comprehensive reporting and disclosure on our website and through our investor materials.
REGULATORS	In order to maintain positive and productive relations with regulators, we ensure openness and transparency in our dialogue. Constructive engagement aims to ensure appropriate sector oversight for customers.	– Governance – Risk management and control systems – Data Erasure practices – Audit practices – Business ethics and compliance	Blancco data erasure solutions have been tested, certified and approved by 15+ governing bodies and leading organisations around the world. Details of the accreditations can be viewed on https://www.blancco.com/about-us/our-certifications/.
COMMUNITIES (INDUSTRY BODIES)	We engage with these bodies to support the development of industry standards. Working openly and progressively seeks to support the achievement of shared goals with societal benefit.	– Creating Industry Standards – Self-Regulation – Community engagement	We encourage active participation of our employees in industry associations, with employees attending conferences, meetings and roundtables.

Corporate Social Responsibility and Sustainability
continued

Stakeholder Group	Why we engage	Material ESG Issues	How we engage
CUSTOMERS (PARTNERS)	Working with our partners helps us to improve the delivery of our services and meet the demands of our customers. Fostering good relationships helps Blancco to ensure it obtains the best possible value from its investments.	– Effectiveness of products and services – Support in implementing ESG strategies – Certification of Data Erasure Best Practice – Communication of Sustainable Impact – Data privacy and security – Customer satisfaction – Business ethics and compliance	We maintain consistent dialogue with our customers and partners through our client service teams 24/7. Net Promoter Score surveys are sent out to customers on a recurring 90-day basis.
CUSTOMERS	Our customers are central to the success of Blancco and we maintain a relentless focus on delivering outstanding customer experience at all levels of the business. We are responsive to feedback and strive to meet their evolving needs. We want to ensure we retain our loyal customers as well as attracting new business.	– Trusted Solution for Data Erasure – Customer satisfaction – Business ethics and compliance	We engage and listen to our customers through a range of customer satisfaction and market research surveys and focus groups. Their feedback is analysed by our Customer Advisory Board and used to drive product and service initiatives that will deliver the greatest value to the customer.
EMPLOYEES	To retain and attract the best talent in our industry, we want to make sure we have a motivated and engaged workforce. To this end, we foster a transparent and supportive culture at Blancco, encouraging feedback and skills development. Engagement helps Blancco attract, retain and develop a talented workforce now and for the future.	– Culture/Well-being/ Support – Unions (only in Finland) – Benefits – Training and Development – Volunteering and Fundraising – Transparency of Executive Team – Flexible Working Hours – Health and safety – Pay equity	Communication with employees is made using formal and informal channels which include: performance reviews, specific consultations, employee forums, internal social networks, newsletters and workshops. Employee engagement is measured in our Annual Global Employee survey which we run in September each year. We create inclusive and diverse working environments that encourage and support a high performance culture and innovative thinking.

Employees

Diversity and Inclusion

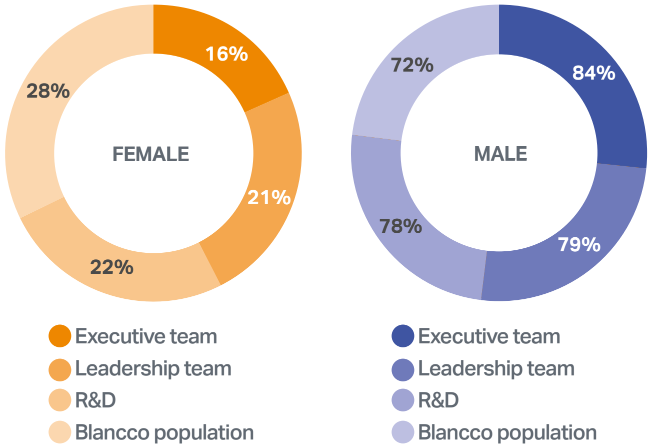
The Group operates in a diverse range of economic and cultural environments, with a lot of cross-border communications at all levels. A key aspect of developing the success of the Group is to support an open culture and encourage the mix of cultures and business practices across the Group. We continue to offer equal opportunities to our employees and actively encourage employee progression at all levels of the organisation. Blancco is committed to further improving the diversity within its workforce and leadership team in the coming years. Diversity & Inclusion is regularly discussed by the Board and will continue to be a key area of development for the Company in the years ahead.

To encourage more women to enter our field we have started to work with higher education institutions in Finland. At universities we offer internships for any individuals studying the relevant subjects. This has been a successful programme, as we have hired permanent employees as a result of the internships. Additionally, Blancco attends recruitment events and conducts talks at universities and higher education colleges to raise awareness amongst students for the opportunities that we provide. 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.

At Blancco we continue to review our recruitment processes, with the aim of increasing diversity in our workforce more broadly. This includes assessing whether there are other routes we can take to market that would increase the diversity of the candidate pool, as well as carrying out internal training to support our business objectives.

KPIs: Gender representation; Number of internships offered; Number of permanent employees from internships; Number of talks at universities and high education colleges

Gender Representation



Number of internships offered	We have had five internships agreed over the last 12 months, of which one was cancelled due to COVID-19.
Number of permanent employees from internships	Two internships which ended in September 2019 resulted in both interns becoming hired permanent employees in Joensuu.
Number of talks at universities and higher educational colleges	We went to introduce Blancco at a total of three university events, one in Lappeenranta and two in Joensuu.

Corporate Social Responsibility and Sustainability
continued

Engagement and Well-being

As a result of the investment in our employee well-being we have seen an increase in employee engagement. On a day-to-day basis we promote employee engagement through training, presentations to all employees, employee surveys, appraisal and performance reviews, and the involvement of employees in setting the Group's mission, vision and values. Employee engagement is measured in our Annual Global Employee survey which we run in September each year; the engagement score for September 2019 was 77%. The survey enables employees to give feedback on their experience of working for Blancco, and we take this very seriously, taking action to implement any desirable improvements that are brought to our attention.

There is also a Global Employee Forum which has been set up with 15 employees from across different locations and areas of the business. The Forum provides an opportunity for Senior Leadership and employees to engage in two-way open communication and discussion on issues that directly impact upon working life at Blancco, in a spirit of trust and confidence. The Global Employee Forum played a key role in the development of the new Company vision, mission and values.

As we have invested a lot in our employees, our retention is high; employee turnover is currently at 9%, which is much lower than the industry average of 13%. The nature of the business offers flexibility, which works very well for people, especially for those employees with children, who benefit from the flexible hours. We also 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.

Over recent months there has been a particular focus on supporting those employees who have been required to work from home due to the impact of the COVID-19 pandemic as reported in the COVID-19 section of the report below.

KPIs: EMPLOYEE ENGAGEMENT SCORE

Employee engagement	September 2019: 77%

Health and Safety

Our health and safety record remains excellent, with no RIDDOR reportable (or equivalent) incidents during the year. All office-based employees receive the appropriate level of health and safety training. Every office has an established health and safety structure in place to deal with health and safety matters.

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

Training and Development

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 therefore support any individuals that want to undertake training that could benefit both themselves and the business.

Blancco has invested a great deal in the benefits process, benchmarking against other businesses. We have increased benefits to ensure that employees are cared for and recognise that they are valued and rewarded.

We are committed to recognising performance. We provide appropriate remuneration for work carried out and equal opportunities for development and career advancement.

We present employee awards. Individuals are nominated for the Spotlight Award based on something they have done in the business, receiving a £150 or equivalent prize, while the Value of the Month Award is presented to someone nominated by their colleagues against a key value which is chosen monthly, receiving an extra day of holiday.

Compliance and Integrity

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.

Blancco ensures that all employees are kept up to date with the Company's governance policies. New employees are required to read Blancco's policies, including Code of Conduct Policy, Anti-bribery and Corruption Policy and Whistleblowing Policy, feedback with any questions, then sign to demonstrate that they have read and understood. This gives us the confidence that our new joiners understand the ethics and values of how the business works.

Ongoing training is carried out to cover any policy changes; these sessions act as a refresher for employees, while also providing the opportunity for people to voice any questions they many have. At Blancco, we value the transparent culture we have created, and want our staff to be reassured that, should they be faced with an ethical dilemma, they can approach us with any questions they may have.

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.

COVID-19

For Blancco, during the coronavirus pandemic and ensuing lockdown, we wanted to ensure our employees felt supported and secure in their employment. Their health, well-being and safety was our top priority and we continue to maintain regular dialogue with all our employees. As we were already well placed to support our employees working remotely, we were able to act ahead of government guidelines, facilitating a quick and easy transition to working from home.

We instigated weekly HR Country Calls in all 12 countries where we have a material presence and global workforce calls led by the Executive Team, to maintain responsiveness and transparency. For the latter calls, the entire Executive Team are visible via video to work through the questions submitted as transparently as possible. We also continued to present our Spotlight Award and Value of the Month Awards throughout lockdown, using the calls as an opportunity to announce the winners.

Despite the challenges brought by the COVID-19 pandemic, no employees have been made redundant or furloughed during the period.

Every year we conduct employee surveys to determine how engaged employees are. This year we will introduce questions about the pandemic and how Blancco has dealt with lockdown.

"The well-being of our employees is of the upmost importance to us and we wanted to make sure that we were able to continue supporting our employees whilst they were working away from the office. The HR Country Calls were established with the purpose of checking in with our employees, giving them the opportunity to ask any questions and listening to any concerns being voiced. We also use the time to share any country specific updates to ensure we are communicating with the teams as much as we can during these uncertain times. The calls have also given employees a direct line to myself – as one of the executive team – which gives people the opportunity to provide any feedback they have for management. We are thrilled that the feedback for us so far has been fantastic."

Sarah Smith, HR Director

Corporate Social Responsibility and Sustainability
continued

Customers

As customer satisfaction is a priority for Blancco, we are responsive to feedback and strive to meet our customers' evolving needs. We measure customer satisfaction in two key ways; through our Net Promoter Score (NPS) and Win Loss Survey. The NPS score is continuing to rise, with increasing numbers of customers responding, thereby strengthening the validity of the score, and showing that we are now out in front of the industry. The Win Loss Survey poses 23 questions to our customers, covering the business, sales team, support and our website. The NPS scores have been collected since Q4 in the FY19 financial year and are summarised below.

		Q1	Q2	Q3	Q4	Full Year Results
FY19	Score	–	–	–	-9	-9 (average)
	Respondents	–	–	–	7	7 (total)
FY20	Score	41	35	46	63	48 (average)
	Respondents	17	17	22	29	85 (total)
FY21	Score	63	–	–	–	63 (YTD average)
	Respondents	40	–	–	–	40 (YTD total)

Society

Driving Best Practice

We act as a voice in driving forward initiatives that benefit both our own services and the industry as a whole. We work within the technical communities helping to establish certain standards that are used in evaluating devices. This work forms the basis of overall industry standards that can extend the useful life of those devices.

Often the focus is on industry self-regulation and how we can consistently make it better. For example, with The Asset Disposal and Information Security Alliance (ADISA), we are classifying what it means to have a device go through a complete auditable data sanitisation process by defining the three steps that make this an auditable event, as it's important to have a consistent method of valuation throughout industry.

We currently work with the CTIA, GSMA and ADISA. We also founded the International Data Sanitization Consortium which seeks to establish standards and best practice in data sanitisation.

Safeguarding Data

Recent research from GreenIT reveals that the digital world in 2019 was comprised of 34 billion IT devices for 4.1 billion users, generating 2.5 quintillion bytes of data per day. Only about 6% of all data ever created is in use today, which means 94% is redundant, obsolete or trivial (ROT) data, and organisations worldwide are sitting on vast amounts of data they don't need and that could be easily erased.

Often, this data should be erased after being saved for required retention purposes. There is an environmental cost in running drives of course, but the larger issue is the social impact; if a company's ROT data includes personal information and it gets pulled out by a data breach, that can come at a huge cost in reparations for a company. Blancco data erasure solutions have been tested, certified, approved and recommended by 15+ governing bodies and leading organisations around the world. No other data erasure software can boast this level of compliance with the rigorous requirements set by government agencies, legal authorities and independent testing laboratories.

Communities

"Through data sanitisation we are able to support the circular economy by promoting the use of second-hand devices. We are encouraging our customers to be more confident in getting involved in the trade-in economy, rather than leaving their devices sat in storage within office environments before being destroyed. We recognise the huge social impact this could have in providing devices to people who would otherwise be unable to afford them. We are proud that our software has enabled the efforts of the Dutch company DigitalForYouth to repurpose donated laptops for children who did not have sufficient access to a computer during the pandemic."

Alan Bentley, President, Global Sales

Environment

Positive Environmental Impact

We are proud that our products promote responsible consumption through the reuse of hardware, and we therefore have an immensely positive impact on the environment. While physically destroying IT assets, when accompanied by a certificate of destruction and a full audit trail, is a valid data disposal option, it is simply bad practice. This is especially true if it is at risk of ending up in landfill or being informally recycled.

Blancco's 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. By erasing and reusing old electronics until they're no longer functional, negative impact can be substantially reduced. The typical refresh rate of certain devices is about three years; data sanitisation can double the lifetime of a product.

Blancco's work therefore reduces environmental harm by avoiding the necessity of landfill waste and drives the circular economy by enabling reuse of devices, thereby lessening the demand for more products. Research suggests that the environmental impact of most consumer electronics is greatest during the manufacturing and distribution process. Thus, by extending the useful life of assets the potential to dissipate and slow the impact of the manufacturing process increases, reducing emissions and natural resource use, such as water and precious minerals.

Based on information gathered from customers, an estimated 75.9m kilograms of electronic equipment was securely sanitised during the year, with a pre-use carbon footprint of 5.6bn kilograms.

During the year, we commissioned research to the publication of three reports on sustainability and governance practices of corporations. These reports highlighted the adverse environmental impacts of the physical destruction of data storage devices vs the use of data erasure software.

Environmental Management

Blancco acknowledges the coming into force of the Streamlined Energy and Carbon Reporting (SECR) framework in 2020 and calculated its energy usage for its UK-based offices. The energy usage by the business falls below the 40MWh disclosure threshold and therefore Blancco has opted not to report in accordance with the SECR framework this year. Blancco intends to commence an emissions management exercise for the financial year ending 30 June 2021 for its global operating footprint which remains entirely office-based.

Sustainable Initiatives

"We have been introducing a range of environmentally friendly initiatives at our Cork office. There has been a big take up by staff of the Bike to Work scheme, which has cut down the emissions from our commutes. We have put paper recycling bins at desks, removed single use cups from water coolers, and encourage use of the dishwasher rather than individuals each doing their own washing up. This isn't where we stop; we want to continue pushing sustainable practices across the business."

Paula Vermeulen, UI/UX Design Manager in R&D

Corporate Social Responsibility and Sustainability
continued

UN's sustainable development goals

The United Nations' Sustainable Development Goals ("Goals") were created to tackle some of the world's greatest challenges, such as inequality, climate change and environmental health. In 2016, the United Nations created 17 Goals, with 169 underlying targets and a target achievement goal of 2030.

The Goals call upon every part of society – from governments and organisations to businesses and private citizens – to play a part in achieving them in order to create a better and more sustainable future.

In shaping our approach to sustainability and ESG risk management, we considered these Goals and identified a series of objectives, relevant to our business, to which we can contribute. We identified Champions committed to tackling the risks that relate to achieving the specified Goals, and we continue to incorporate them into our risk management practices so that we effectively consider them in the day-to-day running of our business.

SDG	2020 APPROACH	TARGET	TARGET OUTLINE	RELEVANCE TO BLANCCO
3 Good Health and Well-being 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.	**3.9**	By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	Blancco help businesses transition to a more sustainable circular business model and away from non environmentally friendly methods of destruction.

SDG 3 CHAMPION

Sarah Smith, Human Resources Director

"It is the drive and innovation of our people that drive our business. Our colleagues are our most important asset and we endeavour to ensure they have a safe and stimulating working environment that supports both personal and business growth. Our goal is to enable businesses to transition to environmentally friendly methods of erasure."

SDG	2020 APPROACH	TARGET	TARGET OUTLINE	RELEVANCE TO BLANCCO
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.	**8.2**	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.	Blancco invest in new product developments and integrations while focusing on technical innovation.
		8.4	Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead.	Blancco's products encourage reusing hardware and promotes responsible consumption.

SDG 8 CHAMPION

Adam Moloney, Chief Financial Officer

"Increasing ESG pressures are causing companies to look for alternatives for their data erasure before reusing or reselling assets. At the core of our company is technical innovation to promote responsible consumption. We seek to foster a working culture that provides the opportunities for personal growth that support our ambitions as a business."

Corporate Social Responsibility and Sustainability
continued

SDG	2020 APPROACH	TARGET	TARGET OUTLINE	RELEVANCE TO BLANCCO
9 Industry, Innovation and Infrastructure 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.	**9.5**	Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.	Recently, Blancco has invested in internal Research & Development as well as having bought in external Intellectual Property and made the acquisition of Inhance. Blancco run a university partnership scheme in a development centre in Finland to encourage development of individuals leaving education, as well as relying on a number of university graduates in the India office to work on the product development and support. The investment in innovation was demonstrated by the nine new patents filed in FY20 (FY19: seven patents filed).

SDG 9 CHAMPION

Russ Ernst, EVP Products and Technology

"Blancco invest heavily in research and development and we engage with universities across the globe to encourage graduates to work on the product development and support."

SDG	2020 APPROACH	TARGET	TARGET OUTLINE	RELEVANCE TO BLANCCO
12 Responsible Consumption and Production	Our products promote responsible consumption through the reuse of hardware.	**12.4**	By 2030, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.	Blancco's 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.
		12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	Blancco's product offerings promote the recycling and repurposing of devices through diagnostics and resell and erasure and reuse.
		12.6	Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	In this report, we are outlining how we are moving towards a more transparent way of reporting and demonstrating our commitment to a more sustainable way of operating.

SDG 12 CHAMPION

Matt Jones, CEO

"Responsible consumption and production is in our DNA. We develop and deliver industry-leading products and services that meet the exacting standards of data governance whilst simultaneously enabling our customers to and the markets in which they operate promote the " 'reduce, reuse and recycle' " principle that underpins the increasing drive towards a more circular-economy".

GOVERNANCE

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Directors and Advisors

Rob Woodward

Board Chair

Chair of Nominations Committee

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 UK's 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 previously 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.

Catherine Michel

Independent Non-executive Director

Catherine joined the Board in January 2020. She is currently Chief Technology Officer ("CTO") for life-saving technology company Halma plc ("Halma"), where she has global responsibility for the group's data and IT strategy. She is also a member of Halma's Executive Management Board. Previously, Catherine was CTO for Sigma Systems following its acquisition of Tribold Limited in 2013, a business she founded and, as CTO, was principal architect of the company's products and solutions portfolio. She also serves on the UK5G Advisory board and was formerly on the TM Forum Executive Committee. She has won a number of industry accolades including "CTO of the Year" at Digital Transformation World, the leading "Woman in Telecoms" at the World Communications Awards and twice named one of the "Top Most Powerful People in the Telecoms Industry" by Global Telecoms Business.

Philip Rogerson

Senior Independent Director

Chair of Remuneration Committee

Philip joined the Board in March 2017. He was formerly chairman of Bunzl plc, De La Rue plc and a number of other companies. Philip was also an executive director of BG plc (formerly British Gas plc), latterly as deputy chairman.

Tom Skelton

Independent Non-executive Director

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

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Directors' Report

The Directors present their report together with the audited consolidated financial statements for the year ended 30 June 2020.

Strategic report

In accordance with sections 414A-D of the Companies Act 2006 a Strategic Report is set out on pages 4 to 41 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 59 to 62 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 2020 are set out from page 72. The Group profit for the year after taxation was £1.1 million (2019: £0.9 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 pages 44 to 45.

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

F Blin
M C Jones
C E Michel (appointed 1 January 2020)
A P Moloney
P G Rogerson
T K Skelton
R S L Woodward

Catherine Michel will stand for election and Philip Rogerson 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 62.

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 1 July 2019 was £1,303,952.78 comprised of 65,197,639 ordinary shares of 2 pence each ("ordinary shares"). On 15 July 2019, 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.

On 17 December 2019, a further 854,939 ordinary shares were issued. 813,253 of these were issued at a price of 132.8p per share as consideration for the acquisition of 29% of the issued share capital in Blancco Japan Inc and the remaining 41,686 ordinary shares were issued at a price of 155.0p per share as part of the consideration for the acquisition of 30% of Blancco APAC Pte Limited.

The issued share capital of the Company at 30 June 2020 was therefore £1,507,276.84, comprised of 75,363,842 ordinary shares.

Substantial shareholdings

As at 28 September 2020, 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	21.00	15,829,669
Canaccord Genuity Group Inc	10.35	7,800,357
Inclusive Capital Partners LP	7.54	5,684,000
Schroder Investment Management	7.14	5,379,562
Janus Henderson Investors	5.72	4,311,303
M&G plc	4.64	3,500,000
Tellworth Investments	3.92	2,957,663
Merian Global Investors	3.86	2,912,616
Forager Funds Management Pty Ltd	3.82	2,878,711
BGF Investment Management Ltd	3.14	2,366,402
The Blancco Employee Benefit Trust	3.02	2,275,442

Going concern

The Group meets its day-to-day working capital through its cash reserves and overdraft facility. The Group has a Revolving Credit facility which expires in October 2020; however, the Group's forecasts and projections indicate current cash reserves are sufficient to meet the Group's day-to-day operating activities. The Group also assessed reasonably possible downside scenarios representing severe but plausible scenarios, especially in respect of the COVID-19 pandemic, and these indicated the Group reasonably expects to operate within its cash reserves. 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.

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 Report on pages 18 to 21. Further information on the financial position of the Group, its cash flow and liquidity position are described in the Chief Financial Officer's Report on pages 22 to 23. In addition, note 27 to the financial statements details the Group's objectives, policies and processes for managing its capital and its exposures to credit risk and liquidity risk.

The 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

There have been no events requiring disclosure since the year end.

Annual General Meeting

The Company's 2020 AGM will be held at 5.30 pm on Tuesday 15 December 2020. The notice of meeting with an explanation of the business to be transacted can be found on pages 122 to 128.

Financial instruments

Information on the Group's financial risk management objectives and policies and its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk can be found in note 27.

Independent Auditor

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

Disclosure of information to the auditor

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

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

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

By order of the Board

Lorraine Young Company Secretaries Limited

Company Secretary

28 September 2020

Corporate Governance Report

Rob Woodward | Chair

Corporate Governance Statement from the Chair

The Board has adopted the Quoted Companies Alliance Corporate Governance Code (2018) ("the QCA Code"), and this is our second year of reporting against this 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. Although we decided to defer our Board effectiveness review due to the COVID-19 pandemic, the changes we were forced to make to our Board meeting practices as we switched to virtual meetings have given us a useful opportunity to review and improve the way we do things.

Following last year's board effectiveness review and skills audit we decided to seek a new NED who could supplement the knowledge and expertise of the existing Board members and, if possible, address the need for us to increase the diversity of the Board. We were therefore delighted to welcome Catherine Michel to the Board on 1 January 2020. Catherine has a wealth of experience in the technology sector which brings additional valuable industry insights as we continue to execute our growth strategy. We planned a tailored induction for Catherine and have sought her feedback on this to ensure she has access to all of the information and people that she needs to be effective in her role. Catherine has made an excellent contribution to our Board discussions and in addition has assisted Blancco by effecting introductions to individuals in her business network.

The Board continues to consider all aspects of governance. Examples of this are that we arranged a separate discussion session for the Board to consider Diversity and Inclusion (D&I) across the whole of Blancco. This was attended by the HR Director as well as the Board. This format worked well and allowed the Board sufficient time to explore the topic in more detail than might have been achieved if the discussion had been part of a regular Board meeting. We plan to use this format in future for other topics which would benefit from it.

Adam Moloney (the CFO) has led an initiative working with Buchanan, our PR advisors, to consider Blancco's Environmental, Social and Governance ("ESG") credentials (including our stakeholder engagement) and the output from this, including future ESG reporting, is described on pages 30 to 41 with more information available on our website.

Following the launch of the Company's vision, mission and values, the HR Director has introduced a number of initiatives to encourage employees to adopt these. Further details are given below.

Our engagement with our shareholders has continued. There have been a number of changes in our major shareholders over the last year and I shall be writing to all of them as usual, to invite them to discuss our governance arrangements and to feed back their views. We also communicate with our major investors about any changes to Executive Director remuneration. Our CEO and CFO continue to meet investors (albeit virtually since the outbreak of COVID-19) at the time of the full and half year results announcements. The analysts' briefing this year will be held virtually and we also plan to trial the "Investor Meet" platform to allow retail investors access to presentations by the Executive team.

This year, we anticipate that our AGM will be a hybrid one and that it will probably not be possible for investors to attend in person, due to the restrictions in place for the COVID-19 pandemic. However, all shareholders will be able to appoint the Chair of the AGM as their proxy and to direct how they wish their votes to be cast. We will also be offering shareholders the opportunity to ask questions. Further details can be found with the Notice of AGM on pages 122 to 128.

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.

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 supporting our values.

Rob Woodward

Chair

28 September 2020

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.

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 in the Strategic Report. The Board has a discussion on strategy in May each year with the senior management team, following deliberations by the Executive. This is normally part of a two day Board offsite meeting; however, in 2020 discussions were held virtually as it was not possible for the Board to meet in person with the COVID-19 restrictions in place. The outcome of the discussions was that the strategy launched in 2018 remains in place and the Board agreed to continue to make tactical changes as the components of the three priority market sectors evolve.

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.

Since the start of the COVID-19 pandemic, the Board and Executive team have regularly discussed the impacts of the pandemic on the Group's business – both positive and negative, how risks can be mitigated and opportunities exploited. There has been detailed consideration of the potential financial impacts of the pandemic on the business as disclosed in the Strategic Report.

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, the Executive team has continued to assess 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. Since the start of 2020, this risk assessment and mitigation has included the anticipated and actual impact of COVID-19.

The Board considers this high level analysis as an 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 30 days per year.

Corporate Governance Report
continued

The table below shows the number of Board and committee meetings held during the financial year to 30 June 2020 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
Rob Woodward	9	9	3	3	2	2	3	3
Matt Jones	9	9	–	3*	–	2*	–	3*
Adam Moloney	9	9	–	3*	–	2*	–	3*
Frank Blin	9	9	3	3	2	2	3	3
Catherine Michel	5	5	2	2	1	1	2	2
Philip Rogerson	9	9	3	3	2	2	3	3
Tom Skelton	9	8	3	3	2	2	3	3

* Attended by invitation.

Catherine Michel was appointed to the Board on 1 January 2020.

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

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 46. Brief biographical details of each Director are set out on pages 44 and 45. The Directors come from diverse professional 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 relevant 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. The company secretary provides a regular update to the Board on relevant legal and governance matters and the external auditor provides 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 advisors are given on page 45.

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. 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, due to the COVID-19 pandemic, the review was deferred to allow the Executive team and the Board the necessary time to focus on the business. It is anticipated that the next review will be undertaken towards the end of the calendar year, or early in 2021. Details of the most recent review are given on the Company's website.

In addition to the above exercise, the Chair held meetings with each of the Directors and the company secretary to discuss individual performance and succession planning. The Senior Independent Director led an evaluation of the Chair. No issues of concern were raised in this review.

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 seven Directors, two of whom are Executive and five 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 54 to 58 and the report of the Remuneration Committee is on pages 59 to 62.

The skills audit conducted last year showed that the Directors do have between them a wide range of relevant skills and experience which is sufficient for the needs of the Company at the current time. The appointment of Catherine Michel to the board has added in particular to the technology expertise on the board. The balance of knowledge, skills and experience on the board 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 2020 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 agreeing the accounting proposed by the executive management team in judgemental areas and to ensure sufficient controls are in place to mitigate against misstatement. This includes assessing Group-wide internal financial controls.

Additionally, the Committee reviews the Group's Risk Management framework at each meeting. The Chief Financial Officer presents the risks as documented by the Group's Risk and Opportunities Committee, which are presented against an assessment of likelihood and severity, and the associated mitigations of those risks. The key risks faced by the Group are presented in the Strategic Report.

The Committee reviews the work of the external auditor. This includes approving the audit scope and approach, the fees for 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 auditor is PricewaterhouseCoopers LLP (PwC). PwC was appointed auditor 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 2020 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, the acquisition of Blancco Ireland, 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 2020.

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, specifically IFRS 16, Leases (replacing IAS 17, Leases).

A prior year adjustment has been presented which quantifies the impact of the change in the standard, as presented in note 1.2. The Committee has considered the implementation of the new standard and held discussions with the auditor to ensure this is accurately reflected in the financial statements and associated disclosures. Further details on the transition to IFRS 16 are presented in the notes to the financial statements and the Audit Committee does not assess this to contain a significant risk of judgement or misstatement.

Following the acquisition of Blancco Ireland (previously Inhance Technology) at the start of the financial year, the acquisition accounting was increased to a significant risk, given the size of the transaction and the inherent uncertainty in measuring acquired assets and liabilities. The Committee reviewed the initial accounting in the prior year, as presented in the June 2019 financial statements. During this financial year, and in consultation with the auditor, the Committee challenged management's assumptions and judgements over the accounting, specifically with reference to any contingent liabilities which should be recognised. This assessment was performed with reference to (1) the due diligence work performed pre acquisition and the potential liabilities identified and (2) previous acquisitions the Group has made and the extent to which liabilities have crystallised in the post acquisition period. The Committee concluded that the recognised liabilities were reasonably supported and sufficient disclosures made in the notes to the financial statements to support the accounting.

During this financial year, the Committee engaged Grant Thornton to perform a detailed review over the Group's revenue controls, with the intention that it would give additional assurance over and above the normal audit routines performed by PwC. The Board reviewed the findings of this report which commended the control environment in place and identified no significant issues. A small number of minor improvements to the processes were recommended which have been implemented or are in the process of being implemented.

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. 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 in the form of virtual delivery via the cloud.

Judgement is required in establishing the transfer of control under IFRS 15. This is particularly pertinent for multiple element contracts where certain deliverables could be inherently tied to others and where this judgement could vary on a contract by contract basis. There are further judgements made in relation to the point at which delivery has occurred where licences are held on a cloud account managed by Blancco, and in relation 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 accounting policies have been met.

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

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.

Management also highlighted the controls in place around inception of a sales contract, completeness of invoicing, processing of revenue recognition and debt management

The Committee instructed Grant Thornton to review the control environment with regard to revenue recognition and particularly the controls and processes within the CRM system, Salesforce. The report highlighted some low priority recommendations, and management have outlined the steps they have taken to address these findings.

The Committee's deliberations involved considering and understanding the outcome of management's review of material contracts on an individual basis, to ensure there was sufficient evidence for both meeting the revenue recognition criteria under IFRS 15 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.

The Committee was satisfied that there was a reasonable basis for the revenue recognition assessments, there was an expectation that the revenue recognised would be collected in full and that the accounting treatment adopted was reasonable.

Audit Committee Report
continued

The Committee concluded that:

- In respect of management's judgements in applying the requirements of IFRS 15, 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 were appropriate.
- The controls in place for review of contracts and ensuring checking of revenue recognition were appropriate.
- The recommendations of the Grant Thornton revenue controls review had been appropriately resolved or there were sufficient mitigating controls in place.
- In respect of the cash collected, there was a strong correlation between revenues recognised and cash collected at and subsequent to the year end.

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, to be comfortable that risks are mitigated as far as practicable, with a particular focus on revenue recognition.

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 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; and
- 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. The sensitivity of forecast assumptions is increased in light of current global economic conditions which provides greater risk over reliability of management's forecasting, greater volatility in the Group's potential future profitability and higher risk of downside scenarios crystallising.

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 financial statements.

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 2021.
- Other underlying assumptions, by benchmarking these against prior performance and also market and sector trends.
- Assessment of the potential impact of COVID-19 on future profitability and cash flow.
- 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 planning 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 reviewed the sensitivity analysis performed and was satisfied that this sufficiently addressed the increased downside risk of the COVID-19 pandemic.

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 for amounts due from subsidiaries for the Company as required under IFRS 9 and concluded this was appropriate.

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 headroom was sufficient in downside scenarios and the risk of impairment remains low;
- The pertinent sensitivities had been sufficiently documented in the Annual Report; and
- 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.

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 two significant investments:

- The acquisition of Blancco Ireland and the internal R&D team, whose costs are required to be capitalised.
- Acquisition of further intellectual property from a third party, which is 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; and
- 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 planning and assessment of contracted future revenues and the pipeline of new business.
- Review of estimates of future cash flows.
- Review of the assumed useful economic life used.
- 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 the asset value.
- In respect of the potential impairment of development intangibles, the value of future cash flows was expected to be in excess of the carrying value of the intangible.

Audit Committee Report
continued

Acquisition of Blancco Ireland

In July 2019, the Group acquired Blancco Ireland (previously Inhance Technology). The accounting for the acquisition required a significant degree of judgement around the value of the acquired intangible assets on acquisition and the extent to which contingent or undisclosed liabilities exist. The valuation of intangibles is particularly pertinent as the acquired IP is not as mature as the rest of the Blancco product portfolio.

The accounting policies of the Group are outlined in note 1.6 to the financial statements. The estimation uncertainty involved in measuring the acquired assets and liabilities is outlined in note 2.2 to the financial statements.

The risk of misstatement arises from:

- Intangible assets incorrectly valued, based on future forecasts of profitability which are inherently judgemental.
- Valuation of liabilities acquired in the business which may be undisclosed or unknown at the point of acquisition, or those liabilities which have been identified but may require judgement around the size or extent to which they might crystallise.

The Committee reviewed management's modelling for the future present value calculation of intangible assets. The Committee also reviewed the supporting analysis for the extent to which potential liabilities have been recognised and disclosed, with reference to third-party due diligence reports commissioned during the acquisition process. It also considered the extent to which liabilities have crystallised (1) in the post-acquisition period and (2) in the years following the Group's prior acquisitions, and to the extent these liabilities may have been over or under provided for.

The Committee concluded that:

- In respect of intangible assets, the measurement basis was appropriate.
- In respect of the value attributed to the acquired IP, this has been calculated on the basis of reasonable assumptions.
- In respect of the book assets and liabilities acquired, these were reasonably measured.
- In respect of the fair value assets and liabilities acquired, there was reasonable basis for the recognition of these, and the assumptions applied in measuring these were appropriate.
- In respect of the disclosures concerning the estimation uncertainty around acquired liabilities, this was considered sufficient.

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 2020, 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 63.

Frank Blin

Chair of the Audit Committee

28 September 2020

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 executives. 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 53.

Remuneration policy

The Group continues to operate 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, to reinforce the link between performance and reward and to reflect the shareholder experience.

As we move forward, the Committee remains committed to keeping our remuneration structure under review to ensure it remains best positioned to support the delivery of our strategy, while meeting the need to retain and reward executives and supporting the creation of long-term value for our shareholders as well as reflecting, as appropriate, market practice and shareholders' expectations in the UK where we are listed.

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. Remuneration arrangements are therefore considered in this context.

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 to deliver performance, 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 locations.

Following a review in June 2020 of the current executive remuneration arrangements, the Committee agreed, taking into account the economic environment, that there would be no increase in base salary for the CEO and CFO; their salaries therefore remain unchanged for the year ahead at US$393,750 per annum for the CEO and £236,900 per annum for the CFO.

BENEFITS IN KIND

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

PENSIONS

The Group makes defined contributions into individual pension plans. The CEO receives a pension contribution of 4% of base salary up to the annual pension cap of $25,500 for 2019 and $26,000 for 2020. The CFO receives a pension contribution of 4% of base salary. For the year ending June 2021, the CFO has elected to reduce the pension contribution he receives to 1.68% of base salary due to recent changes in tax rules. Following this reduction in pension contribution, the balance will be paid to the CFO as a cash allowance. The amounts payable in the financial year are set out in the Directors' emoluments table on page 62.

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.

Remuneration Committee Report
continued

Operation for the year ended 30 June 2020

For the year ended 30 June 2020 the core bonus potential for the CEO and CFO was 100% of salary (maximum of 125% of salary including the "kicker"). The operation of the "kicker", which was introduced last year in order to drive exceptional levels of performance, enables participants to earn up to 125% of their core annual bonus opportunity for the achievement of superior performance above that which is required for the core award.

The annual bonus was based on 2/3 revenue targets and 1/3 personal objectives, subject to a minimum level of attainment on adjusted operating profit. The minimum level of attainment on the adjusted operating profit was achieved. For much of the year the revenue targets were tracking to be met until the impact of the COVID-19 pandemic inevitably started to take effect and delay orders from March 2020. Although the revenue target was not achieved, when determining the annual bonus for the year, the Committee took into account the growth of the business over FY19 (revenue increased by 9%, AOP rose by 14%), and the share price rose by more than 50% compared with a fall of 4% in the FTSE AIM All Share Index. The personal performance of both the CEO and CFO was strong during the year, and in particular during the early stages of the pandemic. On this basis, the Committee agreed to award both the CEO and CFO a bonus of 50% of the maximum opportunity, in line with the average bonus awarded across the workforce, in recognition of their personal achievement and the revenue performance up until the effect of the pandemic.

Operation for the year ending 30 June 2021

For the year ending 30 June 2021 the annual bonus will continue to 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 decision making in response to change and for the CFO relate to leading the group ESG strategy, driving the long-term financial strategy, financial planning and reviewing the office space requirements.

The core bonus for the CEO and CFO will remain unchanged at 100% of base salary per annum (maximum of 125% of salary including the "kicker").

BLANCCO PERFORMANCE SHARE PLAN

The Company has in place a long-term incentive plan – the Blancco Performance Share Plan – (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 award for Executive Directors will be reflective of market conditions in their location and will have a maximum opportunity of 150% of base salary.

The awards to Executive Directors will be subject to stretching performance conditions over a three-year period which 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.

Vesting of grants made in the year ended 30 June 2018

On 28 March 2018 Matt Jones was granted an award of 524,928 ordinary shares of 2p each in the Company in the form of conditional shares under the Plan. This award was equivalent to 130% of base salary.

This award was based 50% on Invoiced Revenue and 50% on adjusted operating cash flow, as set out in the table below. Performance was assessed based on the outcomes for the year ended 30 June 2020 against the two targets.

Measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)	Performance outcome for year ended 30 June 2020	Percentage vesting
Invoiced Revenue	50%	£42.4m	£44.4m	£46.4m	£32.3m	Nil
Adjusted operating cash flow	50%	£5.0m	£5.3m	£5.6m	£7.3m	100%
					Total vesting	50% of maximum

Overall, the PSP will vest at 50% of the granted award upon completion of the audit of the financial statements for the year.

Operation for grants made in the year ended 30 June 2020

On 2 October 2019 Matt Jones was granted an award over 325,191 ordinary shares of 2p each in the Company in the form of conditional shares under the Plan. This corresponded to 130% of salary. On the same date, Adam Moloney was granted an award over 111,482 ordinary shares of 2p each in the Company in the form of conditional Shares under the Plan. This corresponded to 60% of salary.

These awards will vest based 33% on Revenue, 33% adjusted operating cash flow and 33% adjusted operating profit. 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 2022 against the following targets and will vest upon completion of the audit of the financial statements for that year.

Measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Revenue	33% weighting	£43.2m	£45.6m	48.0m
Adjusted operating cash flow	33% weighting	£8.5m	£9.0m	£9.5m
Adjusted operating profit	33% weighting	£5.5m	£5.9m	£6.4m

The targets are measured in terms of constant currency to allow for the participants to neither benefit from, nor be disadvantaged by, currency movements.

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

Operation for grants made in the year ending 30 June 2021

Maximum opportunity levels remain unchanged. An award of 130% of base salary will be made to the CEO and 60% to the CFO during the year ending 30 June 2021. 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. 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. In light of the COVID-19 pandemic, the Committee has delayed the setting of targets until there is more clarity around the expectations for the business over the next three years.

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 claw back 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 prorated for time and performance (where applicable).
- Awards would normally vest on a change of control. In these circumstances awards would normally be prorated for time and would vest taking into account performance achieved.

As of 30 June 2020, the total number of shares for which awards had been granted represented 5.45% 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.

Remuneration Committee Report

continued

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 2020.

Audited details of the Directors' emoluments are given below.

	Salary and fees 2020 £'000	Benefits 2020 £'000	Annual bonus 2020 £'000	Pension contributions 2020 £'000	Total 2020 £'000	Total 2019 £'000
Current Executive Directors						
Matt Jones[1]	**312**	**11**	**156**	**8**	**487**	590
Adam Moloney	**235**	**2**	**118**	**9**	**364**	365
Former Executive Directors						
Simon Herrick[2]	**–**	**–**	**–**	**–**	**–**	24
	547	**13**	**274**	**17**	**851**	979
Non-executive Directors						
Frank Blin	**48**	**–**	**–**	**–**	**48**	48
Catherine Michel	**23**	**–**	**–**	**–**	**23**	–
Philip Rogerson	**48**	**–**	**–**	**–**	**48**	48
Tom Skelton[3]	**52**	**–**	**–**	**–**	**52**	51
Rob Woodward	**95**	**–**	**–**	**–**	**95**	95
	266	**–**	**–**	**–**	**266**	242
Total	**813**	**13**	**274**	**17**	**1,117**	1,221

1. Matt Jones' remuneration is paid in US Dollars and is therefore subject to exchange rate fluctuations when translated into Sterling.
2. Simon Herrick's fees were paid to Eton Bridge Limited and included costs for his services as Interim Chief Financial Officer.
3. Tom Skelton's remuneration is paid in US Dollars and is therefore subject to exchange rate fluctuations when translated into Sterling.

Directors' beneficial interests in shares

The interests of the Directors who held office at 30 June 2020 and their connected parties in the ordinary share capital of the Company are as shown in the table below.

	As at 30 June 2020 Number	As at 30 June 2019 Number
Executive Directors		
Matt Jones	**28,000**	18,000
Adam Moloney	**28,000**	18,000
Non-executive Directors		
Frank Blin	**37,893**	37,893
Catherine Michel	**–**	N/A
Philip Rogerson	**17,500**	17,500
Tom Skelton	**27,500**	27,500
Rob Woodward	**42,134**	42,134

Signed on behalf of the Remuneration Committee

Philip Rogerson

Chair of the Remuneration Committee

28 September 2020

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 financial statements published on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

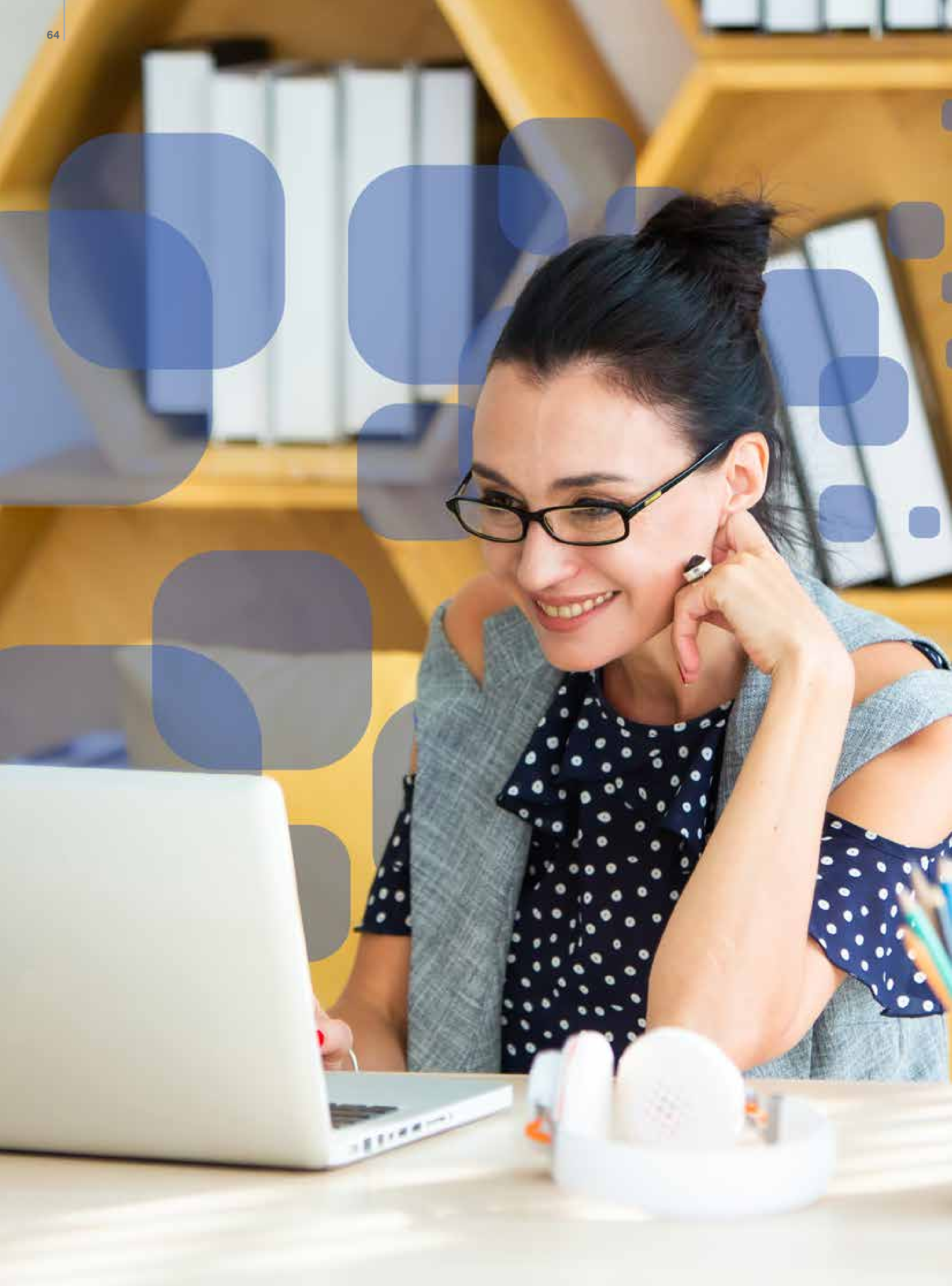
Directors' confirmations

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 auditor is 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 auditor is aware of that information.

On Behalf of the Board

Adam Moloney
Chief Financial Officer



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Independent Auditor's 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 2020 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 2020; 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: £334,000 (2019: £305,000), based on 1% of revenues.
- Overall Company materiality: £245,000 (2019: £182,700), based on 1% of total assets.

- Audit scope covers four 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 (Group), and recoverability of the amounts due from subsidiaries (Company)
- Capitalisation of development costs (Group)
- Accounting for the acquisition of Blancco Technology Group Ireland
- Risk posed by COVID-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (Group) The timing of software-based revenue recognition is inherently complex. Because of 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. 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.	We examined a sample of licence contracts selected on a high value basis as well as haphazard sampling and assessed whether the revenue recognition methodology and the Group's accounting policy were consistent with accounting standards and had been applied consistently. We inspected the contract terms and, where relevant, proof of delivery, together with cash receipt 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. For revenue from licences sold shortly before the year end, we checked that all performance obligations had been completed prior to the year end, such that recognition of licence revenue in accordance with IFRS 15 in the period was appropriate. In response to the presumed risk of fraud, where revenue was recorded through journal entries, we tested a sample of journals to establish whether they were indicative of fraud. No such items were identified from our testing.
Carrying value of Goodwill (Group) and recoverability of the amounts due from subsidiaries (Company) The assessment of whether the carrying value of goodwill is impaired involves significant judgement from the Directors. The Directors are required to determine estimates of forecast future cash flows and discount rates as part of the calculation of the Group's value-in-use. Similarly, for the parent company, the recoverability of amounts invested in or due from subsidiaries is considered to be a significant audit risk.	We reviewed the methodology used in the Directors' cash flow projections and the process by which they were drawn up, including reconciling them to the latest Board approved budgets and testing the accuracy of the underlying calculations. We considered and assessed the appropriateness of the following: – 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. In addition, we compared the output of the value-in-use model to the market capitalisation of the Group at the year end. We also performed sensitivity analysis around the key assumptions including the revenue growth and discount rates used within the cash flow forecasts and assessed the Directors' disclosures of the impact of a reasonably possible change in key assumptions.

Independent Auditor's Report continued

to the members of Blancco Technology Group Plc

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development costs (Group) 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 £3.8 million of internal development expenditure within Intangible assets and had a net book value of £7.9 million of capitalised development expenditure at 30 June 2020. 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: – The appropriateness and support for the costs capitalised; and – The likelihood of the project delivering sufficient future economic benefits.	We obtained a breakdown, by value, of all individual development projects (new products and product functionality) capitalised in the period and reconciled this to the amounts recorded in the general ledger. Capitalised development expenditure principally comprises internal labour costs. To determine whether labour costs were correctly capitalised, we agreed a sample of capitalised internal labour costs to supporting payroll and timesheet records. No adjustments were noted from our testing. We considered whether each project was being appropriately capitalised under the specific requirements of the relevant accounting standard (IAS 38 "Intangible assets"). We inspected project documentation and held discussions with staff as necessary to confirm the projects were being accounted for appropriately. No material exceptions were noted in this testing.
Accounting for the acquisition of Blancco Technology Group Ireland (Group) Blancco Technology Group Ireland was acquired in July 2019 for consideration of £4.8 million settled in a combination of cash and shares. £3.5 million of goodwill, £1.6 million of intangible assets and £0.5 million of fair value provisions were recognised as part of the acquisition accounting. These are material balances and subject to a number of estimates in determining their valuation. Management performed a purchase price allocation exercise that involved fair valuing the assets acquired, including separately identifiable intangible assets, comprising technology, customer contracts, and brands (see note 13) to the consolidated financial statements. The valuation of the intangible assets involved significant estimation and management used external valuation experts to assist in their calculation.	With the assistance of our internal valuation specialists, we assessed the assumptions used in determining the fair value of the acquired intangible assets and tested the methodology for reasonableness. In particular: – We assessed the completeness of identified intangible assets, and the valuation methods used to determine the fair value; – we considered the discount rate used by the external valuation specialists to value the intangible assets; – we considered the reasonableness of the underlying cash flow forecasts which formed the basis for determining the fair values by comparing the cash flows to historical performance and considering the growth rates applied. We also audited the acquisition balance sheet by agreeing the material balances to supporting information and agreeing the cash and share consideration paid to the acquisition agreement and supporting bank statements and share issuance records. We obtained management's calculation for the fair value provisions recognised on acquisition and agreed the provisions recognised to supporting documentation evidencing the amount and existence of the contingency giving rise to the provision at the acquisition date. We found no material exceptions in our testing.

Key audit matter	How our audit addressed the key audit matter
Risk posed by COVID-19 (Group and Company) The Directors have considered the risks posed by COVID-19, as set out in the Principal risks and uncertainties section of the annual report and have reflected the potential impact of COVID-19 when preparing the cash flow forecasts used to support the going concern assumption.	We read relevant disclosures in the annual report and checked consistency with our knowledge of the business based on our audit. In addition, we assessed the sensitivities applied, as part of the going concern assessment, by the Directors to the future cash flow forecasts to reflect a severe but possible downside scenario taking into account the potential impact of COVID-19. We also considered whether the assumptions and cash flow forecasts used to test for impairment appropriately reflected the potential impact of COVID-19. No exceptions were noted from our testing.

How we tailored the audit scope

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

The Group is structured as one core operating business focused on the development and sale of data erasure and device diagnostic services, comprised of 27 separate legal entities across 15 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, 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, USA, Finland and Ireland.

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	£334,000 (2019: £305,000).	£245,000 (2019: £182,700).
How we determined it	1% of revenues.	1% of total assets.
Rationale for benchmark applied	Revenue is considered to be an appropriate benchmark as it is one of the Group's KPIs and a primary measure used by shareholders in assessing the performance of the Group. We noted that 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 Auditor's 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 £260,000 and £30,795. 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 £16,700 (Group audit) (2019: £15,200) and £12,250 (Company audit) (2019: £15,200) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

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

REPORTING ON OTHER INFORMATION

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 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
29 September 2020

Consolidated Income Statement

for the year ended 30 June 2020

	Note	Year ended 30 June 2020 £'000	*Year ended 30 June 2019 £'000
Revenue	3	**33,382**	30,519
Cost of sales		**(1,761)**	(1,533)
Gross profit		**31,621**	28,986
Administrative expenses and depreciation		**(31,652)**	(28,845)
Operating (loss)/profit		**(31)**	141
Acquisition costs	5	**575**	486
Exceptional income	5	**(875)**	(630)
Amortisation of acquired intangible assets		**2,921**	2,605
Share-based payments charge	30	**1,447**	935
Adjusted administrative expenses		**(27,584)**	(25,449)
Adjusted operating profit		**4,037**	3,537
Finance income	9	**3**	71
Finance costs	9	**(151)**	(587)
Loss before tax		**(179)**	(375)
Taxation	10	**169**	33
Loss for the year		**(10)**	(342)
Discontinued operations			
Post tax profit from discontinued operations	7	**1,126**	1,252
Profit for the year	6	**1,116**	910
Attributable to:			
Equity holders of the Company		**1,153**	623
Non-controlling interests		**(37)**	287
Profit for the year		**1,116**	910

* Restated – see note 1.2

Earnings per share			
Continuing operations:			
Basic	11	**0.04p**	(1.01 p)
Diluted	11	**0.04p**	(1.01 p)
Discontinued operations:			
Basic	11	**1.56p**	2.00 p
Diluted	11	**1.50p**	1.96 p
Total Group:			
Basic	11	**1.60p**	0.99 p
Diluted	11	**1.54p**	0.95 p

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2020

	Year ended 30 June 2020 £'000	*Year Ended 30 June 2019 £'000
Profit for the year	**1,116**	910
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:		
Exchange differences arising on translation of foreign entities	**1,330**	1,238
Total comprehensive profit for the year	**2,446**	2,148
Attributable to:		
Equity holders of the Company	**2,491**	1,771
Non-controlling interests	**(45)**	377
Total comprehensive profit for the year	**2,446**	2,148

* Restated – see note 1.2

Consolidated Balance Sheet

as at 30 June 2020

	Note	30 June 2020 £'000	*30 June 2019 £'000	*30 June 2018 £'000
Assets				
Non-current assets				
Goodwill	14	**51,881**	47,262	46,348
Other intangible assets	15	**22,798**	21,722	22,313
Property, plant and equipment	16	**1,765**	2,079	1,752
Deferred tax assets	28	**433**	626	670
		76,877	71,689	71,083
Current assets				
Inventory	19	**102**	91	99
Trade and other receivables	20	**7,254**	7,360	6,967
Current tax asset		**603**	–	101
Cash and cash equivalents	21	**6,719**	6,636	6,220
		14,678	14,087	13,387
Total assets		**91,555**	85,776	84,470
Current liabilities				
Trade and other payables	22	**(8,813)**	(9,927)	(8,008)
Contingent consideration	27	**(288)**	(278)	(2,044)
Current tax liability		**(269)**	(155)	–
Provisions	26	**(227)**	(787)	(63)
		(9,597)	(11,147)	(10,115)
Non-current liabilities				
Borrowings	23	**–**	(6,494)	(8,930)
Other payables	22	**(987)**	(1,960)	(1,137)
Contingent consideration	27	**–**	–	(156)
Deferred tax liabilities	28	**(3,516)**	(3,639)	(4,040)
Provisions	26	**(105)**	(332)	(1,981)
		(4,608)	(12,425)	(16,244)
Total liabilities		**(14,205)**	(23,572)	(26,359)
Net assets		**77,350**	62,204	58,111
Equity				
Called up share capital	29	**1,507**	1,304	1,280
Share premium account	29	**21,103**	10,397	9,152
Merger reserve	29	**5,861**	4,034	4,034
Capital redemption reserve	29	**417**	417	417
Translation reserve	29	**5,936**	4,598	3,450
Retained earnings		**41,861**	40,248	38,763
Total equity attributable to equity holders of the Company		**76,685**	60,998	57,096
Non-controlling interest reserve		**665**	1,206	1,015
Total equity		**77,350**	62,204	58,111

* Restated – see note 1.2

The financial statements on pages 72 to 111 were approved by the Board of Directors and authorised for issue on 28 September 2020.

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 2020

	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 2018 as previously reported	1,280	9,152	4,034	3,450	38,840	1,015	417	58,188
Adjustment on initial application of IFRS 16	–	–	–	–	(77)	–	–	(77)
Restated balance as at 30 June 2018	1,280	9,152	4,034	3,450	38,763	1,015	417	58,111
Comprehensive income:								
Profit for the year	–	–	–	–	623	287	–	910
Other comprehensive income:								
Exchange differences arising on translation of foreign entities	–	–	–	1,148	–	90	–	1,238
Total comprehensive profit	**–**	**–**	**–**	**1,148**	**623**	**377**	**–**	**2,148**
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**	**4,598**	**40,248**	**1,206**	**417**	**62,204**
Comprehensive income:								
Profit/(loss) for the year	–	–	–	–	1,153	(37)	–	1,116
Other comprehensive income/(expense):								
Exchange differences arising on translation of foreign entities	–	–	–	1,338	–	(8)	–	1,330
Total comprehensive profit/(loss)	**–**	**–**	**–**	**1,338**	**1,153**	**(45)**	**–**	**2,446**
Transactions with owners recorded directly in equity:								
Issue of shares	203	10,706	1,827	–	–	–	–	12,736
Acquisition of non-controlling interest without a change in control	–	–	–	–	(1,370)	–	–	(1,370)
Reserves transfer on acquisition of non-controlling interest	–	–	–	–	496	(496)	–	–
Share-based payment charge	–	–	–	–	1,334	–	–	1,334
Balance as at 30 June 2020	**1,507**	**21,103**	**5,861**	**5,936**	**41,861**	**665**	**417**	**77,350**

* Restated – see note 1.2

Consolidated Cash Flow Statement

for the year ended 30 June 2020

	Note	Year ended 30 June 2020 £'000	*Year ended 30 June 2019 £'000
Profit for the year		**1,116**	910
Adjustments for:			
Profit from discontinued operations	7	**(1,126)**	(1,252)
Net finance expense	9	**148**	516
Tax income	10	**(169)**	(33)
(Profit)/loss on disposal of property, plant and equipment	6	**(1)**	3
Depreciation on property, plant and equipment	6	**1,100**	905
Amortisation of intangible assets	6	**2,991**	2,508
Amortisation of acquired intangible assets	6	**2,921**	2,605
Share-based payments expense		**1,447**	935
Operating cash flow before movement in working capital		**8,427**	7,097
Acquisition costs		**575**	486
Exceptional income		**(875)**	(630)
Adjusted EBITDA		**8,127**	6,953
(Increase)/decrease in inventories		**(8)**	11
Decrease/(increase) in receivables		**417**	(325)
(Decrease)/increase in payables and accruals		**(2,373)**	2,371
Decrease in provisions		**–**	(63)
Cash generated from continuing operations		**6,463**	9,091
Acquisition costs payments		**830**	–
Exceptional payments		**–**	46
Adjusted operating cash flow		**7,293**	9,137
Interest received		**3**	1
Interest paid		**(146)**	(374)
Tax paid		**(613)**	(356)
Net cash generated from operating activities – continuing operations		**5,707**	8,362
Net cash (used in)/generated from operating activities – discontinued operations	7	**(15)**	346
Net cash generated from operating activities – continuing and discontinued operations		**5,692**	8,708
Cash flows from investing activities			
Purchase of property, plant and equipment		**(401)**	(196)
Purchase and development of intangible assets		**(4,722)**	(4,166)
Acquisition of subsidiaries, net of cash acquired		**(2,721)**	(796)
Net cash used in investing activities – continuing operations		**(7,844)**	(5,158)
Net cash generated from investing activities – discontinued operations	7	**–**	102
Net cash used in investing activities – continuing and discontinued operations		**(7,844)**	(5,056)
Cash flows from financing activities			
Dividends paid to non-controlling interests		**–**	(190)
Payment of the principal portion of lease liabilities		**(820)**	(751)
Payment made to acquire non-controlling interest	12	**(28)**	–
Share issue, net of fees		**9,577**	–
Repayment of borrowings	25	**(6,500)**	(2,450)
Net cash generated from/(used in) financing activities – continuing operations		**2,229**	(3,391)
Net cash generated from financing activities – discontinued operations		**–**	–
Net cash generated from/(used in) financing activities – continuing and discontinued operations		**2,229**	(3,391)
Net increase in cash and cash equivalents	25	**77**	261
Other non-cash movements – exchange rate changes		**6**	155
Cash and cash equivalents at beginning of period		**6,636**	6,220
Cash and cash equivalents at end of period		**6,719**	6,636
Bank borrowings	23,25	**–**	(6,494)
Net cash	24,25	**6,719**	142

* Restated – see note 1.2

Notes to the Accounts

for the year ended 30 June 2020

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 45, while 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 of 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.

1.2 PRIOR PERIOD ADJUSTMENT

This is the first set of the Group's financial statements in which IFRS 16 Leases has been applied. The standard, replacing IAS 17 Leases, sets out the requirements for recognising lease contracts in place as right-to-use assets and lease liabilities on the balance sheet. The standard covers the Group's leased office property and cars.

The Group has retrospectively applied this standard and the accounts for the financial year ended 30 June 2019, including opening balances, have been restated.

The standard has materially impacted the financial statements of the Group as a result of the number of property leases held. Overall, assets and liabilities on the balance sheet have increased by £1.4 million and £1.5 million respectively upon restatement of the opening balances for the year ended 30 June 2019, and are disclosed as right-to-use assets and lease liabilities. While the movement resulting from the transition to the new standard on the profit after tax is not material, there is a significant movement in EBITDA, with lease costs now recognised within depreciation rather than in operating expenses. On an annualised basis, the net impact to EBITDA at the point of transition is an increase of £0.8 million.

The implementation of IFRS 16 has not resulted in a restatement to the reported cash balance. However, the presentation of the Cash Flow Statement has changed due to the payment of lease liabilities (net of interest) now being classified as a financing activity rather than stated through operating activities as a rental payment. There is no significant restatement of working capital movements, not a significant interest expense generated upon transition and therefore the quantum of this re-presentation is consistent with the movement in EBITDA of £0.8 million annualised.

There has been an immaterial impact of 0.01p to earnings per share for the year ended 30 June 2019.

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 2019, as well as the consolidated balance sheets as at 30 June 2019 and 30 June 2018 are as follows:

Consolidated Income Statement	Year ended 30 June 2019 As reported £'000	**IFRS 16 application £'000**	Year ended 30 June 2019 As restated £'000
Revenue	30,519	**–**	30,519
Adjusted operating profit	3,458	**79**	3,537
Operating profit	62	**79**	141
Finance income	71	**–**	71
Finance costs	(508)	**(79)**	(587)
Loss before tax	(375)	**–**	(375)
Taxation	33	**–**	33
Loss for the period	(342)	**–**	(342)
Profit from discontinued operations	1,252	**–**	1,252
Profit for the year	910	**–**	910

Notes to the Accounts continued

for the year ended 30 June 2020

Consolidated Cash Flow Statement for the year ended 30 June 2019	As reported £'000	**IFRS 16 application** **£'000**	As restated £'000
Profit for the period	910	**–**	910
Adjustments for:			
Profit from discontinued operations	(1,252)	**–**	(1,252)
Net finance income	437	**79**	516
Tax income	(33)	**–**	(33)
Loss on disposal of property, plant and equipment	3	**–**	3
Depreciation on property, plant and equipment	180	**725**	905
Amortisation of intangible assets	2,508	**–**	2,508
Amortisation of acquired intangible assets	2,605	**–**	2,605
Share-based payments expense	935	**–**	935
Operating cash flow before movement in working capital	6,293	**804**	7,097
Acquisition costs	486	**–**	486
Exceptional income	(630)	**–**	(630)
Adjusted EBITDA	6,149	**804**	6,953
Decrease in inventories	11	**–**	11
Increase in receivables	(325)	**–**	(325)
Increase in payables and accruals	2,337	**34**	2,371
Decrease in provisions	(63)	**–**	(63)
Cash generated from continuing operations	8,253	**838**	9,091
Exceptional payments	46	**–**	46
Adjusted operating cash flow	8,299	**838**	9,137
Interest received	1	**–**	1
Interest paid	(295)	**(79)**	(374)
Tax paid	(356)	**–**	(356)
Net cash generated from operating activities – continuing operations	7,603	**759**	8,362
Net cash generated from operating activities – discontinued operations	346	**–**	346
Net cash generated from operating activities – continuing and discontinued operations	7,949	**759**	8,708
Cash flows from investing activities			
Net cash used in investing activities – continuing and discontinued operations	(5,056)	**–**	(5,056)
Cash flows from financing activities			
Dividends paid to non-controlling interests	(190)	**–**	(190)
Payment of the principal portion of lease liabilities	–	**(751)**	(751)
Repayment of borrowings	(2,450)	**–**	(2,450)
Net cash used in financing activities – continuing and discontinued operations	(2,640)	**(751)**	(3,391)
Net increase in cash and cash equivalents	253	**8**	261
Other non-cash movements – exchange rate changes	163	**(8)**	155
Cash and cash equivalents at the beginning of period	6,220	**–**	6,220
Cash and cash equivalents at end of period	6,636	**–**	6,636
Bank borrowings	(6,494)	**–**	(6,494)
Net cash	142	**–**	142

Consolidated Balance Sheet as at 30 June 2019

	As reported £'000	IFRS 16 application £'000	As restated £'000
Assets			
Property, plant and equipment	382	**1,697**	2,079
Other non-current assets	69,610	**–**	69,610
	69,992	**1,697**	71,689
Trade and other receivables	7,397	**(37)**	7,360
Other current assets	6,727	**–**	6,727
	14,124	**(37)**	14,087
Total assets	84,116	**1,660**	85,776
Current liabilities			
Trade and other payables	(9,163)	**(764)**	(9,927)
Other current liabilities	(1,220)	**–**	(1,220)
	(10,383)	**(764)**	(11,147)
Non-current liabilities			
Other payables	(979)	**(981)**	(1,960)
Other non-current liabilities	(10,465)	**–**	(10,465)
	(11,444)	**(981)**	(12,425)
Total liabilities	(21,827)	**(1,745)**	(23,572)
Net assets	62,289	**(85)**	62,204
Equity			
Ordinary share capital	1,304	**–**	1,304
Share premium	10,397	**–**	10,397
Merger reserve	4,034	**–**	4,034
Capital redemption reserve	417	**–**	417
Translation reserve	4,606	**(8)**	4,598
Retained earnings	40,316	**(68)**	40,248
Total equity attributable to equity holders of the Company	61,074	**(76)**	60,998
Non-controlling interest	1,215	**(9)**	1,206
Total equity	62,289	**(85)**	62,204

Notes to the Accounts continued

for the year ended 30 June 2020

Consolidated Blaance Sheet as at 30 June 2018

	As reported £'000	IFRS 16 application £'000	As restated £'000
Assets			
Property, plant and equipment	371	**1,381**	1,752
Other non-current assets	69,331	**–**	69,331
	69,702	**1,381**	71,083
Current assets	13,387	**–**	13,387
Total assets	83,089	**1,381**	84,470
Current liabilities			
Trade and other payables	(7,406)	**(602)**	(8,008)
Other current liabilities	(2,107)	**–**	(2,107)
	(9,513)	**(602)**	(10,115)
Non-current liabilities			
Other payables	(281)	**(856)**	(1,137)
Other non-current liabilities	(15,107)	**–**	(15,107)
	(15,388)	**(856)**	(16,244)
Total liabilities	(24,901)	**(1,458)**	(26,359)
Net assets	58,188	**(77)**	58,111
Equity			
Ordinary share capital	1,280	**–**	1,280
Share premium	9,152	**–**	9,152
Merger reserve	4,034	**–**	4,034
Capital redemption reserve	417	**–**	417
Translation reserve	3,450	**–**	3,450
Retained earnings	38,840	**(77)**	38,763
Total equity attributable to equity holders of the Company	57,173	**(77)**	57,096
Non-controlling interest	1,015	**–**	1,015
Total equity	58,188	**(77)**	58,111

1.3 GOING CONCERN

The Group meets its day-to-day working capital through its cash reserves and overdraft facility. The Group has a Revolving Credit Facility which expires in October 2020; however, forecasts indicate current cash reserves are sufficient to meet the Group's day-to-day operating obligations, including under assessment of reasonably possible downside scenarios. Sensitivities (primarily around revenue growth) representing severe but plausible downside scenarios, including the potential ongoing impacts of COVID-19, also indicate that the Group reasonably expects to operate within its cash reserves.

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 Strategic Report from page 4, which does not form part of the financial statements. Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facility is also described in this review. In addition, note 27 to the financial statements includes the Group's objectives, policies and processes for managing its capital, and its exposures to credit risk and liquidity risk.

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, it continues 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 18. 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.

Notes to the Accounts continued

for the year ended 30 June 2020

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 1 to 14 years.
- Intellectual property is being amortised on a straight-line basis over 8 to 10 years.
- Amortisation of acquired intangibles is excluded from adjusted operating profit in the consolidated income statement.

Development Expenditure

Expenditure on research and certain development activities which do not meet the criteria for capitalisation is recognised as an expense in the period in which it is incurred. Any internally generated development costs (including software development) are recognised as an asset only if the following criteria are met:

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

Amortisation of internally generated development expenditure is included within adjusted operating profit in the consolidated income statement.

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

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

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
Computer equipment	– 25% – 33% 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.
- **Subscription contracts**. 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 closely 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.

Notes to the Accounts continued

for the year ended 30 June 2020

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.

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 27.

The key judgement involved in assessing the criteria for revenue recognition is the identification of separate performance elements and their respective fair values, including assessing the underlying economics of the transaction versus what is contractually agreed.

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.

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

The terms of the scheme in operation is detailed in note 30 to the Accounts. The scheme 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.

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

Under the outgoing standard, lease arrangements entered into by the Group were assessed at the inception of the lease and classified as either an operating or a finance lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards of incidental ownership to the lessee. All other lease arrangements were classified as operating leases.

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

However, the adoption of IFRS 16 Leases requires a change in the treatment and recognition of leases, with leases meeting the criteria being capitalised as right-of-use assets and a corresponding liability recognised representing the discounted future payments over the duration of the agreement.

Notes to the Accounts continued

for the year ended 30 June 2020

Right-of-Use Assets

The Group recognises right-of-use assets at the inception of the lease (the underlying date the lease is available for use). Right-of-use assets are measured at cost which equals the amount of the initial measurement of lease liability, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over a term which takes into account the length of the lease term, any break clauses and a reasonable expectation of the length of time it is intended to occupy the lease. In all cases, the depreciation period for any given asset aligns to the terms used to calculate the present value of lease payments.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities representing the discounted future fixed payments over the expected term of the lease (as noted above), measured at present value. In calculating the present value of lease payments, the Group uses discount rates based on estimated costs of borrowing to purchase an equivalent asset in each jurisdiction where the interest rate is not explicitly stated in the lease agreement. Following the inception of the lease, the liability is increased to reflect the accretion of interest and reduced for lease payments made.

The Group applies the lease of low-values recognition exemption to leases of certain property and office equipment that are considered low value (less than £3,850). Lease payments on low value leases are recognised as an expense on a straight-line basis over the lease term.

The impact of the transition to IFRS 16 on 1 July 2019 is disclosed in note 1.2.

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 fair 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 Group measures the provision for trade and other receivables 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 GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received. Grants that compensate the Group for expenses incurred are recognised in the Income statement in the relevant financial statement caption on a systematic basis in the periods in which the expenses are recognised.

1.18 ADJUSTED OPERATING PROFIT/ADJUSTED OPERATING CASH FLOW

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

- Acquisition costs, because these are 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.

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.

1.19 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 income and costs, acquisition costs, share-based payments, 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 re-deliver 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 2020

2.2 ESTIMATIONS

Additionally, management is 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 IAS 1, are considered to be the following:

- **Goodwill and Other Intangible Assets**

  Allocating value to goodwill and other intangibles arising on business combinations requires estimation principally around assessing the value of future cash flows for the acquired intangibles and the discount rate used in assessing the current value of those cash flows. The assessment carries a high degree of estimation as it is based on future events which are inherently uncertain.

  Determining whether goodwill or other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or other intangible assets are allocated. The value in use calculation includes estimates about future financial performance and long-term growth rates and requires management to select a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used in the impairment review are disclosed in note 14 to the financial statements.

- **Tax**

  The Group may recognise deferred tax assets in respect of unutilised losses and other temporary differences arising in certain of the Group's businesses (see note 28). This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profits. If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or temporary difference might be recognised, the value of the deferred tax asset will need to be revised in a future period.

  In addition, the Group has various uncertain tax provisions where the tax accounts or returns in each jurisdiction are not filed at the date of the filing of the 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 has to make an estimate of the time periods over which value will accrue on that particular asset. This can particularly fluctuate on capitalised development expenditure based on the timing and level of product releases. Changes in the actual usage of each asset would impact on the amortisation charge in each period of account.

- **Provisions**

  The Group carries a number of provisions (see note 26) against potential future liabilities for which the settlement value is uncertain. Management estimates the most likely outcome based on the range of potential outcomes and records a provision estimate accordingly. These provisions include those which were generated as part of the Inhance acquisition as well as on the Group's previous 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 IFRS 8, 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

The post-tax results from discontinued operations in the year was a profit of £1.1 million (2019: £1.3 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 (£0.8 million (2019: £0.9 million)) and the release of provisions no longer required in respect of a number of VAT liabilities arising from a VAT investigation in a prior year (£0.4 million (2019: £0.4 million)).

GEOGRAPHICAL INFORMATION

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

Continuing operations

Revenue from external customers	2020 £'000	2019 £'000
UK	**3,304**	3,329
USA	**9,367**	9,883
Asia Pacific	**10,768**	8,441
Rest of World	**9,943**	8,866
	33,382	30,519

No customer represented more than 10% of the Group's revenue (2019: none).

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

Revenue	2020 £'000	2019 £'000
Timing of revenue recognition:		
At a point in time	**31,609**	26,619
Over time	**1,773**	3,900
	33,382	30,519

UNSATISFIED LONG-TERM CONTRACTS

As at 30 June 2020, the Group had unsatisfied performance obligations amounting to £10.2 million (2019: £11.3 million), of which £6.6 million (2019: £7.0 million) is expected to be recognised as revenue in the next reporting period.

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

	2020 £'000	2019 £'000
Current contract assets relating to performance obligations satisfied	**314**	333
Contract liabilities	**1,426**	1,920

Contract assets arise predominantly where the Group expects to deliver no further product but the customer has not yet been fully billed. 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.

Of the total contract liability of £1.9 million (2019: £0.7 million) at the beginning of the period, £0.9 million has been recognised (2019: fully recognised) in the year.

In the current year, there is no (2019: none) revenue recognised from performance obligations satisfied in prior periods.

Non-current assets	2020 £'000	2019 (restated) £'000
UK	**444**	570
Non-UK	**76,433**	71,119
	76,877	71,689

Notes to the Accounts continued

for the year ended 30 June 2020

4. Auditor's Remuneration

	2020 £'000	2019 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company and Consolidated financial statements	**121**	123
The audit of the Company's subsidiaries pursuant to legislation	**137**	100
Total audit fees	**258**	223

There have been no non-audit fees in the year as PricewaterhouseCoopers LLP has 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

	2020 £'000	2019 £'000
Provision releases	**(875)**	(630)
Acquisition and deal costs	**575**	486
	(300)	(144)

Exceptional income arises from the release of provisions recognised on the acquisition of Xcaliber (in the prior year: Tabernus) that the business deem no longer to 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.

Acquisition costs relate to the acquisition of YouGetItBack Limited, trading as Inhance Technology, that was completed on 11 July 2019, and the buyouts of minority interest stakes in Japan and Singapore. Acquisition costs in the prior period also relate to the acquisition of YouGetItBack Limited.

6. Profit for the Year

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

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment – owned	**273**	180
Depreciation of property, plant and equipment – right-of-use asset	**827**	725
(Profit)/loss on disposal of property, plant and equipment	**(1)**	3
Amortisation of intangible assets	**5,912**	5,113
Expense relating to leases of low-value assets	**24**	31
Cost of inventories recognised as an expense	**347**	252
Research & Development expense	**1,121**	869
Staff costs recognised as an expense, excluding share-based payments	**16,230**	14,816
Net foreign exchange loss	**101**	158

Included within operating profit are profits totalling £0.3 million (2019: £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.

7. Discontinued Operations

The post-tax results from discontinued operations in the year was a profit of £1.1 million (2019: £1.3 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 (£0.8 million (2019: £0.9 million)) and the release of provisions no longer required in respect of a number of VAT liabilities arising from a VAT investigation in a prior year (£0.4 million (2019: £0.4 million)).

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

	2020 £'000	2019 £'000
Profit for the year	**1,126**	1,252
Operating cash flow before movement in working capital	**1,126**	1,252
Decrease in payables and accruals	**(354)**	(44)
Decrease in provisions	**(787)**	(862)
Net cash (used in)/generated from operating activities – discontinued operations	**(15)**	346
Cash flows from investing activities		
Disposal of subsidiaries, net of cash disposed	**–**	102
Net cash generated from investing activities – discontinued operations	**–**	102

There were no cash flows from financing activities.

8. Staff Costs

	2020 Average number	2019 Average number
Sales and business development	**142**	118
Administration	**48**	44
Research and development	**118**	95
	308	257

Aggregate employment costs	2020 Total £000	2019 Total £000
Wages and salaries	**17,740**	15,296
Social security costs	**1,311**	1,277
Share-based payments	**1,447**	935
Other pension costs	**1,023**	865
	21,521	18,373

Of continuing staff costs of £21.5 million, £3.8 million were capitalised as other intangible assets (2019: £2.6 million).

Key management personnel have been identified as the 11 employees (2019: 11) comprising the main Board and Executive leadership team.

Remuneration of key management personnel is as follows:

Key management personnel costs	2020 £000	2019 £000
Short-term employee benefits	**2,146**	2,146
Share-based payments	**877**	599
	3,023	2,745

The remuneration of individual Directors as detailed in the tables on page 62 and the share interests in the table on page 62 in the Remuneration Report form part of this note to the financial statements.

Notes to the Accounts continued

for the year ended 30 June 2020

9. Finance Costs

Continuing operations	2020 £'000	2019 (restated) £'000
Bank interest receivable and similar income	**3**	1
Interest payable on bank loans and overdrafts	**(81)**	(295)
Other finance costs	**(6)**	(15)
Revaluation of contingent consideration (note 27)	**–**	(46)
Interest on lease liabilities	**(64)**	(79)
Unwind of discount factor on contingent consideration	**–**	(82)
Net finance cost	**(148)**	(516)

10. Taxation

Continuing operations	2020 £'000	2019 £'000
Current tax		
UK corporation tax	**–**	–
Overseas tax	**144**	589
Adjustments in respect of prior years	**–**	19
Total current tax charge	**144**	608
Deferred tax		
UK	**(174)**	(120)
Overseas	**(19)**	(405)
Adjustments in respect of prior years	**(120)**	(116)
Total deferred tax credit (note 28)	**(313)**	(641)
Tax credit	**(169)**	(33)

UK corporation tax is calculated at 19% (2019: 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:

	2020 £'000	2019 £'000
Loss before tax	**(179)**	(375)
Tax at standard UK corporation tax rate of 19% (2019: 19%)	**(34)**	(71)
Effects of:		
Permanent differences	**(13)**	4
Rate differences	**99**	190
Adjustment in respect of previous periods	**(120)**	(97)
Revaluation of deferred tax balances	**227**	75
Movement on unrecognised deferred tax assets	**(328)**	(134)
	(169)	(33)

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). Deferred taxes at the balance sheet date have been measured using the enacted tax rates and reflected in these financial statements.

11. Earnings Per Share (EPS)

	2020 Pence	2019 Pence
Continuing operations		
Basic earnings per share	**0.04p**	(1.01p)
Diluted earnings per share	**0.04p**	(1.01p)
Adjusted earnings per share	**4.70p**	3.56p
Diluted adjusted earnings per share	**4.52p**	3.48p
Discontinued operations		
Basic earnings per share	**1.56p**	2.00p
Diluted earnings per share	**1.50p**	1.96p
Adjusted earnings per share	**1.56p**	2.00p
Diluted adjusted earnings per share	**1.50p**	1.96p
Total Group		
Basic earnings per share	**1.60p**	0.99p
Diluted earnings per share	**1.54p**	0.95p
Adjusted earnings per share	**6.26p**	5.56p
Diluted adjusted earnings per share	**6.02p**	5.44p

Continuing operations	2020 £'000	2019 £'000
Loss for the year	**(10)**	(342)
Loss/(profit) attributable to non-controlling interests	**37**	(287)
Profit/(loss) attributable to equity holders of the parent company	**27**	(629)
Reconciliation to adjusted profit:		
Unwinding of contingent consideration	**–**	82
Revaluation of contingent consideration	**–**	46
Acquisition costs	**575**	486
Amortisation of acquired intangible assets	**2,921**	2,605
Exceptional income	**(875)**	(630)
Amortisation of bank fees	**6**	14
Share-based payments charge	**1,447**	935
Tax impact of above adjustments	**(699)**	(688)
Adjusted profit for the year	**3,402**	2,221

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

Number of shares	2020 '000s	2019 '000s
Weighted average number of shares	**72,187**	62,310
Bonus element from share placing in July 2019	**140**	140
Basic	**72,327**	62,450
Impact of dilutive share options	**2,938**	1,428
Diluted	**75,265**	63,878

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 30.

Notes to the Accounts continued

for the year ended 30 June 2020

12. Cash Flows Associated with Acquisitions and Disposals

Within the consolidated cash flow statement, the £2.7 million cash outflow relating to acquisitions of subsidiaries, net of cash acquired relates to the acquisition of Inhance Technology. In the prior year, this related to the payment of contingent consideration on the Xcaliber acquisition of £0.8 million.

Within the prior year discontinued cash flows is a receipt of £0.1 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).

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.

In the year ended 30 June 2020, the acquisition has contributed total revenue of £1.2 million, and adjusted operating profit of £0.3 million.

The 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	18	65	83
Deferred tax	–	(177)	(177)
Cash and cash equivalents	327	–	327
Trade and other receivables	194	–	194
Trade and other payables	(181)	(539)	(720)
Net assets acquired	358	998	1,356
Goodwill			3,481
Total consideration			4,837

Satisfied by:	
Cash	3,048
Shares issued	1,789
Total consideration	4,837

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 potential claims and other unrecorded liabilities (£473,000).

Under IFRS 3 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 £194,000 gross and there was no expected loss provision. The goodwill of £3,481,000 was attributed to the anticipated growth of the combined Group, strategic benefits, synergies and workforce in place.

ACQUISITIONS OF NON-CONTROLLING INTERESTS

On 12 December 2019, the Group acquired 29% of the issued share capital in Blancco Japan Inc from its joint venture partner, Aucnet, taking the shareholding from 51% to 80%. The consideration was settled through the issue of 813,253 ordinary shares.

On the same date the Group acquired the 30% that it did not already own of the issued share capital of Blancco APAC Pte. Limited, being 15% each from both of the minority shareholders, Aucnet and Alan Puah, an individual. The consideration payable to Aucnet was US$1 in cash and to Alan Puah to be settled by the issue of 41,686 ordinary shares.

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

In accordance with IFRS 10, "Consolidated Financial Statements", the purchase prices for each acquisition have been taken directly to the Retained Earnings reserve, in addition to the non-controlling interest in the balance sheet attributable to each acquisition as at the respective acquisition dates.

14. Goodwill

	Total £'000
Cost	
At 1 July 2018	46,348
Foreign exchange movement	914
At 30 June 2019	47,262
Acquisition	3,481
Foreign exchange movement	1,138
At 30 June 2020	**51,881**
Accumulated impairment losses	
At 1 July 2018, 30 June 2019 and 30 June 2020	–
Net book value	
At 30 June 2020	**51,881**
At 30 June 2019	47,262
At 30 June 2018	46,348

Management has used latest forecasts for the year ending 30 June 2021 as the basis on which future cash flow projections are calculated.

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 forecast 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 that 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, but in line with the growth figure used historically in the model. This level of growth is considered to be a prudent forecast in response to the COVID-19 global pandemic when considered alongside the potential increase in demand for repurposing devices. While growth for the upcoming year could reasonably fall below this level, over the medium term this would be considered a minimum level of growth potential, based on past performance and underlying market drivers.
- 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.

Notes to the Accounts continued

for the year ended 30 June 2020

This equates to a compound annual growth in Adjusted EBITDA over this period of 12.7%, with this metric being the key driver behind cash generation. 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 8.9%. In the prior year, the pre-tax discount rate applied was 10.5%. The discount rate has reduced due to the reduction in the risk free rate applied in the weighted average cost of capital calculations.

Management has undertaken sensitivity analysis on several of the key assumptions in the value-in-use calculations. Sensitivity analysis shows the compound annual revenue and EBITDA growth rate would have to decline to 2.4% before any impairment was triggered which is considered unrepresentative of long-term future growth prospects, and the fact the Group has exceeded this level of EBITDA growth in all but one of the periods since the acquisition of Blancco. A separate sensitivity analysis on the fixed cost base shows this could grow to 10% before any trigger of impairment which is considered highly unlikely given the fixed nature of the cost base and the ability to defer investment decisions in order to maintain the base cost base.

Sensitivity analysis on the discount rate shows that the discount rate would have to increase to a minimum of 15.0% before impairment was triggered. This would represent a 68% increase in the discount rate which we consider to be highly unlikely given the stability of the majority of our markets and the historic trend of our discount rate used.

Management has concluded that there is a more than adequate amount of headroom in the calculations and that there is no single reasonably possible change in the key assumptions that would trigger impairment. It is therefore reasonable to value the Goodwill at its purchased value and that no impairment is necessary at 30 June 2020.

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 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**
Additions	–	–	–	4,079	381	452	4,912
Acquisitions	56	1,281	312	–	–	–	1,649
Reclassifications	–	–	–	1,220	(1,220)	–	–
Exchange movement	76	357	187	226	24	39	909
At 30 June 2020	**3,717**	**17,229**	**9,447**	**16,706**	**405**	**2,853**	**50,357**
Accumulated amortisation							
At 1 July 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**
Charge for the year	295	1,719	907	2,662	–	329	5,912
Exchange movement	47	227	120	66	–	22	482
At 30 June 2020	**1,905**	**9,726**	**5,512**	**8,785**	**–**	**1,631**	**27,559**
Net book value at 30 June 2020	**1,812**	**7,503**	**3,935**	**7,921**	**405**	**1,222**	**22,798**
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

The Group's continuing operations capitalised internal development expenditure of £3.8 million (2019: £2.6 million), predominantly in the continued development of Blancco software. Amortisation of internally generated development expenditure for the Group's continuing operations is £2.6 million (2019: £2.2 million).

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

16. Property, Plant and Equipment

	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Right-of-use Assets £'000	Total £'000
Cost					
At 1 July 2018*	**282**	**518**	**334**	**3,202**	**4,336**
Additions	3	133	60	1,041	1,237
Disposals	(281)	–	(3)	(658)	(942)
Exchange movement	2	10	7	–	19
At 30 June 2019	**6**	**661**	**398**	**3,585**	**4,650**
On acquisition	–	–	136	132	268
Additions	12	244	145	307	708
Reclassification	62	–	(62)	–	–
Disposals	–	–	(122)	(463)	(585)
Exchange movement	–	13	8	65	86
At 30 June 2020	**80**	**918**	**503**	**3,626**	**5,127**
Accumulated depreciation					
At 1 July 2018*	**280**	**319**	**164**	**1,821**	**2,584**
Charge for the year	5	117	58	725	905
Disposals	(281)	–	–	(658)	(939)
Exchange movement	2	9	10	–	21
At 30 June 2019	**6**	**445**	**232**	**1,888**	**2,571**
On acquisition	–	–	118	66	184
Charge for the year	18	129	126	827	1,100
Reclassification	32	–	(32)	–	–
Disposals	–	–	(121)	(416)	(537)
Exchange movement	–	2	6	36	44
At 30 June 2020	**56**	**576**	**329**	**2,401**	**3,362**
Net book value at 30 June 2020	**24**	**342**	**174**	**1,225**	**1,765**
Net book value at 30 June 2019	–	216	166	1,697	2,079
Net book value at 30 June 2018	2	199	170	1,381	1,752

* Restated – see note 1.2

Notes to the Accounts continued

for the year ended 30 June 2020

17. Leases

The balance sheet shows the following amounts relating to leases:

	2020 £'000	2019 £'000
Right-of-use assets		
Buildings	**1,170**	1,673
Vehicles	**55**	24
	1,225	1,697

	2020 £'000	2019 £'000
Lease liabilities		
Current	**727**	776
Non-current	**556**	981
	1,283	1,757

Additions to the right-of-use assets during the year were £0.3 million (2019: £1.0 million).

The statement of profit or loss shows the following amounts relating to leases:

	2020 £'000	2019 £'000
Depreciation charge of right-of-use assets		
Buildings	**800**	701
Vehicles	**27**	24
	827	725
Interest charge on lease liabilities	**64**	79
Expense relating to lease of low value assets	**24**	31

The total cash outflow for leases in the year was £0.9 million (2019: £0.9 million) which includes the cash outflow from low value leases of £24,000 (2019: £31,000).

18. 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 (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
Blancco Technology Group Ireland Limited	Smartphone diagnostics	100%	Ireland	Unit 5, Cleve Business Park, Monahan Road, Blackrock, Cork
Held indirectly by the Company				
Blancco APAC Pte. Limited	Data erasure	100%	Singapore	1 Paya Lebar Link, #04–01 Paya Lebar Quarter Singapore 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 6th Floor, Downtown Centre (DTC), Mhatre Bridge, Vakil Nagar, Erandwane, Pune 411004
Blancco (Software) India Private Limited †	Data erasure	100%	India	Wing A 6th 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	100%	China	17/F, Tower D1 DRC Diplomatic Office Building No. 19 Dongfangdong Road Chaoyang District Beijing 100016 China
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

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for the year ended 30 June 2020

Company name	Principal activity of the company	Ownership percentage by the Group	Country of incorporation	Company address
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 Molinel 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	100%	Malaysia	Suite B–10–2, Level 10, Tower B, Plaza Paintai, Off Jalan Patai Baru 59200 Kuala Lumpur
Blancco Australasia Pty Ltd	Data erasure	100%	Australia	Level 19 10 Eagle Street Brisbane, QLD 4000
Blancco Japan Inc	Data erasure	80%	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, 14th 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.

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:

	2020 £'000	2019 (restated) £'000
Shareholdings	**51–80%**	51–70%
Current assets	**2,236**	4,334
Non-current assets	**2,676**	1,454
Current liabilities	**(1,589)**	(2,644)
Non-current liabilities	**–**	(658)
Net assets	**3,323**	2,486
Net assets attributable to NCI	**665**	1,206
Revenue	**7,672**	7,148
(Loss)/Profit after taxation	**(162)**	391
(Loss)/Profit after taxation attributable to NCI	**(37)**	287

19. Inventory

	2020 £'000	2019 £'000
Finished goods	**102**	91

There is no provision for obsolete stock held in the Consolidated Balance Sheet (2019: £nil)

20. Trade and Other receivables

	2020 £'000	2019 (restated) £'000
Trade receivables	**6,106**	6,060
Less: loss allowance	**(198)**	(284)
Trade receivables net of provision	**5,908**	5,776
Prepayments and contract assets	**1,346**	1,584
	7,254	7,360

Restated – see note 1.2

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

	2020 £'000	2019 £'000
At 1 July	**284**	236
(Decrease)/increase in loss allowance recognised in profit or loss during the year	**(86)**	48
At 30 June	**198**	284

21. Cash and Cash Equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	**6,719**	6,636

Notes to the Accounts continued

for the year ended 30 June 2020

22. Trade and Other Payables

Included within the trade and other payables current liability are:

	2020 £'000	2019 (restated) £'000
Trade payables	**595**	1,360
Other taxes and social security	**1,707**	1,350
Lease liabilities	**727**	776
Other payables	**128**	146
Accruals	**4,661**	5,354
Contract liabilities	**995**	941
	8,813	9,927

Included within the other payables non-current liability are:

	2020 £'000	2019 (restated) £'000
Lease liabilities	**556**	981
Contract liabilities	**431**	979
	987	1,960

23. Bank Borrowings

	2020 £'000	2019 £'000
Due after more than one year:		
Secured bank loan	**–**	6,494
Repayable:		
In the first to second years inclusive	**–**	6,494
In the third to fifth years inclusive	**–**	–

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 2020 totalled £12.0 million (2019: £12.0 million), of which £nil (2019: £8.0 million) had been drawn down in cash, resulting in an unutilised facility of £12.0 million (2019: £4.0 million). The facility is available until October 2020.

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.

Following the acquisition of Inhance and the resulting significant increase in the level of capital expenditure, the previous capital expenditure under which the Group had to adhere has been waived by HSBC.

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.

24. Net Cash

	2020 £'000	2019 £'000
Cash and cash equivalents	**6,719**	6,636
Bank borrowings (non-current)	**–**	(6,494)
	6,719	142

25. Reconciliation of Movement in Cash and Financing Liabilities

	At 1 July 2018 £'000	Cash flow £'000	Other non-cash items £'000	At 30 June 2019 £'000
Cash at bank and in hand	6,220	261	155	6,636
Borrowings	(8,930)	2,450	(14)	(6,494)
Net Cash	(2,710)	2,711	141	142
Lease liabilities	1,458	(830)	1,129	1,757

	At 1 July 2019 £'000	Cash flow £'000	Other non-cash items £'000	**At 30 June 2020 £'000**
Cash at bank and in hand	6,636	77	6	**6,719**
Borrowings	(6,494)	6,500	(6)	**–**
Net Cash	142	6,577	–	**6,719**
Lease liabilities	1,757	(884)	410	**1,283**

Other non-cash items within lease liabilities includes new leases of £0.3 million (2019: £1.0 million).

26. Provisions

	Total £'000
At 1 July 2018	**2,044**
Released during year	(862)
Utilised during year	(63)
At 1 July 2019	**1,119**
Released during year	(787)
At 30 June 2020	**332**

The provisions represent tax and 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.

	2020 £'000	2019 £'000
Current	**227**	787
Non-current	**105**	332
	332	1,119

27. Financial Instruments – Risk Management

CAPITAL RISK MANAGEMENT

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

The Group's capital structure is as follows:

	2020 £'000	2019 (restated) £'000
Total borrowings	**–**	(6,494)
Cash and cash equivalents	**6,719**	6,636
Net cash	**6,719**	142
Equity holders of the Company	**76,685**	60,998
Gearing ratio (net debt to equity)	**n/a**	n/a

Notes to the Accounts continued

for the year ended 30 June 2020

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.

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.

	2020 £'000	2019 (restated) £'000
Assets carried at amortised cost		
Trade and other receivables	**6,476**	6,072
Cash	**6,719**	6,636
Financial assets	**13,195**	12,708

	2020 £'000	2019 (restated) £'000
Liabilities carried at amortised cost		
Trade and other payables	**5,371**	6,805
Lease liabilities	**1,283**	1,757
Borrowings	**–**	6,494
Liabilities carried at fair value through profit and loss		
Contingent consideration	**288**	278
Financial liabilities	**6,942**	15,334

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:

	Tabernus £'000	Xcaliber £'000	Total £'000
At 1 July 2018	**1,157**	**1,043**	**2,200**
Unwinding of discount factor on contingent consideration	–	82	82
Payment of contingent consideration	–	(796)	(796)
Reassessment of fair value of contingent consideration	116	(70)	46
Reclassification of contingent consideration to equity	(1,317)	–	(1,317)
Revaluation of contingent consideration	44	19	63
At 1 July 2019	**–**	**278**	**278**
Payment of contingent consideration	–	–	–
Revaluation of contingent consideration	–	10	10
At 30 June 2020	**–**	**288**	**288**

During the year, the contingent consideration for Xcaliber was revalued resulting in an immaterial charge recognised in the Translation Reserve, since the liability is recorded in subsidiaries whose reporting currency is non-Sterling.

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 are 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 a margin of 1.65% (2019: 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 2020 of £nil (2019: £6.5 million) by £nil (2019: £65,000).

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

FOREIGN CURRENCY RISK

One of the risks that the Group faces in doing business in overseas markets is currency fluctuations. The Group'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 borrowings of different currencies, through the Group's multi-currency pooled overdraft.
- 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.

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.

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for the year ended 30 June 2020

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 that represent over 10% of revenues.

	JPY denominated		Euro denominated		USD denominated	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Monetary assets	**2,178**	362	**2,914**	3,007	**1,006**	798
Monetary liabilities	**(1,736)**	–	**(5,242)**	(3,939)	**(1,817)**	(1,758)
Net monetary assets / (liabilities)	**442**	362	**(2,328)**	(932)	**(811)**	(960)

There is one forward contract in place as at 30 June 2020 (2019: none). The value of the forward contract at 30 June 2020 is £1.7 million and hedges against part of the Group's JPY cash holding at this date, as shown in the above table. The fair value of the forward contract as at 30 June 2020 was immaterial.

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. The overseas holdings do not generate foreign currency volatility through the Income Statement since they generally report their results in the currencies of those cash balances.

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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Profit/(loss) before tax – gain/(loss)						
10% appreciation of JPY/Euro/USD	**44**	36	**(233)**	(93)	**(81)**	(96)
10% depreciation of JPY/Euro/ USD	**(44)**	(36)	**233**	93	**81**	96

The analysis has been performed using the Group exchange rates at the 30 June 2020 reporting date of 1.09 €/£ (2019: 1.11 €/£); 132.16 JPY/£ (2019: 136.96 JPY/£); and 1.23 US$/£ (2019: 1.27 US$/£).

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 19.64% (2019: 24.99%) of the Group's revenue and hence there is some customer reliance risk, although the biggest single customer accounts for 4.20% (2019: 8.83%) of revenue.

As at the year end, 80% (2019: 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:

	2020 £'000	2020 %	2019 £'000	2019 %
Current	**4,702**	**80%**	4,662	81%
Past due				
Less than 30 days overdue	**649**	**11%**	753	13%
30 to 60 days overdue	**203**	**3%**	186	3%
More than 60 days overdue	**354**	**6%**	175	3%
	5,908	**100%**	5,776	100%

The average credit period taken on sales is 62 days (2019: 57 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. As at 30 June 2020 the total loss allowance was £198,000 (2019: £284,000).

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 Group has available cash of £6.7 million and forecasts indicate this is sufficient to meet the Group's day-to-day operating obligations, including under assessment of reasonably possible downside sensitivities.

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

	2020 Effective interest rate (%)	2020 Less than one year £'000	2020 One to five years £'000	2019 Effective interest rate (%)	2019 (restated) Less than one year £'000	2019 (restated) One to five years £'000
Trade and other payables	**–**	**5,371**	**–**	–	6,872	–
Lease liabilities	**1–17**	**744**	**596**	1–17	819	1,053
Contingent consideration	**14**	**288**	**–**	14	278	–
Bank borrowings	**–**	**–**	**–**	3	–	6,494
	–	**6,403**	**596**	–	7,969	7,547

Notes to the Accounts continued

for the year ended 30 June 2020

28. Deferred Tax Assets/(Liabilities)

	At 1 July 2019 £'000	Recognised in the income statement £'000	Recognised upon Acquisition £'000	Exchange £'000	At 30 June 2020 £'000
Property plant and equipment	50	–	–	–	**50**
Intangible assets	(4,776)	101	(206)	(57)	**(4,938)**
Short-term timing differences	155	86	29	(170)	**100**
Employee benefits	800	224	–	–	**1,024**
Tax losses	758	(98)	–	21	**681**
	(3,013)	313	(177)	(206)	**(3,083)**

	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)

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 £1.3 million (2019: £1.4 million).

Certain deferred tax assets and liabilities have been offset to the extent permitted by IAS 12. The deferred tax asset balance of £0.4 million (2019: £0.6 million) as at 30 June 2020 is made up of a UK deferred tax asset balance of £0.2 million (2019: £0.2 million) and overseas deferred tax assets of £0.2 million (2019: £0.4 million). The deferred tax liability balance as at 30 June 2020 is made up wholly of overseas deferred tax liabilities of £3.5 million (2019: £3.6 million).

Of the total deferred tax asset of £0.4 million (2019: £0.6 million), all of this balance is current (2019: £0.6 million). Of the deferred tax liability of £3.5 million (2019: £3.6 million), £0.6 million is current (2019: £0.6 million).

29. Called Up Share Capital

	2020 Number of shares	2020 £'000	2019 Number of shares	2019 £'000
Allotted, called up and fully paid:				
Ordinary shares of 2p	**75,363,842**	**1,507**	65,197,639	1,304

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 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.

On 12 December 2019, the Company issued 813,253 new ordinary shares in the Company as consideration for the acquisition of 29% of the issued share capital in Blancco Japan Inc. Also on this date, the Company issued 41,686 new ordinary shares as partial consideration for the 30% of the share capital of Blancco APAC Pte. Limited that it didn't already own.

Following the placing and shares issued as consideration, the total number of Ordinary Shares in issue is 75,363,842 and the total number of voting rights is 75,363,842.

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 £10.7 million is a result of the share placing in July 2019 and issue of shares for the acquisition of Blancco Japan Inc in December 2019 and represents the gross value in excess of the nominal value of the shares issued. The increase in share premium is net of £0.4 million of expenses incurred from the share placing in July 2019.

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.

The movement in the year relates to the premium on shares issued to the vendors of the Inhance and Blancco APAC Pte Limited businesses on acquisition.

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 2020, 2,275,442 shares (30 June 2019: 2,275,442) are held by the Employee Benefit Trust.

Notes to the Accounts continued

for the year ended 30 June 2020

30. Share-based Payments

The Group has implemented long-term incentive arrangements for its senior management and Directors in order to align their interests to those of the shareholders. The Blancco Performance Share Plan ("the Plan") was established in March 2018 and several tranches of awards have been granted 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.

Awards granted in 2018 and 2019 shall vest based 50% on Invoiced Revenue and 50% adjusted operating cash flow. Performance will be assessed based on outcomes for the years ending 30 June 2020 and 30 June 2021, with vesting taking place after the completion of the audit of the financial statements for the relevant financial year. Invoiced Revenue, being closely linked to revenue, and adjusted operating cash flow are key financial metrics for the Company. Strong performance in both areas is essential to the long-term success of the business and delivering value for shareholders. When assessing the level of vesting in respect of the Invoiced Revenue portion, the Remuneration Committee will also consider the profitability of such revenue to ensure that growth in Invoiced Revenue reflects value creation for shareholders.

Following a review by the Remuneration Committee in the year, the awards granted in the year ended 30 June 2020 shall vest based on Invoiced Revenue, adjusted operating cash flow and adjusted operating profit for the performance in the year ending 30 June 2022, with equal weighting across all three metrics.

As of 30 June 2020, awards representing 5.4% 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)	Performance Share Plan (October 2019 Award)	Performance Share Plan (October 2019 Award)	Total
Exercise Price	0.0p	0.0p	2.0p	0.0p	0.0p	2.0p	0.0p	2.0p	
Year in which options are exercisable	2020	2020	2020	2021	2021	2021	2022	2022	
At 1 July 2018	**524,928**	**931,291**	**229,294**	**–**	**–**	**–**	**–**	**–**	**1,685,513**
Granted	–	–	–	302,632	1,011,552	59,836	–	–	1,374,020
At 30 June 2019	**524,928**	**931,291**	**229,294**	**302,632**	**1,011,552**	**59,836**	–	–	**3,059,533**
Granted	–	–	–	–	–	–	1,008,933	34,926	1,043,859
At 30 June 2020	**524,928**	**931,291**	**229,294**	**302,632**	**1,011,552**	**59,836**	**1,008,933**	**34,926**	**4,103,392**

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 2018 Award)	Performance Share Plan (November 2018 Award)	Performance Share Plan (October 2019 Award)
Date of grant	28 March 2018	23 April 2018	25 July 2018	05 November 2018	02 October 2019
Fair value of options granted (per share) at date of grant	65.6p	77.4p	76.0p	106.3p	127.50p
Expected term (years)	2.25	2.17	2.92	2.67	2.75
Settlement	Equity	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 £1.4 million (2019: £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 £1.3 million (2019: £0.8 million) which represents the movement in the cumulative compensation expense in the year.

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 IAS 24.

All transactions with Directors are included in the Directors' Remuneration Report from page 59 as well as in the key management personnel disclosures in note 8.

32. Subsequent events

There were no subsequent events that took place following the year ended 30 June 2020.

Company Balance Sheet

as at 30 June 2020

	Note	30 June 2020 £'000	30 June 2019 £'000
Assets			
Non-current assets			
Investments	5	**17,552**	10,506
		17,552	10,506
Current assets			
Debtors	6	**86,993**	84,518
Deferred tax	7	**188**	188
		87,181	84,706
Creditors:			
Amounts falling due within one year	8	**(6,476)**	(6,036)
Net current assets		**80,705**	78,670
Total assets less current liabilities		**98,257**	89,176
Creditors:			
Amounts falling due after more than one year	9	**–**	(6,494)
Amounts falling due after more than one year		**–**	(6,494)
Net assets		**98,257**	82,682
Equity			
Called up share capital		**1,507**	1,304
Share premium account		**21,103**	10,397
Merger reserve		**5,861**	4,034
Capital redemption reserve		**417**	417
Retained earnings		**69,369**	66,530
Equity shareholders' funds		**98,257**	82,682

The Company's profit for the year was £1.5 million (2019: £2.2 million).

The financial statements on pages 112 to 119 were approved by the Board of Directors and authorised for issue on 28 September 2020 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 2020

	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 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**
Profit for the year	–	–	–	1,505	–	1,505
Issue of shares	203	10,706	1,827	–	–	12,736
Recognition of share-based payments	–	–	–	1,334	–	1,334
Balance as at 30 June 2020	**1,507**	**21,103**	**5,861**	**69,369**	**417**	**98,257**

Notes to the Company Accounts

for the year ended 30 June 2020

1. Basis of Preparation

Blancco Technology Group Plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. Details of its registered office are published on page 45.

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

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

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

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

- A cash flow statement and related notes.
- Comparative period reconciliations for share capital and tangible fixed assets.
- Disclosures in respect of transactions with wholly owned subsidiaries.
- Disclosures in respect of capital management.
- The effect of new but not yet effective IFRSs.
- Disclosures in respect of compensation of key management personnel.
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument disclosures.
- IFRS 2 Share-based payment in respect of Group settled share-based payments.
- Certain information relating to business combinations completed during the reporting period.

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

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

2. Accounting Policies

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

2.1 GOING CONCERN

The Group meets its day-to-day working capital requirements through its cash reserves and overdraft facility. The Group has a Revolving Credit Facility which expires in October 2020; however, forecasts indicate current cash reserves are sufficient to meet the Group's day-to-day operating obligations, including under assessment of reasonably possible downside scenarios. Sensitivities (primarily around revenue growth), representing severe but plausible downside scenarios including the potential ongoing impacts of COVID-19, also indicate that the Group reasonably expects to operate within its cash reserves.

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 Strategic Report from page 4. Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facility is described in this review.

In addition, note 27 to the Group's financial statements includes the Group's objectives, policies and processes for managing its capital, and its exposures to credit risk and liquidity risk.

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.

2.4 FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into Sterling at rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with in the profit and loss account.

2.5 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.

2.6 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.

2.7 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 30 to the Group's financial statements.

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

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

Notes to the Company Accounts continued

for the year ended 30 June 2020

2.8 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.

2.9 FINANCIAL INSTRUMENTS

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

Equity Instruments

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

Non-derivative Financial Instruments

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

- Cash and cash equivalents comprise cash balances and short-term deposits. Bank overdrafts that are repayable on demand are shown within creditors.
- Amounts due from subsidiaries are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost, less a provision for expected lifetime credit loss.
- Trade creditors and amounts due to subsidiaries 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 Company measures the loss provision on amounts due from subsidiaries by estimating the likelihood of a loss and by benchmarking against industry default rates.

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 £0.9 million.

4. Staff Costs

The company has five employees (2019: four) being the Chief Financial Officer and four Non-executive Directors (2019: three Non-executive Directors). Their remuneration and the remuneration of the other Directors is included in the Remuneration Report on pages 59 to 62.

5. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 July 2019	10,506
Additions	8,349
Disposal	(1,303)
At 30 June 2020	**17,552**
Impairment	
1 July 2019	–
At 30 June 2020	**–**
Net book value	
30 June 2020	**17,552**
30 June 2019	10,506

The additions in the period relate to the acquisition of Yougetitback Limited, the acquisition of 30% of the issued share capital of Blancco APAC Pte. Limited, the acquisition of 29% of the issued share capital of Blancco Japan Inc and the grant of options over the Company's own shares to the employees of subsidiaries, which is accounted for as an increase to investments with corresponding credit in equity. Details of the scheme are found in note 30 to the consolidated accounts.

The disposal in the period relates to the disposal of the investment in the issued share capital of Blancco Japan Inc to another Group company. This generated a loss on disposal of £0.2 million.

See note 18 in the consolidated accounts for a list of all the Company's direct and indirect investments.

6. Debtors

Amounts falling due within one year:

	2020 £'000	2019 £'000
Amounts due from subsidiaries	**87,604**	84,669
Less: loss allowance	**(865)**	(847)
Amounts due from subsidiaries net of provision	**86,739**	83,822
Prepayments and other debtors	**254**	696
	86,993	84,518

Amounts due from subsidiaries are repayable on demand and interest is charged at one month Libor/Euribor rate (where applicable) plus a benchmarked margin.

Notes to the Company Accounts continued

for the year ended 30 June 2020

7. Deferred Tax

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

	2020 £'000	2019 £'000
Property, plant and equipment	**51**	51
Losses	**137**	137
Tax assets	**188**	188

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

2020	At 1 July £'000	Recognised in income statement £'000	At 30 June £'000
Depreciation in excess of capital allowances	51	**–**	**51**
Losses	137	**–**	**137**
	188	**–**	**188**

2019	At 1 July £'000	Recognised in income statement £'000	At 30 June £'000
Depreciation in excess of capital allowances	76	(25)	51
Losses	137	–	137
	213	–	188

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 (2019: £0.2 million). No deferred tax asset has been recognised in relation to taxation on losses amounting to £0.7 million (2019: £0.9 million).

8. Creditors: Amounts Falling Due Within One Year

	2020 £'000	2019 £'000
Trade creditors	**70**	478
Overdraft	**2,946**	4,263
Amounts due to subsidiaries	**2,648**	730
Accruals	**812**	565
	6,476	6,036

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 £2.9 million (2019: £4.3 million) is offset against pooled cash balances held by other Group companies.

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

	2020 £'000	2019 £'000
Bank loans and other borrowings	–	6,494

10. Bank and Other Borrowings

	2020 £'000	2019 £'000
Due after more than one year:		
Secured bank loan	–	6,494
Repayable:		
In the first to second years inclusive	–	6,494
In the third to fifth years inclusive	–	–

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

11. Subsequent events

There were no subsequent events that took place following the year ended 30 June 2020.

OTHER INFORMATION

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Notice of AGM

Notice is given that the Annual General Meeting of Blancco Technology Group Plc ("the Company") will be held at 5.30 pm on Tuesday 15 December 2020 via Microsoft Teams to consider the following resolutions, of which numbers 1 to 6 will be proposed as ordinary resolutions, and numbers 7 to 9 as special resolutions:

1. To receive the Annual Report and Accounts for the year ended 30 June 2020.

2. To approve the Directors' Remuneration Report for the year ended 30 June 2020.

3. To elect Catherine Michel as a Director of the Company.

4. To re-elect Philip Rogerson as a Director of the Company.

5. 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.

6. 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 £503,868 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 14 March 2022, 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

7. That, subject to the passing of resolution 6 above, the Directors be empowered under section 570 of the Act to allot equity securities as defined in section 560 of the Act, 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, £151,160,

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 14 March 2022, 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.

8. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 2 pence each in the capital of the Company, provided that:

a. the maximum number of shares which may be purchased is 7,558,030;

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 14 March 2022, 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.

9. That with effect from the conclusion of the annual general meeting, the articles of association produced to the meeting and initialled for the purpose of identification by the Chair of the meeting, be adopted as the articles of association of the Company, in substitution for, and to the exclusion of, the existing articles of association.

By order of the Board

Lorraine Young
For and on behalf of Lorraine Young Company Secretaries Limited
Company Secretary
6 November 2020

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

Notice of AGM
continued

Notes:

1. Impact of COVID-19 pandemic on AGM arrangements

At the time of convening the AGM there is considerable uncertainty about what the rules on groups of people meeting together will be in December. Therefore, the Board has decided, for this year, that the Company's AGM will be held fully virtually via the Microsoft Teams platform to ensure the safety of our people, shareholders and other stakeholders. This is permitted under the extension of the provisions of the Corporate Insolvency and Governance Act 2020. To optimise shareholder engagement, you are encouraged to submit your proxy form, appointing the Chair of the meeting as your proxy and giving instructions as to how you wish your votes to be cast. Details of how to do this are given below. The deadline for forms of proxy to be received is 5.30 pm on Thursday 11 December 2020. This year the votes at the AGM will be held on a poll and it will not be possible for you to vote at the meeting itself. You may also submit questions to the board, in advance, by sending them to investors@blancco.com. If you wish to attend the AGM by Teams please email the company secretary at investors@blancco.com. Please submit questions and/or request the link at least 2 business days before the meeting. Please note you will be asked to confirm certain personal details so that the Company can verify you are a shareholder.

It is not the Board's intention that future AGMs will be held fully virtually when people are allowed to meet normally again, post the restrictions imposed during the pandemic.

There will be no presentation at the AGM this year. We will be dealing only with the formal business. However, we arranged a presentation by the CEO and CFO for retail investors after the full year results were announced. This was held on 6 October using the InvestorMeet platform. You can register for InvestorMeet and then view a recording of the presentation via https://www.investormeetcompany.com/blancco-technology-group-plc/register-investor.

2. 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 in person if you wish. However, please refer to note 1 above, you are strongly recommended to appoint the Chair of the meeting as your proxy. They will vote in accordance with your instructions.

3. 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 5.30 pm on 11 December 2020.

4. 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 5.30 pm on 11 December 2020.

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 their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.

5. 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.

6. 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.

7. 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.

8. Voting rights

As at 29 October 2020 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consisted of 75,580,296 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 75,580,296.

9. 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.

10. Documents available for inspection

A copy of the current articles of association and a copy of the new articles of association will be available for inspection at the Company's registered office from the date of this notice of meeting until the end of the AGM and on its website www.blancco.com.

11. 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 59 to 62 of the Annual Report. It describes the Group's policy on remuneration and gives details of Directors' remuneration for the year ended 30 June 2020. The vote is advisory and does not affect the actual remuneration paid to any individual Director.

Resolutions 3 and 4: To elect and re-elect Directors
Catherine Michel was appointed to the board on 1 January 2020 and therefore offers herself for election at the AGM under the Company's articles of association. Philip Rogerson retires by rotation under the Company's articles of association and offers himself for re-election at the AGM. Biographical details for Catherine and Philip are given on page 45 of the Annual Report. Catherine has a wealth of experience in the technology sector which brings additional useful industry insights as the Group continues to execute its growth strategy. She has made an excellent contribution to our Board discussions and in addition has assisted Blancco by effecting introductions to individuals in her business network. Philip has extensive business leadership, board and corporate governance experience gained within listed plcs. These enable him to make a valuable contribution to the board's effectiveness in his roles as Senior Independent Director and Chair of the remuneration committee, in addition to the insights he brings to board discussions. The Board unanimously recommends Catherine's election and Philip's re-election.

Resolution 5: 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 6: Directors' authority to allot shares
At the 2019 Annual General Meeting, the Directors were given authority to allot shares in the Company and resolution 6 seeks to renew that authority until the conclusion of the next Annual General Meeting or 14 March 2022, 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 £503,868. This amount represents one-third of the issued ordinary share capital of the Company as at 29 October 2020, 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 7: Disapplication of pre-emption rights
If directors of a company wish to allot shares in the company, or to sell treasury shares, for cash (other than in connection with an employee share scheme), company law requires that these shares are offered first to shareholders in proportion to their existing holdings.

The purpose of resolution 7 is to authorise the Directors to allot 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 £151,160, equivalent to 10% of the total issued ordinary share capital of the Company as at 29 October 2020 without the shares first being offered to existing shareholders in proportion to their holdings. This level of authority is required in order to give the Company flexibility in the event of acquisition opportunities and major shareholders will be consulted in advance of the authority being exercised.

Resolution 8: Authority to buy back shares
Under company law, the Company requires authorisation from shareholders if it wishes to purchase its own shares. Resolution 8 seeks to renew the authority given at the last Annual General Meeting. The resolution specifies the maximum number of shares that may be purchased (approximately 10% of the Company's issued share capital) and the highest and lowest prices at which they may be bought.

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

The Directors have no present intention of exercising this authority but will keep under review the Company's potential to buy back its shares, taking into account other investment and funding opportunities. The authority will only be used if in the opinion of the Directors this will result in an increase in earnings per share or would otherwise be in the best interests of shareholders generally.

No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares.

Resolution 9: To adopt new articles of association
We are proposing to adopt new articles of association. The Company's articles of association were adopted in 2010 and so the proposed amendments are to take account of developments in market practice and technological advancements regarding shareholder accessibility and participation at meetings. The main changes to the Company's articles of association are summarised in the Appendix on page 128. Other changes which are of a minor, technical or clarifying nature have not been noted.

Notice of AGM
continued

Appendix – Key differences between the current and proposed new articles of association

It is proposed that new articles of association ("New Articles") be adopted with effect from the conclusion of the AGM, principally to reflect developments in market practice since the Company's articles of association were last amended in 2010. A copy of the proposed New Articles and a copy of the current articles of association ("Current Articles") will be available for inspection on the Company's website (www.blancco.com).

The principal changes to the Current Articles, which are included in the proposed New Articles, are summarised below. References to an article are references to the proposed New Articles unless otherwise stated.

Share warrants to bearer
The Small Business, Enterprise and Employment Act 2015 prohibits companies from issuing share warrants to bearer ("Bearer Shares"). The authority to issue Bearer Shares contained in Article 18 of the Company's Current Articles has been deleted. The Company has no Bearer Shares in issue.

Interest payable on calls on shares
References to the amount of interest payable on unpaid calls on shares or on amounts paid up on shares in advance of a call, have been changed from 20 per cent per annum to a rate not exceeding the Bank of England base rate by more than 5 percentage points as the board considers this to be more reasonable in the current environment. The rate may also be fixed when the shares are allotted and a higher rate may only be used with the sanction of an ordinary resolution of the Company. References are in articles 23, 24 and 30.

Untraced shareholders
Article 32 facilitates the process for the Company to unite "lost" shareholders with their dividends and/or shares. The Current Articles allow the Company, subject to certain conditions, to sell the shares of a member if, in the 12 years before such sale, at least three dividends have become payable and the member has not claimed them during that period. The Current Articles require the Company to give notice of its intention to sell any untraced shares by advertisement in national and local newspapers. Under Article 32 of the New Articles, the Company is required to use reasonable efforts to trace the member before sending a notice of its intention to sell any untraced shares. This could be, for example, the use of a professional asset reunification company or other tracing agent to search for shareholders who have not kept their details up to date. This change reflects current market practice and provides greater flexibility so that the Company can improve shareholder services, while continuing to safeguard shareholder rights.

Electronic participation in general meetings
New Articles 48 and 49 provide that the Company may hold 'hybrid' general meetings (including annual general meetings) so that members can participate in the meeting at a physical venue or via an electronic facility. This will allow the Company to take advantage of technological advances and evolving best practice, while also considering investor sentiment. In line with the views expressed by the Investment Association and other investor bodies the changes will not permit meetings to be held solely by electronic means, so a physical meeting will still be required.

Voting in accordance with instructions
Under the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), a proxy is required to vote in accordance with the instructions given to them by the member who appointed them. Article 69.2 clarifies that the Company is not obliged to check whether a proxy has voted in accordance with the instructions given to them.

Directors below minimum through vacancies
The Current Articles provide that where the number of directors falls below the minimum number permitted, they may only act either to appoint more directors themselves or to call a general meeting so that new directors can be appointed by shareholders. The New Articles (article 100) provide greater flexibility, as they allow the remaining director or directors to act notwithstanding any vacancy (including to appoint new directors or to call a general meeting to appoint new directors). The board considers it prudent to give the directors increased flexibility to ensure the Company has a functioning board at all times.

Borrowing powers
Article 104 gives the Company power to borrow. In the Current Articles, article 86 sets a borrowing limit for the Group equivalent to two times the adjusted capital and reserves. This is a much larger amount than could reasonably be foreseen to be required. This article is therefore not included in the New Articles as it does not have any practical relevance – the board will continue to manage the Company's cash and borrowing in a prudent manner under the Directors' overarching statutory duty to promote the Company's success.

Service of notices
The provisions in the articles (from article 138 onwards) dealing with the service of notices by and on the Company have been updated to reflect changes in technology over the last 10 years and the greater use of electronic communication, while retaining appropriate provisions relating to traditional forms of communication, such as postal services.

General
As it is proposed to adopt the New Articles to make the changes noted above, the opportunity has been taken to tidy up and simplify the articles as well. Such changes include the use of more straightforward language where possible without changing the meaning (including making the language gender neutral) and removing articles which duplicate provisions in legislation.

Glossary

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.

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.

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.

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.

Glossary
continued

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.

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 Cash/Debt: 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 of 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.

Locations

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

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

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

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D-71634 Ludwigsburg

David-Gilly Straße 1
D-14469 Potsdam

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Erandwane
Pune 411004

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T12 VY7W

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2-23-8 Minami-Aoyama, Minato-ku
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111, Digital-ro 26-gil
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