FINANCIALS

Independent Auditors' Report

to the members of Blancco Technology Group Plc

Report on the Audit of the Financial Statements

Opinion

In our opinion:

- Blancco Technology Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS101 "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 2021; 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

Context

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.

Overview

Audit scope

- Audit procedures provide coverage of 100% of the Group's revenues.
- Audit scope includes performing procedures over 11 legal entities located in eight different countries.
- Four financially significant components in UK, USA, Japan and Germany.

Key audit matters

- Revenue recognition (Group).
- Capitalisation of development costs (Group).
- Risk posed by COVID-19 (Group and Company).
- Carrying value of intercompany receivables and investments (Company).

Materiality

- Overall Group materiality: £365,000 (2020: £334,000) based on 1% of revenues.
- Overall Company materiality: £1,012,000 (2020: £1,047,000) based on 1% of total assets.
- Performance materiality: £273,750 (Group) and £759,000 (Company).

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.

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.

Accounting for the acquisition of Blancco Technology Group Ireland and the carrying value of goodwill, which were key audit matters last year, are no longer included because the accounting for the acquisition of Blancco Technology Group Ireland was a one-off risk relevant to the year of acquisition and the risk in respect of the carrying value of goodwill has been reassessed from a significant risk to a normal risk for the year ended 30 June 2021 based on the excess of the market capitalisation of the Group over the carrying value of the Group's assets. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (Group) The timing of software-based revenue recognition may involve judgement. 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. The accounting policy and revenue disclosures can be found in note 1.10 and note 3 to the financial statements respectively.	Group revenue was considered as a single population, so that revenue transactions from every revenue generating entity in the Group were included in the population from which we selected our sample for testing. We examined a sample of high-value licence contracts and also selected a haphazard sample of additional contracts, 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 revenue had been recognised appropriately in accordance with the Group's policy and in the correct period. For a sample of revenue recognised 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 IFRS15 in the period was appropriate. In response to the presumed risk of fraud, where revenue was adjusted through journal entries displaying unusual account combinations, we tested a sample of journals to establish whether they were indicative of fraud. The work performed shows no indication that revenue is materially misstated because of fraud or error.
Capitalisation of development costs (Group) The Group spends a significant amount in developing new products and product functionality. As set out in note 14, during the current year, the Group has capitalised £4.1 million of internal development expenditure within intangible assets and had a net book value of £8.7 million of capitalised development expenditure at 30 June 2021. We focused on this area due to the value of the costs capitalised, and the fact that judgement is involved in assessing whether the criteria set out in IAS38 "Intangible Assets" ("IAS38") required for capitalisation of such costs have been met, particularly: • The appropriateness of 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 development expenditure 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 time records. We obtained a schedule of projects that the development expenditure related to. We considered whether each project was being appropriately capitalised under the specific requirements of the relevant accounting standard (IAS38 "Intangible Assets"). We inspected project documentation and held discussions with staff as necessary to confirm the projects were being accounted for appropriately, considering the evidence of technical feasibility, technical and financial resources available to complete the projects and of the Group's ability to sell the asset developed. No material exceptions were noted 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 as explained in note 1.2 to the financial statements and the impairment assessment of goodwill detailed in note 13 to the financial statements.	We read the relevant disclosures in the Annual Report and considered their 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 plausible 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.
Carrying value of intercompany receivables and investments (Company) The Company holds material investments in and balances due from subsidiaries, as detailed in note 5 and note 6 to the Company financial statements respectively. The assessment of whether these balances are impaired involves significant judgement by the Directors. IFRS9 requires the Directors to determine an expected credit loss on the balances due from subsidiaries. This has been identified as a key audit matter due to the size of the balances and the estimation involved in determining the recoverable value.	For the balances due from subsidiaries, we reviewed the methodology used by the Directors in calculating the expected credit loss provision and compared the probability of default to external credit rating agency benchmarks. No exceptions were noted from this testing. For the investments in subsidiaries we considered the recoverable value of the investment by comparing to the market capitalisation of the Group at 30 June 2021, including the value of the balances due from subsidiaries. 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 in 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 three legal entities covering the UK and Finland.

We identified a further four legal entities, in the USA, Ireland, Finland and India, where specified audit procedures were performed over certain financial statement line items to ensure sufficient coverage of those line items was obtained for the purposes of our Group audit opinion.

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:

	Financial statements – Group	Financial statements – Company
Overall materiality	£365,000 (2020: £334,000)	£1,012,000 (2020: £1,047,000)
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 for the purposes of the Group audit.

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 £62,000 and £250,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £273,750 for the Group financial statements and £759,000 for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £18,250 (Group audit) (2020: £16,700) and £18,250 (Company audit) (2020: £16,700), as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Discussions with management and the Directors regarding future plans for the Group and Company, including consideration of known future events such as the ongoing impact of COVID-19;
- Considering the Group's compliance with the terms of the revolving credit facility;
- Comparing the trading results of the Group and Company subsequent to the year end to the forecasts for that period, as well as assessing historical forecasting accuracy with respect to prior years;
- Assessing the Directors' future forecasts, including reconciling them to the latest Board approved budgets, testing the accuracy of the underlying forecast, assessing the basis for the underlying assumptions and performing sensitivity analysis on the key assumptions; and
- Assessing the severe but plausible downside scenario forecast prepared by the Directors to consider whether sufficient resources are available at Group and Company level in the event that the severe but plausible scenario were to occur.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to income tax regulations in the different jurisdictions in which the Group operates, AIM Rules and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to manipulate reported results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management and the Directors regarding actual and potential litigations and claims, including known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading relevant meeting minutes, including those of the Board of Directors and Audit Committee;

- Evaluating the Group and Company controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular certain journal entries posted with unusual account combinations and those posted by unexpected users;
- Designing audit procedures to incorporate unpredictability around nature, timing and extent of our testing; and
- Challenging assumptions and judgements made by management and the Directors in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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

28 September 2021

Consolidated Income Statement

for the year ended 30 June 2021

Continuing operations	Note	**Year ended 30 June 2021 £'000**	Year ended 30 June 2020 £'000
Revenue	3	**36,506**	33,382
Cost of sales		**(2,807)**	(1,761)
Gross profit		**33,699**	31,621
Administrative expenses, depreciation and amortisation		**(31,925)**	(31,652)
Operating profit/(loss)		**1,774**	(31)
Acquisition costs	5	**–**	575
Exceptional income	5	**(837)**	(875)
Amortisation of acquired intangible assets		**2,859**	2,921
Share-based payments charge	29	**1,490**	1,447
Adjusted administrative expenses		**(28,413)**	(27,584)
Adjusted operating profit		**5,286**	4,037
Finance income	9	**121**	3
Finance costs	9	**(420)**	(151)
Profit/(loss) before tax		**1,475**	(179)
Taxation	10	**(95)**	169
Profit/(loss) for the year from continuing operations		**1,380**	(10)
Discontinued operations			
Post tax profit from discontinued operations	7	**331**	1,126
Profit for the year	6	**1,711**	1,116
Attributable to:			
Equity holders of the Company		**1,697**	1,153
Non-controlling interests	17	**14**	(37)
Profit for the year		**1,711**	1,116
Earnings per share			
Continuing operations:			
Basic	11	**1.84 p**	0.04 p
Diluted	11	**1.78 p**	0.04 p
Discontinued operations:			
Basic	11	**0.45 p**	1.56 p
Diluted	11	**0.43 p**	1.50 p
Total Group:			
Basic	11	**2.29 p**	1.60 p
Diluted	11	**2.21 p**	1.54 p

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2021

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Profit for the year	**1,711**	1,116
Other comprehensive (expense)/income – amounts that may be reclassified to profit or loss in the future:		
Exchange differences arising on translation of foreign entities	**(5,862)**	1,330
Total comprehensive (loss)/profit for the year	**(4,151)**	2,446
Attributable to:		
Equity holders of the Company	**(4,049)**	2,491
Non-controlling interests	**(102)**	(45)
Total comprehensive (loss)/profit for the year	**(4,151)**	2,446

Consolidated Balance Sheet

as at 30 June 2021

	Note	30 June 2021 £'000	30 June 2020 £'000
Assets			
Non-current assets			
Goodwill	13	**48,199**	51,881
Other intangible assets	14	**19,369**	22,798
Property, plant and equipment	15	**2,249**	1,765
Deferred tax assets	27	**119**	433
		69,936	76,877
Current assets			
Inventory	18	**110**	102
Trade and other receivables	19	**6,204**	7,254
Current tax asset		**469**	603
Cash and cash equivalents	20	**10,071**	6,719
		16,854	14,678
Total assets		**86,790**	91,555
Current liabilities			
Trade and other payables	21	**(7,767)**	(8,813)
Contingent consideration	26	**–**	(288)
Current tax liability		**(336)**	(269)
Provisions	25	**–**	(227)
		(8,103)	(9,597)
Non-current liabilities			
Other payables	21	**(1,131)**	(987)
Deferred tax liabilities	27	**(2,655)**	(3,516)
Provisions	25	**–**	(105)
		(3,786)	(4,608)
Total liabilities		**(11,889)**	(14,205)
Net assets		**74,901**	77,350
Equity			
Called up share capital	28	**1,512**	1,507
Share premium account	28	**21,103**	21,103
Merger reserve	28	**5,861**	5,861
Capital redemption reserve	28	**417**	417
Translation reserve	28	**190**	5,936
Retained earnings		**45,255**	41,861
Total equity attributable to equity holders of the Company		**74,338**	76,685
Non-controlling interest reserve	17	**563**	665
Total equity		**74,901**	77,350

The financial statements on pages 80 to 110 were approved by the Board of Directors and authorised for issue on 27 September 2021.

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 2021

	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 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	–	–	–	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**
Comprehensive income:								
Profit for the year	–	–	–	–	1,697	14	–	1,711
Other comprehensive expense								
Exchange differences arising on translation of foreign entities	–	–	–	(5,746)	-	(116)	–	(5,862)
Total comprehensive loss	–	–	–	(5,746)	1,697	(102)	–	(4,151)
Transactions with owners recorded directly in equity:								
Issue of shares	5	–	–	–	(5)	–	–	–
Share-based payment charge inclusive of deferred tax	–	–	–	–	1,702	–	–	1,702
Balance as at 30 June 2021	**1,512**	**21,103**	**5,861**	**190**	**45,255**	**563**	**417**	**74,901**

Consolidated Cash Flow Statement

for the year ended 30 June 2021

	Note	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Profit for the year		**1,711**	1,116
Adjustments for:			
Profit from discontinued operations	7	**(331)**	(1,126)
Net finance costs	9	**299**	148
Taxation	10	**95**	(169)
Loss on disposal of intangible assets	6	**66**	–
Profit on disposal of property, plant and equipment	6	**(6)**	(1)
Depreciation of property, plant and equipment	6	**1,129**	1,100
Amortisation of intangible assets	6	**3,753**	2,991
Amortisation of acquired intangible assets	6	**2,859**	2,921
Share-based payments expense	29	**1,490**	1,447
Operating cash flow before movement in working capital		**11,065**	8,427
Acquisition costs		**–**	575
Exceptional income		**(837)**	(875)
Adjusted EBITDA		**10,228**	8,127
Increase in inventories		**(19)**	(8)
Decrease in receivables		**588**	417
Decrease in payables and accruals		**(1,249)**	(2,373)
Cash generated from continuing operations		**10,385**	6,463
Acquisition costs payments		**252**	830
Share-based payments		**155**	–
Adjusted operating cash flow		**10,792**	7,293
Interest received		**54**	3
Interest paid		**(113)**	(146)
Other finance costs paid		**(242)**	–
Tax received/(paid)		**228**	(613)
Net cash generated from operating activities – continuing operations		**10,312**	5,707
Net cash used in operating activities – discontinued operations	7	**–**	(15)
Net cash generated from operating activities – continuing and discontinued operations		**10,312**	5,692
Cash flows from investing activities			
Purchase of property, plant and equipment		**(235)**	(401)
Purchase and development of intangible assets		**(4,876)**	(4,722)
Acquisition of subsidiaries, net of cash acquired	12	**(319)**	(2,721)
Net cash used in investing activities – continuing operations		**(5,430)**	(7,844)
Net cash used in investing activities – continuing and discontinued operations		**(5,430)**	(7,844)
Cash flows from financing activities			
Payment of the principal portion of lease liabilities		**(927)**	(820)
Payment made to acquire non-controlling interest		**–**	(28)
Share issue, net of fees		**–**	9,577
Repayment of borrowings	24	**–**	(6,500)
Net cash (used in)/generated from financing activities – continuing operations		**(927)**	2,229
Net cash (used in)/generated from financing activities – continuing and discontinued operations		**(927)**	2,229
Net increase in cash and cash equivalents	24	**3,955**	77
Other non-cash movements – exchange rate changes		**(603)**	6
Cash and cash equivalents at beginning of year	20	**6,719**	6,636
Cash and cash equivalents at end of year	20	**10,071**	6,719
Net cash	23, 24	**10,071**	6,719

Notes to the Accounts

for the year ended 30 June 2021

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 included on page 53, and the nature of the Group's operations and principal activities are set out in the Strategic Report from page 05. 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 accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006. 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 Going Concern

The Group meets its day-to-day working capital through its cash reserves and also has access to a revolving credit facility, entered into in January 2021, which expires in January 2024 and which at the year end was not drawn upon.

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 05, 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 the Strategic Report. In addition, note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital, and its exposures to credit risk and liquidity risk.

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

1.3 Changes in Accounting Policies

There are no changes to existing standards and interpretations that are relevant to the Group for year ended 30 June 2021.

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

- IFRS 17 'Insurance contracts'*
- Amendment to IFRS 16 'Leases' – COVID-19-related rent concessions Extension of the practical expedient*
- Amendments to IFRS 17 and IFRS 4 'Insurance contracts', deferral of IFRS 9, as amended in June 2020
- Amendments to IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform'
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16*
- Amendments to IAS 1 Presentation of financial statements' on classification of liabilities*
- Narrow-scope amendments to IAS 1, Practice statement 2 and IAS 8*
- Amendment to IAS 12 'Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction'*

* Standards and interpretations not yet endorsed.

None of these amendments are expected to have a significant impact to the Group; however, the Group will continue to consider these and any additional amendments, interpretations and new standards to identify potential future impact.

1.4 Basis of Consolidation

The consolidated financial statements aggregate the results, cash flow and balance sheets of Blancco Technology Group plc (the "Company") and its subsidiary undertakings (together the "Group") drawn up to 30 June each year. A list of the Company's subsidiary undertakings including details of statutory year-ends that differ from the Group is given in note 17. The results of subsidiary undertakings acquired during a financial year are included from the date of acquisition. The financial statements of subsidiaries are prepared in accordance with the Group's accounting policies and to coterminous balance sheet dates.

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the share of the changes in equity since the date of the combination. Acquisition of non-controlling interests' equity stakes in the Group's subsidiaries are recorded directly through reserves, with a transfer of the non-controlling interests' share of net assets directly to retained earnings on the date of acquisition.

1.5 Foreign Currencies

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into Sterling at rates of exchange ruling at the balance sheet date. The income statements and cash flow of overseas subsidiaries are translated into Sterling at the weighted average exchange rates applicable during the year and their assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of opening net assets of overseas subsidiaries, together with differences between income statement accounts at average and closing rates, 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 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 that do not generate cash inflows independent of other assets, are aggregated into cash-generating units (CGUs) and the recoverable amount of the CGU to which the asset belongs is estimated. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

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

Separately Identifiable Intangible Assets Arising on Business Combinations

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

- Customer relationships are being amortised on a straight-line basis over 1 to 12 years.
- Brand names are being amortised on a straight-line basis over 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 that 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.

Asset in the Course of Construction

Intangible assets that are in the process of development and not yet ready for market 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 incurred up to the balance sheet date.

Other Intangible Assets

Other intangible assets, such as purchased software, 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. The amortisation is presented in the income statement within administrative expenses.

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.

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.

The majority of revenue is recognised at a point in time, when delivery takes, or is expected to take, place. A small number of subscription contracts are recognised over time where the service or licence provision is provided at a set level over a determined period. Revenue is recognised on a pro-rata basis, which generally aligns to straight-line recognition over the course of the contract.

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 26.

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 that 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 standalone 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; and
- Product upgrades that 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.

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 standalone basis.
- Evidence where the same or similar components are being sold by another third party.
- Cost of providing the service.

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

Performance Share Plan

The terms of the scheme in operation is detailed in note 29 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 Company has historically settled such schemes in shares.

The fair values of the options granted under the 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 day 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 is recorded as an expense or credit in the income statement with a corresponding increase or decrease in equity.

Sharesave Scheme

The terms of the new sharesave scheme are detailed in note 29 to the accounts. The scheme is treated as an equity settled scheme since the exercise is settled in shares.

The fair value of the options granted under this scheme are recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period in which the employees become entitled to the options. The fair value of the share options is measured using the Black–Scholes pricing model and using the option price determined prior to the commencement of the scheme. The fair value of the options is reassessed at each reporting based on the estimated forfeiture rate. Any corresponding change in the fair value would be recorded as an expense or a credit to the income statement with a corresponding increase or decrease 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 consolidated 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 Leases

The Group leases property and certain office equipment. Leases are recognised in accordance with IFRS16, with those 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.

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 that 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 that 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.

1.15 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 value of 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 the income statement.

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 that are segregated by their key features such as location and ageing.

Derivative Financial Instruments
Derivative financial instruments include contracts the Group has taken out that relate to the value of another underlying asset. The Group takes out forward contracts to convert foreign currencies, generally in cases arising where excess foreign currency has been generated and is to be converted back to Sterling, or where there is high certainty on timing of cash flows associated with a large non-Sterling receivable.

Derivatives are accounted in accordance with IFRS9 and are measured at fair value. Changes in the fair value of derivative financial instruments after initial recognition are recorded in the income statement.

1.16 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. Grants that compensate the Group for activity that otherwise meets the criteria for capitalisation as development expenditure, are offset against that spend and the underlying spend is not capitalised or depreciated.

Government grant income that is not received in cash at the year end is recognised as an asset within trade and other receivables.

1.17 Adjusted Operating Profit/Adjusted Operating Cash Flow
Adjusted operating profit is the key profit measure used by the Board to assess the underlying financial performance of the 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 income, because this is 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 EBITDA is adjusted operating profit with depreciation and amortisation added back.

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

1.18 Adjusted Earnings Per Share
An adjusted measure of earnings per share has also been presented. Adjusted earnings are stated before amortisation or impairment of acquired intangible assets, amortisation of bank fees, exceptional 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 in the preparation of 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 standalone, and therefore should be recognised separately, or inherently linked, and therefore recognised together. There is further judgement on product delivery (1) over whether a contract is fulfilled at the point the licence is delivered or whether the Group retains an ongoing obligation to redeliver licences for product updates or enhancements; and (2) whether holding a stock of licences in a customer account on a shared cloud platform demonstrates that sufficient control has passed to the customer in order to recognise revenue. Management uses specific contractual terms in making this judgement over how much revenue to recognise.
- Underlying assumptions used in assessing uncertain tax positions and the assessment of the recoverability of any related deferred tax assets, based on the likelihood of future profitability against which to offset each deferred tax asset. Uncertain tax positions are estimated based on management's best estimate of the circumstances surrounding them. Judgement is required with respect to situations in which applicable tax regulation is subject to interpretation and management considers whether it is probable that a taxation authority will accept an uncertain tax treatment. Judgement is required in assessing whether certain subsidiaries will generate taxable 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.

2.2 Estimations

Additionally, management are also required to make judgements over certain balances that are uncertain and therefore require a degree of estimation as to the amounts included in the financial statements.

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 arising from business combinations**

  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 that 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 13 to the financial statements.
- **Tax**

  The Group may recognise deferred tax assets in respect of unutilised losses and other temporary differences arising in certain of the Group's businesses (see note 27). This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profits. If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or temporary difference might be recognised, the value of the deferred tax asset will need to be revised in a future period.

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

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

  The Group carried a number of provisions (see note 25) against potential future liabilities for which the settlement value was uncertain. Management estimated the most likely outcome based on the range of potential outcomes and recorded a provision estimate accordingly.

3. Segmental Reporting

As outlined in the Group Financial Review, the Group's continuing operations consist of one segment. The segment consists of several key markets, comprising Enterprise/Data Centre, Mobile and ITAD; however, these are not separately considered segments in accordance with IFRS8 'Operating Segments', since they do not form part of management information provided to key decision makers and are measured only at revenue level.

Discontinued Operations

The post-tax results from discontinued operations in the year was a profit of £0.3 million (2020: £1.1 million). This arose from the final release of provisions that were created upon the disposal of the Repair Services business in the year ended 30 June 2016 (2020: £0.8 million), and in the prior year also included the release of provisions of £0.4 million no longer required in respect of a number of VAT liabilities arising from a VAT investigation.

Continuing Operations

Geographical Information

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

Revenue from external customers	2021 £'000	2020 £'000
UK	3,396	3,304
USA	10,261	9,367
Asia Pacific	11,895	10,768
Europe	10,009	9,228
Rest of World	945	715
	36,506	33,382

No customer represented more than 10% of the Group's revenue (2020: none).

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

Timing of revenue recognition	2021 £'000	2020 £'000
At a point in time	36,158	31,609
Over time	348	1,773
	36,506	33,382

The Group generated revenue from the supply of goods and the rendering of services on the following basis:

Revenue	2021 £'000	2020 £'000
Rendering of services	35,535	32,600
Supply of goods	971	782
	36,506	33,382

Unsatisfied long-term contracts

As at 30 June 2021, the Group had contracted but unsatisfied performance obligations amounting to £12.3 million (2020: £10.2 million) of which £8.8 million (2020: £6.6 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:

	2021 £'000	2020 £'000
Current contract assets relating to performance obligations satisfied	184	314
Contract liabilities	863	1,426

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.

Contract liabilities have reduced predominantly due to one long-term contract signed in 2019 for which the delivery obligation was spread over the three-year contract period.

Of the total contract liability of £1.4 million (2020: £1.9 million) at the beginning of the period, £1.0 million has been recognised (2020: £0.9 million) in the year.

In the current year, there is no (2020: no) revenue recognised from performance obligations satisfied in prior periods.

Non-current assets	2021 £'000	2020 £'000
UK	174	444
Non-UK	69,762	76,433
	69,936	76,877

4. Auditors' Remuneration

	2021 £'000	2020 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company and consolidated financial statements	122	121
The audit of the Company's subsidiaries pursuant to legislation	153	137
Total audit fees	275	258

There have been no non-audit fees in the current or prior 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

	2021 £'000	2020 £'000
Provision releases	(478)	(875)
COVID-19 support income	(359)	–
Acquisition and deal costs	–	575
	(837)	(300)

Exceptional income arises from the release of provisions recognised on historic acquisitions that the business deemed to 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.

A gain of £0.4 million arose from the forgiveness of US Payment Protection Program loans granted at the start of the COVID-19 pandemic.

Acquisition costs in the prior year relate to the acquisition of YouGetItBack Limited (now Blancco Technology Group Ireland Limited) that was completed in July 2019, and the buyouts of minority interest stakes in Japan and Singapore in December 2019.

6. Profit for the Year

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

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Depreciation of property, plant and equipment – owned	247	273
Depreciation of property, plant and equipment – right-of-use asset	882	827
Loss on disposal of intangible assets	66	–
Profit on disposal of property, plant and equipment	(6)	(1)
Amortisation of intangible assets	6,612	5,912
Expense relating to leases of low-value assets	25	24
Cost of inventories recognised as an expense	377	347
Research and development expense	1,131	1,121
Staff costs recognised as an expense, excluding share-based payments	17,507	16,230
Net foreign exchange (gain)/loss	(316)	101

Included within operating profit are profits totalling £0.1 million (2020: £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 result from discontinued operations in the year was a profit of £0.3 million (2020: £1.1 million). This arose from the final release of provisions that were created upon the disposal of the Repair Services business in the year ended 30 June 2016 (2020: £0.8 million). In the prior year, the release also included provisions of £0.4 million no longer required in respect of a number of VAT liabilities arising from a VAT investigation.

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

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Profit for the year	**331**	1,126
Operating cash flow before movement in working capital	**331**	1,126
Decrease in payables and accruals	**–**	(354)
Release of provisions	**(331)**	(787)
Net cash used in operating activities – discontinued operations	**–**	(15)

There were no cash flows from investing or financing activities.

8. Staff Costs

	2021 Average number	2020 Average number
Sales and business development	**148**	142
Administration	**49**	48
Research and development	**119**	118
	316	308

Aggregate employment costs	2021 Total £'000	2020 Total £'000
Wages and salaries	**19,140**	17,740
Social security costs	**1,283**	1,311
Share-based payments	**1,490**	1,447
Other pension costs	**1,177**	1,023
	23,090	21,521

Of total staff costs of £23.1 million (2020: £21.5 million), £4.1 million were capitalised within other intangible assets (2020: £3.8 million).

Key management personnel have been identified as the 11 employees (2020: 11) comprising the main Board and executive leadership team.

Remuneration of key management personnel is as follows:

Key management personnel costs	2021 £'000	2020 £'000
Short-term employee benefits	**2,528**	2,146
Share-based payments	**772**	877
	3,300	3,023

Aggregate employment costs of Group Directors are as follows:

	2021 £'000	2020 £'000
Aggregate emoluments	**1,418**	1,100
Aggregate gains made on exercise of share options	**512**	–
Aggregate amounts receivable under long-term incentive schemes*	**1,899**	514
Company contributions to a pension scheme	**12**	17
	3,841	1,631

* with respect to options vesting on performance conditions in each year.

Aggregate remuneration disclosed here with respect to the Group's share option plans are stated at their market value, which differs to the charge through the income statement, which is expensed in accordance with IFRS 2. Further details on the share-based payment expense is disclosed in note 29.

Further details of the Directors' remuneration including those of the highest paid Director are provided in the audited section of the Remuneration Committee Report on pages 69 and 70. The share interests of Directors in the table on page 70 in the Remuneration Report form part of this note to the financial statements.

9. Finance Costs

Continuing operations	2021 £'000	2020 £'000
Bank interest receivable and similar income	121	3
Interest payable on bank loans and overdrafts	(18)	(81)
Other finance costs	(245)	(6)
Revaluation of contingent consideration (note 26)	(62)	–
Interest on lease liabilities	(95)	(64)
Net finance cost	**(299)**	(148)

10. Taxation

Continuing operations	2021 £'000	2020 £'000
Current tax		
UK corporation tax	–	–
Overseas tax	252	144
Adjustments in respect of prior years	(186)	–
Total current tax charge	**66**	144
Deferred tax		
UK	192	(174)
Overseas	(138)	(19)
Adjustments in respect of prior years	(25)	(120)
Total deferred tax charge/(credit) (note 27)	**29**	(313)
Tax charge/(credit)	**95**	(169)

UK corporation tax is calculated at 19% (2020: 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 charge/(credit) for the year can be reconciled to the profit/(loss) before tax per the consolidated income statement as follows:

	2021 £'000	2020 £'000
Profit/(loss) before tax	1,475	(179)
Tax at standard UK corporation tax rate of 19% (2020: 19%)	280	(34)
Effects of:		
Permanent differences	(28)	(13)
Rate differences	113	99
Adjustment in respect of prior years	(211)	(120)
Revaluation of deferred tax balances	(14)	227
Movement on unrecognised deferred tax assets	100	(328)
R&D tax credit	(145)	–
Tax charge/(credit)	**95**	(169)

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 2021 (on 24 May 2021). Deferred taxes at the balance sheet date have been measured using the enacted tax rates and reflected in these financial statements.

Deferred Tax Charge on Share-Based Payments

A deferred tax asset is recognised on the difference between the accounting and tax value of unvested share options. The timing difference arises due to the IFRS 2 charge being expensed over the duration of the vesting period; however, the tax deduction is only allowable at the point of exercise.

Where an additional timing difference arises due to the difference between the accounting value (represented by the IFRS 2 charge) and the tax value of the outstanding awards (represented by market value), the corresponding credit is taken directly to equity. In the year, a total credit of £0.6 million was recognised directly in retained earnings (2020: £nil).

The deferred tax asset is offset against deferred tax liabilities in accordance with IAS 12, and therefore is included within this financial statement caption, due to the tax impacts occurring in the same jurisdiction.

11. Earnings Per Share (EPS)

	Year ended 30 June 2021 Pence	Year ended 30 June 2020 Pence
Continuing operations		
Basic earnings per share	**1.84p**	0.04p
Diluted earnings per share	**1.78p**	0.04p
Adjusted earnings per share	**5.77p**	4.70p
Diluted adjusted earnings per share	**5.58p**	4.52p
Discontinued operations		
Basic earnings per share	**0.45p**	1.56p
Diluted earnings per share	**0.43p**	1.50p
Adjusted earnings per share	**0.45p**	1.56p
Diluted adjusted earnings per share	**0.43p**	1.50p
Total Group		
Basic earnings per share	**2.29p**	1.60p
Diluted earnings per share	**2.21p**	1.54p
Adjusted earnings per share	**6.22p**	6.26p
Diluted adjusted earnings per share	**6.01p**	6.02p

Continuing operations	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Profit/(loss) for the year	**1,380**	(10)
(Profit)/loss attributable to non-controlling interests	**(14)**	37
Profit attributable to equity holders of the parent company	**1,366**	27
Reconciliation to adjusted profit:		
Revaluation of contingent consideration	**62**	–
Acquisition costs	**–**	575
Amortisation of acquired intangible assets	**2,859**	2,921
Exceptional income	**(837)**	(875)
Amortisation of bank fees	**3**	6
Share-based payments charge	**1,490**	1,447
Tax impact of above adjustments	**(667)**	(699)
Adjusted profit for the year	**4,276**	3,402

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

Number of shares	Year ended 30 June 2021 '000s	Year ended 30 June 2020 '000s
Weighted average number of shares (excluding bonus element and treasury shares)	**73,964**	72,187
Bonus element from share placing in July 2019	**140**	140
Basic	**74,104**	72,327
Impact of dilutive share options	**2,573**	2,938
Diluted	**76,677**	75,265

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.

The dilutive share options are in respect of the shares awarded under the Blancco Performance Share Plan and Sharesave Plan and further details of the schemes are in note 29.

12. Cash Flows Associated with Acquisitions and Disposals

Within the consolidated cash flow statement, the £0.3 million cash outflow relating to "acquisitions of subsidiaries, net of cash acquired" arises from the final payment of contingent consideration on the Xcaliber acquisition. In the prior year, the £2.7 million outflow was in relation to the acquisition of YouGetItBack Limited (now Blancco Technology Group Ireland Limited).

13. Goodwill

	Total £'000
Cost	
At 1 July 2019	47,262
Acquisition	3,481
Foreign exchange movement	1,138
At 30 June 2020	51,881
Foreign exchange movement	(3,682)
At 30 June 2021	**48,199**
Accumulated impairment losses	
At 1 July 2019, 30 June 2020 and 30 June 2021	–
Net book value	
At 30 June 2021	**48,199**
At 30 June 2020	51,881
At 30 June 2019	47,262

Management has used the Board approved budget for the year ending 30 June 2022 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 budget period extend to ten years, which is in excess of the standard projection period of five years. The Directors continue to consider the extended period appropriate for the following reasons:

- The Group has historically observed growth rates in excess of the post-war real annual average growth rate, and over a sustained period in excess of five years.
- The technology sector is generally growing at a higher rate 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 continues to become 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 remain the same as the prior period and include annual compound growth in revenue and sales and marketing costs of 7.5%. This level of growth is lower than each of the compound average growth rate observed within the Group, the growth rates observed over the last 18 months which have been COVID-19 affected, and the growth rate used in the approved budget. This is, therefore, considered to be a prudent forecast of medium-term growth potential due to market drivers. The growth in the fixed cost base in the model remains at 2%.

Notes to the Accounts continued

for the year ended 30 June 2021

This equates to a compound annual growth in Adjusted EBITDA over this period of 10.9%, 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 ten, 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 9.8%. In the prior year, the pre-tax discount rate applied was 8.9%. The discount rate has increased due to the increase in the risk-free rate of return 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. However, the results of the sensitivity analysis conclude that there would have to be a significant change in key assumptions to occur before impairment would be triggered. For example, the compound annual revenue and EBITDA growth rate would have to decline to 0.7% before any impairment was triggered which is considered unrepresentative of long-term future growth prospects, and would represent a 91% reduction on the current assumption. Analysis completed on the fixed cost base and discount factor conclude that a similarly significant adjustment to those single inputs would be required to trigger impairment

Management have therefore 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 2021.

14. Other Intangible Assets

	Brand name £'000	Intellectual property £'000	Customer contracts £'000	Development expenditure £'000	Assets under construction £'000	Other intangible assets £'000	Total £'000
Cost							
At 1 July 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**
Additions	–	–	–	4,211	–	461	4,672
Disposals	–	–	–	–	–	(331)	(331)
Reclassifications	–	–	–	405	(405)	–	–
Exchange movement	(248)	(1,173)	(613)	(1,182)	–	(502)	(3,718)
At 30 June 2021	**3,469**	**16,056**	**8,834**	**20,140**	**–**	**2,481**	**50,980**
Accumulated amortisation							
At 1 July 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**
Charge for the year	241	1,719	899	3,324	–	429	6,612
Disposals	–	–	–	–	–	(265)	(265)
Exchange movement	(145)	(710)	(375)	(625)	–	(440)	(2,295)
At 30 June 2021	**2,001**	**10,735**	**6,036**	**11,484**	**–**	**1,355**	**31,611**
Net book value at 30 June 2021	**1,468**	**5,321**	**2,798**	**8,656**	**–**	**1,126**	**19,369**
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

The Group's capitalised internal development expenditure of £4.1 million (2020: £3.8 million), relates predominantly in the continued development of Blancco software. Amortisation of internally generated development expenditure for the Group is £3.0 million (2020: £2.6 million).

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

15. 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 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**
Additions	–	197	38	1,723	1,958
Disposals	(27)	(36)	(19)	(1,486)	(1,568)
Exchange movement	(5)	(100)	(50)	(217)	(372)
At 30 June 2021	**48**	**979**	**472**	**3,646**	**5,145**
Accumulated depreciation					
At 1 July 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**
Charge for the year	10	158	79	882	1,129
Disposals	(27)	(36)	(19)	(1,341)	(1,423)
Exchange movement	(4)	(81)	(27)	(60)	(172)
At 30 June 2021	**35**	**617**	**362**	**1,882**	**2,896**
Net book value at 30 June 2021	**13**	**362**	**110**	**1,764**	**2,249**
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

16. Leases

The balance sheet includes the following amounts relating to leases:

	2021 £'000	2020 £'000
Right-of-use assets		
Buildings	**1,709**	1,170
Vehicles	**55**	55
	1,764	1,225

	2021 £'000	2020 £'000
Lease liabilities		
Current	**678**	727
Non-current	**1,092**	556
	1,770	1,283

Additions to the right-of-use assets during the year were £1.7 million (2020: £0.3 million) and principally comprise new building leases.

The income statement includes the following amounts relating to leases.

	2021 £'000	2020 £'000
Depreciation charge of right-of-use assets		
Buildings	**852**	800
Vehicles	**30**	27
	882	827
Interest charge on lease liabilities	**95**	64
Expense relating to lease of low-value assets	**25**	24

The total cash outflow for leases in the year was £1.0 million (2020: £0.9 million), which includes the cash outflow from low-value leases of £25,000 (2020: £24,000).

17. Investments

The Group's subsidiary undertakings are as follows:

Company name	Principal activity of the Company	Ownership percentage by the Group	Country of incorporation	Company address
Held directly by the Company				
Blancco Central Services Ltd	Intermediate services company	100%	England and Wales	Suite 1, Chapel House, Thremhall Park, Start Hill, Bishops Stortford, Hertfordshire CM22 7WE
Blancco (Software) Services Ltd	Intermediate holding company	100%	England and Wales	Suite 1, Chapel House, Thremhall Park, Start Hill, Bishops Stortford, Hertfordshire CM22 7WE
Blancco Trustees Ltd	Trustee for the Blancco Employee Benefit Trust	100%	England and Wales	Suite 1, Chapel House, Thremhall Park, Start Hill, Bishops Stortford, Hertfordshire CM22 7WE
Blancco Technology Group Ireland Limited (formerly YouGetItBack Limited)	Smartphone diagnostics	100%	Ireland	Evergreen House, Congress Road, Cork T12 X792
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	Sai Radhe Complex, B Wing, Ofc No.109, Urbanwrk Floor 5 Sangamwadi, Kennedy Rd, Bhd Hotel Sheraton Grand, Pune MH 411001
Blancco (Software) India Private Limited**	Data erasure	100%	India	Sai Radhe Complex, B Wing, Ofc No.109, Urbanwrk Floor 5 Sangamwadi, Kennedy Rd, Bhd Hotel Sheraton Grand, Pune MH 411001
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

Company name	Principal activity of the Company	Ownership percentage by the Group	Country of incorporation	Company address
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 Oy Ltd	Data erasure	100%	Finland	Upseerinkatu 1-3 FIN-0200 Espoo Lansikatu 15
Blancco UK Ltd	Data erasure	100%	England and Wales	Suite 1, Chapel House, Thremhall Park, Start Hill, Bishops Stortford, Hertfordshire CM22 7WE
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	Monrepostrasse 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	Franzengatan 53 112 15 Stockholm
SafeIT Security Sweden AB	Data erasure	100%	Sweden	Franzengatan 53 112 15 Stockholm
YouGetItBack (Nominees) Limited*	Smartphone diagnostics	100%	Ireland	Ground Floor, 6 Lapps Quay, 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.

The proportion of voting rights represented by the shareholdings is consistent with the percentages disclosed in the table above.

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:

	2021 £'000	2020 £'000
Shareholdings	80%	51–80%
Current assets	2,131	2,236
Non-current assets	2,642	2,676
Current liabilities	(1,957)	(1,589)
Non-current liabilities	–	–
Net assets	2,816	3,323
Net assets attributable to NCI	563	665
Revenue	7,925	7,672
Profit/(loss) after taxation	70	(162)
Profit/(loss) after taxation attributable to NCI	14	(37)
Cash flows from operating activities	281	367
Cash flows from investing activities	(24)	(4)
Cash flows from financing activities	(113)	(2,004)
Net increase/(decrease) in cash and cash equivalents	144	(1,641)
Other non-cash movements – exchange rate changes	(75)	33

18. Inventory

	2021 £'000	2020 £'000
Finished goods	110	102

There is no provision for obsolete stock held in the consolidated balance sheet (2020: £nil).

19. Trade and Other Receivables

	2021 £'000	2020 £'000
Trade receivables	4,953	6,106
Less: loss allowance	(209)	(198)
Trade receivables net of provision	4,744	5,908
Prepayments, contract assets and other receivables	1,460	1,346
	6,204	7,254

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

	2021 £'000	2020 £'000
At 1 July	198	284
Increase/(decrease) in loss allowance recognised in the income statement during the year	65	(86)
Write-offs	(54)	–
At 30 June	209	198

20. Cash and Cash Equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	10,071	6,719

21. Trade and Other Payables

Included within the trade and other payables current liability are:

	2021 £'000	2020 £'000
Trade payables	**498**	595
Other taxes and social security	**1,554**	1,707
Lease liabilities	**678**	727
Other payables	**134**	128
Accruals	**4,079**	4,661
Contract liabilities	**824**	995
	7,767	8,813

Included within the other payables non-current liability are:

	2021 £'000	2020 £'000
Lease liabilities	**1,092**	556
Contract liabilities	**39**	431
	1,131	987

22. Bank Borrowings

The bank borrowing is secured on the majority of the Company's assets for the duration of the revolving credit facility, which was entered into in January 2021. The total cash facility available to the Company, including an overdraft facility, as at 30 June 2021 totalled £7.0 million (2020: £12.0 million), of which £nil (2020: £nil) had been drawn down in cash at the balance sheet date, resulting in an unutilised facility of £7.0 million (2020: £12.0 million). The facility is available until January 2024.

The overdraft facility is presented within cash and cash equivalents.

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.

23. Net Cash

	2021 £'000	2020 £'000
Cash and cash equivalents	**10,071**	6,719
	10,071	6,719

24. Reconciliation of Movement in Cash and Financing Liabilities

	At 1 July 2020 £'000	Cash flow £'000	Other non-cash items £'000	At 30 June 2021 £'000
Cash at bank and in hand	6,719	3,955	(603)	**10,071**
Net cash	6,719	3,955	(603)	**10,071**
Lease liabilities	1,283	(1,022)	1,509	**1,770**

	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 £1.7 million (2020: £0.3 million) and disposals of £0.1 million (2020: £nil).

25. Provisions

	Total £'000
At 1 July 2019	**1,119**
Released during year	(787)
At 30 June 2020	**332**
Released during year	(332)
At 30 June 2021	**–**

The provisions represented tax and other potential liabilities relating from the disposal of the discontinued businesses in 2016.

	2021 £'000	2020 £'000
Current	–	227
Non-current	–	105
	–	332

26. Financial Instruments – Risk Management

Capital Risk Management

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

The Group's capital structure is as follows:

	2021 £'000	2020 £'000
Cash and cash equivalents	10,071	6,719
Net cash	10,071	6,719
Equity holders of the Company	74,338	76,685
Gearing ratio (net debt to equity)	n/a	n/a

Under the revolving credit facility, the Group is subject to certain financial covenants relating to:

– Leverage – the ratio of total net debt to EBITDA.

– Interest cover – the ratio of EBITDA to total debt costs.

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.

	2021 £'000	2020 £'000
Assets carried at amortised cost		
Trade and other receivables	5,352	6,476
Cash	10,071	6,719
Financial assets	15,423	13,195

	2021 £'000	2020 £'000
Liabilities carried at amortised cost		
Trade and other payables	4,700	5,371
Lease liabilities	1,770	1,283
Liabilities carried at fair value through profit and loss		
Contingent consideration	–	288
Financial liabilities	6,470	6,942

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. There are no Level 1 financial 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). There are no Level 2 financial assets or liabilities.

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

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

	Xcaliber £'000	Total £'000
At 1 July 2019	**278**	**278**
Revaluation of contingent consideration	10	10
At 30 June 2020	**288**	**288**
Reassessment of fair value of contingent consideration	62	62
Revaluation of contingent consideration	(31)	(31)
Payment of contingent consideration	(319)	(319)
At 30 June 2021	**–**	**–**

During the year, the contingent consideration for Xcaliber was revalued resulting in a credit recognised in the Translation Reserve, since the liability is recorded in subsidiaries whose reporting currency is non-sterling. The fair value of the contingent consideration was reassessed resulting in a non-cash charge of £0.1 million to the income statement. The contingent consideration was paid in January 2021.

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 borrowings 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 1.75% (2020: 1.65% under the previous facility) 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 35% (2020: 40% under the previous facility) of margin.

The facility allows for a change in interest rate benchmark, due to the planned discontinuation of LIBOR and EURIBOR rates at the end of this year. The benchmark is anticipated to change to SONIA (for GBP borrowings) and ESTR (for EUR borrowings). The change in benchmark is not expected to materially impact the Group's interest charge, since the replacement measures have historically tracked very closely to the LIBOR and EURIBOR rates.

A change in the LIBOR or EURIBOR rate (and potential future changes in the SONIA and ESTR rates) of 1% would increase or decrease the annual interest charge on the revolving credit facility drawn down as at 30 June 2021 of £nil (2020: £nil) by £nil (2020: £nil).

Notes to the Accounts continued

for the year ended 30 June 2021

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.

- Where we have accumulated a significant value of non-sterling cash through trading, we will periodically convert this back to sterling at spot rates, or forward rates if the Group can obtain a more attractive conversion rate.
- 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 and significant investments in the target Company's local currency.
- We do not undertake any other hedging activities in respect of tangible and intangible fixed assets, working capital such as stock, debtors, or creditors, or other balance sheet items, as these are generally small in nature in any one individual country. We do not undertake any cash flow or profit hedging activities to insulate from currency movements in respect of overseas earnings, as we cannot assess these earnings with any high degree of accuracy in terms of timings and amounts.

The Group has a good mix of business across ten main currencies and this does provide some degree of smoothing of currency movements in any one country through a portfolio effect.

The table below shows the extent to which the Group had significant monetary assets and liabilities denominated in currencies other than the local currency of the Company in which they are recorded, for those currencies which represent over 10% of revenues.

	JPY denominated		EUR denominated		USD denominated	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Monetary assets	**806**	2,178	**2,817**	2,914	**1,194**	1,006
Monetary liabilities	**–**	(1,736)	**(4,829)**	(5,242)	**(2,643)**	(1,817)
Net monetary assets/(liabilities)	**806**	442	**(2,012)**	(2,328)	**(1,449)**	(811)

There is one forward contract in place as at 30 June 2021 (2020: one). The quantum of the forward contract at 30 June 2021 is £0.3 million (2020: £1.7 million) and hedges against part of the Group's euro cash holding at this date, and is included as a euro denominated asset in the above table. The fair value of the forward contract as at 30 June 2021 was immaterial (2020: 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, and hence are not represented in the above monetary assets, 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		EUR denominated		USD denominated	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Profit/(loss) before tax – gain/(loss)						
10% appreciation of JPY/EUR/USD	**81**	44	**(201)**	(233)	**(145)**	(81)
10% depreciation of JPY/EUR/ USD	**(81)**	(44)	**201**	233	**145**	81

The analysis has been performed using the Group exchange rates at the 30 June 2021 reporting date of 1.16 €/£ (2020: 1.09 €/£); 152.83 JPY/£ (2020: 132.16 JPY/£); and 1.38 US$/£ (2020: 1.23 US$/£).

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

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 20.76% (2020: 19.64%) of the Group's revenue and hence there is some customer reliance risk, although the biggest single customer accounts for 5.42% (2020: 4.20%) of revenue.

As at the year-end, 93% (2020: 80%) of our net trade receivables balances were in terms and therefore the Board believes these balances do not present a significant credit risk that could lead to a loss for the Group.

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

	2021 £'000	2021 %	2020 £'000	2020 %
Current	**4,448**	**93**	4,702	80
Past due				
Less than 30 days overdue	**133**	**3**	649	11
30 to 60 days overdue	**133**	**3**	203	3
More than 60 days overdue	**30**	**1**	354	6
	4,744	**100**	5,908	100

The average credit period taken on sales is 47 days (2020: 62 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 2021, the total loss allowance was £209,000 (2020: £198,000).

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 £10.1 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 undiscounted cash flows of the Group's financial liabilities:

	2021 Effective interest rate %	2021 Less than one year £'000	2021 One to five years £'000	2021 Over five years £'000	2020 Effective interest rate %	2020 Less than one year £'000	2020 One to five years £'000	2020 Over five years £'000
Trade and other payables	**–**	**4,700**	**–**	**–**	–	5,371	–	–
Lease liabilities	**1–11**	**680**	**1,298**	**–**	1–17	744	596	–
Contingent consideration	**–**	**–**	**–**	**–**	14	288	–	–
	–	**5,380**	**1,298**	**–**	–	6,403	596	–

27. Deferred Tax Assets/(Liabilities)

	At 1 July 2020 £'000	Recognised in the income statement £'000	Recognised in equity £'000	Reallocations and utilisations £'000	Exchange £'000	At 30 June 2021 £'000
Property, plant and equipment	50	(50)	–	–	–	**–**
Intangible assets	(4,938)	157	–	–	277	**(4,504)**
Short-term timing differences	100	(56)	–	–	(24)	**20**
Employee benefits	1,024	(120)	609	–	–	**1,513**
Tax losses	681	40	–	(141)	(145)	**435**
	(3,083)	(29)	609	(141)	108	**(2,536)**

	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)

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 £2.0 million (2020: £1.3 million).

Certain deferred tax assets and liabilities have been offset to the extent permitted by IAS12. The deferred tax asset balance of £0.1 million (2020: £0.4 million) as at 30 June 2021 is made up of a UK deferred tax asset balance of £nil (2020: £0.2 million) and overseas deferred tax assets of £0.1 million (2020: £0.2 million). The deferred tax liability balance as at 30 June 2021 is made up wholly of overseas deferred tax liabilities of £2.7 million (2020: £3.5 million).

Of the total deferred tax asset of £0.1 million (2020: £0.4 million), all of this balance is current (2020: £0.4 million current). Of the deferred tax liability of £2.7 million (2020: £3.5 million), £0.5 million is current (2020: £0.6 million).

A brought forward deferred tax asset totalling £0.1 million has been reclassified to the current tax account during the year.

28. Called Up Share Capital

	2021 Number of shares	2021 £'000	2020 Number of shares	2020 £'000
Allotted, called up and fully paid:				
Ordinary shares of 2p	**75,580,296**	**1,512**	75,363,842	1,507

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 29 September 2020, 216,454 ordinary shares were allotted at par in respect of vesting of an award under the Company's Performance Share Plan. Following this, the total number of ordinary shares in issue is 75,580,296 and the total number of voting rights is 75,580,296.

Share Premium

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

Merger Reserve

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

Translation Reserve

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

Capital Redemption Reserve

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

Employee Benefit Trust (EBT)

Of the issued share capital at 30 June 2021, 1,133,839 shares (30 June 2020: 2,275,442) are held by the Employee Benefit Trust and are treated as Treasury shares.

During the year, 1,141,603 shares held by the EBT were used to settle awards under the Performance Share Plan.

29. Share-Based Payments

Performance Share Plan

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 "PSP") was established in March 2018 and several tranches of awards have been granted since this date. The PSP 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 PSP to Executive Directors and senior management. The maximum opportunity under the Plan is 170% 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 the year ended 30 June 2019 shall vest based 50% on invoiced revenue and 50% adjusted operating cash flow. Performance will be assessed based on outcomes for the year ended 30 June 2021, with vesting taking place after the completion of the audit of the financial statements. 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 prior year, the awards granted in the year ended 30 June 2020 and thereafter shall vest based on IFRS revenue, adjusted operating cash flow and adjusted operating profit for the performance in the year ending 30 June 2022 and years thereafter, with equal weighting across all three metrics.

As of 30 June 2021, dilution in respect of Blancco share awards granted in the last ten years represented 4.1% of the Company's issued share capital.

Details of share awards movement during the year is as follows:

Scheme	Performance Share Plan (March and May 2018 Award)	Performance Share Plan (July and November 2018 Award)*	Performance Share Plan (November 2018 Award)	Performance Share Plan (October 2019 Award)	Performance Share Plan (October 2019 Award)	Performance Share Plan (November 2020 Award)	Performance Share Plan (November 2020 Award)	Total
Exercise price	0.0–2.0p	0.0p	2.0p	0.0p	2.0p	0.0p	2.0p	
Year in which options are exercisable	2020	2021	2021	2022	2022	2023	2023	
At 1 July 2019	**1,685,513**	**1,314,184**	**59,836**	**–**	**–**	**–**	**–**	**3,059,533**
Granted	–	–	–	1,008,933	34,926	–	–	1,043,859
At 30 June 2020	**1,685,513**	**1,314,184**	**59,836**	**1,008,933**	**34,926**	**–**	**–**	**4,103,392**
Granted	–	–	–	–	–	661,898	23,261	685,159
Exercised**	(1,358,057)	–	–	–	–	–	–	(1,358,057)
Lapsed	(327,456)	–	–	–	–	–	–	(327,456)
At 30 June 2021	**–**	**1,314,184**	**59,836**	**1,008,933**	**34,926**	**661,898**	**23,261**	**3,103,038**

* 302,632 shares issued in July and 1,011,552 shares issued in November.
** Share price at the date of exercise was 195.0p.

The fair value for the outstanding PSP awards were calculated using the inputs outlined in the table below:

	Performance Share Plan (July 2018 Award)	Performance Share Plan (November 2018 Award)	Performance Share Plan (October 2019 Award)	Performance Share Plan (November 2020 Award)
Date of grant	25 July 2018	05 November 2018	02 October 2019	11 November 2020
Fair value of options granted (per share) at date of grant	76.0p	106.3p	127.5p	190.5p
Expected term (years)	2.92	2.67	2.75	2.67
Settlement	Equity	Equity	Equity	Equity

Notes to the Accounts continued

for the year ended 30 June 2021

Sharesave Plan

The Company operates a sharesave scheme, introduced in the year, which is available to full-time employees based in the UK, and other operating locations with a significant staff footprint, including Executive Directors of the Company. The Sharesave plan gives employees the unconditional right to purchase shares at an option price (which is at a 20% discount to the market price at the date the exercise price is determined) on or after the maturity date which is three years after the grant date provided the employee remains with the Company or its subsidiaries and completes the saving obligation prior to the maturity date. Maturity is deferred to the extent an employee hasn't completed the total saving obligation after three years.

The fair value of services received in return for shares options granted under this scheme is calculated with reference to the fair value of the award on the date of grant. This is spread over the period during which the employee becomes entitled to the award and adjusted to reflect expected levels of vesting. The Black–Scholes pricing model has been used to calculate the fair value of options awarded under the Sharesave plan.

The assumptions used in the model are illustrated in the table below

	Grant date	Fair value at measurement date	Exercise price	Expected volatility	Expected term	Risk-free rate
Sharesave Plan	29 March 2021	£1.00	£2.28	38.8%	3 years	0.16%

The expected volatility has been based on the historical volatility of the Company's share price over the previous historical period in line with the expected term. There is a zero assumption for dividend yield on the options awarded.

The total share-based payment cost represents the accrued value of both schemes during the year, in addition to directly attributable fees of implementing and administering the schemes and accrued employer taxes in respect of the plans. This corresponded to a charge of £1.5 million (2020: £1.4 million). The accrued IFRS 2 expense for the schemes 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 £1.1 million (2020: £1.3 million), which represents the movement in the cumulative compensation expense in the year. This has reduced year-on-year due to a reassessment of the expected attainment of prior year tranches of the Performance Share Plan.

The total amount recognised in equity of £1.7 million (2020: £1.3 million) includes the impact of deferred tax (see note 10).

30. Related Party Transactions

Transactions between Blancco Technology Group plc 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 66, as well as in the key management personnel disclosures in note 8.

31. Subsequent Events

There were no subsequent events that took place following the year ended 30 June 2021.

Company Balance Sheet

As at 30 June 2021

	Note	30 June 2021 £'000	30 June 2020 £'000
Assets			
Non-current assets			
Investments	5	**18,435**	17,552
		18,435	17,552
Current assets			
Debtors	6	**82,847**	86,993
Deferred tax	7	**–**	188
		82,847	87,181
Creditors			
Amounts falling due within one year	8	**(5,375)**	(6,476)
Net current assets		**77,472**	80,705
Total assets less current liabilities		**95,907**	98,257
Net assets		**95,907**	98,257
Equity			
Called up share capital		**1,512**	1,507
Share premium account		**21,103**	21,103
Merger reserve		**5,861**	5,861
Capital redemption reserve		**417**	417
Retained earnings		**67,014**	69,369
Equity shareholders' funds		**95,907**	98,257

The Company's loss for the year was £3.4 million (2020: profit of £1.5 million).

The financial statements on pages 111 to 117 were approved by the Board of Directors and authorised for issue on 27 September 2021 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 2021

	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 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**
Loss for the year	–	–	–	(3,443)	–	(3,443)
Issue of shares	5	–	–	(5)	–	–
Recognition of share-based payments	–	–	–	1,093	–	1,093
Balance as at 30 June 2021	**1,512**	**21,103**	**5,861**	**67,014**	**417**	**95,907**

Notes to the Company Accounts

for the year ended 30 June 2021

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 53.

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) as applicable to companies using FRS 101. 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 international accounting standards in conformity with the requirements of the Companies Act 2006.

The Company is a qualifying entity for the purposes of FRS 101.

FRS 101 sets out amendments to international accounting standards in conformity with the requirements of the Companies Act 2006 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 IFRS7 'Financial Instrument' disclosures.
- IFRS 2 Share-based payment in respect of Group-settled share-based payments.

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

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

2. Accounting Policies

The significant accounting policies applied in the preparation of the Company financial statements are 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, overdraft facility and access to a revolving credit facility, which at the year end was not drawn upon.

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 05. Further information on the financial position of the Group, its cash flow, liquidity position and borrowing facility is described in this review.

In addition, note 26 to the Group's financial statements includes the Group's objectives, policies and processes for managing its capital, and its exposures to credit risk and liquidity risk.

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 income statement.

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 Share-based Payments

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

The fair value of options granted after under equity-settled 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 the share price 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.

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

2.7 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 consolidated in the Parent Company and Group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity.

2.8 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 assessing uncertain tax positions and the assessment of the recoverability of any related deferred tax assets, based on the likelihood of future profitability against which to offset each deferred tax asset. Uncertain tax positions are estimated based on management's best estimate of the circumstances surrounding them. Judgement is required with respect to situations in which applicable tax regulation is subject to interpretation and management considers whether it is probable that a taxation authority will accept an uncertain tax treatment. Judgement is required in assessing whether certain subsidiaries will generate taxable profits in the future against which to offset deferred tax assets and uses historic performance and committed contractual revenues in making this assessment.

3.2 Estimations

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

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

- **Impairment of intercompany receivables**

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

4. Staff Costs

The company has five employees (2020: 5) being the Chief Financial Officer and four Non-executive Directors (2020: the Chief Financial Officer and four Non-executive Directors). Aggregate staff costs of the employees are as follows:

Aggregate staff costs	**2021 £'000**	2020 £'000
Wages and salaries	**745**	569
Social security costs	**97**	92
Other pension costs	**3**	9
	845	670

	2021 £'000	2020 £'000
Aggregate emoluments	**745**	569
Aggregate amounts receivable under long-term incentive schemes*	**810**	–
Company contributions to a pension scheme	**3**	9
	1,558	578

* with respect to options vesting on performance conditions in each year.

Further details of the Directors' remuneration including those of the highest paid Director are provided in the audited section of the Remuneration Committee Report on pages 66 to 70.

5. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 July 2020	17,552
Additions	950
Disposal	(67)
At 30 June 2021	**18,435**
Impairment	
1 July 2020	–
At 30 June 2021	**–**
Net book value	
30 June 2021	**18,435**
30 June 2020	17,552

The additions in the year relate to the grant of options over the Company's own shares to the employees of subsidiaries, which is accounted for as an increase to investments with corresponding credit in equity. Details of the schemes are found in note 29 to the consolidated accounts.

The disposal in the year relates to the disposal of the investment in the issued share capital of Blancco Asia Pte Limited to another group company.

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

6. Debtors

Amounts falling due within one year:

	2021 £'000	2020 £'000
Amounts due from subsidiaries	**84,230**	87,604
Less: loss allowance	**(1,685)**	(865)
Amounts due from subsidiaries net of provision	**82,545**	86,739
Prepayments and other debtors	**302**	254
	82,847	86,993

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

7. Deferred Tax

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

	2021 £'000	2020 £'000
Property, plant and equipment	–	51
Losses	–	137
Tax assets	–	188

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

2021	At 1 July 2020 £'000	Recognised in income statement £'000	At 30 June 2021 £'000
Depreciation in excess of capital allowances	51	(51)	–
Losses	137	(137)	–
	188	(188)	–

2020	At 1 July 2019 £'000	Recognised in income statement £'000	At 30 June 2020 £'000
Depreciation in excess of capital allowances	51	–	51
Losses	137	–	137
	188	–	188

Deferred tax assets are recognised to the extent that they are considered recoverable against future taxable profits of the Company. No deferred tax asset has been recognised in relation to tax losses (2020: £0.2 million recognised). The unrecognised deferred tax asset on losses amounts to £1.0 million (2020: £0.7 million).

8. Creditors: Amounts Falling Due Within One Year

	2021 £'000	2020 £'000
Trade creditors	**15**	70
Overdraft	**2,169**	2,946
Amounts due to subsidiaries	**2,290**	2,648
Accruals	**901**	812
	5,375	6,476

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 £2.2 million (2020: £2.9 million) is offset against pooled cash balances held by other Group companies.

9. Bank and Other Borrowings

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

10. Subsequent Events

There were no subsequent events that took place following the year ended 30 June 2021.