Blancco Technology Group plc
Company Number: 05113820

Annual Report and Accounts 2022

blancco

Reduce Risk.
Increase Efficiency.
Be Sustainable.™

We provide organisations with secure, compliant, and automated solutions that accelerate the transition to the circular economy.

Contents

blancco.com

Highlights

Financial

Revenue £m

£39.8m **+9%**

2021 | £36.5m

Adjusted Operating Cash Flow* £m

£10.8m

2021 | £10.8m

Group Operating Profit £m

£1.9m **+6%**

2021 | £1.8m

Group Adjusted Operating Profit* £m

£6.5m **+23%**

2021 | £5.3m

Net Funds £m

£6.2m

2021 | £10.1m

Earnings per share pence

2.71p **+47%**

2021 | 1.84p

*Adjusted operating profit and Adjusted operating cash flow are as defined in the glossary on page 119.

Read more about our financial performance in the Chief Financial Officer's Report | **Pages 44-45**

Operational

Acquisition of US-based erasure specialist WipeDrive Inc. ("WipeDrive") completed in June 2022 for initial consideration of US$8.5 million with up to US$1.5 million contingent consideration to be paid twelve months following the acquisition dependent on achieving certain customer retention targets

Sales strategy evolved further with revenue generated from channel partners continuing to grow strongly with channel revenue growing by 23% to £8.0 million (FY 2021: £6.5 million) and now representing 52% (FY 2021: 45%) of Enterprise revenue

High customer retention levels of 100% (FY 2021: 98.4%) of largest clients (£100k+) in the period

Increasing sustainability and governance pressures on companies continue to drive growth in both Enterprise and IT Asset Disposition ("ITAD") revenues, particularly benefitting from the Group's strategic acquisitions, product suite innovation and go to market strategy

Carbon neutrality status achieved for the 2021 calendar year

Read more about our operational performance in the Chief Executive's Report | **Pages 12-15**

Positioned for Resilient Growth

Our focus on ...

... solutions offerings and partnerships ...

Within the technology industry, there is a growing market for data erasure solutions. An increased awareness of the use of data sanitisation software instead of the physical destruction of assets has resulted in data erasure becoming a preferred alternative.

Data security is also an important focus. The rise in employees working from home following the COVID-19 pandemic has highlighted the need for increased data security.

These considerations are expected to drive growth in our ITAD and Enterprise markets as trading conditions normalise post COVID-19.

In addition, we are continuing to expand our network of blue-chip channel partnerships, which includes Amazon Web Services ("AWS"), ServiceNow and a number of partnerships with major Global Systems Integrators.

Our solutions offerings and partnerships, along with our strategic focus on markets that have a growing need for our solutions, means that we are well-placed to seize the opportunities that will further our sustainable growth.

... Environmental, Social, and Governance ("ESG") considerations ...

Environmental, social, and governance ("ESG") considerations and impacts are growing in importance for organisations in today's marketplace, which is driving a greater awareness and use of our solutions. Our strong ESG credentials are highlighted in the following ways:

- The use of data erasure software removes the need to destroy IT assets to protect the data that is stored on them. This enables the asset to be resold, repurposed or recycled reducing the significant carbon footprint from manufacturing the next generation of IT assets and reducing e-waste.
- Blancco recently announced that it has been verified as carbon neutral for 2021 having purchased carbon credits in a wind power project in India to offset its carbon footprint. Blancco has now committed to maintaining carbon neutrality, implementing a decarbonisation plan and reducing its carbon intensity measures.
- We focus on our employees' training, engagement and well-being, and we are committed to further improving diversity and inclusion within the Group. In addition, customers are important to us, and we strive to meet their evolving needs. Driving best practice within our industry is also a key consideration for us, so we work within the technical communities to help establish standards.
- Our Board is committed to promoting good governance and strong financial management across the Group.

Read more about our products | **Pages 20-25**

Read more about our ESG | **Pages 30-43**

... and research and development ...

We develop intellectual property and add resource to our Research & Development division, thus improving our solutions offerings. Our focus also includes research and thought leadership. This helps to ensure our competitive advantage and provides us with resilience in the marketplace.

Read more about our strategy | **Pages 20-21**

... positions us for long-term sustainable growth that benefits all of our stakeholders.

Read more about our Investment Case | **Pages 8-9**

At a Glance

Who we are

Blancco provides organisations with secure, compliant, and automated solutions that accelerate the transition to the circular economy.

With nearly 25 years of responding to customer needs and 42 patented or patent-pending ideas, Blancco is the industry standard in data erasure and mobile lifecycle solutions. Our dedication to technological innovation empowers top-tier enterprises, IT asset disposition vendors, and mobile industry stakeholders to protect end-of-life data against unauthorised access, comply with data protection requirements, extend the useable life of IT assets, accelerate operations and enhance the mobile customer experience. Read more about us on our website.

Our mission

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

Our culture

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

Read more on our culture | **Pages 30-43**

Our vision

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

Environmental impact

Erasing data from devices using Blancco's solution negates the need to destroy IT assets at the end of life, vastly reducing e-waste. The recycling of these assets can significantly reduce the carbon impact of manufacturing the next generation of equipment. Blancco announced in June 2022 that it had achieved carbon neutral status.

Our Markets

Enterprise

Public and private sector enterprises must guard against data vulnerabilities, comply with numerous data protection regulations, efficiently use resources and incorporate eco-friendly practices - all within a complex portfolio of IT assets.

Our certified data erasure software performs at scale, eradicating data within active networks and across IT assets, from fleets of devices to multi-location data centres or cloud storage.

Mobile

Blancco offers solutions for each touchpoint along the mobile lifecycle, serving OEMs, carriers, retailers, insurance providers, refurbishers and resellers:

- Automated diagnostics **accurately determine device condition**, support trade-ins and insurance transactions and reduce returns.
- Intelligent, tailorable workflows **accelerate processes** for high-volume erasure, grading and market valuation before device resale.
- Innovative app **expands sales and upgrade opportunities** outside brick-and-mortar environments, improving customer experience..

ITAD

IT Asset Disposition Providers

Blancco provides certified erasure at scale for recyclable data storage assets, increasing the number of used drives and devices preserved for resale.

With **20+ years of partnering with ITADs**, Blancco provides IT recycling and remarketing organisations worldwide with labour-saving solutions. These accelerate end-of-life IT asset erasures, grading processes, device valuations and time to market - **minimising costs** and **maximising returns.**

Revenue by Division %

Enterprise
38%

Mobile
27%

ITAD
35%

Where we operate

Revenue by Geography %

North America | **32%**
Europe | **39%**
Rest of World | **29%**

Who uses our products:

- Multi National Enterprises
- Governments
- OEMs
- Mobile Carriers and Processors
- IT Asset Disposition Companies
- Service Integrators
- Insurance Providers
- Charitable Organisations

Chair's Statement

Maintaining an agile approach

I am pleased to be able to report to you, that we have had another year of positive momentum, where revenue and profits have both demonstrated good growth and we have maintained strong underlying cash generation.

Rob Woodward
Chair

As well as delivering on financial expectations, there have been a number of other developments which have resulted in the Company being in an even stronger position and well set to secure further sustainable growth.

Acquisition of WipeDrive Inc
Shortly before our financial year end in June 2022, we were delighted to announce that we had completed the acquisition of the US based supplier of data erasure software solutions, WipeDrive Inc. WipeDrive had been operating in a similar market to Blancco for over 20 years building up a customer base of more than 500 organisations in the Enterprise and ITAD markets. Along with the customer base, we were very pleased to welcome selected members of the experienced WipeDrive team into the Blancco group.

Carbon neutrality
In June 2022 we announced that Blancco had achieved carbon neutral status for the 2021 calendar year. This initiative involved a detailed scope 3 emission calculation, followed by our employees selecting wind power projects in India to offset our carbon footprint. As we look ahead at retaining carbon neutral status in future, we are working towards reducing our carbon footprint on an annual basis and aiming to involve all of our staff in this work. Bonus payments to employees for the next financial year will depend in part on the Company maintaining its carbon neutrality and we are engaging with our teams around the world to implement initiatives to reduce our carbon footprint.

Sustainability regulation
We have noted with interest, developments (particularly in the EU) introducing regulation to encourage organisations to operate in a far more sustainable manner. This arises primarily from the EU Circular Economy Action Plan (CEAP) which encourages more durable electrical goods and less waste.

We look forward to further details being released on this initiative along with similar initiatives in other regions in due course.

Revenue £m

+9%

2022 | £39.8m
2021 | £36.5m

Group Adjusted Operating Profit £m

+23%

2022 | £6.5m
2021 | £5.3m

Sales Team reorganisation

We begin the 2022/23 financial year with a new, energised Sales management team in place, led by Jon Mellon. Within the first few weeks, Jon has reorganised the Sales function and appointed Maurice Uenuma as VP of Sales in North America and promoted Fredrik Forslund to VP of Sales International. A comprehensive pricing review has also been implemented and we are undertaking a full review of our channel partner network to ensure we obtain maximum value from that route.

With all of these developments, we look forward with great confidence, but I would also like to take this opportunity to express the gratitude of the Board to two particular individuals who have been integral to the growth of Blancco over recent years.

Firstly, our President of Global Sales & Marketing, Alan Bentley, took the decision to retire with effect from 30 June 2022. Alan has overseen several years of strong revenue growth across the business. Running a Sales team spread from Melbourne to California is a demanding role which Alan managed with great expertise. We want to thank him for his important role in growing the Company and wish him a very happy retirement.

I would also like to take this opportunity to thank Philip Rogerson who was the Senior Independent Director at Blancco until he stepped down from the Board in December 2021 due to health reasons. Sadly, Philip died in May 2022. Philip provided valued counsel and advice throughout his tenure on the Blancco board and is greatly missed. We would like to express our sympathies and gratitude to Philip's family.

Finally, I would like to thank the loyal Blancco team who continue to innovate and show incredible enthusiasm for their work. We have emerged from the COVID-19 pandemic as a stronger company, which is entirely due to the hard work of our dedicated employees and they will continue to be the foundation for our future success.

Rob Woodward
Chair

Our Values

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

Investment Case

Blancco has a unique proposition

1

Unique Solutions

- Data erasure solutions meet 25+ standards, along with 14 global certificates, approvals and recommendations
- Constantly developing and improving our solutions by developing new IP through R&D and collaborative Partnerships
- Innovation supported by 42 patents

Read more about our business model |
Pages 16-19

2

Strong Financials

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

Read more about our financial performance |
Pages 44-45

3

Growing Markets

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

Read more about our marketplace |
Pages 10-11

5

Brand and Reputation

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

7

Geographical Reach

- Blancco is truly a global operation with offices in 17 countries and revenue being generated in over 65
- Customer support is provided around the globe

Read more about where we operate |
Page 5

4

Targeted Growth Strategy

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

Read more about our strategy |
Pages 20-25

6

A Sustainable Business Model

- Blancco's solutions enable the reuse and recycling of IT assets while protecting sensitive data. The assets would otherwise be destroyed and sent to landfill
- Blancco has achieved verified carbon neutral status and is MSCI A rated

Read more in our ESG report |
Pages 30-43

Marketplace

Resilient growth in the marketplace

Personal, sensitive, and confidential data remain the focus of both regulators and cyberthreats. The transition to remote work and other marketplace changes highlighted Blancco's unique role in not just protecting this data, but optimising tools and systems for IT asset management, processing, and resale.

Trend 1

ESG

Context

- Electronic waste management is a constant challenge, with the Global E-waste Statistics Partnership reporting 53 million metric tonnes of e-waste produced in 2019
- Mindful of excess waste, resource scarcity, and pollution effects, consumers and investors continue to drive sustainable business practices with their wallets
- While environmentally beneficial, ever-compact data storage and smaller devices make extracting some components and natural elements more time consuming and less profitable

Opportunities

- The advent of 5G and COVID-related IT purchases are increasing amounts of stored data, the number of devices being used - and the number of functional devices poised to enter the secondary economy
- With data protection intersecting with demands for greener options, secure data erasure offers an appealing contrast to security-motivated asset destruction

Our response

- Blancco has launched highly automated solutions to expedite device processing, valuation, and redeployment; this facilitated faster, more secure, and more profitable opportunities for enterprise, ITAD, and mobile
- Blancco has increased the variety of assets that can be securely and efficiently erased, including adding network device erasure capabilities that surpass traditional manual processes in both speed and security

Trend 2

Remote working

Context

- Pandemic-sparked migration from office to home workspaces upended traditional ways of keeping data secure
- Skyrocketing demand for computing devices - PCs, laptops, tablets - bumped against supply shortages
- Tech support went remote, affecting employee hiring and separations, maintenance and repairs, and other device end-of-life triggers

Opportunities

- Rapid change left enterprises unprepared for the security risks of supporting a wide range of assets "out in the wild," beyond physical and administrative oversight
- The IT purchasing surge boosted the sale of pre-owned devices and elevated awareness of the second-hand market and the IT circular economy
- Secure, data-free transport of IT assets became increasingly important as businesses experienced employee transitions and device maintenance needs

Our response

- Blancco highlighted the value of remote data erasure from any location, available to both enterprises and ITADs, within live, non-office environments and across end-of-life assets
- New device purchases predict a future uptick in device disposal; with increased automation capabilities across all markets, we're well positioned to equip clients to meet that influx
- Blancco was also privileged to participate in the "Laptops For Kids" initiative, facilitating secure device reuse by erasing donated assets for homebound students

Trend 3

Cyber attack evolution

Context

- Cybercriminals matched the digital transformation to at-home working by increasing phishing attempts and ransomware attacks
- "Zero trust" became a buzz phrase, fueled by the SolarWinds breach that still affects US government and private sector organisations; the attack highlighted criminal stealth, supply chain vulnerabilities, and the need for more aggressive approaches to data protection

Opportunities

- Defensive data lifecycle management requires an aggressive stance on shrinking the amount of unnecessary data an organisation holds – even while data usage rapidly expands
- Both cyberattacks and privacy regulations raise the urgency for putting effective data erasure measures in place – both to remove unneeded data that could be accessed during a breach and to comply with regulatory requirements

Our response

- Blancco continued promoting automatic, remote erasure, based on enterprise policy, as part of effective data lifecycle management
- Strategic partnerships with AWS and ServiceNow put remote data centre, asset, and file erasure at enterprise fingertips
- By easing erasure across a broad set of scenarios, Blancco sets up enterprises for seamless cloud migrations, well-documented regulatory compliance, and nearly effortless reduction in no-longer-needed, breach-vulnerable, sensitive data

Chief Executive's Report

Focusing on our strategic progress

Measures taken by the management team in the last year, particularly in relation to the Group's 'go to market' strategy, product suite innovation and the recent acquisition of WipeDrive, position Blancco strongly to take further advantage of strong and enduring market trends.

Matt Jones
Chief Executive Officer

Against a backdrop of macro-economic challenges over recent years arising from Brexit, a pandemic and now very high levels of inflation in all of the major economies, Blancco has been consistent in delivering year-on-year increases in revenue and profitability and maintaining strong underlying cash generation.

Business overview

The most recent year ended 30 June 2022 is further evidence of this trend. The Group's financial and operational progress is supported by ESG initiatives that are driving changes in behaviours from all organisations and data privacy concerns that are affecting decision making at a Board level across the globe. Measures taken by the management team in the last year, particularly in relation to the Group's 'go to market' strategy, product suite innovation and the recent acquisition of WipeDrive, position Blancco strongly to take further advantage of these strong and enduring trends.

Enterprise

We continue to believe that the greatest growth opportunity for the Company lies within the Enterprise market. We have stated for several years that channel partners would represent an increasingly large proportion of Enterprise revenues. Channel partners are a key part of Blancco's growth strategy as they provide access to large blue-chip organisations that would typically be more difficult for a company of Blancco's size to sell to. In FY18, the period when we set out Blancco's growth strategy, Enterprise was the smallest of the three markets that Blancco served, with revenue of £8.6 million representing 32% of overall group revenue. In FY22, Enterprise has become the largest of our three markets, generating revenue of £15.4 million (38% of total FY22 revenue), representing growth of £1.3 million versus FY21. The acquisition of WipeDrive will further enhance our reach in the market, with the business already contributing £0.4 million to FY22 revenues. In FY18, channel revenue in Enterprise was £3.6 million, representing 38% of Enterprise revenues. In FY22, Enterprise revenue from channel partners grew to £8.0 million, being 52% of Enterprise revenues. We remain committed to a channel first

Enterprise revenue

£15.4m

2021 | £8.6m

which represents

38%

of overall group revenue

approach in Enterprise and anticipate this proportion of revenues continuing to increase over the coming years.

The largest companies in the world are most affected by regulation around sustainability and data protection. It has never been acceptable for sensitive data held by companies to be compromised and this is now accompanied by significant financial penalties arising from the various data protection regulations that are in place around the world. For example, it was reported by DLA Piper that the total value of fines under the EU General Data Protection Regulation ("GDPR") in 2021 was US$1.23 billion (2020: US$0.179 billion), including a record fine imposed on Amazon of US$887 million. One option to deal with this issue has been for companies to destroy any assets holding data by shredding, incineration or similar destruction methods and indeed the vast majority of assets used by organisations globally continue to be managed in this way. The new raft of incoming sustainability regulations will lead to the physical destruction of assets becoming increasingly less acceptable and assets will need to be more durable without compromising data security. Data erasure is the most secure way of achieving that aim for electronically held data.

This growing opportunity has been recognised by the Company and the expanded sales team described below will be increasingly focussed on the Enterprise opportunity and in particular extending the network of channel partners who will be able to assist Blancco in accelerating its growth in future years.

IT Asset Disposition

Blancco's ITAD customers operate as experts in the disposal of end-of-life IT assets, primarily for companies which are smaller than those which purchase licences directly from Blancco in the Enterprise market. These customers saw a period of very strong growth in FY22 as companies physically reopened offices following the pandemic. There was a backlog of equipment which reached the end of its life during the pandemic but that couldn't be disposed of until teams had returned to their offices. We also saw a reconfiguration of office space which is accelerating the move to flexible working and the increasing obsolescence of the desktop PC and monitor set up which doesn't lend itself well to flexible working.

Blancco's core ITAD revenue grew by 19% (23% adjusting for currency movements) to £13.7 million (FY 2021: £11.5 million) during the year, with WipeDrive adding a further £0.1 million of sales since acquisition in June 2022. Whilst growth is expected to slow modestly in the coming year as backlogs are cleared, this will be offset by the trend for smaller companies as well as larger ones to adopt more sustainable IT asset lifecycles.

Mobile

The second quarter of the 2022 calendar year was the fourth successive quarter that had seen a reduction in new smartphone sales according to the IDC. This is believed to be due to issues relating to the pandemic which delayed product launches and saw disruption in component availability and supply chain issues. Any slowing of the market for new handsets leads to fewer phones being traded in to offset the new handset cost. This reduces the volumes of handsets being processed by Blancco customers with many reporting a 10%+ reduction in volumes processed in comparison to the previous financial year. As a result, revenue in Mobile fell by 2% to £10.6 million (FY 2021: £10.9 million) although this was a 2% increase when movements in currency are adjusted for.

Approximately 50% of Blancco's sales in the APAC region are derived from Mobile, and therefore the slower recovery in Mobile has affected this region in particular.

Looking forward, there are a number of trends that are expected to support further growth:

- Incoming EU regulation has a range of initiatives designed to lengthen the life of mobile phones and tablets which will fuel growth in the secondary market
- Macro-economic conditions and the increasing cost of new smartphones is likely to prompt increasing numbers of consumers to purchase phones in the secondary market.

We therefore continue to have confidence that the Mobile market will prove to be a good growth market over the medium term.

Acquisition of WipeDrive

We announced on 8 June 2022 that Blancco had completed the acquisition of WipeDrive Inc for an initial consideration of US$8.5 million and further contingent consideration of up to US$1.5 million to be paid in cash in June 2023 subject to the retention of its largest customers over the twelve-month period following the acquisition. WipeDrive was previously known as White Canyon Software Inc. before changing its name in 2021. WipeDrive has a suite of similar software tools to Blancco and over 500 government and private sector customers in the ITAD and Enterprise markets within North America and EMEA.

WipeDrive has been fully integrated into Blancco, with most employees being given new roles within the enlarged group. Our intention is to complete migration of all customers to a single Blancco branded solution over the coming months. The acquisition has led to a strengthened market position for Blancco along with some proprietary technologies that will be integrated

Chief Executive's Report continued

Mobile revenue

£10.6m

2021 | £10.9m

Acquisition of WipeDrive

US$8.5m

+contingent consideration of up to US$1.5m

Read more in our ESG Report |
Pages 30-43

with the Blancco solution to create an improved 'best of breed' solution in Enterprise and ITAD. The acquisition was immediately earnings enhancing and we have already seen WipeDrive's largest customer renew for a further twelve-month period since the acquisition took place.

Sales Team Reorganised and Strengthened

In March 2022, our President of Global Sales & Marketing, Alan Bentley, announced his intention to retire at the end of June 2022. Alan has led the Sales organisation through a period of prolonged growth and has left the Company in very good shape for his successor. We were delighted to announce Jon Mellon, who started in June 2022, as Alan's replacement. Jon has a long track record of success working at technology companies and was most recently the Chief Revenue Officer at Sonatype. Prior to his time at Sonatype, Jon held a number of senior sales leadership roles during a twelve-year tenure at NetApp. His most recent position at NetApp was VP and General Manager of Americas Commercial Sales in which he spearheaded the development and execution of a strategy focussing on sales, system engineering, and business development across a third of the Americas operation and highest growth segment in the company. During his tenure, NetApp doubled in size, a major feat given the scale and complexity of a multi-billion dollar enterprise.

One of Jon's first tasks for Blancco was to recruit a new VP of Sales in the North America region, a role which has been filled by Maurice Uenuma. Maurice has held a variety of roles in corporate strategy, business intelligence and strategic sales at Perot Systems and Dell and delved into cybersecurity through thought leadership and program management roles at the Council on Cybersecurity and the Center for Internet Security.

With both Jon and Maurice being based in the US, it was decided to reconsider the structure of the other regions. As a result, Fredrik Forslund has been appointed as VP of Sales in the International region, covering both APAC and EMEA. Fredrik was a co-founder and owner of SafeIT which was acquired by Blancco in 2014. Fredrik has been an advocate of data erasure solutions for over 20 years and is very well known and respected within the industry.

This reorganisation and strengthening of the Sales organisation has brought a new energy and expertise to the sales function which will be well placed to take advantage of the market tailwinds described above and lead to further periods of growth in the coming years.

Positive environmental impact

As detailed in our ESG report, the use of Blancco's solutions has resulted in the erasure of data from millions of devices during the year which meant that there was no requirement to destroy these devices to protect data. This directly contributes to a reduction in the generation of e-waste. Also, the recycling of IT assets enables hardware manufacturers to make significant carbon savings from manufacturing the next generation of IT assets. We are seeing manufacturers increase efforts in this field, demonstrated by Apple's commitment to becoming carbon neutral across its supply chain and products by 2030.

I am proud to say that Blancco has been even more proactive in this field and has achieved carbon neutrality for 2021. We are now in the process of implementing a decarbonisation plan to reduce our footprint and improve each of our intensity measures on an annual basis. As other organisations seek to achieve carbon neutrality, they will be analysing their supply chains to ensure that their suppliers have the lowest possible carbon footprint. The management of their IT assets will be a key aspect of that analysis.

We are also at the early stages of seeing regulation introduced in this area. As we saw with data protection regulation, this is being led by the European Union (EU), and in March 2022 a package of legislative measures was proposed in the CEAP. The legislative package aims to make almost all physical goods in the EU market more durable and therefore more environmentally friendly, sustainable and energy-efficient throughout their whole lifecycle, from the design phase to daily use, repurposing and end-of-life.

Social initiatives

The reality is that while Blancco has a solution which negates the need to destroy IT assets, a concerning majority of all IT equipment still ends up going to landfill. Blancco is proud to support a number of charitable initiatives which focus on redistributing assets to groups which can still obtain significant value from such assets, despite them being no longer considered of use by companies. An example of this comes from our work with the Turing Trust, which approached us earlier in the year to work with them, as they were facing challenges in obtaining donated IT assets from companies due to security concerns. They felt that being able to demonstrate that any donated devices would be fully erased using Blancco software would give donating companies confidence that the data stored on those devices could not be compromised. Since launching with Blancco, there has indeed been an increase in devices being donated which are subsequently sent to schools in Africa. We work with other charities to support underprivileged groups in the UK, Vietnam & Australia.

All organisations seeking to improve their social impact can locate groups where donated IT equipment would be gratefully received and the use of Blancco's data erasure solutions enables such donations to be made without fear of data being compromised.

Governance (i)

The introduction of GDPR within the EU in 2018 has in turn led to greater regulation of data around the world. Gartner forecasts that by the end of 2023, 75% of the world's population will have its personal data covered by modern privacy regulations. As a result, companies are spending increasing amounts on data protection with Gartner forecasting that this outlay will reach US$15 billion in 2024. Blancco's solutions ensure that any data stored on IT assets is permanently erased and cannot be breached when that asset is no longer in the possession of the company that previously owned it. There are also two particularly relevant pieces of legislation coming through in the US, which we believe will assist in driving further revenue:

- California Privacy Rights Act (CPRA) – CPRA significantly expands and amends the California Consumer Privacy Act (CCPA) which took effect on 1 January 2020. CPRA will come into effect from 1 January 2023 and is considered to be the model that many other US states will follow in due course. The amendments introduced by CPRA will bring data privacy regulation much closer to GDPR.
- Cybersecurity Maturity Model Certification (CMMC) – is an assessment framework and assessor certification program designed to increase the trust in measures of compliance to a variety of standards published by the National Institute of Standards and Technology (NIST). The regulation applies to all contractors to the United States Department of Defense and will in many cases require those contractors to ensure that data is fully erased to NIST standards before any media or equipment leaves the possession of a contractor. This must be certified by an assessor and will mean that offsite physical destruction is no longer adequate. These regulations are expected to be implemented in mid 2023.

Governance: EU regulation (ii)

In recent years we have seen the implementation of GDPR which was enforceable from May 2018. This has been followed by similar regulation in most other parts of the world. We are now seeing the EU lead the way again with environmental regulation arising from the CEAP. There are a number of initiatives in this regulation which we anticipate will drive demand for Blancco solutions:

- The upcoming Ecodesign Working Plan will set out regulatory measures for electronics and IT including mobile phones, tablets and laptops under the Ecodesign Directive so that devices are designed for energy efficiency and durability, reparability, upgradability, maintenance, reuse and recycling;
- Focus on electronics and ICT as a priority sector for implementing the 'right to repair', including a right to update obsolete software;
- Regulatory measures on chargers for mobile phones and similar devices, including the introduction of a common charger, improving the durability of charging cables, and incentives to decouple the purchase of chargers from the purchase of new devices;
- Exploring options for an EU-wide take back scheme to return or sell back old mobile phones, tablets and chargers;
- Review of EU rules on restrictions of hazardous substances in electrical and electronic equipment and provision of guidance to improve coherence with relevant legislation, including REACH 24 and Ecodesign.

All of these initiatives are designed to extend the life of IT assets and reduce e-waste for the benefit of the environment. Alongside this is the draft Corporate Sustainability Reporting Directive (CSRD) which is expected to come into force in 2023 with reporting in 2024. This Directive is likely to require large EU companies, or EU subsidiaries of large companies (namely entities meeting two of the following three criteria: net turnover of €40 million; balance sheet assets greater than €20 million; and more than 250 employees), and certain small enterprises, to report against their environmental and social impact.

It isn't unusual, as we saw with GDPR, that the EU leads the way with regard to regulation and it is anticipated that many other parts of the world will follow suit as pressure increases on all organisations globally to operate in a more sustainable manner.

Summary and Outlook

While FY22 has been a further period of strong growth in revenue and profit, and strong underlying cash generation we believe there are a number of reasons to expect continued strong growth in future periods, across all measures:

- Regulation is increasingly being implemented to motivate companies to operate more sustainably and produce less waste;
- The acquisition of WipeDrive further improves the market position of Blancco and breadth of our solutions; and
- The newly strengthened Sales management team is expected to have an immediately positive impact with a particular focus on Channel sales growth.

With a strong pipeline of opportunities as we enter the new financial year, the Board remains confident of delivering further periods of increased value for shareholders.

Matt Jones
Chief Executive Officer

Matt Jones
Matt Jones (Nov 9, 2022 10:57 PST)

With a strong pipeline of opportunities as we enter the new financial year, the Board remains confident of delivering further periods of increased value for shareholders.

Matt Jones
Chief Executive Officer

Business Model

Creating value for our stakeholders

Our key resources:

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

Intellectual property
42 patents granted or filed

Locations
Global reach with offices in 17 countries

Accreditations
Software tested, certified, and approved by 14 governing bodies around the world

Testing capabilities
Mobile diagnostics solution includes over 50 automated tests to find errors on all Android and iOS mobile devices

People
Experienced team of 300+ employees worldwide

Our key activities:

1. Focused on research, development and thought leadership
2. Utilising our thought leadership we develop our solutions and products
3. We market and sell these products and solutions
4. We build and maintain relationships with our partners and customers
5. We utilise the revenue from our solutions to reinvest back into our thought leadership

Our competitive advantages:

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

Customer base
A growing and loyal global customer base

Significant barriers to entry
Growing patent portfolio and regional certifications widens the gap

Investing in innovation
42 patents now either granted or filed

Certifications
Blancco data erasure solutions have been tested, certified, approved and recommended by 14 governing bodies and leading organisations around the world

Experience
Over 20 years of providing leading data erasure solutions

Quality
ISO 9001 and ISO 27001 certified development centres

Value created for our stakeholders:

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

Customers
Our 2500+ customers gain secure, auditable solutions, innovative products and peace of mind that enable them to meet their regulatory requirements

End users
the knowledge that their data has been completely erased, the 'right to be forgotten' (Article 17, GDPR)

Investors
Opportunity to create significant value from a growth business

Business Model continued

Mobile device journey

With both new and used smartphone sales predicted to continue growing globally (Gartner, IDC), Blancco is well positioned to serve mobile OEMs, carriers, retailers, insurance providers, refurbishers, and resellers. Our innovative mobile solutions are built on more than 25 patented or patent-pending ideas, providing unparalleled data protection, end-to-end processing and sales efficiencies, and new ways to lower costs and reach untapped markets.

With the advent of 5G connectivity and widespread telework habits, consumers are expected to increase demand for new mobile devices. Related trade-ins will fuel the secondary device market, creating a once-a-decade "super cycle."

At the same time, suppliers along the device lifecycle need to reach new markets, reduce labour costs, increase customer care, and deliver more precise and convenient outcomes.

This creates fertile soil for automation, transparency, and remote service delivery along each step of the mobile device journey: new device purchase, value-added purchasing, ongoing customer service, end-of-life data erasure, and used device processing. In this final stage, multiple options exist, including preparing used devices for redeployment or resale – and restarting the mobile device journey.

Step 1

New device purchase

Blancco simplifies buy-back/trade-in (BBTI) programmes that incentivise in-store and online device purchases. Automated workflows speedily assess device condition and trade-in value and wirelessly transfer content from old device to new - in-store or remotely. Precise assessments and lock-removal solutions also reduce rejections by warehouses and OEMs, increasing BBTI reimbursement.

Step 2

Value-added purchases

Most consumers turn down insurance at first. Yet Blancco's mobile app provides a low-risk, high-reward way to reach the uninsured remotely with post-sale enrollment opportunities and on-the-spot device assessments - that's whether a device is two days old or on its second life. And, when it comes to insurance payouts, Blancco's efficient and accurate on-device identification and assessment tools help clients significantly reduce the risk of fraudulent claims.

Step 3
Customer service

Post-sale customer care is easier when intuitive, on-device diagnostics tools auto-validate device condition against both OEM specifications and repair/ return/exchange policies. With objective assessments, immediate support can often reduce unnecessary returns for retailers and manufacturers. Qualified returns can be easily initiated from the user's device or via a browser.

Step 4
End-of-life data erasure

Blancco safely and completely erases user data from devices before return or trade-in, protecting consumers and businesses from having data breached after devices leave their care. Erasure is certified and documented by device ID specifications, then noted as part of the history of that particular device.

Step 5
Used device processing

When mobile processors take in a significant volume of used devices (e.g. from trade-ins or returns), operational efficiency is crucial. Blancco solutions automate erasure, diagnostics, and grading. This cuts labour costs, expedites processing, and results in faster, more objective decisions on component harvesting, recycling, or redeployment into the circular economy.

Strategy and Progress

Blancco has a worldwide footprint...

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

A financial summary of our three end-user markets is provided in our KPIs | **Pages 26-29**

Read more about our strategy in action | **Pages 22-25**

Enterprise

Key objectives

- Increase revenues through the development of indirect sales channels, comprising both OEM and channel partners
- Broaden channel partner base with the introduction of new blue chip partners such as AWS, ServiceNow, Deloitte
- Continue to develop intellectual property to provide a best in class solution for customers

Performance

- Revenue increased by

  9%

  to **£15.4 million**
  (2021: £14.1 million)
- Channel sales increased by

  23%

  to **£8.0 million**
  (2021: £6.5 million)
- Channel sales now represent

  52%

  of Enterprise sales
  (2021: 45%)
- Acquisition of WipeDrive further strengthens market position

Commentary

- The Group will continue with the existing strategy over the coming years to enable organisations to cope with the increasing regulatory burden being placed upon them
- Environmental regulation is in the early stages of being implemented in the EU which is designed to reduce e-waste
- Stakeholder pressures on organisations to improve their position on sustainability should lead to data erasure becoming a preferred alternative to the physical destruction of assets

Mobile

Key objectives

- Create a leadership position in the Mobile Asset Lifecycle space by providing a broad range of software-based processing solutions that reach across the three markets sectors of Carrier, Retailer and Third-Party Logistics
- Increase market share by targeting small to mid-sized customers

Performance

- Revenue of

£10.6 million

(2021: £10.9 million) decreased 2% however excluding foreign exchange movements **grew by 2%** compared to last year.

- Blancco Xcelerate launched to provide a fixed fee solution for mid-sized mobile processors

Commentary

- Supply chain challenges have led to a reduction in the number of new handsets being sold and therefore reduced the number of handsets being sold in the secondary market
- Economic conditions are likely to lead to reduced disposable incomes for consumers which will have an uncertain impact on the secondary mobile market

ITAD (IT Asset Disposition):

Key objectives

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

Performance

- Revenue increased by

20%

to **£13.8 million**
(2021: £11.5 million)

Commentary

- The post pandemic return to work has led to an increase in IT assets being disposed of
- Increased remote working, resulting from the COVID-19 pandemic, has increased the quantity of hardware in circulation which should lead to more devices requiring to be sanitised by organisations
- Stakeholder pressures on organisations to improve their position on sustainability should lead to data erasure becoming a preferred alternative to the physical destruction of assets

Strategy in Action

Enterprise

The positive effects of today's data erasures will ripple far into the future.

Case in point: Turing Trust is a UK charity that provides IT resources and teacher training to schools in sub-Saharan Africa. Since partnering with Blancco, the charity has securely erased and refurbished more than 2,500 donated desktops, laptops, smart phones, and tablets, which in turn, are used to equip students to access online learning and gain technical skills.

Our community engagement initiatives:

'Laptops for All' – England
Turing Trust – Africa
Ethan Indigenous – Australia
Dariu Foundation – Vietnam

Being sustainable

The implications are vast: Certified data erasure enables used devices to feed the circular economy in a way that reassuringly protects business and consumer data. It therefore encourages enterprises to make more sustainable decisions when they retire used equipment. It supports corporate social and environmental initiatives. And, in this case, it sets up future generations for economic wellbeing.

This matters to enterprises. As Hassan Bahrani, the infrastructure and mobile service implementation manager for donor company Thirteen said, "It was heart-warming to see images of the students using our old equipment to boost their education. Not only is recycling the equipment providing opportunities for young people who might not otherwise have access to digital skills, but it has positive environmental benefits too."

For the past couple of years I have taken on the responsibility around sustainability and all things ESG within the organisation. I have been really enjoying it; the ESG part of the business over the last two to three years has become a bigger and bigger focus for our customers, which has caused us to look internally at our own sustainability and motivated us to achieve carbon neutrality.

Adam Moloney
Chief Financial Officer

Strategy in Action continued

Software-based data erasure is more secure than physical destruction.

Stage 1
Enterprise IT reaches end of life

- Large enterprises can easily host tens of thousands of data storage devices globally.
- Many of these devices are used to store and process sensitive business and customer information.
- Data remaining after devices are decommissioned can cause irreparable reputational and financial harm if breached.
- This makes correct disposal of servers, computers, mobile devices, and other assorted IT assets a critical security concern.

Situation
- Data needs destroying before kit leaves the organisation (to avoid a data leak / hefty fine / reputational damage etc.)
- ESG / sustainability goals are increasingly pushing for EOL kit to be pushed back into circular economy

Stage 2
Policy compliance is required

- To combat breaches at device end-of-life, enterprises, ITADs, or service providers often destroy the IT assets themselves.
- This is a tactic grounded in outdated beliefs and policies.
- Destruction undermines ESG efforts and can leave data at risk during storage, transport, and when destruction is misapplied.
- Data erasure preserves devices while removing the data and certifies compliance with data protection regulations.

Situation
- Physical destruction is most commonly the preferred method of data destruction within IT policies due to (a lot of) enterprises believing it's the most secure method – this doesn't meet with ESG goals, and is for the most part, an outdated and unnecessary process.
- Enterprises require the policy (and its communication throughout the organisation), knowledge, skill and resource to conduct the software-based erasure either within their own staff, or via a 3rd party (service provider/ITAD).
- If software-based erasure is used, a certificate of erasure for each device acts as the best form of guaranteed security / audit trail a company needs to be compliant with policy – and the kit can be released for further use after it's been erased.

Stage 3
Security & efficiency are key

- Global enterprises and ITADs need fast, seamless, and secure sanitisation processes.
- Unlike with physical destruction, data erasure can begin as part of decommissioning, reducing the need to hold data-filled assets.
- Automation cuts error rates, validates compliant processes, and verifies erasures.
- This delivers scalable, end-to-end efficiency – and absolute data security.

Situation
- Enterprises that follow software-based erasure processes need a speedy, automated process if they are handling batches of kit at a time.
- The same requirement is required if a SP/ITAD are handling the kit.
- Process efficiency is paramount in ensuring kit moves through the stages of erasure quickly and efficiently, whilst ensuring absolute security of the device.

Stage 4
Sustainability is increasingly influential

- ESG initiatives, climate concern, investors, and customers are urging enterprises to adopt eco-friendly business practices.
- Data erasure provides 100-percent data protection while keeping devices intact.
- This frees organisations to confidently contribute used assets to the circular economy rather than destroy them.
- Secure reuse of data assets minimises e-waste and slows the need for resource mining.

Situation
- Investors and company owners are pinpointing goals around ESG / sustainability.
- One way an organisation can show they are sustainable is to recycle their kit and avoid it going into landfill and adding to the E-waste crisis.
- Software-based data erasure is the only way EOL devices can be securely and efficiently erased, with the devices intact for further use.

Read more in our ESG report | **Pages 30-43**

Increase efficiency

We speak with our colleagues all the time! We're constantly engaging with them around different aspects of the employee experience, whether it be wellbeing, benefits or, this year, our new Volunteer Day programme. I think we have created an environment where employees feel able to approach our Leadership Team about anything, and we are really proud to have been able to cultivate this relationship.

Sarah Smith
SVP Human Resources

Key Performance Indicators

The Group has a range of performance indicators, both financial and non-financial, to monitor and manage the business and ultimately to improve performance. The Group's key performance indicators (KPIs) are outlined below.

1 Revenue

(£'millions)

Definition
Revenue comprises amounts contracted and delivered to customers in accordance with the accounting rules prescribed by IFRS15.

Why we measure it
Revenue is a key indicator in how the business is growing and revenue is the primary source of cash generation for the Group.

Commentary
Revenue has grown 9% in the year and 9% on a compound basis over the past 3 years, reflecting a growing customer base and high retention rate of key customers.

2 Geography

(Regional proportion of revenue)

Definition
The proportion of revenues generated in each of our regions.

Why we measure it
It is important for the Group to maintain high levels of diversification across the world, allowing us to benefit from any opportunities in a particular regions, for example through new legislation, and also de-risking the business from any economic downturn in one region.

Commentary
The Group has maintained strong revenue generation in all regions over the last four years, with each region generating underlying year on year growth over this time period.

3 Market type

(Proportion of revenue)

Definition
The proportion of revenues generated by each of the market types in which our customers operate.

Why we measure it
It is important for the Group to monitor how both the customer base and technological market is evolving over time to ensure appropriate direction of product development and management focus.

Commentary
Each customer market continues to show constant currency growth year on year, with the fastest growth in recent years observed in enterprise and data centre, as organisations continue to both generate data and raise their awareness of the importance of data management. Our constant currency mobile growth has been modest in the last 12 months due to market slow down however remains a key focus area.

* where data not provided a like for like calculation of the KPI is not available.

4

Adjusted operating profit
(£'millions)

Definition
Operating profit stated before acquisition costs, exceptional income, share-based payment charges and amortisation of acquired intangibles.

Why we measure it
This is the key profitability metric for the Group and shows the underlying performance of the Group adjusted for any non-cash charges or any items that are exceptional in nature.

Commentary
The Group has demonstrated strong profitability in FY22 as revenue continues to grow, and due to certain costs such as travel & entertainment remaining below pre-pandemic levels. Over the past three years, adjusted operating profit has increased 86%, or 23% annually on a compound basis, representing year on year growth of operating profit margins.

Read more about our financial performance | **Pages 44-45**

5

Operating profit/(loss)
(£'millions)

Definition
Operating profit/(loss) shows the total returns from core operations, stated before finance costs, taxation and any profit from discontinued operations.

Why we measure it
This shows the overall profitability of the Group after all operational costs and income is accounted for.

Commentary
Increased revenues in the year and cost controls have resulted in an increase in profitability.

6

End of year headcount

Definition
The number of employees engaged in each area of the business.

Why we measure it
The Group's long-term strategy is centred around ensuring the appropriate level of resource committed to product, to ensure a high level of ongoing development, and sales to ensure we are able to execute effectively on customer opportunities.

Commentary
The Group has maintained a core product team, which grew in 2019 following the acquisition of Inhance. The sales team has continued to grow year after year to promote growth across all of our operating locations and to support a ramp in sales in many emerging countries for Blancco.

* where data not provided a like for like calculation of the KPI is not available.

Key Performance Indicators continued

7

Assets Securely Erased (millions)

Laptops

2022	**11.7**
2021	9.5
2020	8.7

Desktops

2022	**3.7**
2021	3.2
2020	3.1

Servers

2022	**0.6**
2021	0.8
2020	0.7

Loose Drives

2022	**2.7**
2021	3.3
2020	3.1

Smartphones

2022	**32.1**
2021	35.6
2020	20.1

Tablets

2022	**2.0**
2021	2.1
2020	0.5

TOTAL

2022	**52.8**
2021	54.5
2020	36.2

Definition
The estimated number of assets erased per year, using Blancco data erasure products.

Why we measure it
This metric allows us to track and observe how the market is shifting between different types of media. We also use this to track the positive environmental impact of our products, allowing us to estimate the amount of hardware saved from landfill.

Commentary
There has been a significant increase in the volume of laptops and desktops undergoing erasure by Blancco products.

8

Estimated Landfill Waste Prevented (kg)

2022	**74.0m**
2021	68.2m
2020	60.7m

Definition
The estimated weight of hardware that is saved from landfill each year as a result of using our software, as these assets are able to be repurposed each year rather than being scrapped.

Why we measure it
This metric allows us to track the environmental impact of our product.

Commentary
We continue to see a significant saving in kg terms of diverting assets from landfill.

9

Number of customers

Enterprise

2022	**1,770**
2021	2,038
2020	1,427
2019	1,429

ITAD

2022	**594**
2021	561
2020	482
2019	446

Mobile*

2022	**222**
2021	218
2020	196
2019	145

Definition
Number of active customers in each of our markets.

Why we measure it
The Group tracks customer engagement, renewals and spend volumes year on year to maintain focus on high customer service and to ensure we are retaining key customers year after year. The Group aims to increase its customer base year on year as we raise awareness to the market of the benefits of data erasures.

Commentary
The number of customers has grown at a compound rate of 9% in the last three years, in line with revenue growth.

10

Employee location

Europe

2022	**48%**
2021	49%
2020	48%
2019	44%
2018	45%

APAC

2022	**35%**
2021	37%
2020	37%
2019	40%
2018	41%

North America

2022	**17%**
2021	14%
2020	15%
2019	16%
2018	14%

Definition
Geographical location of our staff, split proportionally by region.

Why we measure it
The Group must have a diverse workforce to support its customers and key stakeholders, and also help to drive forward the business in response to changing market conditions.

Commentary
The Group continues to grow its headcount, with the proportion of staff in North America increasing after the acquisition of WipeDrive in June 2022.

* where data not provided a like for like calculation of the KPI is not available.

ESG Report

Supporting the circular economy

Sustainability sits at the core of Blancco's business proposition, as our data erasure software enables the reuse of unwanted IT hardware, supporting the circular economy.

Matt Jones
Chief Executive Officer

Sustainability sits at the core of Blancco's business proposition, as our data erasure software enables the reuse of unwanted IT hardware, supporting the circular economy. The value of this offering is only being strengthened as we see more companies setting emissions reductions targets and interrogating their resource use and supply chains. The innovations we are making in our products and services further bolster our ability to support customers in achieving their own ESG objectives, and in the past year Blancco has won two industry awards for sustainable innovation.

Alongside the growth of Blancco's impact story, our approach to ESG risk management internally has continued to mature. This year we completed our first comprehensive greenhouse gas ("GHG") emissions baseline assessment. We made the decision to offset our entire footprint for 2021 and achieved carbon neutral status following the purchase of carbon credits for two renewable energy projects.

Our ultimate goal is to become a net zero business. Armed with a greater understanding of our own carbon footprint, we have been able to set our first decarbonisation targets, and we will reassess the effectiveness of these targets on an annual basis as we identify areas in which we can reduce our emissions.

Consistent with our commitment to sustainable growth and future-proofing our business, and from listening to our investors and stakeholders, we have progressed our alignment to the recommendations of the Task Force on Climate-related Financial Disclosures. This year we conducted a qualitative scenario analysis to establish the Group's exposure to climate-related risks and opportunities, and we have continued to embed climate change considerations into our thinking at Board and Management level.

It is the dedication and hard work of people that drives our business. Making sure our colleagues remain motivated and engaged is therefore integral to our continued success, and we endeavour to listen to and meet their expectations whenever possible. This past year we have increased our focus on mental health and wellbeing, ensuring everyone is getting the support they require. By introducing a hybrid working model, we have been able to accommodate employees who need flexibility in their schedules, but not at the cost of engagement; I am very pleased that our employee engagement score of 84% presents another increase on the previous year.

Attracting the best candidates and nurturing talent internally remains a key facet of our recruitment approach, and ongoing training and development opportunities are available across the Group to ensure colleagues can get the most out of their roles. At the same time, diversity and inclusion is a focus area for the business, especially being in an industry where women in particular are underrepresented. When recruiting new talent, we are keen to access the most diverse pools of candidates available, to promote diversity of thought in our business, and this year we have seen an increase in the number of women in management roles.

Our products and expertise mean we are well placed to support individuals beyond Blancco as well. We have partnered with several charities around the globe to bridge the digital divide for many underprivileged groups by facilitating much-needed access to electronic devices, as well as providing skills training. We also recognise our responsibility to support progress in our industry, and share our expertise through membership of industry associations, speaking on data erasure and sustainability on webinars and at events, and publication of research.

At Blancco there is absolute recognition for the value of operating responsibly, and this is exemplified by the announcement of our membership of the UN Global Compact this year. We are engaged with ESG risk management at the highest level of the business, with our CFO continuing to drive forwards our agenda with the support of our external ESG and carbon consultants.

The following report discloses a summary of our actions in ESG this year, while our 2022 ESG Report will provide greater detail on our approach and initiatives, as well as full performance data.

Matt Jones
Chief Executive Officer

Matt Jones

Introduction

This report represents a summary of our ESG management and performance. For a full understanding of our approach, please see our 2022 ESG Report which will be published in the Sustainability section of our website.

In discussing our ESG management and performance, we are guided once again by the Sustainability Accounting Standards Board (SASB) in reporting upon the most financially material information. Whilst it is not a mandatory requirement for the Group to report against the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), we are committed to assessing the potential impact of climate-related risks and opportunities on the business and providing clarity and transparency on these matters for our stakeholders.

This year we announced our membership of the United Nations Global Compact (UNGC), a voluntary leadership platform for the development, implementation, and disclosure of responsible business practices. We also continue to assess our impact in support of the UN Sustainable Development Goals (SDGs).

We speak to investors, as well as other stakeholders, following the publication of our annual ESG Reports to receive feedback and understand how they want to see our reporting progress. This investor input is another consideration in our reporting and has informed developments in this year's report.

As this is our third year of detailed ESG reporting, we now have three years of data for many metrics, enabling assessment of progress and demonstrating our positive direction of travel. We have included some highlights in this Annual Report, while full data sets can be found in our 2022 ESG Report.

ESG Report continued

Environment

Our product offering

By providing a data erasure solution that negates the need to physically destroy and send to landfill electronic devices that they have no further use for, Blancco's software is supporting companies to make more sustainable choices. Instead these devices, now securely erased of all data, can be reused, sold, or donated, supporting a transition towards the circular economy. During FY 2022, Blancco's software enabled the secure data sanitisation of 52.8 million devices, the pre-use carbon footprint of which was 6.1 billion kg. This represents a huge proportion of devices that can be reused, rather than sent to landfill.

Whilst data erasure is at the core of our product and service offering, we continue to improve and innovate. By both implementing efficiencies within existing products as well as introducing new diagnostic solutions, we have expanded our offering by providing sustainable solutions for more customers and a greater variety of use cases. This year we completed the initial development of our ESG Dashboard which calculates these figures. In FY 2023 we will launch phase 2 of this process, which will show customers their own performance regarding these data points, and will further bolster our ESG proposition.

Our carbon footprint

At Blancco we are firmly committed to operating in a sustainable manner, with consideration for the resources we use and the impact we have on the environment. We have been placing greater scrutiny on our own environmental footprint. In 2021 we engaged a consultancy to assess and calculate our carbon footprint. This covered the Group's entire value chain GHG emissions, including Scope 1, 2 and 3. By gaining this fuller understanding of our emissions, we have been able to take significant steps in reducing our environmental impact. Foremost, acknowledging that reducing our emissions will take time, we were still keen to offset that footprint in the first instance. We therefore took the decision to purchase carbon offset credits, verified to the Verified Carbon Standard, and were able to achieve carbon neutral status for 2021.

Emissions

Year*	Scope 1 & 2 (tCO_2e)	Scope 3 (tCO_2e)**	Total
2019	152.95	949.20	1,102.15
2020	104.05	148.46	252.51
2021	**198.5**	**3,422.80**	**3,621.30**

* Please note that GHG emissions and energy consumption are reported according to the calendar year, not financial.

Our electricity usage for CY 2021 was 291,664 KwH. Whilst offsetting our footprint presents a short-term solution, our broader objective is to reduce our emissions and define a net zero strategy. Commensurate with this, and enabled by greater insight into our footprint, we have set our first interim, annual decarbonisation targets. We have calculated three intensity metrics which reflect key emissions drivers: emissions per square metre of office space, emissions per employee and emissions per £1 million revenue, and will attempt to decrease each by at least 1% by the end of 2022.

Intensity-based decarbonisation targets

1.4
tCO_2e/m^2
-1%
target

15.8
tCO_2e/FTE
-1%
target

143.9
tCO_2e/£1m in revenue
-1%
target

For the past couple of years I have taken on the responsibility around sustainability and all things ESG within the organisation. I have been really enjoying it; the ESG part of the business over the last two to three years has become a bigger and bigger focus for our customers, which has caused us to look internally at our own sustainability and really drove us around the announcement of carbon neutrality.

Adam Moloney
Chief Financial Officer

ESG Report continued

Approach to climate-related issues
Whilst reporting upon our approach to climate-related matters is not mandatory for the Group, through engagement with stakeholders, and in particular investors, we recognise the desire for clear information and discussion on climate change and business resilience. On this basis we have aligned our disclosures to the four pillars of the TCFD; Governance, Strategy, Risk Management, and Metrics and Targets.

Governance
Board oversight
To ensure effective governance of climate-related issues in the business, it is important that there is oversight of these matters at the very top of the Group. The Board of Directors is informed about climate-related risks and opportunities via the Audit Committee, which holds responsibility for oversight of all climate-related matters and reports to the Board frequently throughout the year. Further, the Board, which meets eight times per annum, is kept appraised of progress on all climate-related matters through the CFO, who is a Board member. The Board will be responsible for assessing progress of decarbonisation targets.

The Group recognises climate change as a relevant risk, and the Board updated the risk register to include climate risk, but presently the Group considers it to be of low risk to the business over the short, medium, and long term (time horizons defined below).

Concurrently, climate change presents a clear opportunity for the business to support customers as they tackle their own emissions. By enabling the secure erasure of data from hardware, our products negate the need for physical destruction and sending to landfill of IT equipment and encourage reuse or reselling. E-waste is a significant source of emissions, and as office-based companies become more aware of their emissions footprint, Blancco's product and service offering for sustainable disposal of equipment will be a positive commercial driver for the Group.

Climate-related issues are considered in reviewing the Group's annual budgets; we contracted consultants to baseline our Scope 1, 2 and 3 emissions profile, and purchased carbon credits to attain carbon neutrality status. Group performance on ESG metrics, including those relating to climate, are linked to all employee remuneration.

As we maintain the firm belief that Blancco's products and services have a role to play in managing e-waste and supporting the circular economy, climate-related opportunities are clearly factored into our business strategy. By attaining carbon neutrality status, we are able to promote Blancco's proposition in a new light. Conscious that many of our clients are defining their own net zero pathways, we want to demonstrate our commitment to this action and believe this will support the marketing and business development activities of the Group.

Management's role
The CEO and the CFO, both of whom sit on the Board, take management responsibility for climate-related and ESG matters. The CEO is responsible for the strategic direction of the business, of which climate change is an influencing factor, whilst the CFO is responsible for overseeing all ESG-related activity, including managing relationships with Blancco's ESG and carbon consultants.

Management is informed about and actively monitors climate-related issues through materials, meetings, seminars and presentations via Blancco's various corporate advisors. These advisors include climate, ESG, broking, legal, accounting, UNGC, and property management, and the Executive frequently engages with Buchanan, the Group's retained ESG advisor.

Strategy
The TCFD recommends considering climate-related risks and opportunities over three time horizons. Blancco has established the following: short-term, 1-3 years; medium term, 3-10 years; and long term, over 10 years. These time horizons take into account the useful life of the Group's assets, key being our IT equipment which is invested in over a 3–5-year cycle.

Whilst climate risk to the Group is considered low, Blancco has a presence in 15 countries around the world, which presents the risk of disruptive weather events potentially causing difficulties for the business.

Blancco participates in industry associations across the globe, in the jurisdictions where it has a strong presence. Whilst many of these associations recognise e-waste as a global issue that requires action, not all have a public position on climate change. Those that do – and Tech UK and the Research Institute of Innovative Technology for the Earth (RITE) are leaders in this regard – have a clear view and support the findings of the Paris Agreement and that action by all is required. Blancco is in agreement with these views and, as a founding member of the International Data Sanitization Consortium (IDSC), co-wrote an open letter to the President of COP26 appealing for more consideration to be afforded in tackling the issue of e-waste.

The impact of climate-related risks and opportunities on the business, strategy and financial planning have been outlined below as part of our scenario analysis. We find that climate-related risks would have no material financial impact on the Group. There has been adjustment in the Group's strategy to accommodate greater recognition of climate risk and how it is assessed, resourced, and communicated to stakeholders. The Board, Executive and working groups will continue to monitor climate-related matters.

Scenario analysis
The focus of Blancco's Decarbonisation Strategy is on ensuring that the Group plays its part in delivering the carbon reductions that are needed to mitigate the worst consequences of climate change. The net zero by 2050 target, capturing Scope 1, 2 and 3 emissions, is in line with the IPCC scenario intended to keep global warming to below 1.5°C.

In terms of the resilience of Blancco's Decarbonisation Strategy, the scenario analysis that has been undertaken so far, taking into account a 2°C or lower scenario, suggests that the Group's carbon reduction programme should serve to mitigate many of the 'transitional risks' associated with climate change (for example, increasing legislative, financial and reputational pressure on businesses to reduce carbon emissions).

The physical risks associated with climate change are focused on our office locations around the globe, with the incremental changes and sudden disruptions from extreme weather (from flooding to excessive heating or cooling) being fully integrated into our risk identification, assessment and management processes.

As the experience and understanding in this area matures, the scenarios employed to test the resilience of Blancco's Decarbonisation Strategy will shift to take a more systematic and quantitative approach. This will further enable us to appraise the effects of climate-related physical and transitional risks on our operations.

The annual review of performance will further provide the Group with decision-useful information against which its strategy may be modified.

The less than 2°C scenario

The less than 2°C scenario assumes that we act responsibly, in line with business and society globally, to reduce GHG emissions. This may include the introduction of carbon pricing by national governments. In this scenario, we expect that transition risks pose the biggest threat to our business, with only a limited and manageable impact on our operations from physical risks.

	Risks	Opportunities
Short term	**Higher transition risks associated with moving to a low-carbon economy** • Reputational risk with investors, customers and employees, if we do not adequately address climate change. • Compliance risk if we fail to meet regulatory requirements, including emissions reporting obligations. • Increased cost of climate-related levies/ increased pricing of greenhouse gas emissions. • Travel curbs.	• OEMs, driven by regulation, to increase recycled materials for the production of hardware. • EU-led regulation driving increased management and reduction of e-waste that will likely impact global legislation, particularly in our key markets. • Customer awareness and development of circularity strategies to reduce e-waste will drive increased focus on Blancco's product and service offering. • Customer awareness over energy costs linked to data centre usage may encourage stricter policy development regarding data storage, management and erasure, also driving demand for our product. • To enable hybrid working practices, customers may increase investment and management of their IT infrastructure to support carbon reduction efforts. We believe this will drive demand for higher quality IT and data management to ensure mobile devices are secure.
Medium term	**Higher transition risks associated with moving to a low-carbon economy** • Increasing reputational risk with investors, customers and employees, if we do not adequately address climate change. • Continuing compliance risk if we fail to meet regulatory requirements, including emissions reporting obligations. • A continuation of the risks under the short-term time horizon.	• OEMs, driven by regulation, to further increase recycled materials for the production of hardware. • EU-led regulation driving further increased management and reduction of e-waste that will likely impact global legislation, particularly in our key markets. • A continuation of the opportunities under the short-term time horizon.
Long term	**Less significant increase in physical risks under this scenario, but still present** • Continued isolated extreme weather events causing manageable direct business disruptions to office locations, and impacts to suppliers in our moderate supply chain. • Higher summer temperatures and rapid changes in temperature and humidity causing challenges for data centre cooling, and increases in energy costs to control office environments.	• Our ability to provide Circular Services by ourselves will help us to differentiate, as customers will expect these services to be integrated into more of the technology products and services they procure. • Customers will require our advice on the selection and deployment of technology products, to help them achieve their carbon reduction strategies. • A continuation of the opportunities under the short- and medium-term time horizons.

ESG Report continued

The more than 2°C scenario

The more than 2°C scenario assumes climate policy is less effective and emissions cause climate change above that envisaged in the Paris Agreement. Under this scenario, we would expect physical risks to become much more apparent in the longer term.

	Risks	Opportunities
Short term	**Slight increase in transition and physical risks in the short term** • Isolated and manageable business disruptions caused by extreme weather events, such as flooding or drought. • Ad-hoc supply chain interruptions. • Increased insurance costs due to natural disasters. • Slowed growth rates as market does not set demand for Blancco products and services.	• Our ability to supply our products locally in multiple regions (UK, EU, North America and APAC) will help large international customers to reduce shipment costs and the associated carbon footprint. This international coverage will also increase our resilience and help us provide greater supply chain resilience to our customers.
Medium term	**Increasing physical risks due to a failure to adequately transition to a lower-carbon economy** • Flooding due to increased sea level (no strategic locations are at material risk).	• Our opportunities are the same as under the short-term time horizon but would be slower in adoption.
Long term	**Increased physical risks due to a failure to adequately transition to a lower-carbon economy** • Flooding due to increased sea level (no strategic locations are at material risk). • Pandemics due to new diseases caused by climate and population changes. • Population changes – controls on population growth, increasing migration, the need for automation etc.	

Risk Management

Climate change has been included as a risk in the Group's risk register and undergoes the same level of scrutiny as all other risks. The risk register is reviewed on a quarterly basis by the Executive Management Team and every six months by the Board, with updates made as necessary. Material risks are scored for the likelihood and impact of each being the greatest risk to the company. The Group describes on the register the warning mechanism in place should any of the risks materialise and the mitigating action that is currently being taken to prevent the risk from arising.

For further details on how the Group assesses risk presented by climate change, please see the scenario analysis above.

Metrics and Targets

Measuring our performance

Climate-related issues are not considered material at this point in time. Blancco believes that it has a firm appreciation of the transition risks that may impact the business and that it has the right controls, risk management oversight, and support from its external advisory network. Physical risks do not presently impact the business, nor have they impacted the supply chain. Given the nature of our business and services provided by key actors within our supply chain, we do not perceive a major risk in the short- or medium-term.

Nevertheless, we are committed to running our business responsibly and creating a culture across the organisation that values our planet and the resources we use every day. We have therefore linked ESG metrics, including those relating to climate, to all employee remuneration.

To address potential climate-related opportunities, we track our positive impact through the number of devices we securely erase and the weight in hardware that does not need to be physically destroyed and sent to landfill. In FY 2022 we completed the initial development preview of our ESG Dashboard, which calculates the number of devices we have enabled the secure erasure of (and will include customer specific data when phase 2 is launched in FY 2023).

In 2022 we engaged a carbon consultant, Avieco, to conduct a baseline assessment of our GHG emissions. Through this exercise, Avieco were also able to externally verify our Scope 1, 2 and 3 emissions.

Setting targets

It is the intention of the business to set a net zero target, in line with or in advance of the aims of the Paris Agreement. In FY 2022, we undertook a number of steps on the journey to setting the target.

The calendar year of 2021 marks the first year of Blancco measuring its Scope 1, 2 and 3 emissions footprint. This was, however, an abnormal year in that the travel restrictions that resulted from the COVID-19 pandemic were still prevalent. As such, the emissions profile for Blancco in 2022 is likely to shift in several ways: business travel and employee commuting are expected to increase from 4.2% and 0.9% of total emissions respectively whilst home working emissions may decrease from 2.6%.

As we begin to understand what emissions look like over a typical year, the business will set interim, annual decarbonisation targets that focus on improving its emissions intensity. Presently the Group is seeking a 1% reduction in intensity of Scope 1, 2 and 3 emissions on an annualised basis through incremental gains. We have calculated three intensity metrics which reflect key emissions drivers: emissions per square metre of office space, emissions per employee and emissions per £1 million revenue. Blancco will explore new decarbonisation targets for 2023 and beyond.

Concurrently, the Group is working to devise a more robust decarbonisation programme, which will require input from a variety of external parties, including landlords and suppliers. The objective is to set quantifiable targets in 2024 once a full year of post-pandemic trading has taken place.

To facilitate the reduction of carbon emissions across our operations, we have established the following decarbonisation plans:

- Engage with landlords to improve data quality and explore sustainable technologies such as rainwater harvesting and renewable energy tariffs
- Encourage less carbon intensive forms of business travel and commuting practices
- Engage with the top 15 goods and services suppliers to improve reporting accuracy and explore more sustainable solutions
- Explore emissions performance at Board-level, with overall responsibility to sit with the CFO

As we begin to understand what emissions look like in a more typical year, the business will set interim, annual decarbonisation targets that focus on improving its emissions intensity.

Scope 1, 2 and 3 emissions

–1%

on an annualised basis through incremental gains

ESG Report continued

Social

Upholding inclusivity is essential to our business, as we really want to make sure we have the most diverse level of thinking. And to achieve this, we need to be accessing a candidate pool that is as diverse as possible. We have been doing a lot to address inclusivity in our recruitment practices, and diversity is a constant consideration when we are hiring new talent.

Matt Jones
Chief Executive Officer

Diversity & Inclusion

Increasing diversity and inclusion (D&I) at Blancco is a key focus for the business. As an equal opportunity employer, we are committed to maintaining open and supportive working environments for all our colleagues around the world. This commitment starts at Board level, with D&I initiatives being led and championed by our CEO.

Over the past two years we have introduced a host of initiatives and conducted reviews of existing practices with the objective of improving diversity and ensuring inclusivity. As such, we are pleased to see these efforts beginning to come to fruition. We have seen a small increase in the number of women in management positions across the Group this year and we will continue to enable and strive for a more diverse and inclusive workforce.

Employee training and development

We continue to enhance our training and development offering for employees, as we are focused not only on attracting and retaining talented individuals, but also providing them with the opportunity to thrive in their roles and expand their skillsets. As such we provide a wide range of training opportunities for our colleagues at all levels of the business.

Our e-learning platform, Blancco Learning, acts as a hub for our training opportunities, which has around 500 courses for employees to choose from to voluntarily undertake, whilst we also provide employees the opportunity to undertake external training, from short courses through to full programmes that lead to the attainment of specific qualifications.

We provide bespoke training for managers at Blancco to ensure they are best placed to succeed in their roles and lead their teams. We introduced the Management Development Programme, aimed at developing the confidence of those new to managerial roles and building upon the existing knowledge of more experienced individuals. Furthermore, to maintain a strong pipeline of talent that is key to the continued success of our business, we utilise succession planning to identify individuals with high performance and potential, for whom we can provide appropriate training to support their career pathway.

The Group maintains strong ties with universities, especially in Finland and India, where we speak at careers events, attend recruitment days, and offer internships for current students and graduates to raise awareness for our business and bring talented individuals onboard.

Gender representation

Percentage of gender representation:

	2021	2022
(1) management	20% women	**21% Women**
(2) technical staff	21% women	**21% Women**
(3) all other employees	42% women	**42% women**

Racial/ethnic representation

Percentage of racial/ethnic representation:

	2021	2022
(1) management	95% White, 5% Asian	**95% White, 5% Asian**
(2) technical staff	50% Asian, 49.5% White, 0.5% Caribbean	**51% White, 48% Asian, 0.5% Black, 0.5% Caribbean**
(3) all other employees	64% White, 32% Asian, 2% Black, 1% African, 1% Hispanic	**66% White, 31% Asian, 1.2% Black, 1.2% Hispanic, 0.5% African**

Employee engagement

As we moved beyond pandemic restrictions in the past year, the way we communicate with our colleagues evolved to suit our current working practices. Whilst we continue to host HR Country Calls and our All Hands Calls, a significant change from FY 2021 is our ability to host many more in person social events this year, from welcome drinks to team building days. It has been fantastic to see the enthusiasm from colleagues for getting together and enjoying being able to meet face-to-face.

The Global Employee Forum comprises a group of enthusiastic individuals from across the business. Their meetings are hosted by the CEO and the SVP Human Resources to enable a direct line of communication between employees and the Executive Team. The employee engagement survey is our key measure of employee satisfaction across the Group. We are very proud to have seen another significant increase in the engagement score, which was 84% for FY 2022. Our employee awards programme recognises the dedication and effort our colleagues put into their work, and winners and nominees continue to be announced on our All Hands Calls.

We speak with our colleagues all the time! We're constantly engaging with them around different aspects of the employee experience, whether it be wellbeing, benefits or, this year, our new Volunteer Day programme. I think we have created an environment where employees feel able to approach our Leadership Team about anything, and we are really proud to have been able to cultivate this relationship.

Sarah Smith
SVP Human Resources

ESG Report continued

Wellbeing and benefits

With the pandemic and lockdown restrictions sharpening societal focus on mental health and wellbeing, we are keen that this is reflected within our organisation as well. In FY 2022 we launched our new reward, recognition and wellbeing platform, the Hub, through which we host our benefits offering. The Hub provides a wide variety of discounts and offers for retail stores that employees can utilise, and managers can now provide team members with monetary rewards to be redeemed through the platform. We have a Save As You Earn (SAYE) share option scheme available in all locations with ten or more employees.

The Hub has also been used to promote all of our wellbeing resources. We have run a number of mental health-focussed events to provide more touchpoints for employees to receive support and reach out with concerns. For Mental Health Awareness Week in particular we ran interactive sessions on topics including learned optimism, self-motivation, the importance of laughter, and coping sessions; we hosted discussion groups on men's mental health and being a working parent; and we organised outdoor events at all our locations to encourage colleagues to get outside and do an activity together.

In FY 2022 we launched our new reward, recognition and wellbeing platform, the Hub, through which we host our benefits offering.

Community engagement

As a responsible business, we want to give back to the communities where we operate. We also want to make sure that we are providing support in the most effective way possible, utilising our products and skillsets. We partner with several organisations across the globe to improve access to technology for underprivileged groups, providing licences to be used to wipe donated devices and offering skills training.

This year we supported the following organisations: 'Laptops for All' to provide devices to children in the North of England; Turing Trust, to facilitate technology-enabled education and teacher training in sub-Saharan Africa; Ethan Indigenous to promote equal opportunities to young Indigenous Australians; and Dariu Foundation to provide rural schools and disadvantaged children in Vietnam with free-of-charge rentals of donated laptops and desktops.

Our approach has gained recognition from the industry as we have been nominated for several 'Tech for Good' awards. In FY 2022, Blancco was shortlisted at the CRN Tech Impact Awards, Better Society Awards, The Stack's Tech for Good Awards, and the Global Business Tech Awards.

To encourage our employees to get involved in communities activities and be able to champion causes personal to them, we launched a new Volunteer Day programme this year as well. This enables employees to take a paid day off every year to do voluntary work of their choice. A number of employees have taken advantage of this opportunity so far, using the day to support initiatives that are close to their heart, and we will continue to promote this offering in the coming year.

Governance

The Board is entirely engaged with our ESG programme and the progress that it is yielding. It is a core theme for the company. And I think we all see that while our ESG approach is about doing the right things for the right reasons, there is also a real enhancement to the value of the business by doing what we are doing.

Rob Woodward
Chair

The Company's ESG reporting and management is owned by the Board of Directors and the Board is united in its understanding that advancing Blancco's ESG agenda is the correct and necessary course of action.

Adam Moloney, Chief Financial Officer and Executive Director, leads the Company's ESG strategy and ESG matters are an integral part of his report in Board meetings. Matt Jones, Chief Executive Officer, has led the charge on championing D&I initiatives within the Group. The CEO and CFO have executive responsibility for ESG management and information flows to the Board so they are regularly updated. The Group engages with third-party advisors to consider Blancco's ESG approach and strategy.

Business ethics
To ensure effective governance of ethics issues, there are multiple layers of oversight. This includes the Board of Directors (in particular the CFO), the Audit Committee, and the legal department.

Our policies lay out the expectations and responsibilities for all personnel and reflect the high standards of ethical behaviour that the Group sets. The policies we have in place apply for all employees, including part-time staff and contractors (and apply to all WipeDrive employees following our acquisition of the company this year), to ensure that everyone is held to the same expectations.

Training on Group policies is mandatory for all employees, including part-time employees and contractors. We provide training to all new joiners and we conduct refresher training for employees every two years for our Code of Business Conduct, Anti-corruption and Bribery Policy, Whistleblowing Policy, Modern Slavery Policy, and Data Protection Policy. For Information Security, we conduct annual training via short webinars, awareness campaigns and frequent notices. We utilise our online platform Blancco Learning to deliver this training.

ESG Report continued

The overall strategy that is used involves a layered system featuring 'best-of-breed' technologies in the industry – any time we are looking to add a new technology, we carefully review whether it is a good fit for Blancco.

Jesse Kittleson
VP Global Support and Information Technology

Customer Net Promoter Score (NPS)	2020	2021	2022
Q1 Score	41	60	**60**
Q1 Number of respondents	17	55	**75**
Q2 Score	35	60	**68**
Q2 Number of respondents	17	78	**82**
Q3 Score	46	60	**61**
Q3 Number of respondents	22	75	**107**
Q4 Score	63	50	**58**
Q4 Number of respondents	29	75	**84**
FY Score	48	57.5	**62**
FY Number of respondents	85	283	**348**

Data privacy and IT security

We sell data erasure software to businesses, who utilise our technology to securely sanitise their electronic devices. Blancco itself does not handle any of the end user data, and only holds minimal data on the businesses we sell to. Nevertheless, we place the highest importance on respecting and protecting the privacy and confidentiality of the information that our customers share with us. Maintaining our target of zero data breaches in FY 2022 speaks to the robust policies and processes we have in place.

This best practice approach to IT security, following ISO 27001 standards we use various technologies aimed to protect our IT infrastructure and data. Our user base is the best defence we have for ensuring security of our systems and data, and therefore we place a great emphasis upon the education of everyone in the Group, with all employees completing training on data privacy and cybersecurity. To measure awareness within our user base, we have conducted two test scenarios during FY 2022, and the results indicated strong cybersecurity awareness among Blancco employees and certainly surpass other leading companies in the industry against which we have benchmarked our performance. However, we recognise that improvements can always be made and ongoing awareness campaigns are required to keep IT security at the forefront of everyone's minds.

Delivering for our customers

Our technology not only supports the circular economy and negates the need for physical destruction, but it also enables our customers to meet their own sustainability objectives. Our erasure software ensures that our customers' data is secure and enables compliance with information security standards such as the GDPR, whilst also allowing customers to redistribute or donate securely wiped devices and avoid sending hardware to landfill, supporting social and environmental goals. In FY 2023 we will launch the second phase of our ESG Dashboard, which will include customer specific data on the number of devices they have erased and therefore enabled their reuse.

Our solutions can reduce environmental impact for other use cases, by providing remote diagnostics that avoid the need for transportation and other solutions that facilitate reuse or reselling. Additionally, the development of machine learning technology that detects cracked glass on devices has enabled us to support large insurance providers to validate the state of a device for an after-sale insurance policy and thereby prevent fraud.

It is through engaging with our customers that we are continually able to meet their evolving needs and deliver the highest quality service. We engage with our customers on an ongoing basis; through our sales engineers, account managers and regional leaders we speak to our customers all the time to understand what they need; we have an online support portal to support customers if they have questions about our products and services; and we use our Customer Advisory Board to seek and receive feedback to refine our strategy and focus.

Our primary measure of customer satisfaction is the Net Promoter Score (NPS); this year we saw a five-point increase in our NPS alongside a rise in respondent numbers, demonstrating sustainable growth of the business, as we are meeting customer demand whilst expanding. Another measure of customer satisfaction is the Win Loss Survey which we offer any new clients or lost prospects the opportunity to complete. To create better oversight of these feedback channels, account managers are now able to see whether a customer has completed either survey and the profile links to their responses so the manager can more easily review feedback and quickly understand whether there is anything to be addressed.

Customer NPS score

62.0

2021 | 57.5

Number of participants

348

2021 | 283

Industry participation

For continued industry progress, both from a technological advancement and a sustainability perspective, we must share our expertise. Blancco continues to hold memberships in industry organisations around the world. Our contribution to these organisations varies from submitting content for their websites and newsletters, to attending in-person and virtual events, and (in the case of IDSC) overseeing the direction and vision of the organisation.

Being recognised for our expertise in data erasure and mobile lifecycle solutions, we are often called upon to speak on the subject. For the 25th Anniversary of the Information Technology Agreement in September, our President of Global Sales was invited by the World Trade Organisation to speak on 'The use of data protection technology in an ICT circular economy'. This year alone, our CFO has also spoken on a number of webinars on the impact of Blancco's product offering and the Group's internal ESG journey to carbon neutrality.

Chief Financial Officer's Report

Strengthening our financial position

> *Our growth in ITAD revenue was particularly strong in the year with companies and economies opening up following the pandemic and catching up on a backlog of assets that reached end of life during lockdown periods. Much of this increase in ITAD activity was seen in the EMEA region leading to a particularly strong period of revenue growth in this territory.*
>
> Adam Moloney
> Chief Financial Officer

Revenue

Organic revenue growth in FY22 was 11% excluding the impact of foreign exchange movements, corresponding to full year revenues of £39.3 million. The acquisition of WipeDrive on 8 June 2022 generated an additional £0.5 million of revenue in the period, with the consolidated Group generating revenues of £39.8 million, 9% growth including foreign exchange movements. This represents a strong end to the year for WipeDrive following the renewal of its largest customer in June 2022.

(£'millions)	Year ended 30 June 2022	Year ended 30 June 2021	Growth rate	Organic growth rate	CER growth
Revenue (£ millions)	**39.8**	36.5	+9%	+8%	+12%
Revenue by geography					
North America	**12.6**	11.2	+12%	+8%	+11%
EMEA	**15.6**	13.4	+16%	+16%	+20%
Asia and ROW	**11.6**	11.9	-2%	-2%	+4%
Revenue by market type					
Enterprise	**15.4**	14.1	+8%	+6%	+10%
ITAD	**13.8**	11.5	+20%	+19%	+23%
Mobile	**10.6**	10.9	-2%	-2%	+2%

Growth in ITAD revenue was particularly strong in the year with companies and economies opening up following the pandemic and catching up on a backlog of assets that reached end of life during lockdown periods. Much of this increase in ITAD activity was seen in the EMEA region leading to a particularly strong period of revenue growth in this territory.

Profitability Measures

Gross profit margin increased from 92% to 97% due to the elimination of costs relating to third party mobile diagnostics software which, for some customers, is bundled alongside the core Blancco technology. The Group has developed its own solution to perform these diagnostics, and as such these costs have reduced significantly versus the prior year. Cost of sales is now largely comprised of hardware, where the customer's use case may require a physical platform on which to perform the diagnostics and erasures of their equipment and media. However, this revenue stream continues to represent a minority of the Group's overall sales volume.

Our customer retention has been excellent, with 100% of all customers of £100k and above renewing contracts from 2021 to 2022. Across all customers spending over £5k in 2021, the average contract value, representing revenues both recognised in the year and contracted in future years, increased by 14%.

Revenue £m

+9%

2022 | £39.8m
2021 | £36.5m

Group Adjusted Operating Profit £m

+23%

2022 | £6.5m
2021 | £5.3m

Adjusted operating profit for the period increased by 23% to £6.5 million (FY 2021: £5.3 million). Operating profit for the period was £1.9 million (FY 2021: £1.8 million). Adjusted operating margins grew from 14% in the prior year to 16% in FY 2022. This was achieved through improvement in revenue gross margins as noted above. This was offset by an increase in travel costs following the easing of the pandemic restrictions and some wage inflation, particularly among our software development team.

	Year ended 30 June 2022 £000	Year ended 30 June 2021 £000
Operating profit	**1,882**	1,774
Acquisition costs	**542**	–
Exceptional income	**–**	(837)
Amortisation of acquired intangible assets	**2,683**	2,859
Share-based payments charge	**1,387**	1,490
Adjusted operating profit	**6,494**	5,286

Adjusted EBITDA for the period grew by 13% to £11.5 million (FY 2021: £10.2 million), giving an adjusted EBITDA margin of 29% (FY 2021: 28%).

Cash Flow

Operating cash flow reduced from £10.3 million to £9.9 million which was impacted by a strong billing period leading up to year end resulting in a large receivables balance at year end compared to the prior year. The majority of this debt has already been collected in Q1 2023 with the Group continuing to be exposed to low credit risk.

Adjusted operating cash flow remained flat at £10.8 million, corresponding to a cash conversion on adjusted EBITDA of 94% (2021: 106%).

Balance Sheet

Net funds fell to £6.2 million (30 June 2021: £10.1 million). This reduction was caused by two major cash outflows:

- £7.2 million arising from the consideration and costs of the acquisition of WipeDrive in June 2022
- £1.5 million to purchase Blancco shares for the Employee Benefit Trust in December 2021

A liability of £1.3 million has been provided for in the balance sheet in respect of the contingent consideration of up to US$1.5 million that could potentially become due to the vendors of WipeDrive in June 2023, plus a small amount relating to a working capital adjustment paid in August 2022.

R&D Expenditure

The Group continues to invest a significant amount in research and development ("R&D"), with expensed R&D costs totalling £1.2 million (2021: £1.1 million) and capitalised development costs totalling £4.1 million (2021: £4.2 million).

The R&D team has grown over the last 24 months both organically through ongoing investment and as a result of acquisitions of businesses, resulting in new development centres in Ireland and the US, albeit at a smaller scale than our existing footprint in Finland and India. They continue to focus on appraising and transitioning the technology associated with the WipeDrive product, as well as its patent portfolio, to determine where there are various product and platform enhancements that will further augment the core Blancco product offering.

WipeDrive

The acquisition of WipeDrive has been immediately earnings enhancing, contributing revenues of £0.5 million and adjusted operating profit of £0.4 million in the period between acquisition and year end. The integration of the business into Blancco has been positive with the employees working on roles spanning our combined North American operation. As the business has operated mainly in the ITAD and Enterprise markets, the pooling of the WipeDrive and Blancco resources has happened naturally and quickly, and many customers are now renewing contracts on Blancco products.

Adam Moloney
Chief Financial Officer

Principal Risks and Uncertainties

Taking responsibility

The Board is responsible for determining the nature and extent of the risks it is willing to take in delivering Blancco's strategic objectives and manages these risks through the Blancco Risk Management Framework.

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

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

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

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

Appropriate actions are agreed; for example, to mitigate, transfer (through insurance), or eliminate (by ceasing) the risk. The objective will be to continually challenge the efficiency and effectiveness of controls.

Principal risks

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

Risk area	Potential impact	Mitigation	Trend
Employee capabilities and engagement	Staff engagement is essential to the successful delivery of service to customers, and longer term, the overall business strategy. A workforce which is not engaged or motivated can hinder the growth of the business. Having the appropriate capabilities at all levels, by continuing to attract and retain key individuals within the business is key to our strategic growth. Additionally, a number of our staff have specialist skills, for example in software engineering. A shortage of these skilled staff (resulting from either employee turnover, or failure to attract staff) would result in the business not possessing the level of technical expertise required to execute on its strategic objectives, in particular the ongoing development of the product. A lack of diversity and inclusion within the workforce risks limiting creativity and ideas that would have an impact on operations and decision making. This may result in sub-optimal strategy, unbalanced focus across the Group's markets and mis-focussed product development.	Considerable effort has been devoted to communicating the business strategy so employees are clear on our business objectives and their role in the strategy. We highlight key capability gaps and work to recruit appropriately and efficiently to fill such gaps. Alongside this we perform periodic reviews of employee remuneration to ensure this is set at a competitive level, including our key individuals to ensure we retain these staff members. We keep a record of the key individuals in the organisation and identify a succession plan for key roles, so that we are able to promote internally as well as sourcing talent externally. We continue to monitor the diversity of our employees and review recruitment practices to encourage diversity and inclusion. We continue to conduct diversity and inclusion training for our staff to promote the benefits of working as a diverse and inclusive organisation. We have introduced a group wide employee reward and recognition platform which allows managers to easily reward employees who demonstrate the values of the Group and highlight their contributions to their colleagues across the business.	The risk is unchanged. The Group has invested in human resource management and initiatives over the last few years and continues to monitor its performance in this area across locations. Following the COVID-19 pandemic and the shift to hybrid/remote working in some locations we have continued frequent regional employee communications to ensure employees maintained their engagement and are kept up to date with economic developments. The Group feels that its key employees are well engaged and there is a continued focus on succession planning to ensure that business interruption arising from any key staff turnover can be mitigated and transitioned as smoothly as practically possible. Accordingly, the Group deems the employee engagement risk to be reduced to a suitably low level and we have seen a low level of employee churn within our senior leadership team, following several years with no change in senior leadership.

Principal Risks and Uncertainties continued

Risk area	Potential impact	Mitigation	Trend
Technological risk	The software sector is fast moving with regular changes in technological advancements and offerings. This may impact the future compatibility of our products, or new solutions could even render our products obsolete. The product integrity of the Blancco offering is important in the markets we operate within. A failure of the product could result in reputational damage or regulatory pressure. As our offerings are used within customers' IT systems there is a risk of malicious or erroneous code being embedded into their IT environment.	We continue to invest significantly in our research and development to ensure that our product remains best in class. In addition, our solutions are certified, approved and recommended by 14 governing bodies and leading organisations globally. Continuing to innovate and improve R&D processes with internal expertise, market benchmarking and consultation and continual tracking of technological direction. The acquisition of WipeDrive in June 2022 also brings with it the opportunities to embed acquired product features into the Blancco solution in order to continue to develop our product offering. We closely manage our key accounts and interact with our largest stakeholders in order to keep abreast of market developments and ensure that our product development roadmap remains market focused and our solutions address customer requirements We are ISO9001 certified which provides the accreditation that we offer products that meet stringent regulatory requirements.	The risk is unchanged. This is an inherently high risk given the markets that we operate in and importance of technological developments in our products, and mitigations cannot fully remove the risk. We continue to mitigate through detailed strategic planning of our R&D development that includes our patent processes, control environment and product roadmaps.
Market and economic risks	The business faces further challenge in price competition for less highly developed products which can result in price erosion or customer loss. The business also faces the impact of global political pressures and the resulting challenge of rising costs due to supply chain issues and significant rates of inflation which could reduce our operating margin, as well as the ability to attract and retain staff given growing wage inflation pressure. There is a risk that the Group will not be able to execute on channel partnerships, and therefore not be able to take advantage of highly scalable revenue opportunities.	Obtaining new patents, certifications and technological offerings, alongside the existing diversity and strength of the product set gives us a strong position in the market to maintain prices and position ourselves ahead of competitors. We continue to generate and nurture new, high quality channel partnerships with established partners including ServiceNow. We have a dedicated business development team that is focused on the implementation and execution of these partnerships and identifying future partnerships. We continue to analyse operating expenditure on a monthly basis and review any significant variances in the cost base to budget which would allow us to pro-actively address rising costs.	The risk is increased. The economic climate is volatile with high pressure on rising costs. Mitigations reduce the risk, but this risk is inherent in the market and cannot be fully removed. The expanding portfolio of products, services, offerings, and geographies ensures the risk is relatively well diversified. Any partnership entered into has the potential to underperform, however the Group is encouraged by the early stages of these high quality partnerships with global leaders.

Risk area	Potential impact	Mitigation	Trend
Internal systems and cyber risk	Our internal systems are integral to our service offerings, our process efficiencies, and our development abilities. The flexibility and reliability of the systems is critical to the ongoing growth of the Group. A potential data breach resulting in loss of data or compromising the product would create significant market discontent and could expose the company to regulatory investigation or fines.	We have implemented policies and procedures to manage our operations efficiently and safely and to maintain our systems as evidenced by obtaining ISO 9001/27001 accreditation. We are continuing to highlight the potential risks internally and raise the profile of internal security. System enhancement teams work on the continual improvement and integration of key systems, including enhanced security, business continuity and back-up facilities. The integrity of our systems is maintained through regular backup testing and robust disaster recovery planning. We will integrate the internal systems of WipeDrive following the acquisition, ensuring they are robust and secure, or where possible migrate them across to our existing group systems	The risk is unchanged. We continue to monitor the quality of our internal systems and the robustness of our procedures.
Financing risks	There is a risk that the Group will not be able to meet the day-to-day running obligations of the business.	The group maintains a rolling cash flow forecast to assess whether we can continue to operate within the cash reserves and the available pooled overdraft and revolving credit facility balances. The group perform sensitivity analysis on forecasts to account for any downturn in business in comparison to the budget.	This risk is increased. The Group's cash headroom has reduced following the acquisition of WipeDrive which resulted in the partial drawdown of the revolving credit facility, and the share repurchase in H1. However, both at the point of execution of these transactions and at the date of approval of the financial statements, the Group has concluded that it should be able to continue to comfortably meet its obligations based on forecasts and sensitivity analysis performed.

Principal Risks and Uncertainties continued

Risk area	Potential impact	Mitigation	Trend
Operational efficiency risks	Operational efficiency is vital to the profitability of the Group and to customer service. The risk arises both at an internal level, where inefficient operating processes can adversely affect the profitability of the Group; and at a customer level, where ineffective products or poor client service could lead to termination of the relationship.	The Group continues to focus on standardising operating procedures across all locations, which drives consistency in client service. System enhancement teams work on the continual improvement and integration of key systems, which supports further automation and standardisation of processes. The Group maintains a collaborative relationship with customers and tracks customer satisfaction in order to identify any product or service delivery risks.	The risk is increased. Following the acquisition of WipeDrive, there is greater need to review internal and external processes to ensure a smooth integration and the retention of key customer accounts and personnel. The Group continues to invest in product and its service teams however acknowledges the changing market dynamics means this is an iterative process.
Compliance risks	The Group operates in various jurisdictions globally, therefore is exposed to varying legislation and compliance requirements, as well as compliance with tax regulations and transfer pricing.	The Group monitors global compliance and obtains local advice and guidance when required. Blancco continues to be mindful of the implications the increasing levels of Data Protection legislation in place globally, and a Data Protection policy is in place across the Group. This is agreed to by all the Group's employees and is also covered within the conduct of business policy for the Group. Compliance with Data Protection and GDPR remains a key focus, with ongoing all-employee training sessions to ensure compliance with the Group's Data Privacy Policy and Information Security Policy. The Group maintains internal processes to ensure appropriate guidelines are followed – especially with regard to data protection and anti-bribery and corruption. The Group periodically reviews the terms of its tax arrangements to ensure these remain compliant with local law and regulations and that the Group is compliant with arm's length pricing principles.	The risk is unchanged. The Group continues to monitor its compliance across locations and deems the compliance risk to be at a suitably low level.

Risk area	Potential impact	Mitigation	Trend
Foreign exchange rate volatility	The geographic spread of the Group means that financial results are affected by movements in foreign exchange rates, with only a small percentage of the Group's revenue being generated in sterling. The risk presented by currency fluctuations may affect business forecasting and create volatility in the results and cash holdings.	The Group monitors foreign exchange exposure regularly and, when a transactional exposure is not covered through a natural hedge, consideration will be given in entering into a hedge arrangement.	The risk is unchanged. Foreign exchange rate movements are uncertain and the timing of profits in overseas territories is uncertain, therefore the Board feels there is no economic and risk-free way to hedge against this, other than the natural hedging which is currently undertaken.

Matt Jones
Chief Executive Officer

Matt Jones
Matt Jones (Nov 9, 2022 10:57 PST)

27 September 2022

Corporate Governance

Directors and Advisors

Rob Woodward
Board Chair

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

Chair of Nomination Committee

Matt Jones
Chief Executive Officer

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

Adam Moloney
Chief Financial Officer

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

Frank Blin
Independent Non-Executive Director

Board skills and experience
Frank joined the Board in December 2014. He holds a number of directorships with private equity backed companies in the healthcare, food and drink and property sectors. He was with PwC for 38 years where he was a board member, head of its regional practice and corporate recovery partner. He was awarded a CBE in 2002 for services to the financial services sector.

Chair of Audit Committee

Directors and Advisors continued

Catherine Michel

Independent Non Executive Director

Board skills and experience

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

Tom Skelton

Independent Non Executive Director

Board skills and experience

Tom joined the Board in October 2015. He recently retired after more than 20 years in Chief Executive Officer roles for several leading US healthcare technology firms specialising in workflow automation, standards-based information sharing, and data and analytics. Most recently he was CEO of privately owned Surescripts LLC, a US based clinical information network processing over 20 billion transactions annually. Prior to that, he was CEO for Foundation Radiology Group and Misys Healthcare Systems. Tom is currently Chair of Clearstar LLC and has also served on the boards of Misys Plc and Micro Focus International plc.

Chair of Remuneration Committee

Company Secretary and registered office
Lorraine Young Company Secretaries Limited
Suite 1, Chapel House
Start Hill
Bishop's Stortford
Hertfordshire CM22 7WE

Company number
05113820

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

Nominated advisor and joint broker
Peel Hunt LLP
100 Liverpool Street
London EC2M 2AT

Joint broker
Investec Bank plc
30 Gresham Street
London EC2V 7QP

Bankers
HSBC
Vitrum, St John's Innovation Park
Cowley Road
Cambridge, CB4 0DS

Registrars
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

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

Financial public relations
Buchanan
107 Cheapside
London EC2V 6DN

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

Corporate Governance Report

Corporate Governance Statement from the Chair

The Board adopted the Quoted Companies Alliance Corporate Governance Code ("the Code") in 2018. Information about how the Company has applied the Code principles follows this statement.

The Board considers that the Company complies with the Code.

In my role as Chair, I lead the Board's deliberations on governance matters and work with the rest of the Board and the company secretary to promote good governance across the Group. I am also responsible for the effective running of the Board, including ensuring that the Board has open debate on appropriate matters, in which all directors are encouraged to participate. This year, as the pandemic restrictions were gradually lifted, we were able to meet more often in person, which is particularly helpful for in depth discussions. We also held some hybrid and fully virtual meetings, being mindful of the need to control the environmental impact of our air travel.

Where we agree to make changes to our governance arrangements, I take responsibility to make sure the agreed actions are completed. More information about my role is given under principle 9 on page 59.

Over the past year the board has considered a number of matters relating to the Group's governance. The Company's initiatives on ESG matters have progressed well and environmental and social issues are a regular feature on the board's agenda. Our third ESG report is due to be published this year. We also conducted a board effectiveness review at the start of 2022. No major areas of concern were raised. More details of the process and outputs are given under Principle 7 on page 58.

Our engagement with existing and potential institutional shareholders has continued, with the executive directors attending a number of in person and virtual events. The board receives feedback from these. The Company now has five analysts providing coverage of it. More details of our engagement with institutional shareholders are noted under Principle 2 on page 56.

For retail investors we have continued to use the "Investor Meet Company" platform when we publish our full and half year results and the presentations which the CEO and CFO give then are well supported. There is good interaction with those attending and the opportunity for them to ask questions also. Our 2021 AGM was held in hybrid format, which allowed investors to attend in person or virtually as they preferred.

We continue to engage with our other stakeholders to hear their views and obtain feedback. Some engagement is carried out by the board, but where this is not the case the board receives reports on the outcome and takes account of this when making decisions. Our Section 172 report can be found on pages 61 and 62 of the Annual Report.

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

Rob Woodward
Chair

RSL Woodward
RSL Woodward (Nov 10, 2022 09:26 GMT+1)

27 September 2022

Corporate Governance Report continued

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

Deliver growth

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

The Company's strategy and business model, the challenges faced by the business in executing them and how those challenges are being addressed, are described in the Annual Report. The board had two dedicated sessions during the year to discuss different aspects of progress on strategy, which we were able to hold in person – which is more effective for such deliberations. The board is continuing to pursue the current strategy while considering longer-term opportunities for business growth, with a focus on how Blancco can help its end customers to do business in a more sustainable and environmentally friendly way.

The board receives regular updates from members of the senior management team about progress in delivering the strategy and will, from time to time, invite individuals to present to the board so that directors can understand and discuss various aspects of the business model, providing support and challenge from their skills and experience. This year the board heard about progress in delivering greater volumes of erasure for ITADs, cybersecurity initiatives and training (in which the board participated) and more initiatives for recycling laptops for disadvantaged children and young people which also reduces e-waste.

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

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

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

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

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

During the year, the executive team has continued to assess the opportunities and risks facing the Group. Following the work done with Protiviti, they produced an updated risk analysis and matrix, which lists the key risks faced by the Group, their likelihood and impact and what is being done to mitigate them.

The board considers this high level analysis as an agenda item at least twice each year, and on other occasions if something significant has changed which requires reconsideration of the risks the business faces. The executive team also reviews the risk analysis quarterly. The audit committee reviews the risk management and internal control framework at least annually and reports to the board on its effectiveness, with any recommendations for improvements.

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

Maintain a dynamic management framework

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

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

Rob Woodward, the board Chair was appointed to the board on 1 June 2013 and has therefore completed nine years of service on the board. He became Chair in March 2017. The Code notes that independence is a board judgement and the board has concluded that Rob continues to be independent.

Information on the roles and duties of the Chair, CEO, non-executive directors and the company secretary is given under principle 9. The time commitment for the Chair is approximately one day per week. The time commitment for the other non-executive directors is approximately 30 days per year.

The table below shows the number of board and committee meetings held during the financial year to 30 June 2022 and the attendance record of each director.

	Board		Audit Committee		Remuneration Committee		Nominations Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Rob Woodward	9	9	4	4	3	3	5	5
Matt Jones	9	9	–	4*	–	2*	–	5*
Adam Moloney	9	9	–	4*	–	2*	–	5*
Frank Blin	9	8	4	4	3	3	5	4
Catherine Michel	9	9	4	4	3	3	5	5
Philip Rogerson**	4	4	1	1	1	1	1	1
Tom Skelton	9	9	4	4	3	3	5	5

* Attended by invitation
** Resigned on 13 December 2021

If directors are unable to attend board or committee meetings, they review the relevant papers and give their views to the board or committee Chair and are provided with an update after the meeting.

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

The names of the directors who served during the year are given in the directors' report on page 60 in the Annual Report. Brief biographical details of each director are set out on pages 53 and 54 of the Annual Report and on our website. The directors come from diverse professional backgrounds and have a wide range of experience. Three of them have served as CEOs in public companies and all have experience of running businesses and/or advising business owners and leaders, some of which was carried out with international organisations. In their other roles, they have contributed to the development of strategy and handled M&A and other corporate finance transactions. Four of the directors have relevant experience in the technology (including cybersecurity) and related sectors. Two are accountants and several have served on listed company boards (including as Chair) for many years, bringing a good breadth of corporate governance knowledge.

Corporate Governance Report continued

Maintain a dynamic management framework continued

Principle 6: continued

Rob Woodward, the board Chair, is due to be re-elected by shareholders at this year's AGM and the nominations committee (without Rob being present) has recommended his reappointment. Rob brings a wealth of relevant sector and business expertise, leadership strengths as well as City and corporate finance knowledge to the board and the role of Chair.

Each year the board receives an update on the AIM rules from the Company's nomad. As part of the strategy review sessions and at other times during the year, the board is given presentations by members of the leadership team on various aspects of the business. The company secretary provides a regular update to the board on relevant legal, regulatory and governance matters. The external auditor provides information about changes to accounting standards and developments in financial reporting. The remuneration committee has appointed Deloitte to advise it on market practice and investor relations in respect of remuneration matters.

Details of the company's other retained professional advisers are given on page 54 of the Annual Report and on our website.

The company secretary provides advice to the board and committees as well as to individual directors as required. She supports the Chair on matters of corporate governance and the running of the board and nominations committee. A full role description for the company secretary can be found on the Company's website.

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

The board carries out a regular (usually annual) effectiveness review using questionnaires. The review includes an evaluation of the board's own effectiveness and that of its committees and individual directors. The questions are updated each year. As part of the review the Chair meets with each of the directors to discuss performance, board composition and succession planning.
All of these interactions were conducted virtually for the most recent review which was held at the start of 2022. More details of the review are given on the Company's website. The overall conclusion was that the board, committees and directors were performing well and there were no major concerns. The board also noted changes in responses compared to the review held in the previous year.

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

The executive team launched the Company's vision, mission and values during 2019. Various initiatives have since taken place to roll out and embed these across the Group. More information relating to this principle is on the Company's website.

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

The board is made up of six directors, two of whom are executive and four of whom are non-executive. All of the non-executive directors are independent. The board has an audit committee, chaired by Dr Frank Blin, a remuneration committee chaired by Tom Skelton and a nominations committee chaired by Rob Woodward. All of the non-executive directors are members of these committees. The executive directors and others may be invited to attend the committee meetings from time to time.

The Chair is responsible for the leadership of the board and ensuring its effectiveness. He is also responsible for creating the right board dynamic and for promoting a culture of openness and debate, in addition to ensuring constructive and productive relations between executive and non-executive directors. The Chair acts as an ambassador for the Company to its stakeholders, and in particular, works to ensure there is sufficient and effective communication with shareholders and to understand their issues and concerns.

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

The non-executive directors are responsible for exercising independent and objective judgement when making board decisions, developing corporate strategy with senior management, and for scrutinising and constructively challenging the actions of senior management.

The company secretary is responsible for advising the board on corporate governance matters, supporting the board and committee chairs in the running of the board and committees and liaising with shareholders on governance matters, among other things.

Further information, including links to role descriptions for the Board, the list of matters reserved to the Board and the terms of reference for the Board Committees can be found on the Company's website. The Board considers that the current governance framework is fit for purpose for the Company at its present stage of development and there are no current plans to change it.

Build trust

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

The work of the audit and remuneration committees during the year is given in their respective reports in the Annual Report. The report of the audit committee is on pages 64 to 67 and the report of the remuneration committee is on pages 68 to 72.

The board skills audit was refreshed in 2022 as part of the board effectiveness review. This showed that the directors continue to have between them, a wide range of relevant skills and experience which is sufficient for the needs of the Company at the current time. The balance of knowledge, skills and experience on the board will be kept under review as the business grows.

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

Directors' Report

The Directors present their report together with the audited consolidated financial statements for the year ended 30 June 2022.

Strategic Report

In accordance with sections 414A-D of the Companies Act 2006 a Strategic Report is set out on pages 1 to 51 which incorporates the Chair's Statement, the Chief Executive's Report, the Chief Financial Officer's Report and Business Model. The Strategic Report includes details of expected future developments in the business of the Group, principal risks and uncertainties and the key performance indicators used by management.

The Group is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations as amended in 2013 which enhanced reporting requirements for the Directors' Remuneration Report. However, the Remuneration Report on pages 68 to 72 does set out the remuneration policy and shareholders are invited to vote on this report at the Annual General Meeting (AGM).

The Strategic Report has been prepared to provide the Company's shareholders with a fair review of the Company's business and a description of the principal risks and uncertainties facing it. It should not be relied upon by anyone, including the Company's shareholders, for any other purpose.

Results and dividends

The audited financial statements for the Group for the year ended 30 June 2022 are set out from page 80. The Group profit for the year after taxation was £2.1 million (2021: £1.7 million). The future plans for the business are such that the Board anticipates continued investment into the business that will require cash resources to be deployed into opportunities for future growth. Therefore, the Board has decided that it is not appropriate to pay a dividend for the time being.

Directors

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

F Blin
M C Jones
C E Michel
A P Moloney
T K Skelton
R S L Woodward

P G Rogerson resigned from the Board on 13 December 2021.

Biographical details of the Directors are on pages 53 to 54 and the interests of the Directors in the shares of the Company are set out on pages 71 to 72.

Directors' liability insurance and indemnities

The Company maintains liability insurance for the Directors and Officers of all Group companies and has entered into deeds of indemnity with each Director of Blancco Technology Group plc as permitted by the Companies Act 2006 and the Company's articles of association. These indemnities are qualifying third-party indemnity provisions as defined by the Companies Act 2006. These indemnities were introduced in May 2021 and have continued in place since then.

Related party transactions

The details of transactions with Directors and other related parties are set out in note 30 to the financial statements.

Share capital

The issued share capital of the Company at 1 July 2021 was £1,511,605.92 comprised of 75,580,296 ordinary shares of two pence each ("ordinary shares"). On 15 December 2021, 92,619 shares were allotted at par in respect of the vesting of awards under the Company's performance share plan.

The issued share capital of the Company at 30 June 2022 was therefore £1,513,458.30, comprised of 75,672,915 ordinary shares.

Substantial shareholdings

As at 27 September 2022, the following shareholders owned more than 3% of the issued share capital of the Company:

	% of issued share capital	Number of shares
Soros Fund Management	21.86	16,542,669
Canaccord Genuity Group Inc	13.46	10,188,529
Inclusive Capital Partners LP	11.91	9,014,835
Schroder Investment Management	6.21	4,699,940
Chelverton Asset Management	4.16	3,145,790
Kabouter Management LLC	3.68	2,787,223
BGF	3.31	2,503,402
Janus Henderson Investors	3.30	2,494,549
Forager Funds Management Pty Ltd	3.23	2,445,250

Section 172 Report

In accordance with Section 172 of the Companies Act 2006, the Board of Directors ensures that the Company engages productively and openly with its stakeholders. The Board considers matters raised by stakeholders in a fair and balanced manner and takes their views into account when making decisions. The following table describes why and how we engage with each of our stakeholder groups: investors, employees, customers, partners, industry bodies, communities and regulators. Additional information about the ways in which the Board engages with stakeholders and the consideration given for likely consequences of any decision in the long term can be found in our Corporate Governance Report on pages 55 to 59. For more detailed information about our ESG management, please see our 2022 ESG Report, or a summary of the report on pages 30 to 43.

Stakeholder group	Why we engage	How we engage
Investors	Our shareholders have a key role in monitoring the performance of and supporting the success of the business. We ensure regular and open dialogue with our major shareholders in order to keep them informed of our strategic progress and plans.	The CEO and CFO regularly engage with our major investors, particularly at the time of the announcement of our full and half year results when investor roadshows are arranged. The Chair of the Board, Chair of the Remuneration Committee and Company Secretary engage with investors on matters of corporate governance and the AGM provides another forum where investors can interact with the Board. Feedback from all of these interactions is shared with the Board. The CFO also attends investor conferences from time to time. We issue updates on material matters via the Regulatory News Service and other materials are available on our website.
Employees	In order to promote high performance and ensure retention, we want to maintain a proactive culture, affording opportunities to develop and progress. We engage with our employees to enable them to feedback on their experience and ensure that they are supported.	We have cultivated an open and honest environment in which the Senior Leadership Team members are easily approachable. We conduct HR Country Calls every four to six weeks and hold All Hands Calls which include the global workforce. The Annual Global Employee survey provides an opportunity for formal feedback from employees. Our Global Employee Forum meanwhile comprises employees from across the business to represent their colleagues at meetings hosted by the CEO and SVP Human Resources, which provide an opportunity to engage directly with the Executive Team on key issues. The feedback from the employee survey and actions taken as a result are shared with the Board, and the SVP Human Resources provides reports to the Board on all employee matters, including details of the activities of the Global Employee Forum. To ensure we maintain the highest standards of business conduct, training on our policies is mandatory for all new joiners and we conduct refresher training for employees every two years for our Code of Business Conduct, Anti-corruption and Bribery Policy, Whistleblowing Policy, Modern Slavery Policy, and Data Protection Policy. To ensure effective governance of ethics issues, there are multiple layers of oversight, including the Board.

Directors' Report continued

Section 172 Report continued

Stakeholder group	Why we engage	How we engage
Customers	We are committed to delivering the highest possible standard of customer experience and want to ensure we retain our loyal customers as well as attract new business. We engage with our customers regularly and respond to their feedback in order to understand and meet their evolving needs.	We engage with customers through a number of channels, including our Net Promoter Score (NPS) survey, Win Loss survey, the Customer Advisory Board, and direct interactions between our Sales Team and customers. Feedback from these is shared with the Board. From time to time customers attend meetings with the Board, enabling an exchange of views.
Partners	Engaging with our strategic partners enables us to improve our services and focus on research and development to meet the needs of our customers whilst ensuring we obtain the best possible value from our investments.	In addition to the regular feedback we receive, a Customer Advisory Board facilitates engagement with key customers. This forum provides an in-depth understanding of our partners' requirements and stimulates collaborations that can lead to the development of new solutions and the implementation of improved efficiencies in our existing products.
Industry bodies	We want to continue to drive progress in our sector and take part in the exchange of knowledge, expertise, and best practice through engagement with industry bodies.	We support and are members of a range of sector-relevant bodies around the globe and encourage active participation of our employees in these associations, with employees attending conferences, meetings, and roundtables.
Communities	We want to be able to give back to the communities we operate in, not only through charitable giving, but in the deployment of our resources to support specific needs. We also consider the potential environmental impacts of our activities and strive to reduce these through appropriate measures.	We support several charities around the globe to facilitate access to technology for underprivileged groups. This year we launched our new Volunteer Day programme, which enables employees to take a paid day off every year to do voluntary work of their choice. This year the Group has taken further steps to understand its carbon profile and has offset its entire emissions footprint for the 2021 calendar year, enabling Blancco to achieve carbon neutrality for that period.
Regulators	We maintain open and transparent dialogue with regulators, which fosters positive and productive relationships as well as effective oversight of our operations for customers.	Our solutions have been tested, certified, approved, and recommended by 13+ governing bodies and leading organisations around the world.

Research and Development
The Group has a significant focus on continued research and development, to ensure that the Group's key products continue to evolve and remain industry leading. This covers both new inventions, which are encouraged via staff incentives for proposing new ideas and ensuring that the product set keeps pace with technological development generally in the market.

We continue to invest in patenting our technology to ensure that new advances are sufficiently well protected from competition and also obtain certifications in the geographies in which we operate to ensure our product developments are supported by endorsements from governing bodies.

The Group continues to invest a significant amount in research and development, with expensed research and development costs totalling £1.2 million (2021: £1.1 million) and capitalised development costs totalling £4.1 million (2021: £4.2 million).

Streamlined Energy and Carbon Reporting
During the year, we have continued to assess the environmental impact of our business and engaged a consultancy to conduct a carbon audit of the business. Our energy consumption metrics are disclosed in the ESG Report on pages 30 to 43. Blancco achieved carbon neutrality in June 2022 in respect of the 2021 calendar year.

Going concern
The Group meets its day-to-day working capital requirements through its cash reserves and a revolving credit facility, which expires in January 2024.

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 1. 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.

Financial risks
Information on the Group's financial risk management objectives and policies and its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk can be found in note 26 to the financial statements.

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

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

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

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

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

By order of the Board:

Lorraine Young Company Secretaries Limited
Company Secretary

27 September 2022

Audit Committee Report

Frank Blin
Chair of Audit Committee

During the 2022 annual cycle, the Audit Committee met four times. It has an annual work plan, developed from its terms of reference, with standing items that the Committee considers at each meeting in addition to any specific matters which the Committee chooses to focus on.

Key areas of focus during the year
The Audit Committee primarily focuses on challenging the judgements and estimates and agreeing the accounting proposed by the executive management team in judgemental areas and to ensure sufficient controls are in place to mitigate against potential misstatement in the financial statements. This includes assessing Group-wide internal controls.

Additionally, the Committee reviews the Group's Risk Management framework at each meeting.

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

The Committee also reviews the Group's Code of Conduct and any instances of whistleblowing in the year. There have been no incidents of whistleblowing events in the current or previous financial years.

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

Auditor's Independence
The Group's auditor is PricewaterhouseCoopers LLP (PwC). PwC was first appointed auditor at the 2017 Annual General Meeting and has been reappointed at each subsequent AGM. Assignments of non-audit work have been, and continue to be, subject to controls by management that have been agreed by the Audit Committee, so that auditor independence is not compromised. The Group has not instructed any non-audit work by PwC during the current or previous financial years.

The Audit Committee and the Board place great emphasis on the objectivity of the external auditor in its reporting to shareholders. The audit partner and senior manager attend Audit Committee meetings as required to ensure full communication of matters relating to the audit. The overall performance of the auditor is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided when necessary to senior members of the audit firm unrelated to the audit. The Audit Committee also has discussions with the auditor on the adequacy of controls and on any judgemental areas. These discussions have proved satisfactory.

The Senior Statutory Auditor is due to rotate off the audit this year following five subsequent years of service. The incoming Senior Statutory Auditor has had meetings with the Committee and management team and been involved in shadowing the key audit matters and judgements for the current financial year, as well as being present at the final Audit Committee meeting which took place in advance of the approval of the financial statements.

Accounting and financial reporting matters considered by the Audit Committee

After discussion with both management and the external auditor, the Audit Committee determined that the key risks of potential misstatement in the Group's financial statements related to revenue recognition, management override of controls, capitalisation of development costs, the acquisition of WipeDrive Inc, and, for the parent company, investments in and amounts due from subsidiaries.

The acquisition of WipeDrive Inc, and the resulting acquisition accounting, has been considered a significant risk due to the size of the acquisition and the judgements involved in assessing the fair values of the assets and liabilities acquired, including valuation of acquired intangibles. The Committee reviewed management's assessments and assumptions in arriving at the value of the assets and liabilities acquired, with reference both to due diligence work undertaken in advance of the acquisition and also against the Group's experience of acquisitions undertaken in previous financial years.

These issues were discussed with management during the year and with the external auditor at the time the Committee reviewed and agreed the external auditor's audit plan, and this included the WipeDrive transaction at the time of the conclusion of the audit of the annual financial statements in September 2022.

Internal Audit

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

Revenue recognition

The Group enters into contracts where revenue recognition can be complex. There is potential risk of misstatement of revenues associated with software licence contracts where:

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

Judgement is required in establishing the transfer of control under IFRS 15. This is particularly pertinent for multiple element contracts where certain deliverables could be intrinsically tied to others, and therefore considered a single performance obligation, and where this judgement could vary on a contract by contract basis. There are further judgements made in relation to the point at which delivery has occurred where licences are held on a cloud account managed by Blancco, and in relation to the allocation of the transaction price to separable performance obligations of a revenue contract.

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

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

In exercising this judgement and with respect to revenue recognition on large contracts, management highlighted to the Committee how it arrived at the key assumptions. This included:

- The point of revenue recognition under contracts.
- A summary of the Group's standard contract terms and contracts where revenue recognition departs from the standard.
- Comparison of the payment profile with the revenue profile of key contracts.
- Analyses of separable elements of the revenue streams where multiple service components are delivered to the customers.
- The controls in place to ensure contracts are appropriately recorded in the financial statements.

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

The Committee's deliberations involved considering and understanding the outcome of management's review of material contracts on an individual basis, to ensure there was sufficient evidence for both meeting the revenue recognition criteria under IFRS 15 and gaining sufficient comfort that the monies for revenues booked would be collected on a timely basis.

It also involved assessment of the findings of the external auditor across individual contracts tested.

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

The Committee concluded that:

- In respect of management's judgements in applying the requirements of IFRS 15, these judgements were reasonable.
- In respect of the software and services multi-element arrangements, the assessments on point of revenue recognition were based on contract terms and the treatment adopted by management was reasonable.
- In respect of nature and timing of delivery of software, the point of transfer of control was reasonably recorded.
- The controls in place for approvals for material and non-standard contracts were appropriate.
- The controls in place for review of contracts and ensuring checking of revenue recognition were appropriate.
- In respect of the cash collected, there was a strong correlation between revenues recognised and cash collected at and subsequent to the year end.

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

Audit Committee Report continued

Management override of controls
The Board recognises that the risk of override of controls cannot be fully eliminated in any business and that the Group has clearly defined policies and controls in place. The Board is in constant communication with management and requests updates on the state of the control environment, to be comfortable that risks are mitigated as far as practicable, with a particular focus on revenue recognition.

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

The Committee concluded that:
- The Board has performed appropriate procedures to minimise the risk of any possible management override of controls as they relate to the financial statements;
- The scope of work of the auditor has been sufficient to identify weaknesses in the control environment, and that the prevalence of weakness is at a reasonable level;
- The Group's control environment, including the controls over revenue management, provides an appropriate level of coverage and review over revenue contracts;
- Management's oversight of its operating locations covering accounting, banking and operational matters is reasonable; and
- The Group's systems are appropriate for the business.

Capitalisation of development costs
The Group undertakes development of its products. A large proportion of this cost capitalisation is for internal staff costs working on these projects.

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

There is a potential risk of misstatement because of:
- Inappropriate judgements on whether a project or asset meets the criteria for capitalisation;
- Inappropriate allocation of staff time against research and administration related tasks, which do not qualify for capitalisation, and development work;
- Impairment of capitalised assets which depends on future cash flows; and
- Development of new technology, or change in strategic focus, may render previously capitalised assets obsolete.

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

Management highlighted to the Committee how they arrived at the key assumptions. This included:
- A summary of the processes used in determining what costs to capitalise, including assessment of projects completed and products released in the year.
- Consideration of the future economic benefit of current development work and acquired IP, including scrutiny of planning and assessment of contracted future revenues and the pipeline of new business.
- Review of estimates of future cash flows.
- Review of the assumed useful economic life used.
- Review of past development projects which have generated economic benefit for the Group.

The Committee challenged management's key assumptions to understand their impact. The Committee was satisfied that the assumptions used were appropriately scrutinised, challenged and sufficiently robust.

The Committee concluded that:
- In respect of the capitalisation of costs, the amounts allocated to the development phase of the intangible assets were appropriately capitalised and supported by project data.
- In respect of potential impairment, future cash flows sufficiently supported the asset value.
- In respect of the potential impairment of development intangibles, the value of future cash flows was expected to be in excess of the carrying value of the intangible.

Acquisition of WipeDrive Inc
In June 2022, the Group acquired WipeDrive Inc. The accounting for the acquisition required a significant degree of judgement around the value of the acquired intangible assets on acquisition and the extent to which contingent or undisclosed liabilities exist. There is also $1.5 million of contingent consideration payable in June 2023, where there is estimation uncertainty around whether the criteria for the consideration to be paid out in full will be met. The valuation of intangibles is particularly pertinent as it represents a material portion of the purchase price allocation.

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

The risk of misstatement arises from:
- Intangible assets incorrectly valued, based on future forecasts of profitability, quality of customer relationships and brand value which are inherently judgemental.
- Valuation of liabilities acquired in the business which may be undisclosed or unknown at the point of acquisition, or those liabilities which have been identified but may require judgement around the size or extent to which they might crystallise.

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

The Committee concluded that:

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

Recoverability of amounts due from subsidiaries (Company only)

For the parent company, the recoverability of amounts due from subsidiaries is considered to be a potential risk should the future profitability of the Group be insufficient to substantiate the carrying value of assets.

Uncertainty arises due to the difficulties in forecasting and discounting future cash flows that support cash generation in the future, especially if the amounts outstanding are less than the market capitalisation of the Group, which is used as a benchmark to identify a potential impairment trigger.

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

The relevant accounting policies of the Company are outlined in note 3.2 to the Company's financial statements.

Management highlighted to the Committee how it arrived at the key assumptions to estimate the future cash flows.

This included:

- A robust budget process including the input of functional managers across the business for the financial year ending June 2023.
- Other underlying assumptions, by benchmarking these against prior performance and also market and sector trends.
- The resilience of the Group operating within an economic environment impacted by COVID-19, and how the Group expects to continue to generate profit and growth in its forecasts.
- Quality and integrity of the Group's forecast P&L and cash flow models.
- Sensitivity analysis performed.
- Annual testing procedure together with review of year to date actuals.
- Assessment of the discount rates used.
- Comparison of the carrying value of assets versus the market valuation of the Group.

The Committee evaluated management's assumptions through the planning process and in its assessment of the net present value of future cash flows into the medium term, and was satisfied that the value in use as represented by the net present value of future cash flows was sufficient to justify the carrying value of amounts due from subsidiaries. The Committee was satisfied that the work performed sufficiently addressed the ongoing risks associated with the COVID-19 pandemic and other socio-economic pressures.

The Committee reviewed the basis of calculation of loss provision for amounts due from subsidiaries for the Company as required under IFRS 9 and concluded this was appropriate.

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

- The projected future cash generation of the business was sufficient to justify the carrying value of amounts due from subsidiaries;
- The market capitalisation of the Group exceeded the carrying amounts; and
- The loss allowance applied was appropriate based on management's benchmarking, and impairment testing and sensitivity analysis thereon indicated evidence of recoverability was otherwise sufficient.

Conclusion in respect of the Annual Report and Financial Statements

The production and the audit of the Company's Annual Report and Accounts is a comprehensive process requiring input from a number of different contributors. One of the key requirements of the Company's Annual Report and Accounts is that they are fair, balanced and understandable. The Board has requested that the Audit Committee advises on whether it considers that the Annual Report and Accounts fulfil these requirements.

As a result of the work performed, the Committee has concluded that the Annual Report and Accounts for the year ended 30 June 2022, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 73.

Frank Blin (Nov 10, 2022 11:09 GMT)

Frank Blin
Chair of the Audit Committee

27 September 2022

Remuneration Committee Report

Tom Skelton
Chair of Remuneration Committee

The Remuneration Committee determines on behalf of the Board the Company's policy on the remuneration and terms of engagement of the Executive Directors and senior executives.

The members of the Remuneration Committee are disclosed in the Corporate Governance Report on page 59.

The Remuneration Committee is supported by Sarah Smith, the Company's Senior VP of Human Resources and by its advisors Deloitte LLP. Deloitte LLP is a founding member of the Remuneration Consultants Group. Deloitte LLP do not provide any other services to the Group. Executive Directors also attend Remuneration Committee meetings by invitation when appropriate but are not present at any discussion of their own remuneration.

Remuneration policy for all employees

The Group operates in a highly competitive global environment for talent in the technology sector. For the Group to compete successfully in these challenging conditions, it is essential that the level of remuneration and benefits offered is reflective of the market in each location in order to attract, retain and motivate individuals of a high calibre at all levels across the Group, while ensuring that arrangements are aligned with business strategy and shareholders' interests.

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

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

Remuneration of Executive Directors

The Executive Directors' remuneration is made up of:
- Fixed elements, comprising base salary, benefits and pensions.
- Performance related elements, comprising an annual bonus and long-term incentive – the Blancco Performance Share Plan.

During the year ended 30 June 2022, the Committee undertook a review of the components of executive remuneration to ensure they remain best positioned to support the delivery of our forward-looking strategy and the creation of long-term value for our shareholders. Given the extensive review and significant changes to compensation which took place in the year ended 30 June 2021, it was concluded at this stage that the current components of executive remuneration remain appropriate and no further changes in remuneration structure were recommended.

The Remuneration Committee however remains mindful of the importance of environmental, social and governance (ESG) measures in driving long-term sustainable growth. Sustainability is core to the Company's business model, and it is recognised that the Company has a role to play in addressing its own impact on climate change. In the year ended 30 June 2022, the Company was pleased to announce it had achieved carbon neutrality, a crucial milestone, by offsetting its Scope 1, 2, and 3 carbon emissions. Going forward, the Company aims to reduce its emissions intensity on an annual basis and will continually review its decarbonisation plan. Reflective of the criticality of the Company's objectives in this regard, the Remuneration Committee has determined that a new ESG measure, focused on carbon neutrality, be introduced into the annual bonus for the year ending 30 June 2023.

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

Following a review in June 2021, the Committee agreed to increase the CEO's salary to US$405,562 per annum (3% increase) and the CFO's salary to £242,822 per annum (2.5% increase) with effect from 1 July 2021. The CEO's salary was increased by a further 3% to US$417,728 per annum from 1 October 2021 in line with the wider US employee cost of living increases.

The annual pay review for the Executive Directors for 2022/2023 will take place with effect from 1 October 2022 in line with the wider employee population. It is anticipated that the pay review for the Executive Directors will be no higher than that received by the wider employee population.

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

Pensions
The Group makes defined contributions into individual pension plans. The CEO receives a pension contribution of 4% of base salary up to the annual pension cap which was US$27,000 for 2021/2022. The CFO receives a total pension contribution of 4% of base salary, which due to tax regulations is taken as pension contribution of 1.68% of base salary and a cash allowance of 2.32%. Pension contributions for both the CEO and CFO are in line with the approach for the US and UK workforce, respectively.

The amounts payable in the financial year are set out in the Directors' emoluments table on page 71.

Annual bonuses
Annual bonuses for the Executive Directors are typically determined by reference to performance targets based on the Group's financial results and individual personal objectives set at the beginning of the financial year.

Operation for the year ended 30 June 2022
For the year ended 30 June 2022 the core bonus potential for the CEO and CFO was 100% of salary (maximum opportunity of 125% of salary including the 'kicker'). The operation of the 'kicker', which was introduced three years ago in order to drive exceptional levels of performance, enables participants to earn up to 125% of their core annual bonus opportunity for the achievement of superior performance above that which is required for the core award.

The annual bonus was based on two-thirds revenue targets and one-third personal objectives, subject to a minimum level of attainment on adjusted operating profit. The minimum level of attainment on adjusted operating profit was achieved. Revenue for the year on a constant currency basis, and excluding the contribution of WipeDrive, was £40.5 million which exceeded the £39.9 million target set for the core bonus. As a result, 100% of the financial element of the core bonus will pay out. The stretch target set for the 'kicker' was also partially met.

In addition, strong individual contributions from both Executive Directors resulted in 95% delivery of the CEO's personal objectives and 100% delivery of the CFO's personal objectives. Key achievements against personal objectives include:

CEO — driving long-term vision and strategy for the Company, resulting in a robust financial position, building a strong and diverse workforce with employee engagement at an all-time high of 84%, successfully embedding structural changes with a hybrid work environment now in place across all offices and driving Blancco to a leadership position in ESG.

CFO – leading the development and implementation of the Group ESG strategy to a position of carbon neutrality, successfully driving the long-term financial strategy and reviewing the global office space requirements, resulting in one office lease not being renewed and office space being reduced in another office as a result in the change in working patterns.

With the 'kicker' applied to both the achievement of financial targets and personal objectives, the overall bonus pay out for the CEO was 106% of base salary and for the CFO was 108% of base salary.

Operation for the year ending 30 June 2023
For the year ending 30 June 2023, the structure of the annual bonus has been amended to incorporate a target focused on maintaining carbon neutrality. The new structure will be as follows:

- 65% based on financial target (revenue).
- 25% based on the achievement of agreed personal objectives.
- 10% based on maintaining carbon neutrality.

The entire annual bonus will remain subject to a minimum level of attainment on adjusted operating profit.

Personal objectives for the CEO relate to driving the long term vision and strategy for the company, continuing to build a strong and diverse workforce and ensuring the company builds on the internal momentum for its ESG program, and for the CFO relate to continuing to lead the company initiatives on ESG, ensuring the company maintains carbon neutrality status, and continuing to review and make proposals in respect to global office space requirements with new hybrid working models in place.

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

Blancco Performance Share Plan
The Company has in place a long-term incentive plan – the Blancco Performance Share Plan (the Plan) – to incentivise Executive Directors and senior management to drive long term sustainable growth for shareholders.

It is intended that annual awards will be granted under the plan to Executive Directors and senior management. The awards will be subject to stretching performance conditions over a three-year period which will be selected annually by the Remuneration Committee prior to the grant of awards and will closely align to the Company's key business objectives.

Vesting of grants made in the year ended 30 June 2020
On 2 October 2019 Matt Jones was granted an award over 325,191 ordinary shares of 2p each in the Company in the form of conditional shares under the Plan. This corresponded to 130% of salary. On 2 October 2019 Adam Moloney was granted an award over 111,482 ordinary shares of 2p each in the Company in the form of conditional Shares under the Plan. This corresponded to 60% of salary.

Remuneration Committee Report continued

Blancco Performance Share Plan continued

The vesting of these awards was based 33% on Invoiced Revenue, 33% on adjusted operating cash flow and 33% on adjusted operating profit, all excluding WipeDrive revenue and on a constant currency basis, as set out in the table below. Performance was assessed based on the outcome for the year ended 30 June 2022.

Measure	Weighting	Threshold 25% vesting	Target 50% vesting	Maximum 100% vesting	Performance outcome for year ended 30 June 2022	Percentage vesting
Invoiced revenue	33%	£43.2m	£45.6m	£48.0m	£40.5m	0%
Adjusted operating cash flow	33%	£8.5m	£9.0m	£9.5m	£11.0m	33%
Adjusted operating profit	33%	£5.5m	£5.9m	£6.4m	£6.6m	33%
			Total vesting			66% of maximum

Overall, the PSP will vest at 66% of the granted award upon completion of the audit of the financial statements for the year. There was no discretion exercised on the outcome of the PSP.

Operation for grants made in the year ended 30 June 2022

On 14 December 2021 Matt Jones was granted an award over 192,477 ordinary shares of 2p each in the Company in the form of conditional shares under the Plan. This corresponded to 170% of salary. On 14 December 2021 Adam Moloney was granted an award over 70,846 ordinary shares of 2p each in the Company in the form of nil cost options under the Plan. This corresponded to 80% of salary.

These awards will vest based 33% on revenue, 33% adjusted operating cash flow and 33% adjusted operating profit. These measures were selected to support the delivery of long-term success of the business and increasing value for shareholders. Performance will be assessed based on outcomes for the year ended 30 June 2024 against the following targets, and awards will vest when the Committee determines the extent to which the Performance Conditions have been satisfied, which will usually be upon Board approval of the audited financial accounts for that year.

Measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Revenue	33%	£44.7m	£49.9m	£55.5m
Adjusted operating cash flow	33%	£9.2m	£9.8m	£10.4m
Adjusted operating profit	33%	£5.4m	£5.6m	£5.9m

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

When assessing the level of vesting in respect of the revenue portion the Committee will also consider the profitability of such revenue to ensure that growth in revenue reflects value creation for shareholders. The Committee retains the discretion to adjust the vesting outcome if it is not considered to be reflective of underlying financial or non-financial performance of the business or the performance of the individual over the performance period or where the outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders.

Operation of grants to be made in the year ending 30 June 2023

Following the extensive review and increase last year, the normal long-term incentive opportunity for the CEO and CFO will remain at 170% and 80% of salary, respectively.

Performance measures also remain unchanged from prior years. These awards will therefore be based one-third on revenue, one-third on adjusted operating profit and one-third on adjusted operating cash flow.

Other key points related to the operation of the Plan are as follows:

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

As of 30 June 2022, dilution in respect of Blancco share awards granted in the last 10 years represented 4.4% of the Company's issued share capital.

Service contracts

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

Payments to past Directors

No payments were made to past Directors during the year.

Non-executive Directors' remuneration

Non-executive Directors are appointed for a specified term, being an initial three-year period subject to their re-election by shareholders at the first AGM after their appointment. The initial three-year period may be extended for further three-year terms, at the discretion of the Board and subject to the ongoing requirement for re-election by shareholders under the Company's articles. On termination, no compensation is payable other than outstanding fees.

The Non-executive Directors receive fees which are set by the Board as a whole. For UK based directors, the current fee is £45,000 per annum. For Tom Skelton, who is based in the US, the current fee is US$66,216 per annum. A further amount is payable to each of the Chairs of the Audit and Remuneration Committees to reflect the additional responsibilities and time commitments of these roles.

Up to 30 June 2022 this was £6,000 per annum for UK based directors and US$8,340 per annum for the US based director.

The Board Chair receives an annual fee of £95,000 per annum which reflects the additional responsibilities and time commitment required for this role. This remains unchanged.

There have been no changes in Non-executive Director fees during the year or since the year end. No incentives, pensions or other benefits are available to the Non-executive Directors.

The Board may request Non-executive Directors to perform specific additional work at an agreed day rate. It would be the intention of the Board that the Directors' independence is not prejudiced by the nature of any such additional work, and none was undertaken during the year to 30 June 2022.

Audited details of the Directors' emoluments are given below.

	Salary and fees 2022 £'000	Benefits 2022 £'000	Annual bonus 2022 £'000	Pension contributions 2022 £'000	Total 2022 £'000	Total 2021 £'000
Current Executive Directors						
Matt Jones[1]	310	11	372	9	702	632
Adam Moloney	248	2	262	4	516	513
	558	**13**	**634**	**13**	**1,218**	**1,145**
Non-executive Directors						
Frank Blin	51	–	–	–	51	48
Catherine Michel	45	–	–	–	45	45
Philip Rogerson	20	–	–	–	20	47
Tom Skelton[1]	56	–	–	–	56	51
Rob Woodward	95	–	–	–	95	95
	267	**–**	**–**	**–**	**267**	**286**
Total	**825**	**13**	**634**	**13**	**1,485**	**1,431**

[1] Remuneration for Matt Jones and Tom Skelton is paid in US Dollars and is therefore subject to exchange rate fluctuations when translated into Sterling.

Directors' beneficial interests in shares

The interests of the Directors who held office at 30 June 2022 and their connected parties in the ordinary share capital of the Company are as shown in the table below.

	As at 30 June 2022 Number	As at 30 June 2021 Number
Executive Directors		
Matt Jones	362,962	159,232
Adam Moloney	179,316	28,000
Non-executive Directors		
Frank Blin	37,893	37,893
Catherine Michel	–	–
Tom Skelton	35,000	35,000
Rob Woodward	42,134	42,134

Remuneration Committee Report continued

Directors' interests in share awards

The interests of the Executive Directors in awards under the Performance Share Plan described earlier in this report, are shown in the table below.

	Year of assessment and vesting	Awards outstanding at 01 July 2021	Awards granted during the year	Awards exercised during the year	Awards outstanding at 30 June 2022	Date of grant
Matt Jones	2021	407,455	–	(407,455)	–	5 November 2018
Matt Jones	2022	325,191	–	–	325,191	2 October 2019
Matt Jones	2023	202,439	–	–	202,439	11 November 2020
Matt Jones	2024	–	192,477	–	192,477	14 December 2021
Total		935,085	192,477	(407,455)	720,107	
Adam Moloney	2021	302,632	–	(302,632)	–	25 July 2018
Adam Moloney	2022	111,482	–	–	111,482	2 October 2019
Adam Moloney	2023	74,614	–	–	74,614	11 November 2020
Adam Moloney	2024	–	70,846	–	70,846	14 December 2021
Total		**488,728**	**70,846**	**(302,632)**	**256,942**	

No other Directors had any interest in awards under the Performance Share Plan.

Signed on behalf of the Remuneration Committee:

Tom Skelton

Tom Skelton
Chair of the Remuneration Committee

27 September 2022

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

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

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

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

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

Directors' confirmations

The directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and company's position and performance, business model and strategy.

On behalf of the Board

Adam Moloney
Chief Financial Officer

Financial Statements

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 2022 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 UK-adopted international accounting standards;
- The company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 30 June 2022; 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 thirteen legal entities located in nine different countries.
- Four financially significant components in UK, USA, Japan and Germany.

Key audit matters

- Revenue recognition (group)
- Capitalisation of development costs (group)
- Accounting for the acquisition of WipeDrive (group)
- Carrying value of intercompany receivables and investments (parent)

Materiality

- Overall group materiality: £398,000 (2021: £365,000) based on 1% of revenues.
- Overall company materiality: £1,141,000 (2021: £1,012,000) based on 1% of total assets.
- Performance materiality: £298,500 (2021: £273,750) (group) and £855,750 (2021: £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 WipeDrive is a new key audit matter this year. The risk posed by COVID-19, which was a key audit matter last year, is no longer included because of a reduction in the relative level of assessed audit risk associated with COVID-19 in the current year. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of Blancco Technology Group plc continued

Report on the audit of the financial statements

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 satisfied prior to the year end, such that recognition of licence revenue in accordance with IFRS 15 in the period was appropriate. In response to the presumed risk of fraud, where revenue was 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 15**, 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 £9.3 million of capitalised development expenditure at 30 June 2022. 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 IAS 38 "Intangible Assets" ("IAS 38") 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 which include the allocation of how much time is capitalised to each project category. We obtained a schedule of projects that the development expenditure related to. We updated our understanding of each project through discussions with management and considered evidence of technical feasibility, technical and financial resources available to complete the projects and of the Group's ability to sell the asset developed, to confirm the projects were being accounted for appropriately in accordance with IAS 38 "Intangible Assets". No material exceptions were noted in our testing.
Accounting for the acquisition of WipeDrive (group) WipeDrive Inc was acquired in June 2022 for a total consideration of £8.4 million settled in a combination of cash and contingent consideration. £6.5 million of goodwill and £2.6 million of intangible assets were recognised as part of the acquisition accounting. These are material balances and subject to a number of estimates in determining their valuation. Management performed a purchase price allocation exercise that involved fair valuing the assets acquired, including separately identifiable intangible assets, comprising technology, customer contracts, and brands (see **note 13**) to the consolidated financial statements.	With the assistance of our internal valuation specialists, we assessed the assumptions used in determining the fair value of the acquired intangible assets and tested the methodology for reasonableness. In particular: • We assessed the completeness of identified intangible assets, and the valuation methods used to determine the fair value; • We considered the discount rate used by management to value the intangible assets; • We considered the reasonableness of the underlying cashflow forecasts which formed the basis for determining the fair values by comparing the cash flows to historical performance and considering the growth rates applied. We also tested the acquisition balance sheet by agreeing the material balances to supporting information. We agreed the cash consideration paid to the acquisition agreement and supporting bank statements. We obtained management's calculation for the fair value and accounting policy alignment adjustments recognised on acquisition and agreed the adjustments recognised to supporting documentation evidencing the amount and existence of the contingency or accounting policy difference giving rise to the adjustment at the acquisition date. We also obtained management's calculation for the contingent consideration and confirmed the calculation methodology agreed to the acquisition agreement and the estimates made by management were reasonable based on the information available at 30 June 2022. We found no material exceptions in our testing.
Carrying value of intercompany receivables and investments (parent) 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. IFRS 9 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 2022, 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 focussed on the development and sale of data erasure and device diagnostic services, comprised of 26 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. Only one component auditor was engaged and we determined the level of involvement we needed to have in the audit work of the component auditor 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 26 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 six legal entities, in the USA, Ireland, Australia, Singapore 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.

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.

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	£398,000 (2021: £365,000)	£1,141,000 (2021: £1,012,000)
How we determined it	Based on 1% of revenues	Based on 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 £23,054 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% (2021: 75%) of overall materiality, amounting to £298,500 (2021: £273,750) for the group financial statements and £855,750 (2021: £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 £19,900 (group audit) (2021: £18,250) and £19,900 (company audit) (2021: £18,250) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the members of Blancco Technology Group plc continued
Report on the audit of the financial statements

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 mathematical 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 twelve 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 2022 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;
- 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) Simon Ormiston
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

27 September 2022

Consolidated Income Statement
for the year ended 30 June 2022

Continuing operations	Note	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £000
Revenue	3	**39,799**	36,506
Cost of sales		**(1,290)**	(2,807)
Gross profit		**38,509**	33,699
Administrative expenses (including depreciation and amortisation)		**(36,627)**	(31,925)
Operating profit		**1,882**	1,774
Acquisition costs	5	**542**	–
Exceptional income	5	**–**	(837)
Amortisation of acquired intangible assets		**2,683**	2,859
Share-based payments charge	29	**1,387**	1,490
Adjusted administrative expenses		**(32,015)**	(28,413)
Adjusted operating profit		**6,494**	5,286
Finance income	9	**6**	121
Finance costs	9	**(201)**	(420)
Profit before tax		**1,687**	1,475
Taxation	10	**364**	(95)
Profit for the year from continuing operations		**2,051**	1,380
Discontinued operations			
Post tax profit from discontinued operations	7	**–**	331
Profit for the year	6	**2,051**	1,711
Attributable to:			
Equity holders of the Company		**2,024**	1,697
Non-controlling interests	18	**27**	14
Profit for the year		**2,051**	1,711
Earnings per share			
Continuing operations:			
Basic	11	**2.71 p**	1.84 p
Diluted	11	**2.64 p**	1.78 p
Discontinued operations:			
Basic	11	**0.00 p**	0.45 p
Diluted	11	**0.00 p**	0.43 p
Total Group:			
Basic	11	**2.71 p**	2.29 p
Diluted	11	**2.64 p**	2.21 p

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2022

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £000
Profit for the year	**2,051**	1,711
Other comprehensive income/(expense) – amounts that may be reclassified to profit or loss in the future:		
Exchange differences arising on translation of foreign entities	1,632	(5,862)
Total comprehensive profit/(loss) for the year	**3,683**	(4,151)
Attributable to:		
Equity holders of the Company	3,691	(4,049)
Non-controlling interests	(8)	(102)
Total comprehensive profit/(loss) for the year	**3,683**	(4,151)

Consolidated Balance Sheet
as at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £000
Assets			
Non-current assets			
Goodwill	14	**56,040**	48,199
Other intangible assets	15	**19,928**	19,369
Property, plant and equipment	16	**2,970**	2,249
Deferred tax assets	27	**107**	119
		79,045	69,936
Current assets			
Inventory	19	216	110
Trade and other receivables	20	8,954	6,204
Current tax asset		641	469
Cash and cash equivalents	21	8,195	10,071
		18,006	16,854
Total assets		**97,051**	86,790
Current liabilities			
Trade and other payables	22	(9,433)	(7,767)
Contingent consideration		(1,347)	–
Current tax liability		(291)	(336)
		(11,071)	(8,103)
Non-current liabilities			
Borrowings	23	(2,000)	–
Other payables	22	(2,265)	(1,131)
Deferred tax liabilities	27	(3,971)	(2,655)
		(8,236)	(3,786)
Total liabilities		**(19,307)**	(11,889)
Net assets		**77,744**	74,901

Consolidated Balance Sheet continued
as at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £000
Equity			
Called up share capital	28	1,513	1,512
Share premium account	28	21,103	21,103
Merger reserve	28	5,861	5,861
Capital redemption reserve	28	417	417
Translation reserve	28	1,857	190
Retained earnings		46,438	45,255
Total equity attributable to equity holders of the Company		77,189	74,338
Non-controlling interest reserve	18	555	563
Total equity		77,744	74,901

The financial statements on pages 80 to 109 were approved by the Board of Directors and authorised for issue on 27 September 2022.

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 2022

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Non-controlling interest reserve £'000	Capital redemption reserve £'000	Total £'000
Balance as at 1 July 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 charge	–	–	–	–	1,702	–	–	1,702
Balance as at 30 June 2021	**1,512**	**21,103**	**5,861**	**190**	**45,255**	**563**	**417**	**74,901**
Comprehensive income:								
Profit for the year	–	–	–	–	2,024	27	–	2,051
Other comprehensive expense								
Exchange differences arising on translation of foreign entities	–	–	–	1,667	–	(35)	–	1,632
Total comprehensive profit	–	–	–	1,667	2,024	(8)	–	3,683
Transactions with owners recorded directly in equity:								
Issue of shares	1	–	–	–	–	–	–	1
Purchase of Company's own shares	–	–	–	–	(1,546)	–	–	(1,546)
Share based payment charge inclusive of deferred tax credit	–	–	–	–	705	–	–	705
Balance as at 30 June 2022	**1,513**	**21,103**	**5,861**	**1,857**	**46,438**	**555**	**417**	**77,744**

Consolidated Cash Flow Statement
for the year ended 30 June 2022

	Note	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Profit for the year		**2,051**	**1,711**
Adjustments for:			
Profit from discontinued operations	7	**–**	(331)
Net finance costs	9	**195**	299
Taxation	10	**(364)**	95
Loss on disposal of intangible assets	6	**–**	66
Profit on disposal of property, plant and equipment	6	**–**	(6)
Depreciation of property, plant and equipment	6	**1,119**	1,129
Amortisation of intangible assets	6	**3,923**	3,753
Amortisation of acquired intangible assets	6	**2,683**	2,859
Share-based payments expense	29	**1,387**	1,490
Operating cash flow before movement in working capital		**10,994**	11,065
Acquisition costs		**542**	–
Exceptional income		**–**	(837)
Adjusted EBITDA		**11,536**	10,228
Increase in inventories		**(69)**	(19)
(Increase)/decrease in receivables		**(2,092)**	588
Increase/(decrease) in payables and accruals		**1,496**	(1,249)
Cash generated from continuing operations		**10,329**	10,385
Acquisition costs payments		**355**	252
Share-based payments		**143**	155
Adjusted operating cash flow		**10,827**	10,792
Interest paid on lease liabilities		**(110)**	(95)
Other bank charges paid		**(25)**	(242)
Tax (paid)/received		**(261)**	228
Net cash generated from operating activities – continuing operations		**9,933**	10,276
Net cash generated from operating activities – continuing and discontinued operations		**9,933**	10,276
Cash flows from investing activities			
Purchase of property, plant and equipment		**(157)**	(235)
Purchase and development of intangible assets		**(4,453)**	(4,876)
Acquisition of subsidiaries, net of cash acquired	12	**(6,873)**	(319)
Net cash used in investing activities – continuing operations		**(11,483)**	(5,430)
Net cash used in investing activities – continuing and discontinued operations		**(11,483)**	(5,430)

Consolidated Cash Flow Statement continued
for the year ended 30 June 2022

	Note	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Cash flows from financing activities			
Payment of the principal portion of lease liabilities		**(784)**	(927)
Purchase of Company's own shares		**(1,546)**	–
Share issue, net of fees		**1**	–
Interest refunded*		**73**	54
Interest paid*		**(58)**	(18)
Drawdown of borrowings	25	**3,000**	–
Repayment of borrowings	25	**(1,000)**	–
Net cash used in financing activities – continuing operations		**(314)**	(891)
Net cash used in financing activities – continuing and discontinued operations		**(314)**	(891)
Net (decrease)/increase in cash and cash equivalents	25	**(1,864)**	3,955
Other non-cash movements – exchange rate changes		**(12)**	(603)
Cash and cash equivalents at beginning of year	21	**10,071**	6,719
Cash and cash equivalents at end of year	21	**8,195**	10,071
Borrowings		**(2,000)**	–
Net funds	24, 25	**6,195**	10,071

* Interest refunded and interest paid has been reclassified from operating activities to financing activities to better reflect the nature of the cashflows.

Notes to the Accounts
for the year ended 30 June 2022

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 54**, and the nature of the Group's operations and principal activities are set out in the Strategic Report from **page 1**. 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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. 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, overdraft facility, and a revolving credit facility which expires in January 2024.

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 1, 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 2022.

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'
- 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 18. The results of subsidiary undertakings acquired during a financial year are included from the date of acquisition. The financial statements of subsidiaries are prepared in accordance with the Group's accounting policies and to coterminous balance sheet dates.

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

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

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

1.5 Foreign Currencies
Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at rates of exchange ruling at the balance sheet date. The income statements and cash flow of overseas subsidiaries are translated into sterling at the weighted average exchange rates applicable during the year and their assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of opening net assets of overseas subsidiaries, together with differences between 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.

Notes to the Accounts continued
for the year ended 30 June 2022

1. General Information continued
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 which do not generate cash inflows independent of other assets, are aggregated into cash-generating units (CGUs) and the recoverable amount of the CGU to which the asset belongs is estimated. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

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

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

- Customer relationships are being amortised on a straight-line basis over 1 to 12 years.
- Brand names are being amortised on a straight-line basis over 1 to 14 years.
- Intellectual property is being amortised on a straight-line basis over 5 to 10 years.

Amortisation of acquired intangibles is excluded from adjusted operating profit in the consolidated income statement.

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

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

Other Intangible Assets
Other intangible assets, such as purchased software, certification or costs of obtaining patents, 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.

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 that has 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.

1. General Information continued

1.9 Accruals and Provisions continued

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 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 which are commercially linked. Under such agreements, an assessment is made over the ability to identify and account for each of the components separately, thereby identifying the different performance obligations. In order for these components to be identified it is determined whether the component has stand-alone value to the customer and whether the fair value of the component can be measured reliably. If these criteria are deemed to be met the components are accounted for separately. While all contracts are assessed on a case by case basis, for the majority of Blancco's sales, all components are measured separately except for:

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

Where these elements are accounted for separately, the consideration received is allocated to each of the identifiable components based on the relative fair values. Fair values are determined on a hierarchical basis as follows:

- Evidence where the Group sells on a stand-alone basis.
- Evidence where the same or similar components are being sold by another third-party.
- Cost of providing the service.

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.

Notes to the Accounts continued
for the year ended 30 June 2022

1. General Information continued
1.11 Taxation continued
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 are 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 (SAYE)
The terms of the 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 included in the Company and Group financial statements. In particular, the trust's transactions in 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 which equals the amount of the initial measurement of lease liability, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight line basis over a term which takes into account the length of the lease term, any break clauses and a reasonable expectation of the length of time it is intended to occupy the lease. In all cases, the depreciation period for any given asset aligns to the terms used to calculate the present value of lease payments.

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

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

1. General Information continued

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, where material. 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 which are segregated by their key features such as location and ageing.

Derivative Financial Instruments

Derivative financial instruments include contracts the Group has taken out which 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 which 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 is 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, share-based payments and exceptional 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.

Notes to the Accounts continued
for the year ended 30 June 2022

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 stand alone, and therefore should be recognised separately, or inherently linked, and therefore recognised together. There is further judgement on product delivery (1) over whether a contract is fulfilled at the point the licence is delivered or whether the Group retains an ongoing obligation to re-deliver licences for product updates or enhancements; and (2) whether holding a stock of licences in a customer account on a shared cloud platform demonstrates that sufficient control has passed to the customer in order to recognise revenue. Management uses specific contractual terms in making this judgement over how much revenue to recognise.
- Underlying assumptions used in 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 which 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 IAS1, 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 which are inherently uncertain.

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

- **Contingent Consideration arising from Business Combinations**
  Estimating the value of contingent consideration requires estimation as to whether the criteria for the consideration to be paid out in full have been met, or whether it is likely that some but not all criteria will be met. The estimation is based on criteria for which the outcome will not be known until the end of the period over which the contingent consideration is measured, and therefore a best estimate of the likelihood of achieving the criteria must be made. Any changes in the future performance of the acquired business is highly likely to affect the amount that will be paid when it falls due.

- **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.

- **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.

- **Fair value of assets and liabilities acquired**
  Assessment over the fair value of the assets and liabilities acquired as part of a business combination, including the assessment of unrecorded or contingent liabilities requires estimations made based on experience of previous acquisitions and from insight gained through the due diligence procedures undertaken prior to the acquisition completing.

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, Mobile and ITAD, however these are not considered separate segments in accordance with IFRS 8, Operating Segments, since they do not form part of management information provided to key decision makers and are measured only at revenue level.

3. Segmental Reporting continued

Discontinued Operations

The post-tax results from discontinued operations in the year was £nil (2021: £0.3 million profit). The profit in the prior year 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.

Geographical Information

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

Continuing operations

Revenue from external customers	2022 £'000	2021 £'000
UK	**4,609**	3,396
USA	**11,759**	10,261
Asia Pacific	**11,648**	11,895
Europe	**11,036**	10,009
Rest of World	**747**	945
	39,799	36,506

No customer represented more than 10% of the Group's revenue (2021: none).

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

Revenue	2022 £'000	2021 £'000
Timing of revenue recognition:		
At a point in time	**39,398**	36,158
Over time	**401**	348
	39,799	36,506

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

Revenue	2022 £'000	2021 £'000
Supply of licenses and related services	**39,110**	35,535
Supply of goods	**689**	971
	39,799	36,506

Unsatisfied long-term contracts

As at 30 June 2022, the Group had contracted but unsatisfied performance obligations amounting to £12.6 million (2021: £12.3 million) of which £7.3 million (2021: £8.8 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:

	2022 £'000	2021 £'000
Current contract assets relating to performance obligations satisfied	**240**	184
Contract liabilities	**1,507**	863

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 increased predominantly due to one long-term contract signed in the year for which the delivery obligation is spread over the three-year contract period and invoiced up-front.

Of the total contract liability of £0.9 million (2021: £1.4 million) at the beginning of the period, £0.8 million has been recognised (2021: £1.0 million) in the year.

In the current year, there is no (2021: no) revenue recognised from performance obligations satisfied in prior periods.

Non-current assets	2022 £'000	2021 £'000
UK	**108**	174
Non-UK	**78,937**	69,762
	79,045	69,936

4. Auditors' Remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company and Consolidated financial statements	**146**	122
The audit of the Company's subsidiaries pursuant to legislation	**161**	153
Total audit fees	**307**	275

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.

Notes to the Accounts continued
for the year ended 30 June 2022

5. Exceptional and acquisition costs/(income)

	2022 £'000	2021 £'000
Provision releases	–	(478)
COVID-19 support income	–	(359)
Acquisition and deal costs	542	–
Total audit fees	542	(837)

Acquisition costs relate to the acquisition of WipeDrive Inc that was completed on 7 June 2022.

Exceptional income in the prior year arose from the release of provisions recognised on historical acquisitions that the business deemed to no longer to be required. These covered items that were exceptional in nature and did not relate to the underlying operating expenses of the acquired business and accordingly the releases were recorded through exceptional income.

Furthermore, in the prior year, 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.

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

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Depreciation of property, plant and equipment – owned	250	247
Depreciation of property, plant and equipment – right of use asset	869	882
Loss on disposal of intangible assets	–	66
Profit on disposal of property, plant and equipment	–	(6)
Amortisation of intangible assets	6,606	6,612
Expense relating to leases of low-value assets	27	25
Cost of inventories recognised as an expense	429	377
Research & development expense	1,191	1,131
Staff costs recognised as an expense, excluding share-based payments	19,777	17,507
Net foreign exchange loss/(gain)	220	(316)

7. Discontinued Operations
The post-tax result from discontinued operations in the year is £nil (2021: £0.3 million profit). The profit in the prior year 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.

There were no cash flows from operating, investing or financing activities in either the current or previous year.

8. Staff Costs

	2022 Average number	2021 Average number
Sales and business development	162	148
Administration	49	49
Research and development	118	119
	329	316

Aggregate employment costs	2022 Total £'000	2021 Total £'000
Wages and salaries	21,042	19,140
Social security costs	1,513	1,283
Share-based payments	1,387	1,490
Other pension costs	1,343	1,177
	25,285	23,090

Of total staff costs of £25.3 million (2021: £23.1 million), £4.1 million were capitalised within other intangible assets (2021: £4.1 million).

Key management personnel have been identified as the 11 employees (2021: 11) comprising the main Board and Executive leadership team.

Remuneration of key management personnel is as follows:

Key management personnel costs	2022 £'000	2021 £'000
Short term employee benefits	2,699	2,528
Share-based payments	560	772
	3,259	3,300

Aggregate employment costs of Group Directors are as follows:

	2022 £'000	2021 £'000
Aggregate emoluments	1,473	1,418
Aggregate gains made on exercise of share options	1,775	512
Aggregate amounts receivable under long term incentive schemes*	579	1,899
Company contributions to a pension scheme	13	12
	3,840	3,841

* with respect to options vesting on performance conditions in respect of the specific years presented.

8. Staff Costs continued

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 IFRS2. 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 **page 71**.

The aggregate gain made on exercise of share options in the year for the highest paid director is £1,019,000 (2021: £512,000). The aggregate amount receivable under long term incentive schemes with respect to options vesting in respect of this year for the highest paid director is £431,000 (2021: £1,090,000, with respect to options vesting in respect of the prior year).

9. Finance Costs

Continuing operations	2022 £'000	2021 £'000
Bank interest receivable and similar income	6	121
Interest payable on bank loans and overdrafts	(58)	(18)
Other bank charges	(33)	(245)
Revaluation of contingent consideration	–	(62)
Interest on lease liabilities	(110)	(95)
Net finance cost	**(195)**	(299)

10. Taxation

Continuing operations	2022 £'000	2021 £'000
Current tax		
UK corporation tax	–	–
Overseas tax	341	252
Adjustments in respect of prior years	(158)	(186)
Total current tax charge	**183**	66
Deferred tax		
UK	–	192
Overseas	(380)	(138)
Adjustments in respect of prior years	(167)	(25)
Total deferred tax (credit)/charge (note 27)	**(547)**	29
Tax (credit)/charge	**(364)**	95

UK Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2022 £'000	2021 £'000
Profit before tax	**1,687**	1,475
Tax at standard UK corporation tax rate of 19% (2021: 19%)	**321**	280
Effects of:		
Permanent differences	**(74)**	(28)
Rate differences	**82**	113
Adjustment in respect of prior years	**(326)**	(211)
Revaluation of deferred tax balances	**(135)**	(14)
Movement on unrecognised deferred tax assets	**(42)**	100
R&D tax credit	**(190)**	(145)
Tax (credit)/charge	**(364)**	95

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 IFRS2 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 tax difference arises due to the difference between the accounting value (represented by the IFRS2 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 charge of £0.6 million was recognised directly in retained earnings (2021: credit of £0.6 million).

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.

Notes to the Accounts continued
for the year ended 30 June 2022

11. Earnings Per Share (EPS)

	Year ended 30 June 2022 Pence	Year ended 30 June 2021 Pence
Continuing operations		
Basic earnings per share	**2.71 p**	1.84 p
Diluted earnings per share	**2.64 p**	1.78 p
Adjusted earnings per share	**7.81 p**	5.77 p
Diluted adjusted earnings per share	**7.62 p**	5.58 p
Discontinued operations		
Basic earnings per share	**0.00 p**	0.45 p
Diluted earnings per share	**0.00 p**	0.43 p
Adjusted earnings per share	**0.00 p**	0.45 p
Diluted adjusted earnings per share	**0.00 p**	0.43 p
Total Group		
Basic earnings per share	**2.71 p**	2.29 p
Diluted earnings per share	**2.64 p**	2.21 p
Adjusted earnings per share	**7.81 p**	6.22 p
Diluted adjusted earnings per share	**7.62 p**	6.01 p

Continuing operations	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Profit for the year	**2,051**	1,380
Profit attributable to non-controlling interests	**(27)**	(14)
Profit attributable to equity holders of the parent company	**2,024**	1,366
Reconciliation to adjusted profit:		
Revaluation of contingent consideration	**–**	62
Acquisition costs	**542**	–
Amortisation of acquired intangible assets	**2,683**	2,859
Exceptional income	**–**	(837)
Amortisation of bank fees	**8**	3
Share-based payments charge	**1,387**	1,490
Tax impact of above adjustments	**(800)**	(667)
Adjusted profit for the year	**5,844**	4,276

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

Number of shares	Year ended 30 June 2022 '000s	Year ended 30 June 2021 '000s
Weighted average number of shares (excluding bonus element and treasury shares)	**74,776**	73,964
Bonus element from share placing in July 2019	**–**	140
Basic	**74,776**	74,104
Impact of dilutive share options	**1,877**	2,573
Diluted	**76,653**	76,677

The bonus element increasing the basic number of shares used in the prior year earnings per share calculation arose 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 £6.9 million outflow relates to the acquisition of WipeDrive Inc., net of cash acquired of £0.2 million. In the prior year, the £0.3 million cash outflow relates to the final payment of contingent consideration on the Xcaliber acquisition.

13. Acquisitions

Acquisition of WipeDrive Inc.

On 7 June 2022 the Group completed the acquisition of 100% of the issued share capital of WipeDrive Inc for headline consideration of $10 million of which $8.5 million was satisfied in cash and further contingent consideration of up to $1.5 million to be paid in cash 12 months following completion subject to certain performance criteria. The consideration was also subject to a working capital adjustment which resulted in a further $0.1 million paid in August 2022.

In the year ended 30 June 2022, the acquisition has contributed revenue of £0.5 million and adjusted operating profit of £0.4 million. Had the acquisition completed on the first day of the financial year, it is estimated it would have contributed revenue of £2.7 million and adjusted operating profit of £1.1 million.

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

	Book value £'000	Fair value adjustments and IFRS alignment £'000	Fair value £'000
Intangible assets arising on consolidation	584	2,055	2,639
Property, plant and equipment	31	458	489
Deferred tax	–	(1,080)	(1,080)
Cash and cash equivalents	167	(1)	166
Inventory	31	(14)	17
Trade and other receivables	363	(8)	355
Trade and other payables	(94)	(566)	(660)
Contract liabilities	(1,516)	1,516	–
Net assets acquired	**(434)**	**2,360**	**1,926**
Goodwill			6,460
Total consideration			**8,386**

Satisfied by:	
Cash	7,039
Contingent consideration	1,347
Total consideration	**8,386**

The Directors identified a number of adjustments that were required to the book values, following a review of all balance sheet categories. These adjustments include the recognition of previously deferred revenue in accordance with IFRS 15 (£1,516,000), and the recognition of the associated deferred tax thereon. There were also employee related accruals totalling £93,000.

Under IFRS3 Business Combinations, separately identifiable intangible assets arising from the acquisition have been capitalised. These relate to technology of £1,964,000, customer contracts of £459,000 and marketing brand of £216,000. A deferred tax liability of £686,000 was recognised against these assets.

A right-of-use asset and associated liability of £458,000 was recognised with respect to a property lease held.

The goodwill of £6,460,000 was attributed to the anticipated growth of the combined Group, strategic benefits, synergies and workforces in place.

Contingent consideration

The acquisition includes deferred consideration to be paid in two instalments, relating to a working capital adjustment settled in August 2022 and a contingent payment up to $1.5 million which is due to be settled in June 2023. The estimated total cash outflow is $1.6 million (£1.3 million), for which a current liability has been established on the balance sheet as at 30 June 2022.

14. Goodwill

	Total £'000
Cost	
At 1 July 2020	51,881
Foreign exchange movement	(3,682)
At 30 June 2021	48,199
Acquisition	6,460
Foreign exchange movement	1,381
At 30 June 2022	**56,040**
Accumulated impairment losses	
At 1 July 2020, 30 June 2021 and 30 June 2022	–
Net book value	
At 30 June 2022	**56,040**
At 30 June 2021	48,199
At 30 June 2020	51,881

Management has used the Board approved budget for the year ending 30 June 2023 as the basis on which future cash flow projections are calculated.

Notes to the Accounts continued
for the year ended 30 June 2022

14. Goodwill continued

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 the compound average growth rate observed within the Group, the organic growth rate in the previous financial year, 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%, in line with the Bank of England and Federal Reserve long term inflation targets.

This equates to a compound annual growth in Adjusted EBITDA over this period of 10.7%, with this metric being the key driver behind cash generation. The Directors consider the increase in operating margin to be appropriate given the low cost of sales of the product, resulting in the overall cost base growing at a slower rate than revenues.

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

The pre-tax discount rate applied is 10.9%. In the prior year, the pre-tax discount rate applied was 9.8%. 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 0.9% before any impairment was triggered which is considered unrepresentative of long term future growth prospects, and would represent a 88% 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. Management also considered the recoverable amount of the Group as demonstrated by the market capitalisation of the Group which is significantly in excess of the carrying value of net assets. It is therefore reasonable to value the goodwill at its purchased value and that no impairment is necessary at 30 June 2022.

15. 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 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**
Acquisition	216	1,964	459	–	–	–	2,639
Additions	–	–	–	4,134	–	319	4,453
Disposals	–	–	–	–	–	(283)	(283)
Exchange movement	59	331	111	65	–	378	944
At 30 June 2022	**3,744**	**18,351**	**9,404**	**24,339**	**–**	**2,895**	**58,733**
Accumulated amortisation							
At 1 July 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**
Charge for the year	240	1,675	768	3,540	–	383	6,606
Disposals	–	–	–	–	–	(283)	(283)
Exchange movement	62	251	120	55	–	383	871
At 30 June 2022	**2,303**	**12,661**	**6,924**	**15,079**	**–**	**1,838**	**38,805**
Net book value at 30 June 2022	**1,441**	**5,690**	**2,480**	**9,260**	**–**	**1,057**	**19,928**
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

The Group's capitalised internal development expenditure of £4.1 million (2021: £4.1 million), relates predominantly in the continued development of Blancco software. Amortisation of internally generated development expenditure for the Group is £3.2 million (2021: £3.0 million).

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

Notes to the Accounts continued
for the year ended 30 June 2022

16. Property, Plant and Equipment

	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Right of use assets £'000	Total £'000
Cost					
At 1 July 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**
Acquisition	40	–	13	458	511
Additions	–	148	9	1,073	1,230
Disposals	(3)	(71)	(49)	(31)	(154)
Exchange movement	–	17	8	130	155
At 30 June 2022	**85**	**1,073**	**453**	**5,276**	**6,887**
Accumulated depreciation					
At 1 July 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**
Acquisition	9	–	13	–	22
Charge for the year	4	194	52	869	1,119
Disposals	(3)	(71)	(49)	(31)	(154)
Exchange movement	–	12	7	15	34
At 30 June 2022	**45**	**752**	**385**	**2,735**	**3,917**
Net book value at 30 June 2022	**40**	**321**	**68**	**2,541**	**2,970**
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

17. Leases

The balance sheet includes the following amounts relating to leases:

	2022 £'000	2021 £'000
Right of use assets		
Buildings	**2,511**	1,709
Vehicles	**30**	55
	2,541	1,764

	2022 £'000	2021 £'000
Lease liabilities		
Current	**1,053**	678
Non-current	**1,575**	1,092
	2,628	1,770

Additions to the right-of-use assets during the year were £1.5 million (2021: £1.7 million) including a lease assumed on the acquisition of WipeDrive Inc of £0.5 million (2021: £nil), and principally comprise new building leases.

The income statement includes the following amounts relating to leases:

	2022 £'000	2021 £'000
Depreciation charge of right-of-use assets		
Buildings	**839**	852
Vehicles	**30**	30
	869	882
Interest charge on lease liabilities	**110**	95
Expense relating to lease of low value assets	**27**	25

The total cash outflow for leases in the year was £0.9 million (2021: £1.0 million) which includes the cash outflow from low value leases of £27,000 (2021: £25,000).

18. Investments

The Group's subsidiary undertakings are as follows:

Company name	Principal activity of the Company	Ownership percentage by the Group	Country of Incorporation	Company Address
Held directly by the Company				
Blancco Central Services Ltd	Intermediate services company	100%	England and Wales	Suite 1, Chapel House, Thremhall Park, Start Hill, Bishops Stortford, Hertfordshire, United Kingdom, CM22 7WE
Blancco (Software) Services Ltd	Intermediate holding company	100%	England and Wales	Suite 1, Chapel House, Thremhall Park, Start Hill, Bishops Stortford, Hertfordshire, United Kingdom, 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, United Kingdom, CM22 7WE
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 Floor5 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 Floor5 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
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, United Kingdom, 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	Monrepossstrasse 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	Unit 32-01, Level 32, The Vertical Corporate Office Tower B, Avenue 10, Bangsar South, No 8, Jalan Kerinchi, 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

Notes to the Accounts continued
for the year ended 30 June 2022

18. Investments continued

Company name	Principal activity of the Company	Ownership percentage by the Group	Country of incorporation	Company Address
Blancco Sweden SFO	Data erasure	100%	Sweden	Franzengatan 53, 112 15 Stockholm
Blancco Technology Group Ireland Limited	Smartphone diagnostics	100%	Ireland	Evergreen House, Congress Road, Cork, T12 X792
WipeDrive Inc*	Data erasure	100%	United States of America	1064 S. North County Blvd, Suite 330, Pleasant Grove, UT 84062
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 the Group's subsidiary with a non-controlling interest (NCI) that is material to the Group, before any intra-group eliminations, is shown below:

	2022 £'000	2021 £'000
Shareholdings	**80%**	80%
Current assets	**2,277**	2,131
Non-current assets	**2,450**	2,642
Current liabilities	**(1,950)**	(1,957)
Non-current liabilities	**–**	–
Net assets	**2,777**	2,816
Net assets attributable to NCI	**555**	563
Revenue	**7,448**	7,925
Profit after taxation	**136**	70
Profit after taxation attributable to NCI	**27**	14
Cash flows from operating activities	**633**	281
Cash flows from investing activities	**(18)**	(24)
Cash flows from financing activities	**(94)**	(113)
Net increase in cash and cash equivalents	**521**	144
Other non-cash movements – exchange rate changes	**(240)**	(75)

19. Inventory

	2022 £'000	2021 £'000
Finished goods	**216**	110

There is no provision for obsolete stock (2021: £nil)

20. Trade and Other receivables

	2022 £'000	2021 £'000
Trade receivables	**7,493**	4,953
Less: loss allowance	**(93)**	(209)
Trade receivables net of provision	**7,400**	4,744
Prepayments, contract assets and other receivables	**1,554**	1,460
	8,954	6,204

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

	2022 £'000	2021 £'000
At 1 July	**209**	198
(Decrease)/increase in loss allowance recognised in the income statement during the year	**(82)**	65
Write-offs	**(34)**	(54)
At 30 June	**93**	209

21. Cash and Cash Equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	**8,195**	10,071

22. Trade and Other Payables

Included within the trade and other payables current liability are:

	2022 £'000	2021 £'000
Trade payables	**766**	498
Other taxes and social security	**1,869**	1,554
Lease liabilities	**1,053**	678
Other payables	**194**	134
Accruals	**4,734**	4,079
Contract liabilities	**817**	824
	9,433	7,767

Included within the other payables non-current liability are:

	2022 £'000	2021 £'000
Lease liabilities	**1,575**	1,092
Contract liabilities	**690**	39
	2,265	1,131

23. Borrowings

	2022 £'000	2021 £'000
Due after more than one year:		
Secured bank loan	**2,000**	–
Repayable:		
In the first to second years inclusive	**2,000**	–
In the third to fifth years inclusive	**–**	–

The bank borrowing is secured on the majority of the Group's assets for the duration of the revolving credit facility which expires in January 2024. The total cash facility available to the Company, including an overdraft facility, as at 30 June 2022 totalled £7.0 million (2021: £7.0 million), of which £3.4 million (2021: £nil) had been drawn down in cash at the balance sheet date, resulting in an unutilised facility of £3.6 million (2021: £7.0 million).

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.

Notes to the Accounts continued
for the year ended 30 June 2022

24. Net Funds

	2022 £'000	2021 £'000
Cash and cash equivalents	**8,195**	10,071
Borrowings	**(2,000)**	–
	6,195	10,071

25. 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 Funds	6,719	3,955	(603)	10,071
Lease liabilities	1,283	(1,022)	1,509	1,770

	At 1 July 2021 £'000	Cash flow £'000	Other non-cash items £'000	At 30 June 2022 £'000
Cash at bank and in hand	10,071	(1,864)	(12)	**8,195**
Borrowings	–	(2,000)	–	**(2,000)**
Net Funds	10,071	(3,864)	(12)	**6,195**
Lease liabilities	1,770	(901)	1,759	**2,628**

Other non-cash items within lease liabilities includes additions to leases of £1.5 million (2021: £1.7 million) including a lease assumed on the acquisition of WipeDrive Inc of £0.5 million (2021: £nil) and disposals of £nil (2021: £0.1 million).

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:

	2022 £'000	2021 £'000
Borrowings (Revolving Credit Facility)	**(2,000)**	–
Cash and cash equivalents	**8,195**	10,071
Net funds	**6,195**	10,071
Equity holders of the Company	**77,188**	74,338
Gearing ratio (debt to equity)	**0.026**	n/a

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.

	2022 £'000	2021 £'000
Assets carried at amortised cost		
Trade and other receivables	**8,008**	5,352
Cash	**8,195**	10,071
Financial assets	**16,203**	15,423

	2022 £'000	2021 £'000
Liabilities carried at amortised cost		
Trade and other payables	**5,689**	4,700
Lease liabilities	**2,628**	1,770
Borrowings	**2,000**	–
Liabilities carried at fair value through profit and loss		
Contingent consideration	**1,347**	–
Financial liabilities	**11,664**	6,470

26. Financial Instruments – Risk Management continued

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:

	Total £'000
At 1 July 2020 and 30 June 2021	–
Created upon acquisition	1,347
At 30 June 2022	**1,347**

The contingent consideration is created upon the acquisition of WipeDrive Inc and the following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurement:

Description	2022	2021	Relationship of unobservable inputs to fair value
Contingent consideration (£'000) Unobservable input	**1,347**	–	
Expected revenues ($'000)	**2,500**	n/a	**If expected revenues were 5% below target, the fair value would decrease by $317,000 (£262,000)**

Based on revenue forecasts and achievement in the post acquisition period, the achievement of the earn out criteria has been assessed as being highly likely to be met in full, and accrued at maximum value accordingly.

For the other financial assets and financial liabilities, the carrying value and fair value is considered to be materially 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% (2021: 1.75%) above SONIA (for GBP amounts drawn down). The undrawn part of the Revolving Credit Facility is subject to a charge during its availability, computed at 35% (2021: 35%) of margin.

A change in the SONIA rate of 2% would increase or decrease the annual interest charge on the revolving credit facility drawn down as at 30 June 2022 of £2.0 million (2021: £nil) by £40,000 (2021: £nil).

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.

Notes to the Accounts continued
for the year ended 30 June 2022

26. Financial Instruments – Risk Management continued

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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Monetary assets	**430**	806	**3,037**	2,817	**1,853**	1,194
Monetary liabilities	**–**	–	**(4,542)**	(4,829)	**(3,378)**	(2,643)
Net monetary assets/(liabilities)	**430**	806	**(1,505)**	(2,012)	**(1,525)**	(1,449)

There are no forward contracts in place as at 30 June 2022 (2021: one). The quantum of the forward contract in the prior year was £0.3 million and hedged against part of the Group's euro cash holding at that date. The fair value of the forward contract in the prior year was immaterial.

The large euro and US dollar monetary liabilities represent the overdraft balance held in foreign currencies by the parent company, which are held to hedge 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 15% appreciation/depreciation of the Japanese yen, the euro and the US dollar against sterling, applied to the net monetary assets/liabilities as at 30 June, would give rise to the following gain/(loss) in the retranslation of these balances:

	JPY denominated		EUR denominated		USD denominated	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Profit/(loss) before tax – gain/(loss)						
15% appreciation of JPY/EUR/USD	**65**	121	**(226)**	(302)	**(229)**	(217)
15% depreciation of JPY/EUR/ USD	**(65)**	(121)	**226**	302	**229**	217

The analysis has been performed using the Group exchange rates at the 30 June 2022 reporting date of 1.16 €/£ (2021: 1.16 €/£); 165.35 JPY/£ (2021: 152.83 JPY/£); and 1.21 US$/£ (2021: 1.38 US$/£).

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 funds 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 16.65% (2021: 20.76%) of the Group's revenue and hence there is some customer reliance risk, although the biggest single customer accounts for 3.11% (2021: 5.42%) of revenue.

As at the year-end, 89% (2021: 93%) of our net trade receivables balances were in terms and therefore the Board believes these balances do not present a significant credit risk which could lead to a loss for the Group.

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

	2022 £'000	2022 %	2021 £'000	2021 %
Current	**6,590**	**89%**	4,448	93%
Past due				
Less than 30 days overdue	**445**	**6%**	133	3%
30 to 60 days overdue	**251**	**3%**	133	3%
More than 60 days overdue	**114**	**2%**	30	1%
	7,400	**100%**	4,744	100%

The average credit period taken on sales is 68 days (2021: 47 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 2022 the total loss allowance was £93,000 (2021: £209,000).

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 £8.2 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.

26. Financial Instruments – Risk Management continued

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

	2022 Effective Interest rate (%)	2022 Less than one year £'000	2022 One to five years £'000	2022 Over five years £'000	2021 Effective interest rate (%)	2021 Less than one year £'000	2021 One to five years £'000	2021 Over five years £'000
Trade and other payables	–	**5,689**	–	–	–	4,700	–	–
Lease liabilities	**1-10**	**1,040**	**1,794**	–	1-11	680	1,298	–
Contingent consideration	–	**1,347**	–	–	–	–	–	–
Bank borrowings	**3**	–	**2,000**	–	–	–	–	–
	–	**8,076**	**3,794**	–	–	5,380	1,298	–

27. Deferred Tax Assets/(Liabilities)

	At 1 July 2021 £'000	Recognised in the income statement £'000	Recognised upon acquisition £'000	Recognised in equity £'000	Reallocations and utilisations £'000	Exchange £'000	At 30 June 2022 £'000
Intangible assets	(4,504)	274	(686)	–	–	(259)	**(5,175)**
Short term timing differences	20	(55)	(394)	–	–	(1)	**(430)**
Employee benefits	1,513	183	–	(578)	–	–	**1,118**
Tax losses	435	145	–	–	1	42	**623**
	(2,536)	**547**	**(1,080)**	**(578)**	**1**	**(218)**	**(3,864)**

	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)

Deferred tax assets are recognised to the extent that they are considered recoverable against the future profits of the Group. No deferred tax asset has been recognised in relation to taxation on UK losses amounting to £1.1 million (2021: £2.0 million).

Certain deferred tax assets and liabilities have been offset to the extent permitted by IAS 12. The deferred tax asset balance of £0.1 million (2021: £0.1 million) as at 30 June 2022 is made up of a UK deferred tax asset balance of £nil (2021: £nil) and overseas deferred tax assets of £0.1 million (2021: £0.1 million). The deferred tax liability balance as at 30 June 2022 is made up wholly of overseas deferred tax liabilities of £4.0 million (2021: £2.7 million).

Of the total deferred tax asset of £0.1 million (2021: £0.1 million), all of this balance is current (2021: £0.1 million current). Of the deferred tax liability of £4.0 million (2021: £2.7 million), £0.5 million is current (2021: £0.5 million).

28. Called Up Share Capital

	2022 Number of shares	2022 £'000	2021 Number of shares	2021 £'000
Allotted, called up and fully paid:				
Ordinary shares of 2p	**75,672,915**	**1,513**	75,580,296	1,512

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 10 December 2021, 92,619 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 75,672,915 and the total number of voting rights is 75,672,915.

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 2022, 671,285 shares (30 June 2021: 1,133,839) are held by the Employee Benefit Trust and are treated as treasury shares.

Notes to the Accounts continued
for the year ended 30 June 2022

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 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 2020 shall vest based 33% on IFRS revenue, 33% adjusted operating cash flow and 33% adjusted operating profit. Performance will be assessed based on outcomes for the year ended 30 June 2022, with vesting taking place after the completion of the audit of the financial statements. These are considered key financial metrics for the Company. Strong performance in these areas is essential to the long-term success of the business and delivering value for shareholders. Previously vested awards were assessed on invoiced revenue and adjusted operating cash flow with 50% weighting applied to each metric before the Remuneration Committee revised the vesting criteria in the year ended 30 June 2020.

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 (November 2020 Award)	Performance Share Plan (October 2021 Award)	Performance Share Plan (December 2021 Award)	Total
Exercise Price	0.0-2.0p	0.0p	2.0p	0.0p-2.0p	0.0p-2.0p	0.0-2.0p	0.0p	
Year in which options are exercisable	2020	2021	2021	2022	2023	2024	2024	
At 1 July 2020	**1,685,513**	**1,314,184**	**59,836**	**1,043,859**	**–**	**–**	**–**	**4,103,392**
Granted	–	–	–	–	685,159	–	–	685,159
Exercised**	(1,358,057)	–	–	–	–	–	–	(1,358,057)
Lapsed	(327,456)	–	–	–	–	–	–	(327,456)
At 30 June 2021	**–**	**1,314,184**	**59,836**	**1,043,859**	**685,159**	**–**	**–**	**3,103,038**
Granted	–	–	-	–	–	475,654	263,323	738,977
Exercised***	–	(1,129,231)	(59,836)	–	–	–	–	(1,189,067)
Lapsed	–	–	–	(114,698)	(75,162)	(65,576)	–	(255,436)
At 30 June 2022	**–**	**184,953**	**–**	**929,161**	**609,997**	**410,078**	**263,323**	**2,397,512**

* 302,632 shares issued in July and 1,011,552 shares issued in November

** share price at the date of exercise was 195.0p

*** share price at the date of exercise was 243.5p

The remaining shares to be exercised with respect to the 2021 vesting represent those awarded to employees who can exercise the option within 10 years of the vesting date, and as at 30 June 2022 are currently not yet exercised.

The fair values 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)	Performance Share Plan (October 2021 Award)	Performance Share Plan (December 2021 Award)
Date of grant	25 July 2018	5 November 2018	2 October 2019	11 November 2020	5 October 2022	14 December 2022
Fair value of options granted (per share) at date of grant	76.0 p	106.3 p	127.5 p	190.5 p	2.742 p	2.742 p
Expected term (years)	2.92	2.67	2.75	2.67	2.75	2.59
Settlement	Equity	Equity	Equity	Equity	Equity	Equity

29. Share-Based Payments continued

Sharesave Plan (SAYE)

The Company operates a Sharesave scheme 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 Scheme – Tranche 1	29 March 2021	£1.00	£2.28	38.8%	3 years	0.16%
Sharesave Scheme – Tranche 2	4 April 2022	£0.70	£1.62	34.7%	3 years	1.36%

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 £1.4 million (2021: £1.5 million). The accrued IFRS2 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 £1.3 million (2021: £1.1 million) which represents the movement in the cumulative compensation expense in the year. This has increased year on year due to the acceleration of charge for participants in the Sharesave scheme who withdrew from the first tranche and rejoined the second tranche due to the reduction in exercise price in the second tranche.

The total amount recognised in equity of £0.7 million (2021: £1.7 million) includes the impact of deferred tax (see note 10).

As of 30 June 2022, dilution in respect of Blancco share awards granted in the last 10 years represented 4.4% of the Company's issued share capital.

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 IAS24.

All transactions with Directors are included in the Directors' Remuneration Report from page 68 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 2022.

Company Balance Sheet
As at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Assets			
Non-current assets			
Investments	5	82,618	18,435
		82,618	18,435
Current assets			
Debtors	6	31,539	82,847
		31,539	82,847
Creditors:			
Amounts falling due within one year	8	(13,926)	(5,375)
Net current assets		17,613	77,472
Total assets less current liabilities		100,231	95,907
Creditors:			
Amounts falling due after more than one year	9	(2,000)	–
		(2,000)	–
Net assets		98,231	95,907
Equity			
Called up share capital		1,513	1,512
Share premium account		21,103	21,103
Merger reserve		5,861	5,861
Capital redemption reserve		417	417
Retained earnings		69,337	67,014
Equity shareholders' funds		98,231	95,907

The Company's profit for the year was £2.6 million (2021: loss of £3.4 million).

The financial statements on pages 110 to 115 were approved by the Board of Directors and authorised for issue on 27 September 2022 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 2022

	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 1 July 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**
Profit for the year	–	–	–	2,586	–	2,586
Issue of shares	1	–	–	–	–	1
Repurchase of Company's own shares	–	–	–	(1,546)	–	(1,546)
Recognition of share-based payments	–	–	–	1,283	–	1,283
Balance as at 30 June 2022	**1,513**	**21,103**	**5,861**	**69,337**	**417**	**98,231**

Notes to the Company Financial Statements
for the year ended 30 June 2022

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 54.

These financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS101) and the Companies Act 2006 (the Act) as applicable to companies using FRS101. FRS101 sets out a reduced disclosure framework for a qualifying entity as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006.

The Company is a qualifying entity for the purposes of FRS101.

FRS101 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 FRS101 in respect of the following disclosures:

- A cash flow statement and related notes.
- Comparative period reconciliations for share capital and tangible fixed assets.
- Disclosures in respect of transactions with wholly owned subsidiaries.
- Disclosures in respect of capital management.
- The effect of new but not yet effective IFRSs.
- Disclosures in respect of compensation of key management personnel.
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.
- Certain disclosures required by IFRS13 Fair Value Measurement and the disclosures required by IFRS7 Financial Instrument disclosures.
- IFRS2 Share-based payment in respect of Group settled share-based payments.

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

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

2. Accounting Policies
The significant accounting policies applied in the preparation of the Company financial statements are 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 a revolving credit facility.

Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Strategic Report from page 1. 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. Accounting Policies continued

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

The fair value of options granted 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. None of the judgements are considered material.

3.2 Estimations

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

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

- **Impairment of Intercompany Receivables**
  Determining to what extent a loss provision is required against intercompany receivables. The receivable is illiquid given the annual cash flow generation of subsidiaries, therefore historical data of the Group is insufficient to provide evidence on default rates. Management must make a best estimate using alternative data in order to assess the likelihood of a loss. An increase in the loss provision rate by 1% would increase the provision by £0.3 million (2021: £0.8 million).

Notes to the Company Financial Statements continued
for the year ended 30 June 2022

4. Staff Costs
The company has 5 employees (2021: 5) being the Chief Financial Officer and four Non-executive Directors (2021: the Chief Financial Officer and four Non-executive Directors). Aggregate staff costs of the employees are as follows:

Aggregate staff costs	2022 £000	2021 £000
Wages and salaries	**724**	745
Social security costs	**96**	97
Other pension costs	**4**	3
	824	845

Details of the Directors' remuneration is given in **note 8** to the consolidated financial statements.

5. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 July 2021	18,435
Additions	71,540
Disposal	(5,647)
Return of capital contributions	(1,710)
At 30 June 2022	**82,618**
Impairment	
1 July 2021	–
At 30 June 2022	**–**
Net book value	
30 June 2022	**82,618**
30 June 2021	18,435

The additions in the year relate predominantly to the issue of new shares by the Group's subsidiary, Blancco Software Services Limited, the proceeds of which were used to immediately settle outstanding receivables, as well as 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 disposals in the year relate to the disposal of the investment in the issued share capital of Blancco Technology Group Ireland Limited to another group company and the return of capital contributions relate to recharged amounts for shares vested under the performance share plan.

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

6. Debtors
Amounts falling due within one year:

	2022 £'000	2021 £'000
Amounts due from subsidiaries	**31,923**	84,230
Less: loss allowance	**(638)**	(1,685)
Amounts due from subsidiaries net of provision	**31,285**	82,545
Prepayments and other debtors	**254**	302
	31,539	82,847

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

7. Deferred Tax
Deferred tax assets were attributable to depreciation in excess of capital allowances and losses. There was no movement in deferred tax assets in 2022.

Movements during the previous 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)	–

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 (2021: £nil). The unrecognised deferred tax asset on losses amounts to £1.0 million (2021: £1.0 million).

8. Creditors: Amounts Falling Due Within One Year

	2022 £'000	2021 £'000
Trade creditors	**57**	15
Overdraft	**6,208**	2,169
Amounts due to subsidiaries	**6,826**	2,290
Accruals	**835**	901
	13,926	5,375

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

The overdraft of £6.2 million (2021: £2.2 million) is offset against pooled cash balances held by other Group companies.

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

	2022 £'000	2021 £'000
Bank loans and other borrowings	**2,000**	-

The terms of the Company's borrowing facility are disclosed in <u>**note 23**</u> to the consolidated financial statements.

10. Subsequent events

There were no subsequent events that took place following the year ended 30 June 2022.

Additional Information

The following does not form part of the Annual Report and Accounts 2022

Notice of AGM

Notice is given that the Annual General Meeting of Blancco Technology Group Plc ("the Company") will be held at 2.00pm on Tuesday 13 December 2022 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN and via Microsoft Teams to consider the following resolutions, of which numbers 1 to 5 will be proposed as ordinary resolutions, and numbers 6 and 7 as special resolutions:

1. To receive the Annual Report and Accounts for the year ended 30 June 2022.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2022.
3. To re-elect Rob Woodward as a Director of the Company.
4. To reappoint PricewaterhouseCoopers LLP as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the Directors to determine their remuneration.
5. That, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 ("the Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to an aggregate nominal amount of £504,732 during the period commencing on the date of the passing of this resolution and such authority shall expire, unless previously revoked, renewed or varied, at the conclusion of the next Annual General Meeting of the Company or on 12 March 2024, whichever is earlier, and provided further that the Company shall be entitled before such expiry to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights under such offer or agreement as if this authority had not expired.

Special resolutions

6. That, subject to the passing of resolution 5 above, the Directors be empowered under section 570 of the Act to allot equity securities as defined in section 560 of the Act, for cash and/or to sell ordinary shares held in treasury for cash as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:

   a. the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities:

      i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

      ii. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

      iii. and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of any territory or any other matter; and

   b. the allotment of equity securities or sale of treasury shares otherwise than under paragraph (a) above up to a nominal amount of or (in the case of any other equity securities) giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate, £151,420,

   and this power shall expire, unless previously revoked, renewed or varied, at the conclusion of the next Annual General Meeting of the Company or on 12 March 2024, whichever is earlier, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted (and treasury shares to be sold) after such expiry and the Directors may allot securities (and sell treasury shares) under such offer or agreement as if this power had not expired.

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

   a. the maximum number of shares which may be purchased is 7,570,986;

   b. the minimum price (exclusive of expenses) that may be paid for a share is 2 pence;

   c. the maximum price (exclusive of expenses) which may be paid for a share shall be an amount equal to 5% above the average market value for the Company's shares for the five business days immediately preceding the day on which the share is contracted to be purchased; and

   d. the authority conferred by this resolution shall, unless previously revoked, renewed or varied, expire at the end of the next Annual General Meeting of the Company, or on 12 March 2024, whichever is earlier, save that the Company may, before such expiry, enter into a contract for the purchase of shares which would or might be completed wholly or partly after such expiry and the Company may purchase shares under any such contract as if this authority had not expired.

By order of the Board

Lorraine Young
For and on behalf of Lorraine Young Company Secretaries Limited
Company Secretary

27 October 2022

Registered Office

Suite 1, Chapel House,
Thremhall Park
Start Hill
Bishop's Stortford
Hertfordshire,
CM22 7WE

Notes:

1. Entitlement to appoint proxies

Members are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. You may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares which you hold. A proxy need not be a member of the Company. If you complete and return a form of proxy you will still be able to attend the AGM, speak and vote in person if you wish.

2. Appointing proxies

You may appoint one or more proxies by:

(a) Completing the accompanying form of proxy and returning it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY (together with any power of attorney or other written authority under which it is signed);

(b) Using the online proxy appointment service at **www.eproxyappointment.com** if you have signed up to receive e-communications from the Company. You will need to enter the Control Number, Shareholder Reference Number (SRN) and your PIN from the communication you will have received from the Company for this purpose. If you have not signed up to receive e-communications from the Company but would like to do so, please contact Computershare on 0370 707 1345 or you can sign up at **www.investorcentre.co.uk**; or

(c) Submitting your proxy electronically by using the CREST proxy service. CREST members may appoint a proxy or proxies electronically via Computershare (ID number 3RA50) in accordance with note 3 below.

To appoint more than one proxy, you may either photocopy the form of proxy accompanying this Notice or contact Computershare on 0370 889 4099 to request additional forms of proxy. If you return more than one proxy appointment in respect of the same shareholding, the proxy last received by Computershare before the latest time for the receipt of proxies will take precedence. To be valid, any proxy form or other instrument appointing a proxy must be deposited with Computershare or lodged via the CREST proxy service (in each case) no later than 2.00pm on 9 December 2022.

3. Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies using the CREST electronic proxy appointment service may do so by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 2.00pm on 9 December 2022.

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

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

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

4. Joint holders

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

5. Entitlement to attend and vote

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

6. Corporate representatives

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

7. Voting rights

As at 20 October 2022 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consisted of 75,709,857 ordinary shares, carrying one vote each. There were no shares held in treasury, therefore the total voting rights in the Company as at that date were 75,709,857.

8. Communicating with the Company in relation to the AGM

Except as provided above, shareholders wishing to communicate with the Company in relation to the AGM should write to the Company Secretary c/o the Company's registered office or send an email to **investors@blancco.com**.

You may not use any electronic address provided either in this notice or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.

9. Voting results

The Company will publish the results of the AGM via a regulatory announcement and on its website www.blancco.com.

Additional Information continued

Notice of AGM continued

EXPLANATION OF BUSINESS

Resolution 1: To receive the report and accounts

Company law requires the Directors to present the Annual Report and Accounts of the Company to shareholders in respect of each financial year.

Resolution 2: To approve the remuneration report

As the Company's shares are traded on AIM, it is not required to put the remuneration report to shareholders for approval. However, the Directors recognise the importance of adopting best practice corporate governance and are therefore putting the remuneration report to shareholders for approval voluntarily. The remuneration report is set out on pages **68 to 72** of the Annual Report. It describes the Group's policy on remuneration and gives details of Directors' remuneration for the year ended 30 June 2022. The vote is advisory and does not affect the actual remuneration paid to any individual Director.

Resolution 3: To re-elect a Director

Rob Woodward retires by rotation under the Company's articles of association and offers himself for re-election at the AGM. Rob's biographical details are given on **page 53** of the Annual Report. His deep knowledge of the TMT sector and extensive experience of international corporate advisory work help ensure the Group's strategy is aligned with its external commercial environment. In addition, the time he has spent on other boards, his knowledge of corporate governance and his leadership skills ensure the effective running of the Board.

The Board unanimously recommends Rob's re-election.

Resolution 4: To reappoint the auditors and authorise the Board to determine their remuneration

A resolution to reappoint PricewaterhouseCoopers will be put to shareholders at the Annual General Meeting. In line with usual practice, shareholders are also asked to authorise the Board to determine the remuneration of the auditor. In practice, the audit committee will consider the audit fees and recommend them to the Board.

Resolution 5: Directors' authority to allot shares

At the 2021 Annual General Meeting, the Directors were given authority to allot shares in the Company and Resolution 5 seeks to renew that authority until the conclusion of the next Annual General Meeting or 12 March 2024, whichever is earlier. The resolution would give the Directors authority to allot ordinary shares, and grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £504,732. This amount represents one-third of the issued ordinary share capital of the Company as at 20 October 2022, the latest practicable date prior to the publication of this document. The Directors have no present intention to allot new shares other than in connection with the employee share incentive plans.

Resolution 6: Disapplication of pre-emption rights

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

The purpose of Resolution 6 is to authorise the Directors to allot shares in the Company, or sell treasury shares, for cash (i) in connection with a rights issue; and, otherwise, (ii) up to a nominal value of £151,420, equivalent to 10% of the total issued ordinary share capital of the Company as at 20 October 2022, without the shares first being offered to existing shareholders in proportion to their holdings. This level of authority is required in order to give the Company flexibility in the event of acquisition opportunities and major shareholders will be consulted in advance of the authority being exercised.

Resolution 7: Authority to buy back shares

Under company law, the Company requires authorisation from shareholders if it wishes to purchase its own shares. Resolution 7 seeks to renew the authority given at the last Annual General Meeting. The resolution specifies the maximum number of shares that may be purchased (approximately 10% of the Company's issued share capital) and the highest and lowest prices at which they may be bought.

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

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

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

Glossary

Adjusted Earnings Per Share: Adjusted earnings are stated before amortisation or impairment of acquired intangible assets, amortisation of bank fees, exceptional income, acquisition costs, share-based payments, losses on disposals of investments and jointly controlled entities, unwinding of the discounted contingent consideration, adjustments to estimates of contingent consideration, and tax impacts of the above. Adjusted earnings per share is the key earnings per share measure used by the Board.

Adjusted EBITDA: Adjusted Operating Profit with depreciation of property, plant and equipment and amortisation of intangible assets added back.

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

Adjusted Operating Profit or AOP: Operating Profit stated before acquisition costs (because these are one-off in nature), exceptional restructuring costs (because these are not considered to reflect the underlying performance of the Group's operating business), share-based payment charges (because these represent a non-cash accounting charge for long term incentives to senior management rather than the underlying operations of the Group's business), amortisation or impairment of acquired intangible assets (because these are non-cash charges arising as a result of the application of acquisition accounting, rather than core operations) and disposal of subsidiaries (because these represent a one-off non-cash charge to the consolidated income statement).

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

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

Carbon Neutrality: Operating with net-zero carbon dioxide emissions from activities and investments in carbon dioxide removal projects.

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

Cash Conversion: Adjusted Operating Cash Flow stated as a percentage of adjusted operating profit.

CEAP: The EU Circular Economy Action Plan.

Circular Economy: A system that is restorative or regenerative by intention and design. It replaces the end-of-life concept with restoration and aims for the elimination of waste through the superior design of materials, products, systems and business models.

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

Contingent Consideration: A future cash payment for vendors of acquired companies, contingent on that Company's performance in a pre-determined period after acquisition. This is reported within the balance sheet and reassessed at each reporting period.

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

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

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

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

E-waste: Discarded electronic appliances such as mobile phones, computers and other electronic equipment.

Earn-out: See Contingent Consideration.

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

EU Circular Economy Action Plan (CEAP): The EU's Circular Economy Action Plan (CEAP) was a comprehensive body of legislative and non-legislative actions adopted in 2015, which aimed to transition the European economy from a linear to a circular model.

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

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

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

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

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

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

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

Glossary continued

Net Funds: Cash stated after offsetting gross debt against cash reserves.

Non-controlling interest: The Group does not fully own one of its subsidiaries, and for that in which the ownership is shared, the other party is the non-controlling interest. This is relevant for the subsidiary the Group owns 80% of the share capital; in the current and prior period this is only one sales office. At the end of each reporting period, the Group must allocate the non-controlling interest of its share of profits and net assets in the subsidiary in which the ownership is shared, which are recorded through the consolidated income statement and Consolidated Balance Sheet respectively.

OEM: An Original Equipment Manufacturer.

Operating Cash Flow: Cash flows originating from transactions in the core operational activities of the Group, for example cash flows resulting from revenues earned and expenditure paid. This excludes cash flows relating to investing or financing activities.

Operating Margin: Operating profit stated as a percentage of revenue.

R&D: Research and development into new technologies to improve client service, reduce costs or enhance revenue.

Repair Services business: Part of the Aftermarket Services segment which was disposed of on 4 April 2016 to Communications Test Design Inc. for a consideration of €103.5 million (£79.9 million). This represents the Group's previous Depot Solutions and Advanced Solutions divisions, excluding Digital Care.

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

Save As You Earn (SAYE): A sharesave scheme operated by the Group since March 2020, allowing staff to join a scheme to purchase shares at a discount after a three year saving requirement has been fulfilled.

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

TCFD: The Task Force on Climate-related Financial Disclosures.

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

United Nations Sustainable Development Goals (SDGs): An agenda set by the United Nations to promote global improvements in socio-economic conditions, by driving improvements in areas such as poverty and inequality, and engaging in strategies which improve health, education, environmental matters and spur economic growth.

Volume (revenue stream): Contracts with customers which involve an up-front delivery of licences, and typically no additional obligations to the customer.

Working Capital: A measure of the Group's current liquidity by showing how much cash has been invested in day-to-day trading. Working capital is the sum of stock, current debtors, contract assets, current creditors and accrued payments.

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Blancco Technology Group plc
Suite 1, Chapel House,
Start Hill
Bishop's Stortford
Hertfordshire, CM22 7WE
T: +44 (0) 20 3637 6283

Company number: 05113820