18 February 2020

Blancco Technology Group plc

Interim results for the six months ended 31 December 2019

Strategic progress drives continued revenue and profit growth across all segments and geographies

Blancco Technology Group plc (AIM: BLTG, "Blancco", the "Company" or the "Group"), the industry standard in data erasure and mobile device diagnostics, is pleased to announce its unaudited interim results for the six months ended 31 December 2019.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

£m unless otherwise stated	H1 FY20	H1 FY19*	Change	FY19*
Revenue	17.4	14.6	+19%	30.5
Gross Profit	16.5	13.7	+20%	29.0
Adjusted EBITDA**	4.4	3.4	+29%	7.0
Adjusted Operating Profit**	2.5	1.7	+47%	3.5
Operating Profit	0.7	0.7	+14%	0.1
Profit / (Loss) before taxation	0.7	0.3	+166%	(0.4)
Adjusted Operating Cash Flow***	2.4	2.9	-19%	9.1
Cash generated from continuing operations	1.6	2.9	-45%	9.1
Diluted Earnings per share	1.40p	0.68p	106%	0.95p
Net Cash / (Debt)	5.4	(2.3)		0.1

- Strong revenue growth of 19% (constant exchange rates ('CER') +16%) across all segments:
    - Enterprise revenue increased by 28% (CER +26%) to £6.0 million (H1 2019: £4.7 million)
    - Mobile revenue increased by 15% (CER +10%) to £5.8 million (H1 2019: £5.0 million), driven by acquisition of Inhance Technology ("Inhance")
    - IT Asset Disposition ("ITAD") revenue increased by 15% (CER +13%) to £5.6 million (H1 2019: £4.9 million)
- Adjusted Operating margin increased to 14.3% (H1 2019: 11.6%)
- Gross debt cleared during the period post July placing. Cash generation from operations weaker in H1 as anticipated due to acquisition related costs and outflows from newly implemented employee bonus scheme

OPERATIONAL HIGHLIGHTS

- The first phase of the ZroBlack innovation has been released and has led to a number of significant contract wins as new and existing customers move to warehouse-based diagnostics and data erasure
- Inhance's operations have been fully integrated following acquisition in July 2019
- Achieved "Advanced Technology Partner" status with Amazon Web Services as channel sales strategy continues to progress
- Acquired minority interests in Blancco Japan Inc and Blancco APAC Pte. Limited leaving the 20% holding of Aucnet Inc in Blancco Japan Inc as the only interest held in a Group company by a third party
- Blancco accredited with Green Economy Mark by London Stock Exchange
- Continuing investment in R&D: protected IP position strengthened further with five new patents filed in the period, primarily relating to the mobile product

CURRENT TRADING

- Revenue growth is continuing in line with market expectations for FY20
- Revenues from contracts won through ZroBlack innovation commenced in Q3 FY20
- Enterprise continues to lead all segments for growth

*Prior year results have been restated following the implementation of new accounting standard, IFRS16. See note 1.1 for details.

**Adjusted profit measures are stated after excluding expenses relating to share option schemes, exceptional costs and incomes and the amortisation of acquired intangible assets

*** Adjusted operating cash flow is operating cash flow excluding taxation, interest payments and receipts and exceptional payments

Matt Jones, Chief Executive said:

"We remain absolutely focused on our growth strategy, as demonstrated by these results with strong revenue and profit growth in all of our segments and in all of the geographies in which we operate. The acquisition of Inhance and IP relating to ZroBlack have been integrated quickly and to plan, with both attracting robust demand from both existing as well as new clients in the mobile sector.

"Blancco continues to benefit from the strong tailwinds driven by regulation governing the ownership and retention of data and from the increasing awareness of the importance of environmental considerations in terms of enterprises recycling aging technology.

"The second half of the financial year has started with good momentum and in line with expectations. The Board is confident that Blancco is well placed to deliver sustained levels of revenue growth going forwards."

For further information:

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There will be a presentation for analysts held at 0930hrs today at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. Please contact blancco@buchanan.uk.com if you would like to attend. An audio webcast of this briefing will be available later in the day via the following link: https://webcasting.buchanan.uk.com/broadcast/5e38124cb9710760e2925766.

CHIEF EXECUTIVE'S REPORT

Business overview

I am pleased to report that the trading of the Group for the six months ended 31 December 2019 has continued to build on the progress made in the prior financial year. Regulatory requirements continue to encourage organisations to be increasingly prescriptive with how they manage stored data, whilst environmental considerations are pushing companies to find ways to recycle devices that store data, rather than to destroy them. We have seen good revenue growth across the three segments in which we operate and the three key geographies. Whilst the Company continues to invest in ensuring continued future growth, adjusted operating margins are increasing which has resulted in a sharp increase in the adjusted operating profits being generated from our activities.

Enterprise

Blancco has a strong proposition in the Enterprise market demonstrated by the revenue growth experienced in the previous financial year of 20% followed by revenue growth in this most recent six-month period of 28% (26% on a constant currency basis) to £6.0m (H1 2019: £4.7m). The revenue growth was driven by both Direct and Channel sales with the direct route securing particular success in the first half of the financial year as a result of winning a number of larger contracts. Channel revenues in the market grew to £2.4m (H1 2019: £2.2m) in the period whilst direct revenues grew to £3.6m (H1 2019: £2.5m). In the medium term we continue to believe that stronger revenue growth will come from channel partners but we are encouraged that both routes are seeing good growth.

Regulation continues to be implemented globally requiring companies to be increasingly vigilant about how they manage data reaching the end of the data lifecycle. The most well-known regulation is the EU General Data Protection Regulation (GDPR) but these general principles are being replicated in many other parts of the world. For example, we have recently seen the first regulation in the US with the California Consumer Privacy Act (CCPA) being enacted from 1 January 2020 and similar regulations are being implemented in most of the rest of the developed world. The potential penalties accompanying data loss can be very significant but the brand damage for organisations who suffer such a loss can be similarly impactful.

All organisations globally face the challenge of how to ensure that their data is not recoverable from storage devices when they either reach end of life or are reused or recycled. The options for organisations are to either destroy the equipment altogether, resulting in the equipment being deposited in landfill sites, or to use software such as that provided by Blancco to securely erase the data and validate that erasure. The use of Blancco software enables customers to recycle the equipment and therefore has a positive impact on the environment. Blancco has unrivalled experience and security accreditations that give customers the peace of mind that data erased using Blancco software cannot ever be recovered.

Blancco's ability to enable organisations to recycle equipment led to Blancco being awarded the London Stock Exchange Green Economy Mark in October 2019. This accreditation recognises companies and investment funds on all segments of the Main Market and AIM that derive 50% or more of their total annual revenues from products and services that contribute to the global green economy. We were delighted to be named among the initial 74 companies to be given this accreditation.

Another notable milestone in the period was achieving Advanced Technology Partner status with Amazon Web Services (AWS) Partner Network (APN). As an AWS Advanced Technology Partner, Blancco will offer its data sanitisation technologies to AWS enterprise customers worldwide and the AWS channel supporting cloud migrations. After undergoing a thorough process with AWS, we are now the recommended partner when organisations are looking to migrate data to the AWS cloud and need to sanitise their previous storage facilities. With Blancco's secure data erasure suite, AWS customers can incorporate a value-add solution to their security portfolios that enhances end-of-life data management and provides a verifiable audit trail to comply with the growing number of data protection regulations and standards, including PCI-DSS, HIPAA, GBLA, EU GDPR, ISO 27001, NIST 800-53, and NIST 800-88.

Blancco continues to contract with the largest companies in the world and is confident that the growth rates in the Enterprise sector will continue to be strong. Whilst the opportunity from the current product suite is significant, we are beginning to explore how we could supplement the existing offering with complementary activities that would enable us to secure greater revenues from the blue-chip customer base that we already have. The regulatory and environmental growth drivers that are prevalent give the Board and management team confidence that there is significant value to be gained from further traction in the Enterprise market.

Mobile

During the period the mobile segment experienced a 15% increase in revenue to £5.8m (H1 2019: £5.0m, 10% increase on a constant currency basis).

Our Mobile proposition saw substantial investment through the previous financial year culminating in July 2019 with the acquisition of Inhance. During the first half of this financial year we have been able to train the existing Blancco sales team on Inhance's capabilities that allow diagnostic tests to be run on a mobile handset through the use of an easily downloadable mobile app. This initiative allows retailers to offer their customers the capability to run tests on their devices without the need to visit a store as well as the ability to offer customers a trade-in value for their handset in the event that they wish to upgrade their handset.

This Inhance mobile capability has also opened a new market for Blancco with handset insurers. Traditionally, mobile phone insurance is taken out through the completion of an online form which has an inherent weakness that the insurer has no way of knowing whether the handset is already damaged when the policy is taken out. As a result, there are a high number of mobile handset insurance claims when compared to the number of policies taken out. The Inhance capability enables insurers to require that their customers run diagnostic tests on their handsets at the point of applying for insurance cover. Critically, these diagnostic tests include the ability to test whether there is any screen damage which represents by far the most common defect when claims are made. We have seen significant interest in this offering from the insurance market, and a good pipeline of opportunity in this area is being worked on.

We are seeing an increasing demand for retailers to keep service requests out of their retail stores which will drive demand for Blancco's app-based solution. The growth in the second-hand mobile market is also feeding an increase in the volume of phones being processed in warehouses. During the period, Blancco has been successful in winning a number of mobile handset processor contracts, primarily on the strength of the product enhancements arising from the Consulting Agreement with ZroBlack LLC ("ZroBlack") announced in July 2019. This investment in R&D resulted in a software release in September that saw a substantial reduction in the time required to run erasure and diagnostic processes on mobile handsets. The time to process a handset is of critical importance to mobile handset processor customers who may be handling thousands of handsets on any given day. Additional releases are scheduled in the months ahead which will further reduce processing times.

The trend to keep service requests out of retail stores also led to the Group's largest customer in revenue terms, which accounted for 8% of total group revenues in H1 FY 2020, moving from a model whereby mobile handsets were being diagnosed in store to one where all mobile devices are now being diagnosed in warehouses. Blancco was successful in winning a new agreement with the warehouses who supply these diagnostic services to the client, albeit at a lower annualised value than the previous retail agreement.

Revenue from these new mobile processor contracts that have already been won will start to flow in the second half of the financial year and will substantially replace the revenues lost from the retail contract. Blancco has received positive feedback from the customer on the new offering which will serve as a useful reference point to attract other similar sized customers. Going into the second half of the financial year no single customer contract in the Group represents more than 2% of Group revenues.

IT Asset Disposition ("ITAD")

Whilst the Company has grown from its roots in the ITAD market, our expectation has been that ITAD is the slowest growth market of the areas in which Blancco currently operates. However, the same regulatory and environmental pressures that apply in the Enterprise market also apply to ITAD customers. In the prior financial year we saw revenue growth in this market of 18% and this has been followed in H1 of FY2020 by revenue growth of 15% (13% on a constant currency basis). Our research demonstrates that Blancco represents a very significant proportion of the ITAD market meaning that there is little opportunity for market share gains, but the market continues to grow at a faster rate than expected 18 months ago. In the longer term, we do expect growth in this market to moderate but the ITAD market remains cash generative for Blancco.

Summary and Outlook

The Company has had a strong 18 months of trading and looks forward with great optimism to the continuation of this revenue progression over the coming years. The Enterprise market has strong regulatory and environmental drivers which should sustain the growth seen in prior periods. Blancco now has a robust balance sheet that can enable us to further explore how the opportunity in the Enterprise market can be maximised.

Within our Mobile segment, we have made the necessary investments and integrated them within our business, generating a healthy pipeline of opportunity. Growth in the used handset market will generate growth in Blancco's mobile segment and the Company now has a market leading offering that we believe will capture an increasing market share, leading to accelerated progress in future periods. Finally, our ITAD offering continues to exceed our expectations and shows no signs of slowing in the immediate term.

We are trading in line with our expectations for the financial year ending 30 June 2020 and look forward to the coming periods with great confidence.

Matt Jones
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REPORT

Revenue

As detailed above we have seen good revenue growth in all three markets in which we operate resulting in an increase in Group revenue of 19% to £17.4m (H1 2019: £14.6m, 16% increase on a constant currency basis). Excluding the impact of revenues coming from the acquired Inhance entity revenue growth in the period was 12% on a constant currency basis.

As seen in the last financial year, as well as growth in each of the three segments, we have also seen good growth in each of the three regions in which the Company operates.

Revenue breakdown

	Six months Ended 31 December 2019	Six months Ended 31 December 2018	**Growth rate**	**Year ended 30 June 2019**
Revenue (£'millions)	17.4	14.6	19%	30.5
Revenue by Geography				
North America	5.9	5.3	10%	10.7
Europe	6.7	5.6	20%	11.4
Asia and ROW	4.8	3.7	32%	8.4
Revenue by Segment				
Enterprise	6.0	4.7	28%	10.3
ITAD	5.6	4.9	15%	10.2
Mobile	5.8	5.0	15%	10.0

Profitability Measures

Adjusted operating margins have increased to 14.3% (H1 2019: 11.6%) resulting in the revenue growth leading to significantly increased profits. Adjusted Operating Profit for the period has increased by 47% to £2.5m (H1 2019: £1.7m).

	6 months ended 31 December 2019 (unaudited) £'000	6 months ended 31 December 2018 (unaudited, restated*) £'000	Year ended 30 June 2019 (restated*) £'000
Operating profit	**743**	**654**	**141**
Acquisition costs	503	-	486
Exceptional income	(875)	(652)	(630)
Amortisation of acquired intangible assets	1,474	1,314	2,605
Share-based payments charge	646	375	935
Adjusted administrative expenses	(13,975)	(12,022)	(25,449)
Adjusted operating profit	**2,491**	**1,691**	**3,537**

The Acquisition costs relate to expenses incurred from the £10.0m fund raise and acquisition of Inhance announced in July 2019. The Exceptional income relates to the release of provisions no longer required in respect of acquisitions made in previous years.

The new accounting standard, IFRS16, on leases has been applied in the period. The standard requires that leases are recognised as both an asset and a liability on the balance sheet and are depreciated over time rather than expensed when incurred. EBITDA for the six months ended 31 December 2018 has been restated to £3.4m (previously reported as £3.0m). EBITDA for the six months ended 31 December 2019 increased by 29% to £4.4m.

Group profit before tax increased to £0.7m from £0.3m.

Cash and Working Capital

The Group ended the period with net cash of £5.4m (30 June 2019: £0.1m). This increase in cash was primarily driven by the fund raise of £10.0m announced in July 2019 in connection with the acquisition of Inhance. The gross debt position which stood at £6.5m at the end of the previous financial year, has now been completely cleared.

In December we announced that we had reached agreement with minority interest shareholders in the APAC and Japanese subsidiaries to swap their holding in these subsidiaries for a holding in the listed parent company. As a result, the only remaining minority interest is a 20% holding held by Aucnet Inc in the Japanese subsidiary. Aucnet, which reduced its holding in the Japanese subsidiary from 49%, has been increasingly operating outside of Japan and is becoming a global partner which will receive value from growth in the value of its holding in Blancco Technology Group plc. This change in shareholdings has also enabled Blancco to take full control of these subsidiaries and releases cash surpluses that were previously trapped by the minority partnership status.

The conversion of profits into cash is depressed in the first half of the year when bonus payments are made to staff in relation to the prior financial year. In this reporting period, cash conversion was further reduced by the payment of costs relating to the acquisition and fund raising in July. These seasonal effects on cash generation will even out across the twelve month period with cash generation anticipated to be in line with market expectations at the end of the financial year.

Adam Moloney
Chief Financial Officer

Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2019

	Note	6 months ended 31 December 2019 (unaudited) £'000	6 months ended 31 December 2018 (unaudited, restated*) £'000	Year ended 30 June 2019 (restated*) £'000
Revenue		**17,388**	**14,591**	**30,519**
Cost of sales		(922)	(878)	(1,533)
Gross profit		**16,466**	**13,713**	**28,986**
Administrative expenses and depreciation		(15,723)	(13,059)	(28,845)
Operating profit		**743**	**654**	**141**
Acquisition costs	**4**	503	-	486
Exceptional income	**4**	(875)	(652)	(630)
Amortisation of acquired intangible assets		1,474	1,314	2,605
Share-based payments charge		646	375	935
Adjusted administrative expenses		(13,975)	(12,022)	(25,449)
Adjusted operating profit		**2,491**	**1,691**	**3,537**
Finance income		1	-	71
Finance costs		(76)	(403)	(587)
Profit/(loss) before tax		**668**	**251**	**(375)**
Taxation		(30)	(104)	33
Profit/(loss) for the period		**638**	**147**	**(342)**
Discontinued operations				
Post tax results from discontinued operations	**5**	378	431	1,252
Profit for the period		**1,016**	**578**	**910**
Attributable to:				
Equity holders of the company		1,037	425	623
Non-controlling interests		(21)	153	287
Profit for the period		**1,016**	**578**	**910**

Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2019

	6 months ended 31 December 2019 (unaudited)	6 months ended 31 December 2018 (unaudited, restated*)	Year ended 30 June 2019 (restated*)
	£'000	£'000	£'000
Profit for the period	**1,016**	**578**	**910**
Other comprehensive (loss)/income – amounts that may be reclassified to profit or loss in the future:			
Exchange differences arising on translation of foreign entities	(3,784)	1,389	1,238
Total comprehensive (loss)/income for the period	**(2,768)**	**1,967**	**2,148**
Attributable to:			
Equity holders of the Company	(2,680)	1,761	1,771
Non-controlling interests	(88)	206	377
Total comprehensive (loss)/income for the period	**(2,768)**	**1,967**	**2,148**

*see note 1.1

Earnings per share				
Continuing Operations:				
Basic	2	0.92 p	(0.01) p	(1.01 p)
Diluted	2	0.89 p	(0.01) p	(1.01 p)
Discontinued Operations:				
Basic	2	0.53 p	0.70 p	2.00 p
Diluted	2	0.51 p	0.69 p	1.96 p
Total Group:				
Basic	2	1.45 p	0.69 p	0.99 p
Diluted	2	1.40 p	0.68 p	0.95 p

Condensed Consolidated Balance Sheet
as at 31 December 2019

	Note	31 December 2019 (unaudited)	31 December 2018 (unaudited, restated*)	30 June 2019 (restated*)
	Note	£'000	£'000	£'000
Assets				
Non-current assets				
Goodwill		48,667	47,295	47,262
Other intangible assets		21,616	21,373	21,722
Property, plant and equipment		1,960	1,876	2,079
Deferred tax assets		428	438	626
		72,671	**70,982**	**71,689**
Current assets				
Inventory		84	88	91
Trade and other receivables		7,265	7,664	7,360
Current tax asset		189	94	-
Cash		5,394	5,708	6,636
		12,932	**13,554**	**14,087**
Total assets		**85,603**	**84,536**	**85,776**
Current liabilities				
Trade and other payables		(8,217)	(7,648)	(9,927)
Contingent consideration		(269)	(684)	(278)
Current tax liability		(312)	-	(155)
Provisions		(507)	-	(787)
		(9,305)	**(8,332)**	**(11,147)**
Non-current liabilities				
Borrowings		-	(7,987)	(6,494)
Other payables		(1,359)	(1,287)	(1,960)
Deferred tax		(3,325)	(3,837)	(3,639)
Provisions		(218)	(1,550)	(332)
		(4,902)	**(14,661)**	**(12,425)**
Total liabilities		**(14,207)**	**(22,993)**	**(23,572)**
Net assets		**71,396**	**61,543**	**62,204**

Equity			
Called up share capital	1,507	1,280	1,304
Share premium account	21,103	9,152	10,397
Merger reserve	5,861	4,034	4,034
Capital redemption reserve	417	417	417
Translation reserve	880	4,788	4,598
Retained earnings	41,006	40,841	40,248
Total equity attributable to equity holders of the Company	**70,774**	**60,512**	**60,998**
Non-Controlling interest reserve	622	1,031	1,206
Total equity	**71,396**	**61,543**	**62,204**

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2019

	6 months ended 31 December 2019 (unaudited) £'000	6 months ended 31 December 2018 (unaudited, restated*) £'000	Year ended 30 June 2019 (restated*) £'000
Balance at the start of the period as previously reported	**62,289**	**58,188**	**58,188**
Adjustment on initial application of IFRS16	(85)	(77)	(77)
Restated balance at the start of the period	**62,204**	**58,111**	**58,111**
Total comprehensive (loss)/income for the period	(2,768)	1,967	2,148
Dividends paid to non-controlling interests	-	(190)	(190)
Reclassification of deferred consideration to equity instrument	-	1,317	1,317
Acquisition of non-controlling interest without a change in control	(1,370)	-	(28)
Share issue	12,736	-	-
Share based payment charge	594	338	846
Balance at the end of the period	**71,396**	**61,543**	**62,204**

*see note 1.1

Consolidated Cash Flow Statement

for the six months ended 31 December 2019

	Note	6 months ended 31 December 2019 (unaudited) £'000	6 months ended 31 December 2018 (unaudited, restated*) £'000	Year ended 30 June 2019 (restated*) £'000
Profit for the period		**1,016**	**578**	**910**
Adjustments for:				
Results of discontinued operations		(378)	(431)	(1,252)
Net finance charges		75	403	516
Tax expense/(income)		30	104	(33)
(Profit)/loss on disposal of property, plant and equipment		(2)	-	3
Depreciation on property, plant and equipment		526	457	905
Amortisation of intangible assets		1,396	1,272	2,508
Amortisation of acquired intangible assets		1,474	1,314	2,605
Share-based payments expense		646	375	935
Operating cash flow before movement in working capital		**4,783**	**4,072**	**7,097**
Acquisition costs		503	-	486
Exceptional income		(875)	(652)	(630)
Adjusted EBITDA		**4,411**	**3,420**	**6,953**
Decrease in inventories		5	13	11
Decrease/(increase) in receivables		130	(648)	(325)
(Decrease)/increase in payables and accruals		(3,333)	(500)	2,371
Decrease in provisions		-	(63)	(63)
Cash generated from continuing operations		**1,585**	**2,874**	**9,091**
Acquisition costs payments		767	-	-
Exceptional restructuring payments		-	46	46
Adjusted operating cash flow		**2,352**	**2,920**	**9,137**
Interest received		1	-	1
Interest paid		(70)	(170)	(374)
Tax paid		(286)	(193)	(356)
Net cash generated from operating activities – continuing operations		**1,230**	**2,511**	**8,362**
Net cash (used in)/generated from operating activities – discontinued operations	5	(15)	-	346
Net cash generated from operating activities – continuing and discontinued operations		**1,215**	**2,511**	**8,708**
Cash flows from investing activities				
Purchase of property, plant and equipment		(248)	(84)	(196)
Purchase and development of intangible assets		(2,183)	(1,310)	(4,166)
Acquisition of subsidiaries, net of cash acquired		(2,432)	(446)	(796)
Net cash used in investing activities – continuing operations		**(4,863)**	**(1,840)**	**(5,158)**
Net cash generated from investing activities – discontinued operations	5	-	102	102
Net cash used in investing activities – continuing and discontinued operations		**(4,863)**	**(1,738)**	**(5,056)**

Cash flows from financing activities			
Dividends paid to non-controlling interests	-	(190)	(190)
Payment of lease liabilities	(421)	(379)	(751)
Payments made to acquire non-controlling interest	(28)	-	-
Repayment of borrowings	(6,500)	(950)	(2,450)
Share placing, net of fees	9,577	-	-
Net cash generated from/(used in) financing activities	**2,628**	**(1,519)**	**(3.391)**
Net cash generated from/(used in) financing activities – continuing and discontinued operations	**2,628**	**(1,519)**	**(3,391)**
Net (decrease)/increase in cash and cash equivalents	**(1,020)**	**(746)**	**261**
Other non-cash movements – exchange rate changes	(222)	234	155
Cash and cash equivalents at the beginning of period	6,636	6,220	6,220
Cash and cash equivalents at end of period	**5,394**	**5,708**	**6,636**
Bank borrowings	-	(7,987)	(6,494)
Net cash/(debt)	**5,394**	**(2,279)**	**142**

*see note 1.1

Notes to the Half Year Report
For the six months ended 31 December 2019

1. Basis of Preparation

These half yearly results have been prepared on the basis of the accounting policies to be adopted for the year ended 30 June 2020. These are in accordance with the Group's accounting policies as set out in the latest audited annual financial statements for the year ended 30 June 2019 with the exception of the implementation of IFRS16 as set out below.

All International Financial Reporting Standards ('IFRS'), International Accounting Standards ('IAS') and interpretations currently endorsed by the International Accounting Standards Board ('IASB') and its committees, as adopted by the EU and as required to be adopted by AIM listed companies, have been applied. This includes application for the first time of IFRS16 Leases, the impact of which is provided in note 1.1. AIM listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption.

The financial information in these half yearly results does not constitute statutory accounts for the six months ended 31 December 2019 and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2019.

The condensed consolidated half yearly financial statements for the six months to 31 December 2019 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Half yearly Financial Information.

These unaudited half yearly results were approved by the Board of Directors on 17 February 2020.

1.1 Prior Period Adjustment

This is the first set of the Group's financial statements in which IFRS16 Leases has been applied. The standard, replacing IAS 17 Leases, sets out the requirements for recognising lease contracts in place as right-to-use assets and lease liabilities on the balance sheet.

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

The standard has materially impacted the financial statements of the Group as a result of the number of property leases held. There are also leases relating to motor vehicles. Overall, assets and liabilities on the balance sheet have increased by £1.7 million upon restatement for the year ended 30 June 2019 and are disclosed as right-to-use assets and lease liabilities. Whilst other movements resulting from the transition to the new standard, such as the impact on the profit after tax and Retained Earnings, are not considered material, there is a significant movement in EBITDA as a result of the reallocation, with lease costs now recognised within depreciation rather than in operating expenses as operating lease rental payments. On an annualised basis, the net impact to EBITDA at the point of transition is an increase of £0.8 million.

The impact on the 6 month period ended 31 December 2019 versus the IAS 17 treatment is an increase to profit for the year of £12,000, with the value of right-to-use assets on the balance sheet at £1.4 million and lease liabilities of £1.5 million.

The implementation of IFRS16 has not resulted in a restatement to the reported cash balance. However, the presentation of the Cash Flow Statement has changed due to the payment of lease liabilities now being classified as a financing activity rather than stated through operating activities as a rental payment. There is no significant restatement of working capital impact upon transition and therefore the quantum of this re-presentation is consistent with the movement in EBITDA of £0.8 million annualised.

The financial impact of these restatements is shown below, including both the impact on the comparative half year results and full year results to June 2019.

A summary of the impact of the prior period adjustments on the consolidated income statement and the consolidated statement of cash flows for the 6 months ended 31 December 2018, as well as the consolidated balance sheet as at 31 December 2018 is as follows:

Consolidated Income Statement	Period ended 31 December 2018 As reported £'000	IFRS16 application £'000	Period ended 31 December 2018 As restated £'000
Revenue	14,591	-	14,591
Adjusted operating profit	1,644	47	1,691
Operating profit	607	47	654
Finance income	-	-	-
Finance costs	(364)	(39)	(403)
Profit before tax	243	8	251
Taxation	(104)	-	(104)
Profit for the period	139	8	147
Post tax profit from discontinued operations	431	-	431
Profit for the period	570	8	578

Consolidated Cash Flow Statement for the six months ended 31 December 2018	As reported £'000	IFRS16 application £'000	As restated £'000
Profit for the period	**570**	**8**	**578**
Adjustments for:			
Results of discontinued operations	(431)	-	(431)
Net finance charges	364	39	403
Tax expense	104	-	104
Depreciation on property, plant and equipment	101	356	457
Amortisation of intangible assets	1,272	-	1,272
Amortisation of acquired intangible assets	1,314	-	1,314
Share-based payments income	375	-	375
Operating cash flow before movement in working capital	**3,669**	**403**	**4,072**
Exceptional income	(652)	-	(652)
Adjusted EBITDA	**3,017**	**403**	**3,420**
Decrease in inventories	13	-	13
Increase in receivables	(648)	-	(648)
Decrease in payables and accruals	(506)	6	(500)
Decrease in provisions	(63)	-	(63)
Cash generated from continuing operations	**2,465**	**409**	**2,874**
Exceptional restructuring payments	46	-	46
Adjusted operating cash flow	**2,511**	**409**	**2,920**
Interest paid	(131)	(39)	(170)
Tax paid	(193)	-	(193)

Net cash generated from operating activities – continuing and discontinued operations	**2,141**	**370**	**2,511**

Net cash used in investing activities – continuing and discontinued operations	**(1,738)**	**-**	**(1,738)**

Cash flows from financing activities			
Dividends paid to non-controlling interests	(190)	-	(190)
Payment of lease liabilities	-	(379)	(379)
Repayment of borrowings	(950)	-	(950)
Net cash used in financing activities – continuing and discontinued operations	**(1,140)**	**(379)**	**(1,519)**
Net decrease in cash and cash equivalents	**(737)**	(9)	**(746)**
Other non-cash movements – exchange rate changes	225	9	234
Cash and cash equivalents at the beginning of period	6,220	-	6,220
Cash and cash equivalents at end of period	**5,708**	**-**	**5,708**
Bank borrowings	(7,987)	-	(7,987)
Net debt	**(2,279)**	**-**	**(2,279)**

Consolidated Balance Sheet as at 31 December 2018

	As reported £'000	IFRS16 application £'000	As restated £'000
Assets			
Non-current assets			
Property, plant and equipment	352	1,524	1,876
Other non-current assets	69,106	-	69,106
	69,458	**1,524**	**70,982**
Current assets			
Trade and other receivables	7,691	(27)	7,664
Other current assets	5,890	-	5,890
	13,581	(27)	**13,554**
Total assets	**83,039**	**1,497**	**84,536**
Current liabilities			
Trade and other payables	(7,097)	(551)	(7,648)
Other current liabilities	(684)	-	(684)
	(7,781)	**(551)**	**(8,332)**
Non-current liabilities			
Other payables	(281)	(1,006)	(1,287)
Other non-current liabilities	(13,374)	-	(13,374)
	(13,655)	**(1,006)**	**(14,661)**
Total liabilities	**(21,436)**	**(1,557)**	**(22,993)**
Net assets	**61,603**	**(60)**	**61,543**
Equity			
Ordinary share capital	1,280	-	1,280
Share premium	9,152	-	9,152

Merger reserve	4,034	-	4,034
Capital redemption reserve	417	-	417
Translation reserve	4,779	9	4,788
Retained earnings	40,910	(69)	40,841
Total equity attributable to equity holders of the company	**60,572**	**(60)**	**60,512**
Non-controlling interest	1,031	-	1,031
Total equity	**61,603**	**(60)**	**61,543**

An adjustment has also been made to the consolidated income statement, consolidated statement of cash flows and consolidated balance sheet as at 30 June 2019 in respect of the retrospective application of IFRS16 as detailed below.

Consolidated Income Statement	Year ended 30 June 2019 As reported £'000	IFRS16 application £'000	Year ended 30 June 2019 As restated £'000
Revenue	30,519	-	30,519
Adjusted operating profit	3,458	79	3,537
Operating profit	62	79	141
Finance income	71	-	71
Finance costs	(508)	(79)	(587)
Loss before tax	(375)	-	(375)
Taxation	33	-	33
Loss for the year	(342)	-	(342)
Profit from discontinued operations	1,252	-	1,252
Profit for the year	910	-	910

Consolidated Cash Flow Statement for the year ended 30 June 2019	As Reported £'000	IFRS16 application £'000	As Restated £'000
Profit for the period	**910**	**-**	**910**
Adjustments for:			
Results of discontinued operations	(1,252)	-	(1,252)
Net finance expense	437	79	516
Tax income	(33)	-	(33)
Loss on disposal of property, plant and equipment	3	-	3
Depreciation on property, plant and equipment	180	725	905
Amortisation of intangible assets	2,508	-	2,508
Amortisation of acquired intangible assets	2,605	-	2,605
Share-based payments income	935	-	935
Operating cash flow before movement in working capital	**6,293**	**804**	**7,097**
Acquisition costs	486	-	486
Exceptional income	(630)	-	(630)
Adjusted EBITDA	**6,149**	**804**	**6,953**
Decrease in inventories	11	-	11
Increase in receivables	(325)	-	(325)
Increase in payables and accruals	2,337	34	2,371
Decrease in provisions	(63)	-	(63)
Cash generated from continuing operations	**8,253**	**838**	**9,091**
Exceptional restructuring payments	46	-	46
Adjusted operating cash flow	**8,299**	**838**	**9,137**
Interest received	1	-	1
Interest paid	(295)	(79)	(374)
Tax paid	(356)	-	(356)
Net cash generated from operating activities – continuing operations	**7,603**	**759**	**8,362**
Net cash generated from operating activities – discontinued operations	346	-	346
Net cash generated from operating activities – continuing and discontinued operations	**7,949**	**759**	**8,708**
Net cash used in investing activities – continuing and discontinued operations	**(5,056)**	**-**	**(5,056)**
Cash flows from financing activities			
Dividends paid to non-controlling interests	(190)	-	(190)
Payment of lease liabilities	-	(751)	(751)
Repayment of borrowings	(2,450)	-	(2,450)
Net cash used in financing activities – continuing and discontinued operations	**(2,640)**	**(751)**	**(3,391)**
Net increase in cash and cash equivalents	**253**	8	**261**
Other non-cash movements – exchange rate changes	163	(8)	155
Cash and cash equivalents at the beginning of period	6,220	-	6,220
Cash and cash equivalents at end of period	**6,636**	**-**	**6,636**
Bank borrowings	(6,494)	-	(6,494)
Net cash	**142**	**-**	**142**

Consolidated Balance Sheet as at 30 June 2019

	As reported	IFRS16 application	As restated
	£'000	£'000	£'000
Assets			
Property, plant and equipment	382	1,697	2,079
Other non-current assets	69,610	-	69,610
	69,992	**1,697**	**71,689**
Trade and other receivables	7,397	(37)	7,360
Other current assets	6,727	-	6,727
	14,124	**(37)**	**14,087**
Total assets	**84,116**	**1,660**	**85,776**
Current liabilities			
Trade and other payables	(9,163)	(764)	(9,927)
Other current liabilities	(1,220)	-	(1,220)
	(10,383)	**(764)**	**(11,147)**
Non-current liabilities			
Other payables	(979)	(981)	(1,960)
Other non-current liabilities	(10,465)	-	(10,465)
	(11,444)	**(981)**	**(12,425)**
Total liabilities	**(21,827)**	**(1,745)**	**(23,572)**
Net assets	**62,289**	**(85)**	**62,204**
Equity			
Ordinary share capital	1,304	-	1,304
Share premium	10,397	-	10,397
Merger reserve	4,034	-	4,034
Capital redemption reserve	417	-	417
Translation reserve	4,606	(8)	4,598
Retained earnings	40,316	(68)	40,248
Total equity attributable to equity holders of the company	**61,074**	**(76)**	**60,998**
Non-controlling interest	1,215	(9)	1,206
Total equity	**62,289**	**(85)**	**62,204**

2. Earnings per share (EPS)

	6 months 31 December 2019 (unaudited) Pence	6 months 31 December 2018 (unaudited, restated) Pence	Year ended 30 June 2019 (restated) Pence
Continuing operations			
Basic earnings per share	0.92 p	(0.01 p)	(1.01 p)
Diluted earnings per share	0.89 p	(0.01 p)	(1.01 p)
Adjusted earnings per share	3.02 p	1.61 p	3.56 p
Diluted adjusted earnings per share	2.93 p	1.58 p	3.48 p
Discontinued operations			
Basic earnings per share	0.53 p	0.70 p	2.00 p
Diluted earnings per share	0.51 p	0.69 p	1.96 p
Adjusted earnings per share	0.53 p	0.70 p	2.00 p
Diluted adjusted earnings per share	0.51 p	0.69 p	1.96 p
Total Group			
Basic earnings per share	1.45 p	0.69 p	0.99 p
Diluted earnings per share	1.40 p	0.68 p	0.95 p
Adjusted earnings per share	3.55 p	2.31 p	5.56 p
Diluted adjusted earnings per share	3.44 p	2.27 p	5.44 p

Continuing operations	6 months 31 December 2019 (unaudited) £'000	6 months 31 December 2018 (unaudited, restated) £'000	Year ended 30 June 2018 (restated) £'000
Profit/(loss) for the period	638	147	(342)
Loss/(profit) attributable to non-controlling interests	21	(153)	(287)
Profit/(Loss) attributable to equity holders of the Company	**659**	(6)	**(629)**
Reconciliation to adjusted profit:			
Unwinding of discount on contingent consideration	-	60	82
Revaluation of contingent consideration	-	116	46
Acquisition costs	503	-	486
Amortisation of intangible assets	1,474	1,314	2,605
Exceptional income	(875)	(652)	(630)
Amortisation of bank fees	6	7	14
Share based payments	646	375	935
Tax impact of above adjustments	(249)	(220)	(688)
Adjusted profit for the period	**2,164**	**994**	**2,221**

Number of shares	'000s	'000s	'000s
Weighted average number of shares	71,434	61,714	62,310
Bonus element from share placing in July 2019	140	140	140
Basic	71,574	61,854	62,450
Impact of dilutive share options	2,254	917	1,428
Diluted	73,828	62,771	63,738

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

The dilutive share options are in respect of the shares awarded under the Blancco Performance Share Plan.

3. Profit for the period

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

	6 months ended 31 December 2019 (unaudited) £'000	6 months ended 31 December 2018 (unaudited, restated) £'000	Year ended 30 June 2019 (unaudited, restated) £'000
Depreciation of property, plant and equipment – owned	120	101	180
Depreciation of property, plant and equipment – right of use asset	406	356	725
(Profit)/loss on disposal of property, plant and equipment	(2)	-	3
Amortisation of intangible assets	2,870	2,586	5,113
Cost of inventories recognised as an expense	197	141	252
Research & Development expense	522	358	869
Staff costs	8,266	7,427	14,816
Net foreign exchange (profit)/loss	(216)	87	158

4. Exceptional and acquisition (income)/costs

	6 months ended 31 December 2019 (unaudited) £'000	6 months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Provision releases	(875)	(652)	(630)
Acquisition costs	503	-	486
	(372)	**(652)**	**(144)**

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

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

5. Discontinued Operations

The post-tax results from discontinued operations in the period was a profit of £0.4 million (H1 2019: £0.4 million). This arose from the reassessment of provisions over time that were created upon the disposal of the Repair Services business in the year ended 30 June 2016.

6. Acquisitions

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

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

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

Satisfied by:	
Cash paid	2,759
Deferred consideration	269
Shares issued	1,789
Total consideration	**4,817**

The Directors have not identified any new assets or liabilities or any change in circumstances that would result in a material reassessment of the fair value of the assets or liabilities acquired. In accordance with IFRS3, the fair value of the assets and liabilities acquired will be reassessed at the end of the 12 month hindsight period in July 2020.

The deferred cash consideration has been settled after the period end.

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

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

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

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