22 February 2022

Blancco Technology Group plc

Interim results for the six months ended 31 December 2021

Sustainability and Governance tailwinds continue to drive strong growth
Channel partnerships demonstrate ability to drive meaningful expansion

Blancco Technology Group plc (AIM: BLTG, "Blancco", the "Company" or the "Group"), the industry standard in data erasure and mobile lifecycle solutions, is pleased to announce its unaudited interim results for the six months ended 31 December 2021.

FINANCIAL HIGHLIGHTS

£m unless otherwise stated	**H1 FY22**	**H1 FY21**	**Change**
Revenue	19.7	17.4	13%
Gross Profit	19.1	16.2	18%
Adjusted EBITDA*	6.4	5.3	21%
Adjusted Operating Profit*	4.0	2.9	36%
Operating Profit	1.9	0.7	168%
Profit before taxation	1.8	0.5	249%
Adjusted Operating Cash Flow**	4.7	5.4	(14%)
Cash generated from continuing operations	4.6	5.0	(8%)
Diluted Earnings per share	1.94p	1.08p	80%
Net Cash	10.2	8.2	

- Strong revenue growth of 20% when adjusted for constant exchange rates ("CER"):
    - IT Asset Disposition ("ITAD") revenue increased by 33% (CER +40%) to £6.9 million (H1 FY 2021: £5.2 million), driven by pent-up demand unwinding as businesses returned to offices
    - Enterprise revenue increased by 11% (CER +17%) to £7.1 million (H1 FY 2021: £6.4 million)
    - Mobile revenue fell slightly (CER +7%) to £5.7 million (H1 FY 2021: £5.8 million)
- Good constant currency growth in each of our three geographies:
    - North America revenue increased by 19% (CER +25%) to £5.8 million (H1 FY 2021: £4.9 million)
    - APAC revenue in line with prior period (CER +9%) at £6.2 million (H1 FY 2021: £6.2 million)
    - EMEA revenue increased by 22% (CER +28%) to £7.7 million (H1 FY 2021: £6.3 million)
- Net cash balances of £10.2 million (31 December 2020: £8.2 million), despite £1.5 million outflow relating to shares purchased for the Employee Benefit Trust
- Gross margins increased to 97% (H1 FY 2021: 93%) driven by internal product development and subsequent decrease in the requirement for a significant number of third-party licences
- Adjusted operating margin of 20% (H1 FY 2021: 17%), led to an increase in Adjusted Operating Profit to £4.0 million (H1 FY2021: £2.9 million). Operating Profit grew to £1.9 million (H1 FY21: £0.7 million)
- Adjusted EBITDA increased to £6.4 million (H1 FY 2021: £5.3 million). EBITDA grew to £5.7 million (H1 FY21: £4.6 million)

OPERATIONAL HIGHLIGHTS

- Revenue generated from channel partners continues to grow strongly with channel revenue growing by 33% to £4.0 million (H1 FY 2021: £3.0 million) and now representing 57% (H1 FY 2021: 47%) of Enterprise revenue
- Sustainability pressures on companies are driving growth in both Enterprise and ITAD revenues
- Release of pent-up demand drives exceptional growth in ITAD during the period
- Temporary slowdown in Mobile caused by widely publicised supply shortages of new handsets resulting in transitory impact on second-hand market. Blancco's market share continued to increase and the long-term growth trends in this market remain strong

CURRENT TRADING AND OUTLOOK

- Pipeline and early Q3 sales activity provide confidence for continued growth in H2
- Operating margins anticipated to slightly reduce in the short term due to wage inflation and a return to more normalised levels of travel expenditure
- Recent and upcoming product launches support further growth in each division:
    - Enterprise: launch of Sustainability Dashboard to give customers easy access to sustainability and carbon reduction metrics
    - ITAD: increased addressable market with new capability to erase Google Chromebook devices
    - Mobile: new Xcelerate product to target mid-tier mobile processors
- Strong structural tailwinds look set to continue for the long-term, giving confidence for sustainable growth and progress towards our ambition of becoming a global software leader in the data security market

Matt Jones, Chief Executive, said:

"We're delighted to report such a strong set of results. Our performance is driven by our best in class data erasure and diagnostics solutions and our alignment with attractive, structurally growing markets which position us well to keep delivering value to all of our stakeholders.

"Our end-of-life IT Asset Disposition business ("ITAD") has seen particularly strong growth in the period owing to pent-up demand being released as companies returned to their offices. Whilst this was a one-off factor, we believe that the increasing pressure on companies to act in an environmentally sustainable way regarding the recycling of IT hardware will continue to drive growth, both in our ITAD business and across our data management solutions for Enterprises.

"Blancco is well placed to benefit from the increased focus on data security and sustainability. Continued product innovation in each of our three divisions will further increase our addressable markets and I am excited by the opportunities ahead of us."

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

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

Presentation and webcast:

A virtual results briefing for analysts will be held today, 22 February 2022 at 3.00pm GMT, via a live webcast and conference call facility.

If you would like to join the webcast or conference call, please contact Buchanan at blancco@buchanan.uk.com .

ENDS

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About Blancco

Blancco Technology Group plc is a leading global provider of mobile lifecycle solutions and secure data erasure solutions. For more information, please visit www.blancco.com.

CHIEF EXECUTIVE'S REPORT

Business overview

The first six months of the 2021/22 financial year have seen ongoing revenue and profit growth alongside good levels of cash generation. This follows a similarly prosperous trading period for the prior six months and is a result of the global trends of sustainability and governance which are driving increased demand for Blancco's market leading solutions.

It has never been acceptable to dispose of IT equipment which is storing sensitive data without taking precautions to protect that data, but the importance of this to businesses has been elevated in recent years by increasing data protection laws being introduced globally with the risk of extremely high financial penalties being imposed on organisations which have not taken appropriate steps to protect sensitive data. Performing tasks such as formatting a hard drive, or a factory reset on a device, can make it more difficult to recover data, but the data almost always still resides on the device. There are only two secure options available to companies which are disposing of data bearing equipment:

1) Ensure that the equipment is physically shredded into very small fragments such that no data is recoverable and then send this material to landfill. This means that the potentially valuable raw materials used to manufacture the device are lost and not available for recycling. It also often means that harmful chemicals contained in such material are released into the soil.
2) Use a secure data erasure solution to permanently erase all data stored on the device. The device is then able to be reused or recycled. This method is usually more cost effective, and more auditable, than the shredding option. Blancco is currently one of the few software companies to offer this kind of fully certifiable data erasure solution to businesses and governments.

Whilst it seems obvious that secure data erasure is the most preferable choice, the reality is that the vast majority of IT equipment is still shredded and sent to landfill at the end of its first life. Companies are however gradually behaving in a more sustainable and responsible manner and looking at how they can reduce waste as well as minimise their carbon footprint. This necessitates diverting more equipment away from landfill and towards data erasure.

Blancco is the global market leader in data erasure software solutions. Blancco has an unrivalled patent portfolio supported by an extensive list of global security accreditations which verify that Blancco's solutions ensure that all data is permanently erased.

Enterprise

Blancco's Enterprise solutions ensure that data is permanently erased from all devices that may store it in large organisations. These companies have the largest inventory of IT equipment storing the largest quantity of data. These companies are also subject to increasing data protection regulations around the world from which failure to comply could result in huge fines based on their global turnover.

Large organisations are also under increasing pressure to operate in a sustainable manner, reducing their waste and carbon footprint. The use of secure data erasure solutions enables those companies to meet their data protection requirements whilst supporting sustainability initiatives.

As a result, Blancco has seen sustained double digit growth in its Enterprise division and reported full year results in September 2021 showing that growth had been at 18% per annum over the past three years, despite a challenging macro backdrop. This growth has continued into the new financial year with reported revenue growing by 11% to £7.1 million compared to the same period last year (H1 FY 2021: £6.4 million). A relatively small proportion of Blancco's revenue is transacted in Sterling, meaning that revenues are subject to foreign exchange fluctuations and this was seen in the period with underlying growth in the Enterprise division, excluding these fluctuations, of 17%.

Access to large Enterprise customers on a global basis is challenging for a company of Blancco's size which has led to increasing initiatives to develop relationships with strategic channel partners that have deeper access to large blue chip organisations. Revenue from channel partners grew by 33% to £4.0 million (H1 FY2021: £3.0 million) in the period and now represents 57% (H1 FY 2021: 47%) of all Enterprise revenue.

The Group recently commenced a new channel partnership with a global IT consultant. Their clients are challenged by the landscape for data and device lifecycle management which underwent a fundamental change during the pandemic. Those clients have seen increasing adoption of flexible working models and more individuals accessing and sharing data via personal and public networks and devices. The collaboration between this IT consultant and Blancco offers full global service availability of Blancco's data sanitisation solutions for their back-to-back service support, and implementation is already underway with one of their largest global enterprise clients. The partnership sees the consultant's clients receive access to the full suite of Blancco's Secure Data Erasure ("BSDE") software.

Access to Blancco's BSDE software will simplify the data sanitisation process by allowing our clients to perform secure, enterprise-wide data erasure within their existing IT asset management services. It will also give customers a centralised view of all managed assets from which they can trigger processes like remote erasure. This single-source approach further streamlines and simplifies IT asset management across the organisation globally, giving enterprises the ability to remotely, securely and easily erase devices anytime, anywhere.

To further support the sustainability initiatives of our clients and channel partners, Blancco is adding increased reporting capability for its clients that will ultimately enable them to track the environmental impact of using Blancco's solutions. The Sustainability dashboard is shortly to be added to the existing reporting on the Blancco Management Console and will eventually enable clients to track the numbers of devices that have been erased and recycled. It will also report on the e-waste saving as well as the potential carbon saving from recycling the materials and not incurring the carbon footprint of sending the devices to landfill. This will become important for the Group's clients as they seek to improve the sustainability metrics that they themselves report to their stakeholders.

IT Asset Disposition ("ITAD")

An inability to access customer premises meant there was a slowdown in erasure licences consumed by ITAD customers in the first half of the prior financial year when revenues fell by 7%. However, this was reversed as businesses opened up again during the early months of 2021 with 19% growth in H2 FY2021. This trend has accelerated in H1 FY2022 with revenue growing 33% to £6.9 million (H1 FY2021: £5.2 million).

Blancco's ITAD customers are reporting a period of increased activity as companies are adjusting to more flexible working schedules and reconfiguring office workspaces, resulting in increased levels of computer equipment being disposed of. However, the longer-term trend is very similar to Enterprise where companies of all sizes are motivated to conduct business in a more sustainable manner, rather than arrange for the physical destruction of assets. As reported in the Group's Full Year results, ITAD revenues had been growing at a rate of 10% per annum over the last three financial years, despite the impact of the pandemic. There is no reason why ITAD revenues can't continue to grow at similar, if not greater levels, in the years ahead.

From a product perspective, the Group's biggest innovation in recent months has been the introduction of the capability to erase Google Chromebook devices. Traditionally, these devices haven't been used by businesses, but we have seen growth of Chromebook use among our corporate customers and have recently introduced this capability to further enhance our position as the clear data erasure market leader for ITAD customers.

Mobile

We continue to see some COVID related impact on the Mobile market with supply shortages slowing the number of new handsets being sold which in turn has temporarily slowed the second-hand market as consumers typically trade in handsets when purchasing new ones. The most recent data published by Gartner showed that global smartphone sales reduced by 6.8% from 366.3 million handsets in Q3 2020 to 342.3 million handsets in Q3 2021. Our Mobile customers are reporting similar trends with some of our larger customers processing 10-20% fewer smartphones than in the comparable period of last year.

Despite the short-term impact of the supply shortages in the Mobile market, Blancco continued to gain market share and although revenue fell slightly to £5.7 million (H1 FY2021: £5.8 million) in the period, this nonetheless represented growth of 7% when adjusted for foreign currency movements.

The latest research published by IDC shows that the refurbished smartphone market is forecast to grow at a compound annual growth rate of 11.2% per annum to 2024. Its data shows that 225.5 million handsets were shipped in 2020 and this is expected to increase to 351.6 million in 2024. As the market matures, we expect that the proportion of these devices which are securely erased, as opposed to being encrypted by a factory reset, will increase and therefore accelerate the growth of the market in which we operate.

The Blancco solution has always been targeted at the largest mobile processors who process millions of phones per annum. The large processors are primarily concerned with ensuring the most secure erasure takes place and that the handset is processed in the shortest possible time. Blancco's solution uses patented technology which allows us to communicate directly with the firmware of the device and enables handsets to be processed up to 50% quicker than any of our competitors while also processing up to 60 devices simultaneously. Coupled with our experience of operating in the software erasure market and security accreditations, Blancco has a market leading proposition for the large mobile processors.

Mid-tier mobile processors who process fewer handsets, in perhaps the tens or hundreds of thousands of devices, have different priorities and will often look for a cheaper solution where processing time is less of a concern. Blancco has recently launched Blancco Xcelerate which is targeted to compete in this market segment. Blancco Xcelerate is a small piece of hardware which can enable 20 devices to be processed simultaneously but will be priced on a subscription basis which will give certainty to customers on the monthly outflow relating to Blancco licences. This solution competes directly with the major players in this market and will bring Blancco's accredited erasure solution to potential customers who had previously considered it too expensive.

Summary and Outlook

We are delighted with the growth of the business through the 2021 calendar year despite a challenging macro backdrop, with currency adjusted revenue growth of 25% in H2 FY2021 being followed by currency adjusted revenue growth of 20% in this most recent six-month period. This revenue growth has also demonstrated the operational gearing in the business with these results showing gross margins of 97% and adjusted operating margin growing to 20%. Whilst cash grew from £10.1 million at 30 June 2021 to £10.2 million at 31 December 2021, this was depressed by the £1.5 million outflow relating to the purchase of shares into the Employee Benefit Trust to satisfy future vesting of awards under the Company's long term incentive plan.

The Enterprise business has consistently grown at almost 20% per annum and the governance and sustainability growth drivers detailed above should ensure that growth rates of approximately this level will be maintained. The ITAD market has seen a period of very high growth as demonstrated by the currency adjusted growth of 40% that we have seen in this reporting period. Whilst we anticipate this growth to slow when the release of post pandemic pent-up demand is satisfied, similar growth drivers to those for our Enterprise business give us confidence that the growth rate of circa 10% seen in the three previous financial years can be at least maintained if not modestly improved. In Mobile we have continued to gain market share, but supply chain issues have indirectly impacted the growth of our mobile business. Long-term market data suggests a resold handset market that is growing at 11% per annum. The new Blancco Xcelerate product is intended to gain market share in Mobile and we anticipate growth rates to increase from those reported in these results.

We do anticipate an increased cost base as we fill staff vacancies through the second half of the year, with the impact of pay increases and a return to more normal travel patterns also impacting operating margins in the short term. However, with a full sales pipeline of opportunities as we enter the second half of the financial year, we look forward with confidence to another period of growth.

Matt Jones
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REPORT

Revenue

Revenue growth in H1 FY22 was 20% excluding the impact of foreign exchange movements which follows on from 25% currency adjusted revenue growth experienced in the second half of the prior financial year. Whilst 2020 was a challenging period due to the pressures of the pandemic, 2021 has seen businesses adjust to managing their remote workforces on a sustainable basis which has led to increased demand for Blancco's data erasure solutions.

	Six months ended		Growth rate	CER Growth	Year ended
	31 December 2021	31 December 2020			30 June 2021
Revenue (£ millions)	19.7	17.4	+13%	+20%	36.5
Revenue by Geography					
North America	5.8	4.9	+19%	+25%	11.2
Europe	7.7	6.3	+22%	+28%	13.4
Asia and ROW	6.2	6.2	-	+9%	11.9
Revenue by Market type					
Enterprise	7.1	6.4	+11%	+17%	14.1
ITAD	6.9	5.2	+33%	+40%	11.5
Mobile	5.7	5.8	-2%	+7%	10.9

Particularly strong growth has continued in North America where revenue grew by 19% (25% when adjusted for currency movements), following on from the second half of the prior financial year when growth was 49%. The move towards sustainable activity is being led by the largest companies in the world of which many are based in the US.

Europe was the strongest growth region with revenue growing by 22% to £7.7 million (CER growth 28%). This reflects the reopening of businesses following the pandemic with Europe experiencing the most severe and lengthy lockdowns. Conversely, Asia only saw constant currency growth of 9% in the period with the region having not been as severely impacted by the pandemic in the comparative period. Asia is particularly affected by Mobile activity where supply shortages of new handsets led to reduced used handset availability.

Profitability Measures

The Company saw increased profit margins during the period due to several major factors:

- During the period, the Company launched a solution which reduced the requirement to purchase third party licences when processing mobile handsets. This was previously a large proportion of cost of goods sold and this elimination resulted in overall gross margins increasing from 93% to 97% in the period
- Whilst Travel & Entertainment returned to a certain extent, particularly in North America, it remains comfortably below pre-pandemic levels. We do anticipate Travel & Entertainment continuing to increase as restrictions are eased but the increasing use of technology will mean that it will not return to pre-pandemic levels
- As is being reported by businesses globally across all sectors, it is challenging to recruit and retain the best employees which has meant that it is taking longer to fill vacancies than we would normally expect and this does result in cost savings. We anticipate in the second half of the year we will be able to fill many of those roles and will also see the impact of wage inflation come through in operating margins

Adjusted Operating Profit for the period increased by 36% to £4.0 million (H1 FY2021: £2.9 million). Operating profit for the period was £1.9 million (H1 FY2021: £0.7 million). Adjusted operating margins in the first six months of the year grew from 17% in the prior year to 20% in first half of FY2022 as a result of the factors listed above. We do anticipate some operating margin reduction in the second half of the year as we continue to look to fill vacancies in headcount and the full six-month impact of pay increases and vacancies filled in the first half come through. We also anticipate Travel & Entertainment returning more significantly in the period from now until 30 June 2022.

	6 months ended 31 December 2021 (unaudited) £'000	**6 months ended 31 December 2020 (unaudited) £'000**
Operating profit	**1,916**	**716**
Exceptional income	-	(41)
Amortisation of acquired intangible assets	1,337	1,460
Share-based payments charge	699	767
Adjusted operating profit	**3,952**	**2,902**

Adjusted EBITDA for the period grew by 21% to £6.4 million (H1 FY 2021: £5.3 million), giving an adjusted EBITDA margin of 33% (H1 FY 2021: 30%).

Balance Sheet

Whilst cash grew to £10.2 million (31 December 2020: £8.2m), this was suppressed by a cash outflow of £1.5 million to purchase Blancco shares for the Employee Benefit Trust. The Group experienced a very strong sales period in the second quarter which led to an increased Debtor balance of £7.8 million (30 June 2021: £6.2 million) and will result in further positive cash generation in the second half of the year.

Adam Moloney
Chief Financial Officer

Consolidated Statement of Comprehensive Income
for the six months ended 31 December 2021

	Note	6 months ended 31 December 2021 (unaudited) £'000	6 months ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Revenue		**19,676**	**17,417**	**36,506**
Cost of sales		(588)	(1,262)	(2,807)
Gross profit		**19,088**	**16,155**	**33,699**
Administrative expenses and depreciation		(17,172)	(15,439)	(31,925)
Operating profit		**1,916**	**716**	**1,774**
Acquisition costs		-	-	-
Exceptional income		-	(41)	(837)
Amortisation of acquired intangible assets		1,337	1,460	2,859
Share-based payments charge		699	767	1,490
Adjusted administrative expenses		(15,136)	(13,253)	(28,413)
Adjusted operating profit		**3,952**	**2,902**	**5,286**
Finance income		1	51	121
Finance costs		(85)	(242)	(420)
Profit before tax		**1,832**	**525**	**1,475**
Taxation		(302)	191	(95)
Profit for the period		**1,530**	**716**	**1,380**
Discontinued operations				
Post tax results from discontinued operations		-	114	331
Profit for the period		**1,530**	**830**	**1,711**
Attributable to:				
Equity holders of the company		1,505	822	1,697
Non-controlling interests		25	8	14
Profit for the period		**1,530**	**830**	**1,711**

Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2021

	6 months ended 31 December 2021 (unaudited) £'000	6 months ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Profit for the period	**1,530**	**830**	**1,711**
Other comprehensive loss – amounts that may be reclassified to profit or loss in the future:			
Exchange differences arising on translation of foreign entities	(995)	(2,718)	(5,862)
Total comprehensive income/(loss) for the period	**535**	**(1,888)**	**(4,151)**
Attributable to:			
Equity holders of the Company	523	(1,856)	(4,049)
Non-controlling interests	12	(32)	(102)
Total comprehensive income/(loss) for the period	**535**	**(1,888)**	**(4,151)**

Earnings per share				
Continuing Operations:				
Basic	2	2.01 p	0.96 p	1.84 p
Diluted	2	1.94 p	0.93 p	1.78 p
Discontinued Operations:				
Basic	2	-	0.15 p	0.45 p
Diluted	2	-	0.15 p	0.43 p
Total Group:				
Basic	2	2.01 p	1.11 p	2.29 p
Diluted	2	1.94 p	1.08 p	2.21 p

Condensed Consolidated Balance Sheet

as at 31 December 2021

	31 December 2021 (unaudited) £'000	31 December 2020 (unaudited) £'000	30 June 2021 (audited) £'000
Assets			
Non-current assets			
Goodwill	47,555	50,101	48,199
Other intangible assets	17,928	21,423	19,369
Property, plant and equipment	2,449	2,366	2,249
Deferred tax assets	99	1,008	119
	68,031	**74,898**	**69,936**
Current assets			
Inventory	166	73	110
Trade and other receivables	7,820	6,251	6,204
Current tax asset	579	439	469
Cash	10,205	8,241	10,071
	18,770	**15,004**	**16,854**
Total assets	**86,801**	**89,902**	**86,790**
Current liabilities			
Trade and other payables	(7,867)	(7,868)	(7,767)
Contingent consideration	-	(319)	-
Current tax liability	(380)	(288)	(336)
Provisions	-	(166)	-
	(8,247)	**(8,641)**	**(8,103)**
Non-current liabilities			
Other payables	(1,268)	(1,258)	(1,131)
Deferred tax	(2,766)	(3,572)	(2,655)
Provisions	-	(52)	-
	(4,034)	**(4,882)**	**(3,786)**
Total liabilities	**(12,281)**	**(13,523)**	**(11,889)**
Net assets	**74,520**	**76,379**	**74,901**

Equity			
Called up share capital	1,513	1,512	1,512
Share premium account	21,103	21,103	21,103
Merger reserve	5,861	5,861	5,861
Capital redemption reserve	417	417	417
Translation reserve	(792)	3,258	190
Retained earnings	45,843	43,595	45,255
Total equity attributable to equity holders of the Company	**73,945**	**75,746**	**74,338**
Non-Controlling interest reserve	575	633	563
Total equity	**74,520**	**76,379**	**74,901**

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2021

	6 months ended 31 December 2021 (unaudited) £'000	6 months ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Balance at the start of the period	**74,901**	**77,350**	**77,350**
Total comprehensive income/(loss) for the period	535	(1,888)	(4,151)
Purchase of Company's own shares	(1,546)	-	-
Issue of shares	1	-	-
Share based payment charge inclusive of deferred tax	629	917	1,702
Balance at the end of the period	**74,520**	**76,379**	**74,901**

Consolidated Cash Flow Statement

for the six months ended 31 December 2021

	6 months ended 31 December 2021 (unaudited) £'000	6 months ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Profit for the period	**1,530**	**830**	**1,711**
Adjustments for:			
Results of discontinued operations	-	(114)	(331)
Net finance charges	84	191	299
Tax expense/(income)	302	(191)	95
Loss on disposal of intangible assets	-	-	66
Loss/(profit) on disposal of property, plant and equipment	1	(5)	(6)
Depreciation on property, plant and equipment	554	577	1,129
Amortisation of intangible assets	1,912	1,829	3,753
Amortisation of acquired intangible assets	1,337	1,460	2,859
Share-based payments expense	699	767	1,490
Operating cash flow before movement in working capital	**6,419**	**5,344**	11,065
Exceptional income	-	(41)	(837)
Adjusted EBITDA	**6,419**	**5,303**	**10,228**
(Increase)/decrease in inventories	(54)	21	(19)
(Increase)/decrease in receivables	(1,715)	642	588
Decrease in payables and accruals	(37)	(1,011)	(1,249)
Cash generated from continuing operations	**4,613**	**4,996**	**10,385**
Acquisition costs payments	-	252	252
Share-based payments	42	155	155
Adjusted operating cash flow	**4,655**	**5,403**	**10,792**
Interest received	67	51	54
Interest paid	(80)	(80)	(113)
Other finance costs paid	-	-	(242)
Tax (paid)/received	(187)	250	228
Net cash generated from operating activities – continuing operations	**4,413**	**5,217**	**10,312**
Net cash generated from operating activities – continuing and discontinued operations	**4,413**	**5,217**	**10,312**
Cash flows from investing activities			
Purchase of property, plant and equipment	(62)	(126)	(235)
Purchase and development of intangible assets	(2,189)	(2,600)	(4,876)
Acquisition of subsidiaries, net of cash acquired	-	-	(319)
Net cash used in investing activities – continuing operations	**(2,251)**	**(2,726)**	**(5,430)**
Net cash used in investing activities – continuing and discontinued operations	**(2,251)**	**(2,726)**	**(5,430)**

Cash flows from financing activities			
Payment of the principal portion of lease liabilities	(373)	(554)	(927)
Purchase of Company's own shares	(1,546)	-	-
Issue of shares	1	-	-
Net cash used in financing activities	**(1,918)**	**(554)**	**(927)**
Net cash used in financing activities – continuing and discontinued operations	**(1,918)**	**(554)**	**(927)**
Net increase in cash and cash equivalents	**244**	**1,937**	**3,955**
Other non-cash movements – exchange rate changes	(110)	(415)	(603)
Cash and cash equivalents at the beginning of period	10,071	6,719	6,719
Cash and cash equivalents at end of period	**10,205**	**8,241**	**10,071**
Net cash	**10,205**	**8,241**	**10,071**

Notes to the Half Year Report

For the six months ended 31 December 2021

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 2022. 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 2021.

All UK adopted International Accounting Standards and interpretations currently endorsed by the UK Endorsement Board, in conformity with the requirements of the Companies Act 2006 and as required to be adopted by AIM listed companies, have been applied. 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 2021 and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2021.

The condensed consolidated half yearly financial statements for the six months to 31 December 2021 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 21 February 2022.

2. Earnings per share (EPS)

	6 months 31 December 2021 (unaudited) Pence	6 months 31 December 2020 (unaudited) Pence	Year ended 30 June 2021 (audited) Pence
Continuing operations			
Basic earnings per share	2.01 p	0.96 p	1.84 p
Diluted earnings per share	1.94 p	0.93 p	1.78 p
Adjusted earnings per share	4.23 p	3.44 p	5.77 p
Diluted adjusted earnings per share	4.08 p	3.34 p	5.58 p
Discontinued operations			
Basic earnings per share	-	0.15 p	0.45 p
Diluted earnings per share	-	0.15 p	0.43 p
Adjusted earnings per share	-	0.15 p	0.45 p
Diluted adjusted earnings per share	-	0.15 p	0.43 p
Total Group			
Basic earnings per share	2.01 p	1.11 p	2.29 p
Diluted earnings per share	1.94 p	1.08 p	2.21 p
Adjusted earnings per share	4.23 p	3.59 p	6.22 p
Diluted adjusted earnings per share	4.08 p	3.49 p	6.01 p

	6 months 31 December 2021 (unaudited)	6 months 31 December 2020 (unaudited)	Year ended 30 June 2021 (audited)
Continuing operations	£'000	£'000	£'000
Profit for the period	1,530	716	1,380
Profit attributable to non-controlling interests	(25)	(8)	(14)
Profit attributable to equity holders of the Company	**1,505**	**708**	**1,366**
Reconciliation to adjusted profit:			
Amortisation of intangible assets	1,337	1,460	2,859
Exceptional income	-	(41)	(837)
Revaluation of contingent consideration	-	62	62
Amortisation of bank fees	4	-	3
Share based payments	699	767	1,490
Tax impact of above adjustments	(387)	(415)	(667)
Adjusted profit for the period	**3,158**	**2,541**	**4,276**

Number of shares	'000s	'000s	'000s
Weighted average number of shares	74,691	73,767	74,104
Impact of dilutive share options	2,646	2,381	2,573
Diluted	77,337	76,148	76,677

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

3. Profit for the period

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

	6 months ended 31 December 2021 (unaudited) £'000	6 months ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Depreciation of property, plant and equipment – owned	127	128	247
Depreciation of property, plant and equipment – right-of-use asset	427	449	882
Loss on disposal of intangible assets	-	-	66
Loss/(profit) on disposal of property, plant and equipment	1	(5)	(6)
Amortisation of intangible assets	3,249	3,289	6,612
Expenses related to leases of low-value assets	11	12	25
Cost of inventories recognised as an expense	145	129	377
Research & Development expense	509	458	1,131
Staff costs	9,572	8,260	17,507
Net foreign exchange gain	(52)	(127)	(316)