Chief Financial Officer's Report

Adam Moloney | Chief Financial Officer

Revenue

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

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

Revenue breakdown

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

Profitability Measures

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

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

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

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

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

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

Balance Sheet

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

Adam Moloney

Chief Financial Officer