BEEKS FINANCIAL CLOUD GROUP PLC

ANNUAL REPORT

30 June 2019

Company Number SC521839

General Information

The financial statements cover Beeks Financial Cloud Group PLC as a Group consisting of Beeks Financial Cloud Group PLC and the entities it controlled at the end of, or during, the year. The financial statements are presented in Pound sterling, which is Beeks Financial Cloud Group PLC's functional and presentation currency.

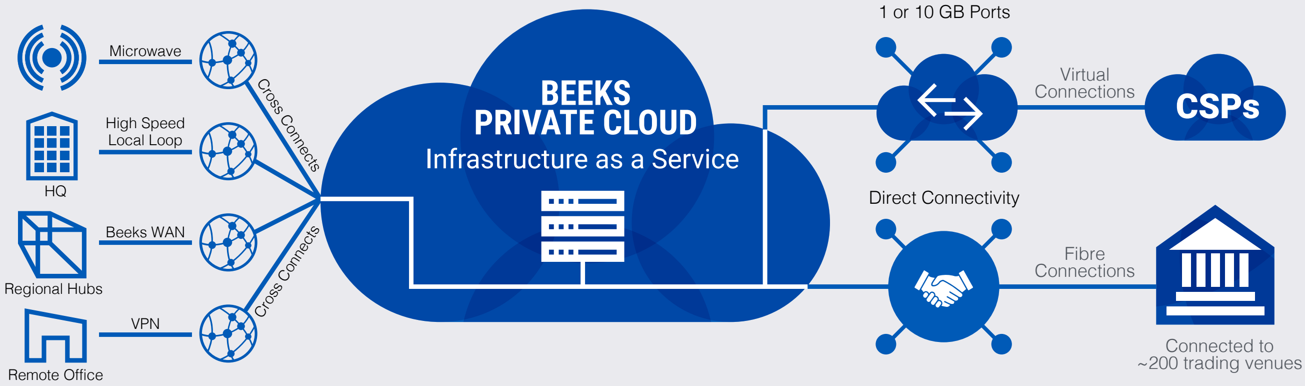
Beeks Financial Cloud Group PLC is a listed public company limited by shares, incorporated and domiciled in the United Kingdom. Its registered office and principal place of business is:

Lumina Building, 40 Ainslie Road, Ground Floor, Hillington Park, Glasgow, G52 4RU, United Kingdom.

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 4 September 2019. The directors have the power to amend and reissue the financial statements.

Contents



Beeks provide and manage the infrastructure and connectivity from the ground up, constantly monitoring the hardware

Financial and Operational Highlights

FINANCIAL HIGHLIGHTS

- Revenues increased 32% to £7.35m (2018: £5.58m)
- Annualised Committed Monthly Recurring Revenue (ACMRR) up 32% to £9.1m (2018: £6.9m)
- Gross profit up 22% to £3.65m (2018: £2.98m)
- Gross profit margin 50% (2018: 53%)
- Underlying* EBITDA increased 27% to £2.48m (2018: £1.95m)
- Underlying* EBITDA margin 34% (2018: 35%)
- Underlying profit before tax** increased 11% to £1.32m (2018: £1.19m)
- Underlying EPS** 2.58p (2018: 2.27p)
- Net cash as at 30 June 2019 of £1.02m (30 June 2018: Net cash £2.09m)
- Proposed final dividend of 0.15p per share equating to full year dividend payment of 0.35p (2018: 0.30p)

* Underlying EBITDA is defined as earnings before amortisation, depreciation, finance costs, taxation, acquisition costs, share based payments and exceptional non-recurring costs

** Underlying profit before tax and underlying EPS excludes amortisation on acquired intangibles, acquisition costs, share based payments and exceptional non-recurring costs

OPERATIONAL HIGHLIGHTS

- Signing of three Tier 1 clients representing a major step change for the Company with strong pipeline of further institutional contracts
- No. of institutional customers increased to 220 (2018: 192)
- Average entry level new institutional customer contract increased to £2,200/month (2018: £800/month)
- Expansion of second Equinix New York data centre, and generation of first revenues from our two newest data centres – London InterXion and Singapore
- Acquisition of Commercial Network Services (CNS) a US-based online service provider, for $1.4m
- Continued expansion of our new asset classes, including our Fixed Income and Cryptocurrency offerings, including new partnership with BeQuant Exchange, a leading cryptocurrency exchange based in London and Malta
- Further key developments to the Self-service portal, including the ability to provision dedicated servers, manage infrastructure inventory, and monitor Beeks' global server capacity

OUTLOOK

- Positive market environment and considerably increased sales pipeline
- Confident in securing additional Tier 1 customers in the year ahead

STATUTORY EQUIVALENTS

The above highlights are based on underlying results. Reconciliations between underlying and statutory results are contained within these financial statements. The statutory equivalents of the above results are as follows:

- Profit before tax was £1.04m (2018: £0.75m)
- Basic EPS was 2.10p (2018: 2.37p)

Our Company at a Glance

WHAT WE DO

Beeks Financial Cloud is a leading cloud computing and connectivity provider for financial markets, offering low-latency Infrastructure as a Service ('IaaS') and the management of hybrid cloud deployments to retail and institutional traders in foreign exchange, financial futures, equities, fixed income and cryptocurrency asset classes. Based in the UK, Beeks supports its global customers at scale in the leading financial centres.

The Company offers dedicated and virtual private servers, as well as connectivity, co-location, dedicated fibre, market data, and MT4/MT5 hosting. We have an established connectivity footprint, with over 200 prebuilt connections to venues and exchanges globally and have eleven data centres located in key financial hubs around the world, including London, New York, Chicago, Frankfurt, Hong Kong, Tokyo, and Singapore.

Our commitment is to deliver secure infrastructure and connectivity at ultra-low latencies for our clients, offering flexible and minimum-risk solutions, with 24-hour dedicated support. We aim to reduce barriers to entry and time to market for retail and institutional traders.

Our IaaS services are entirely cloud based with our customers self-provisioning infrastructure and connectivity in the key financial data centres with a minimum 30 day customer commitment. Where possible, we leverage automation to allow our clients the ability to reduce complexity in deploying and managing IT environments. With sub-millisecond latencies, we can deliver infrastructure that will greatly expedite the time taken from placing a trade to its execution – a critical factor given the time sensitivity of our customers.

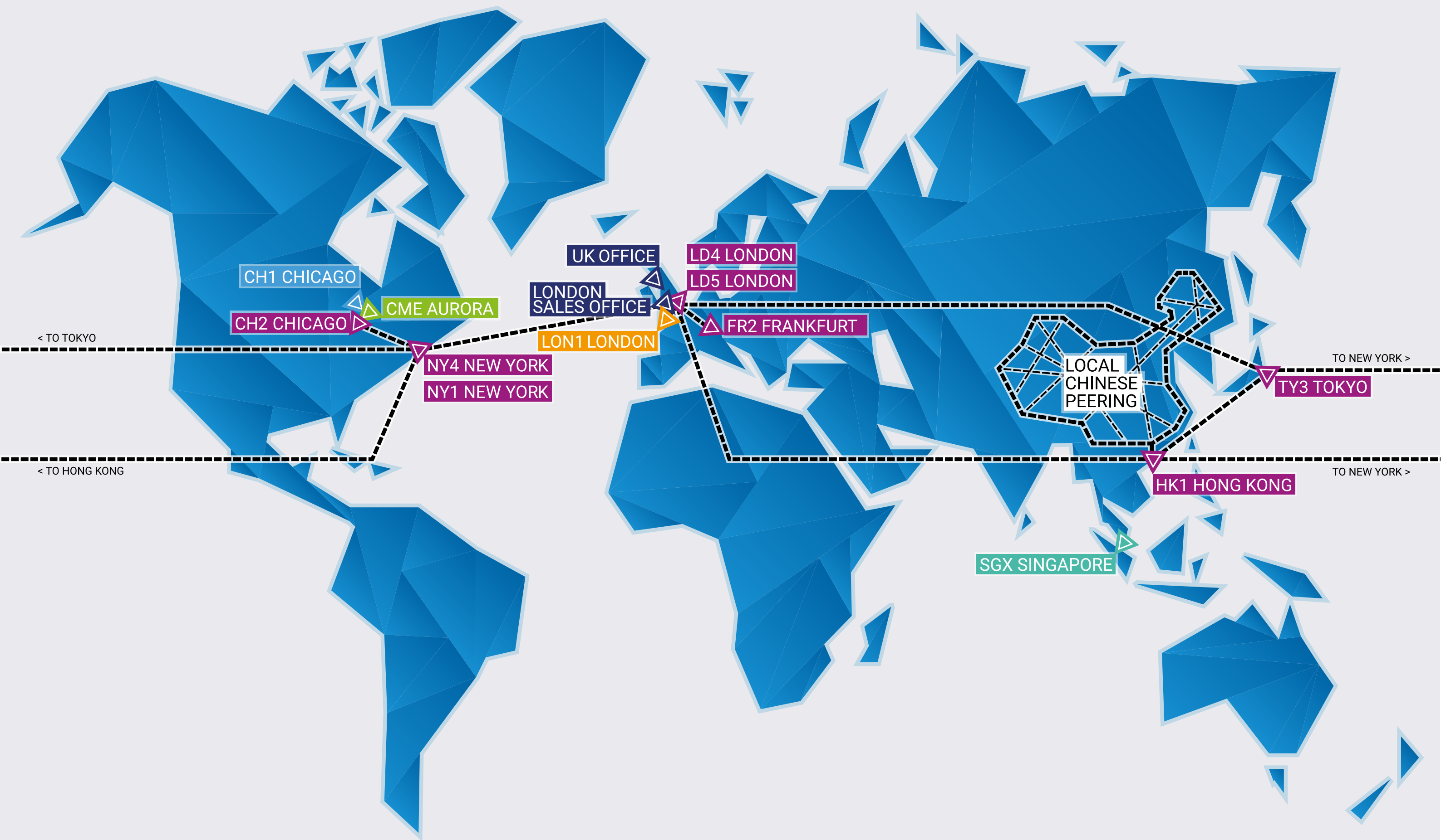
OFFICE LOCATIONS

- Glasgow, UK
- London, UK
- Tokyo, Japan
- Surabaya, Indonesia

DATA CENTRE LOCATIONS

- Frankfurt, Germany
- Slough, UK (2)
- London City, UK
- Illinois, US
- Chicago, US
- New Jersey, US (2)
- Hong Kong
- Tokyo, Japan
- Singapore

Our Global Network



Chairman's Statement

I am pleased to report on another successful year of trading for Beeks Financial Cloud as a public company. As anticipated, we experienced a significant increase in momentum in the second half of the year. For the year, we delivered £7.4m revenue, an increase of 32%, underlying EBITDA of £2.5m, an increase of 27% and a strong exit run rate of Annualised Committed Monthly Recurring Revenue of £9.1m. This provides us with an excellent foundation for growth in the year ahead.

A key strategic focus through the year was the expansion of our client base to include larger Tier 1 organisations. Significant progress was achieved in this respect, signing a financial services organisation from within the insurance sector, a global bank and a global investment management organisation. Importantly, we have a strong pipeline of additional institutional contracts ahead, demonstrating the growing capabilities of the business and our expanding addressable market. With our enhanced product offering and global network, we are well placed to take advantage of these opportunities.

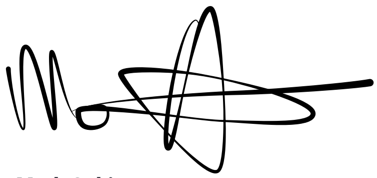
We have continued to invest in our platform and operations, and expanded our geographical footprint, in line with our stated strategy set out at the time of the IPO. With the addition of the second Equinix data centre in New York, we now operate out of eleven data centres and were pleased to see our two newest data centres, London InterXion and Singapore, become revenue generating in the year, in line with our targets.

Alongside our focus on growing the institutional client base, we were pleased to complete our first acquisition since Admission. The addition of Commercial Network Services augmented our retail trade offering, bringing established customer relationships and strong levels of recurring revenue, and I am pleased to say that the integration is going well. We expect this acquisition to be earnings enhancing in this new financial year.

As a result of our strong financial performance, the Board is pleased to propose a final dividend payment of 0.15p, which, combined with the interim dividend of 0.2p, equates to a total dividend for the year of 0.35p (2018: 0.30p).

In October, Fraser McDonald was appointed to the Board as CFO following the departure of Simon Goulding. Fraser greatly contributed to the success of the Company's IPO in 2017, in his role as Financial Controller, and has been an excellent addition to the Board.

We would like to take this opportunity to thank our entire team for their hard work and dedication which has enabled Beeks to expand and enter new markets, while retaining and growing our existing customer base. We have entered the new financial year in a strong position and are confident for further growth in the year ahead.



Mark Cubitt
Chairman
4 September 2019

Our Strategic Overview

MARKET OVERVIEW

The Group continues to operate successfully in a demanding, time-sensitive industry. Our addressable market is extensive with up to 20,000 financial institutions as potential customers. The majority of these organisations are currently utilising their own IT infrastructure and are yet to move to the cloud computing model. We believe the decreased latency, increased flexibility and cost-benefits of cloud computing that we facilitate will see a gradual long-term shift to this model. The flexibility of cloud computing will allow financial institutions to accelerate new product development, generate new sources of income and test new geographies and markets, while moving costs from a capital expenditure to an operational expenditure model. Our innovations, enhanced product range position, breadth of asset classes and growing number of referenceable Tier 1 customers, positions us well to benefit from the growth in the market for automated trading, the continued adoption of cloud computing by financial services organisations and the opportunity for accelerated growth through corporate acquisitions in a fragmented market place.

BUSINESS MODEL

Beeks Financial Cloud is a leading cloud computing and connectivity provider for financial markets, offering Infrastructure as a Service and the management of hybrid cloud deployments to institutional and retail traders in forex, futures, equities, fixed income and cryptocurrency asset classes.

Beeks provides:

- Dedicated and virtual servers that host traders and brokers in 11 data centres around the world
- Ultra-low latency connectivity between clients and key financial venues and exchanges
- Co-location for clients to position their own computing power in our space, benefitting from our proximity to financial hubs
- In-house security software in order to protect client infrastructure from DDoS attacks
- The management of hybrid cloud deployments for customers wishing to combine the Beeks IaaS with the public cloud
- Our model focuses on efficiency and flexibility, offering our clients the ability to scale up and scale down as needed. Due to market fluctuations and the inherent risk involved in algorithmic trading, this makes our services highly attractive to clients.

STRATEGY

Our main strategic priority is to grow our institutional customer base both for hybrid cloud management and our core low latency offering and we are encouraged by the significant opportunities we have identified.

In order to satisfy existing client demand, and attract new customers, we will continue expanding into new asset classes and geographies, furthering our offering.

Our retail trader offering continues to grow, providing the business with a strong, profitable foundation. We will maintain our investment into this part of the business, to ensure we continue to provide a market leading offering, while we focus our strategic initiatives on the growth of the institutional offering.

While our focus is on organic growth, we will continue to assess further strategic acquisition opportunities that will accelerate growth and complement our business model. The acquisition of CNS adds both scale and cost-synergies to Beeks' retail trader offering, and we will look to acquire other businesses that are profitable and will add additional resources.

Strategic Report - Chief Executive's Review

Our vision is simple: to provide a rapidly deployed, secure and scalable cloud environment for trading applications.

The year under review was another successful one for Beeks in which we both delivered strong financial results and also built more of the foundations that will continue to benefit the Company in years to come.

The signing of our first three Tier 1 customers represents a major milestone and one that undoubtedly reflects on our successful AIM Admission in 2017. The procurement processes for Tier 1 customers are long and detailed and it is hard to envisage us having achieved this goal as a private company, despite the fact that the quality of our offering has never been in question. It is evident that Beeks' reputation continues to grow, as does our pipeline of opportunities.

The reason for the increasing adoption of our services is that our cloud-based Infrastructure as a Service ('IaaS') model allows financial organisations the flexibility and agility to deploy and connect to a variety of trading venues globally, at speed and at a fraction of the cost of building their own networks and infrastructure, irrespective of the organisation's size. We continue to invest in our offering and the ability to now offer dedicated servers is resonating well in our market.

In line with our clients' needs, we have continued to expand into new data centres and the relationship that we have with our partners in this field is stronger than ever as we continue to grow together.

As well as our ongoing focus on institutional clients we were pleased to complete our first acquisition since Admission. The addition of Commercial Network Services, acquired in May 2019, is highly complementary to our existing retail trader offering, bringing an established customer base, high levels of recurring revenue and a strong service offering. I am pleased to report that integration is proceeding well and the business is performing in line with our expectations. Following the acquisition, 20% of our revenue is currently derived from retail customers. While this segment is expected to be a strong profit generator for the Group moving forward and enhancements will continue to be made to the offering, the main focus of the management team will be on the growth of the institutional customer base.

FINANCIAL PERFORMANCE

I am very pleased to report another year of strong growth for the Company and one which has continued the trend of quarter on quarter growth since inception. Revenue increased by 32% year on year with growth in institutional sales, on which management is focussed, particularly encouraging. Beeks has strong recurring revenue and customer retention remained high with losses mainly as a result of customers exiting the market. Our Annualised Committed Monthly Recurring Revenues (ACMRR) reached £9.10m at 30 June 2019, increasing 32% from £6.90m at 30 June 2018.

Gross profit margin has reduced in line with our expectations to 50%, reflecting investment in the Group including the expansion into two new data centres and our self-service portal.

MARKET & STRATEGY

Our principal objective is to grow our institutional customer base in the markets for automated trading and hybrid cloud. Financial institutions around the world are looking to increase their customer offerings and require sophisticated cloud-based technology platforms to do so. Ongoing growth will continue to be achieved through entry into new geographies, further development of our offerings across the asset classes, and the continued evolution of our self-service web portal. The ease and speed with which our customers can increase their use of our platform via the web portal continues to be a strong competitive differentiator for the Group. The success of this approach is evident by the traction that we are gaining through our Fixed Income offering, an asset class that was only introduced by the Company in the prior financial year. We are particularly pleased with the progress we are making in this field and see this is a significant area of future growth for our business.

We will continue to add further services to our platform, such as data feeds from additional trading venues, data normalisation (where data from trading venues is collated and packaged), cloud data recovery and additional connectivity offerings and WAN capacity.

We have made our first strides into the Tier 1 institutional space with three significant wins and remain confident that we will add further in this space looking forward into the next financial year.

We continue to see the forex sector fragment, with new entrants requiring IaaS solutions. The cryptocurrency markets continue to evolve at break-neck speed and we are seeing a maturing in exchanges' hosting and connectivity requirements. We anticipate these factors as being continued drivers for demand for our service in the year ahead.

COMPETITIVE POSITIONING

We have an established customer base and a strong competitive advantage through the breadth of our connectivity to trading venues, the sophistication of our self-service web portal, and the breadth of our services. We now have a foot-hold in all asset classes of note, meaning we can enter into contract discussions with any financial institution within the trading ecosystem. We believe we are now one of only very few businesses with this breadth globally and are unique in delivering these services via the cloud. We will continue to develop our cloud services in the year ahead, to capitalise on our strength in this area of the market. We are confident in our ability to remain at the forefront of this evolving market and grow our market share.

OPERATIONAL STRENGTHENING

This year saw the strengthening of our business in several key areas: across our people, our locations, the asset classes we cover and the sophistication of our product offering.

Headcount has remained steady at 33 as at 30 June 2019, compared with 33 as at 30 June 2018. Included within this though are a number of senior hires towards the end of the financial year, including a Global Head of Sales and a Head of Pre-Sales and Service Delivery. Both of these new hires bring over 40 years of industry experience and will help the Group access and support the larger customers in the market.

IT Support and development staff have also increased, replacing some management and administration roles.

Whilst we continue to hire quality people, our aim is to automate tasks wherever possible – from billing through to service delivery, to allow us to provide a competitive price and to build operational leverage.

Our two newest sites became revenue generating during the year, being Singapore Exchange, Asia's leading international, multi-asset exchange, and InterXion in London. Good levels of customer interest means we are on track to reach break-even at a monthly operating level at these new sites within our targeted timeline of 12 months. Following a period of investigation of the B3 exchange in Brazil, we have decided not to launch in this data centre for commercial and operational reasons. With the recent regulatory changes in the domestic Chinese market we have maintained our "wait and see" strategy before investing in hard assets in country.

We will continue to review new sites and locations as part of our growth and expansion plans and be led by customer demand.

Our expansion into new asset classes and geographies has aided the increase in our average monthly client revenue, as well as bringing new customers. We have continued to add connectivity to several cryptocurrency exchanges, as well as beginning to host more crypto exchanges and platforms on our infrastructure, meeting the rise in customer demand and connecting clients to mutual partners. We will continue to expand our offering in this area, in addition to seeking to exploit further opportunities within the Fixed Income and Equities space as client demand dictates.

Our web portal is an industry-leading customer self-service portal that automates the creation of infrastructure to allow clients the ability to build servers themselves. By reducing human intervention, the speed and ease of the provision of products is greatly improved with a basic virtual private server, the building block for our clients being able to trade, being ready in as little as five minutes. Our continuous development of the portal now allows for provision of dedicated servers, as well as providing a platform for our clients to take inventory of their infrastructure and to check available capacity of Beeks' servers across our global locations. This, in turn, facilitates the scaling of client infrastructure as clients can choose and build additional servers at their own pace. This is unique to Beeks in the financial services sector.

We have sufficient unused power and capacity around the world to meet our current growth projections without significant additional increase in monthly operating spend requirements.

CUSTOMERS

Institutional customer numbers using the platform grew from 192 at 30 June 2018 to 220 at 30 June 2019 and the average entry level new institutional customer contract has increased to £2,200 per month from £800 per month when compared to the same period last year. Institutional revenue, which continues to be our focus, represented almost 90% of total revenue before the CNS acquisition. This percentage has been reduced to approx. 80% following the acquisition of the predominately retail business of CNS.

The opportunist acquisition of CNS in May 2019, added approximately 1,000 retail trader customers to the Group and £0.8m of Annualised Committed Monthly Recurring Revenue. Integration of the business has progressed well and we believe there is the opportunity for revenue expansion through the provision of additional elements of the Beeks service, not previously available to the CNS customers.

The last year has seen a considerable expansion of the types of customer we support, with Beeks now catering for banks, brokers, hedge funds, insurers, crypto traders and exchanges.

FUTURE GROWTH AND OUTLOOK

Following an excellent close to the year, we have entered the new financial year in a strong position and enjoyed a good level of trading in the first two months of the year. Our core business with mid-tier organisations continues to grow and we are now layering on more strategic engagements with larger organisations.

The market environment is positive, with a growing number of financial institutions turning to the flexibility and scalability offered by Infrastructure as a Service. This positive market backdrop, combined with an increased breadth of offering and depth of experience within our sales team, means our sales pipeline is considerably larger than ever before and our existing customers continue to increase their use of the Beeks Financial Cloud. While the more strategic Tier 1 engagements naturally take longer to close, the number of opportunities in which we are engaged gives us confidence that we will secure additional long-term Tier 1 customers this year.

Overall, the business is delivering on its early promise, using the enhanced profile and strengthened balance sheet resulting from the IPO in 2017 to capitalise on the growth in demand for Infrastructure as a Service offerings within financial markets. We are confident the quality of our service will see our client list continue to grow in the year ahead, and we look to the future with confidence.

Gordon McArthur
Chief Executive Officer
4 September 2019

Strategic Report - Financial Review

KEY PERFORMANCE INDICATOR REVIEW	2019	2018	Growth
Revenue	£7.35m	£5.58m	31.7%
ACMRR	£9.10m	£6.90m	31.9%
Gross margin	49.6%	53.4%	
Underlying EBITDA*	£2.48m	£1.95m	27.1%
Underlying EBITDA margin	33.7%	34.7%	
Underlying profit before tax	£1.32m	£1.19m	10.9%
Underlying EPS (note 23) **	2.58p	2.27p	13.7%
Dividend per share	0.35p	0.30p	16.7%

* Underlying EBITDA is defined as earnings before amortisation, depreciation, finance costs, acquisition costs, share based payments, taxation and exceptional costs

** Underlying profit before tax and underlying EPS excludes amortisation on acquired intangibles, acquisition costs, share based payments and exceptional non-recurring costs

REVENUE

FY19 was a good year in terms of revenue growth. Group revenues grew by 31.7% to £7.35m (2018: £5.58m), driven mainly by continued organic growth. The CNS acquisition contributed £0.1m revenue in the final two months of the year. 99% of the Group's revenues were recurring. Annualised Committed Monthly Recurring Revenues (ACMRR) increased by 31.9% to £9.1m (2018: £6.9m) with CNS representing £0.8m of this increase.

We continue to have a healthy level of customer concentration with no single customer accounting for more than 6% of ACMRR. We have increased the number of institutional customers to 220 from 192 as at 30 June 2018 and our top 10 customers accounted for 32% of recognised revenue in the year (2018: 29%).

GROSS PROFIT

Gross profit earned increased 22.5% to £3.65m (2018: £2.98m), however the Group saw a decrease in gross margins from 53.4% to 49.6% as anticipated. Part of this reduction was within direct costs due to the investment made this year into our two new data centres in London InterXion and Singapore. These data centres are revenue generating but not yet at breakeven levels which is typically achieved 12 months from go-live. Gross margin has also been impacted by an increase of depreciation to £0.89m (FY18: £0.58m) as the Group has continued to invest in capacity to support our increased revenues and customer growth. In relation to sales growth, fixed asset investment and therefore depreciation has increased at a higher rate, partly due to the timing of sales order to revenue recognition and the longer sales cycle we have seen in the Tier 1 space. The Group has continued to invest in developing innovative technology solutions such as the customer portal and has incurred internal capitalised development costs of £0.8m (2018: £0.4m).

OTHER OPERATING EXPENSES

Operational costs, which are defined as operating expenses less exceptional costs, share based payments and non-recurring costs, have increased by £0.5m as we support both a growing and more mature customer base and to gear up for future growth plans. Overall, they increased by 29% to £2.2m (2018: £1.7m). Within this, staff costs have increased by £0.4m mainly as a result of having our staff numbers in place for the full financial year in comparison to last year. This year was also our first full financial year as a PLC, therefore the added regulatory, legal and financial costs had an impact of an additional £0.1m when compared with last year.

FINANCE COSTS

Finance costs are relatively flat when compared with last year. Finance lease interest costs have reduced as a result of some finance leases coming to the end of life but this has been offset partly by higher loan interest latterly due to the £1m debt facility taken to finance the CNS acquisition. Other than the loan to finance the acquisition, there has been no additional debt taken on by the Group during the period as operating cash flow and IPO proceeds has been sufficient to meet the Group's working capital requirements.

Earnings before interest, tax, depreciation, amortization and exceptional non-recurring costs ("Underlying EBITDA") increased by 27.1% to £2.48m (2018: £1.95m) with underlying EBITDA margin largely maintained when compared to last year at 33.7% (2018: 34.7%). The growth in Underlying EBITDA has largely been driven by the increase in organic sales.

Underlying EBITDA, underlying profit before tax and underlying earnings per share are alternative performance measures, considered by the Board to be a better reflection of true business performance than statutory measures only.

PROFIT BEFORE TAX	**Year ended 30 June 2019 £'000**	**Year ended 30 June 2018 £'000**
Profit before tax for the year	1,043	747
Add back:		
IPO Exceptional costs	-	368
Acquisition costs	127	-
Share Based payments	63	-
Exceptional Non-recurring costs	21	-
Amortisation of acquired intangibles	62	76
Underlying profit for the period	1,316	1,191

Underlying Profit before tax increased to £1.32m (2018: £1.19m). The impact of higher depreciation and amortization as a result of both investment in our operational asset base and the self-service customer portal have had an impact on PBT.

TAXATION

The effective tax rate ('ETR') for the period was (1.9%), (2018: (1.3%)).

The ETR has been reduced by both deductions for share options and R&D tax credit claims.

Further tax has become payable in the US which has been provided for at a US tax rate estimate of 25%.

EARNINGS PER SHARE AND DIVIDENDS

Underlying earnings per share rose 14% to 2.58p (2018: 2.27p). Underlying diluted earnings per share rose to 2.55p (2018: 2.20p).

Basic earnings per share decreased to 2.10p (2018: 2.37p). Basic EPS has shown a decrease due to the calculation method used in 2018 where the weighted average number of ordinary shares was impacted by the share split during IPO. Diluted earnings per share was also impacted by this and reduced to 2.09p (2018: 2.26p).

The Board proposes a final dividend of 0.35p (2018: 0.3p). This is in line with our progressive dividend policy for dividend growth. Subject to shareholder approval at the forthcoming Annual General Meeting, the final dividend is expected to be paid on 31 October 2019 to shareholders on the register at 27 September 2019.

BALANCE SHEET AND CASH FLOWS

The statement of financial position shows an increase in non-current assets to £4.81m (2018: £3.24m). This is as a result of the £1.1m acquisition of the trade assets of CNS, investment in property, plant and equipment of over £1m (2018: £1.4m) and further investment in our customer self-service portal of £0.4m (2018: £0.4m), offset by depreciation and amortization. Trade and other receivables have increased proportionately with revenue growth and because of the CNS acquisition. The increase in accrued income is largely driven by the two months of CNS income that was transferred to Beeks' bank following the year end.

During the year the Group repaid £0.4m of loan and lease finance and drew down £1m of loan finance to part fund the CNS acquisition of trade assets.

At 30 June 2019 net assets were £5.63m compared to net assets of £4.84m at 30 June 2018.

The Group ended the period with net cash of £1.02m (30 June 2018: net cash £2.09m).

Fraser McDonald
Chief Financial Officer
4 September 2019

Strategic Report - Principal Risks and Uncertainties

BOARD

Risk identification and management continues to be a key role for the Board. The Board has overall responsibility for the Group's risk management, processes and reporting. Risk management processes and internal control procedures are the ultimate responsibility of the Board.

AUDIT COMMITTEE

The Audit Committee has responsibility for assessing and challenging the robustness of the internal control environment. It directs and reviews local management and Group finance reports on internal control and risk management throughout the year, and reports the principal risks to the Board.

RISKS RELATING TO BEEKS AND ITS BUSINESS

(a) Cyber Risk

An information security breach or cyber-attack resulting in loss or theft of data, content or intellectual property could affect service to our clients and cause reputational damage. The risk is perceived to have increased due to the higher number of cyber-attacks globally. Distributed Denial of Service (DDOS) attacks are a particular concern due to the nature of our systems and client base. Mitigations include:

» Improved internal anti-DDOS infrastructure;
» Continuation of break-glass third party anti-DDOS option;
» External testing and report of DDOS defences;
» Commencement of ISO27001 (Information Security Management) review and accreditation;
» Consultation for deep dive review of IT Infrastructure and Security.

(b) Key systems failure, disruption and interruption

Beeks' position as a cloud hosting service provider exposes the Group to risk in the event that its technology or systems experience any form of damage, interruption or failure. This could result in a lack of confidence in the Group's products, with a consequential material adverse effect on the Group's business, financial condition, prospects and operations. Many of the vulnerabilities are not in Beeks control, such as:

» Natural disasters;
» Power loss;
» Third party telecommunication failures;
» Software failures or viruses;
» Acts of war or terrorism.

Operational stability and performance is the highest priority for our technical staff and management who take steps to make continuous systems improvements on a regular basis. Examples that assist in mitigation of the risks are:

» Upgrade and enhancement of network infrastructure to improve stability and resilience;
» Introduction of improved monitoring tailored to our systems, services and client base;
» Program of work to standardise operating systems on network and server infrastructure;
» Consultation for a deep dive review of IT Infrastructure and Security;
» Board Level focus on these risks and mitigations.

(c) Actions of third parties and suppliers

The Company is reliant to an extent on third parties and suppliers, including data centres, internet service providers and trading venues. A breach or disruption in these relationships could be detrimental to the future business, operating results and/or profitability of the Company. This risk is being mitigated by:

» For key infrastructure supply, we now have multiple vendors in place for each commodity so that service to our clients should not be affected with a disruption in the relationship or service with any one vendor;
» Larger suppliers have been replaced with smaller more dynamic vendors better suited to our business model. This reduces the risk of supply chain and service affecting issues by forging closer relationships and better understanding of our requirements and working practices;
» We engage with our suppliers on a regular basis to ensure healthy ongoing relationship and to identify and resolve any potential issues.

(d) Terms of client contracts

The Group has entered into signed contracts with the majority of its key clients. Whilst there are termination provisions within such contracts which are designed to protect the Group in the short term, some of these contracts permit clients to terminate their contracts on less than 90 days' notice. The loss of one or more of its key clients within a short term period could have an adverse effect on the Group's revenue and the future growth of the Group's business. This risk is being mitigated by:

» The Directors of Beeks have agreed that Board approval will be required in order to take on any one financial institution which accounts for more than ten per cent of its revenue.

(e) Reliance on key individuals

The Group's business, development and prospects are dependent on a small number of key management personnel. The loss of the services of one or more of such key management personnel may have an adverse effect on the Group. The Group's ability to develop its business and achieve future growth and profitability will depend in large part on the efforts of these individuals and the Group's ability when required to attract new key management personnel of a similar calibre. This risk is being mitigated by:

» The Directors believe the Group operates a progressive and competitive remuneration policy which includes share incentives and that the future development and implementation of this policy will play an important part in retaining and attracting key management personnel.

(f) Competition

The Group's competitors include generic data providers which, in many cases, are significantly larger enterprises with greater financial and marketing resources. There may also be new entrants to the market, for example a trading platform provider could change its strategy and become a competitor. There can be no guarantee that the Group's current competitors or new entrants to the market will not bring superior technologies, products or services to the market or equivalent products at a lower price which may have an adverse effect on the Group's business. This risk is being mitigated by:

» Beeks continues to win business from existing competitors and has a very low client cancellation rate. The quality of service and price of our products has allowed us to grow historically without the financial and marketing resources of some other companies. We are now focused on marketing efforts that will allow the Group to compete on more fronts;
» Beeks regularly reviews its product and service range and augments its offerings in line with changing client requirements. We continue to be dynamic and consistently competitive on price.

(g) The Group relies on, inter alia the internet and broadband internet access and the development and maintenance of internet and telecommunications infrastructure by third parties

The delivery of the Group's products and services depends on third party telecommunications and internet service providers to continue to expand high-speed internet access, to maintain reliable and efficient networks with the necessary speeds, quality of service, capacity and security. Deterioration in the infrastructure may adversely affect the ability or willingness of clients to use the Group's services. In addition, increasing traffic, user numbers or bandwidth requirements may result in a decline in internet or telecommunications performance and/ or internet or telecommunications reliability may decline. Internet or telecommunications outages, intermittent disruptions or delays could adversely affect the Group's ability to provide services to its clients. All of these factors are out of the Group's control. This risk is being mitigated by:

» Beeks have continued to increase the total available telecommunications bandwidth globally and introduce additional telecommunications and internet providers to mitigate the risk of a degraded service from one or more providers.

(h) Achievement of strategic aims

The value of an investment in the Group is dependent on the Group achieving its strategic aims. While the Directors are optimistic about the prospects for the Group, there is no certainty that it will be capable of achieving its strategy or the anticipated revenues or growth or that it will ultimately become profitable on a sustainable basis. The Group's future operating results will be highly dependent upon how well it manages its planned expansion strategy and the timeframe within which that strategy is executed. This risk is being mitigated by:

» Beeks strategic aims are regularly reviewed and tracked so that the activities of the technical, marketing and financial resources are closely aligned.

(i) Damage to the Group's reputation or brand

The Beeks brand may be negatively affected by any negative publicity, commentary on social media platforms or weblogs, regardless of accuracy. This risk is being mitigated by:

» Beeks have introduced marketing strategies including regular social media and website blogs, newsletter and press releases that promote a positive image of the Beeks brand.

(j) The Group's counterparties may become insolvent or their circumstances may change

There is a risk that parties with whom the Group trades or has other business relationships (including partners, clients, suppliers, subcontractors and other parties) may become insolvent or their circumstances may change. In the event that a party with whom the Group trades becomes insolvent or if their circumstances change, this could have an adverse impact on the revenues and profitability of the Group. This risk is being mitigated by:

- Beeks policy is that no client should represent more than ten per cent of Group revenue without Board approval. This reduces the potential impact to the Group of any one client's change in relationship with the business;
- For key infrastructure supply, we now have multiple vendors in place. This reduces the potential impact to the Group of any one supplier's change in relationship with the Business.

(k) Political uncertainty

The political climates in the UK and US are currently challenging due, amongst other things, to the uncertainty around Brexit and any impact on future trading agreements. The directors monitor emerging news and trends and remain alert to any potential impact on the trading of the group. We do not expect any adverse effect on the operation of the business if and when Brexit occurs as our supply chain has no dependency on the EU and we have multiple Global supplier options. The US trade war with China has the potential to influence the financial markets though volatility in financial markets can present opportunities as well as risk for the Company's customers.

(l) Other Operational risks

The greatest operational risk remains as the management of any unexpected peaks or troughs in service orders and ensuring that the appropriate levels of resource are in place to maintain the quality of service expected by our clients. This risk is managed by having a core of highly skilled permanent staff along with a pool of temporary staff that can be brought in at short notice to help at times of high volume. We continue to supplement these resources by engaging international businesses to operate within our technology platform, giving us further variable cost capacity. The use of technology helps mitigate this risk by streamlining processes as much as possible and enabling efficient access to a large, global and scalable pool of independent contractors.

The strategic report on pages 5 to 13 has been approved by the board and signed on its behalf by

Gordon McArthur
Chief Executive Officer
4 September 2019

Board of Directors

MARK CUBITT, NON-EXECUTIVE CHAIRMAN, AGE 56

Mark has extensive multinational experience gained over the last 35 years, including 21 years in the PLC environment and eight years as chief financial officer at Wolfson Microelectronics plc until its sale to Cirrus Logic in August 2014. Mark is currently a non-executive director of private company RHA Technologies Ltd based in Glasgow and is also a retained advisor to pureLiFi based in Edinburgh. Previously Mark was non-executive chairman of Superglass Holdings plc and was part of the team that turned around the business before its sale in 2016. He also served as VP of finance at Jacobs Engineering and was finance director of Babtie Group until the sale of the company to Jacobs Engineering in 2004. During his time at Jacobs he also sat on the board of highways maintenance firm BEAR Scotland and was its chairman in 2006. Mark has also worked at Denholm Oilfield Services Limited, Dawson International plc, Christian Salvesen plc and its then subsidiary Aggreko. Mark is a Chartered Accountant and a member of the Association of Corporate Treasurers, and has a degree in Accountancy and Computer Science from Heriot-Watt University.

GORDON MCARTHUR, CHIEF EXECUTIVE OFFICER, AGE 43

Gordon McArthur founded Beeks in 2010 having become increasingly frustrated by the lack of low latency trading infrastructure available. He has since grown the business from a three man start up to its current, profitable form. Gordon's career in software and IT solutions businesses spans 19 years during which time he has held commercial and managerial roles at IBM and Versko, an IT specialist for IBM software platforms. During his time at IBM Gordon worked in both financial services and the industrial sector and initially on SME businesses but latterly covering IBM's largest globally integrated accounts in the Oil and Gas sector. Gordon has a BA (Hons) in Risk Management and a Masters in Business Information Management from Glasgow Caledonian University.

FRASER MCDONALD, CHIEF FINANCIAL OFFICER, AGE 44

Fraser McDonald has over 18 years' experience in finance, management and consulting roles. Having commenced his finance career and management accountancy training (CIMA) with National Australia Group, Fraser has gained experience working for global organisations such as Royal BAM Group, Lactalis McLelland, and Serco Group PLC across different industries including Banking, Manufacturing and Construction. Fraser has been in the Technology sector since 2009, where he has held senior roles including Commercial Manager and Head of Finance at ACCESS LLP (subsidiary of Serco Group PLC). Fraser joined Beeks on a consultancy basis in March 2016 to support the company through the AIM admission process, before being appointed on a permanent basis as Group Financial Controller in March 2017, and then Chief Financial Officer in October 2018. Fraser has a BA (Hons) in Finance from the University of Strathclyde, and a PgDip in Information Technology from the University of Paisley.

CHRISTOPHER LIVESEY, NON-EXECUTIVE DIRECTOR, AGE 49

Chris Livesey is General Manager at Mainframe Product Group, a global software company delivering and supporting enterprise software solutions that help clients innovate faster with lower risk. Chris has 25 years' experience in the software industry, having held several senior sales and marketing leadership positions in global companies such as IBM, Rational Software and Softlab Limited. Chris has a BSc (Hons) in Statistics and a Postgraduate Diploma in Computing Science from the University of Glasgow.

WILLIAM MELDRUM, NON-EXECUTIVE DIRECTOR, AGE 50

William Meldrum is a senior vice president, employee experience and chief of staff at IHS Markit, a world leader in critical information and data analytics. Prior to joining Markit in 2005, Will worked at Deutsche Bank for four years managing the bank's interests across a portfolio of investments with a key focus on industry consortia, electronic trading systems and data. Will holds an MA from the University of Edinburgh and an MBA from London Business School.

Directors' Report

RESULTS AND DIVIDENDS

The Group's audited financial statements for the year ended 30 June 2019 are set out on pages 33 to 63. The Group's profit for the year after tax amounted to £1.06m. (2018: £0.76m).

The Directors will propose, at the forthcoming AGM, a final dividend of 0.15 pence per share in respect of the year ended 30 June 2019 equating to a full year dividend payment of 0.35p (2018: 0.30p).

POST BALANCE SHEET EVENTS

There are no post balance sheet events.

FUTURE DEVELOPMENTS

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 5 to 13.

DIRECTORS AND THEIR INTERESTS

Gordon McArthur and his beneficial interests (including those of their immediate families) in the Company's £0.00125 ordinary share capital are detailed in the substantial shareholdings table further below. The beneficial interest of the other directors are detailed in the table below:

	2019 shares	2019 options	2018 shares	2018 options
Mark Cubitt	70,707	-	70,707	-
William Meldrum	23,500	-	23,500	-
Christopher Livesey	-	-	-	-
Fraser McDonald	-	112,745	-	-

INSURANCE FOR DIRECTORS AND OFFICERS

The Company has purchased and maintains appropriate insurance cover against legal action brought against Directors and officers.

SUBSTANTIAL SHAREHOLDINGS

As at 30 June 2019, the Company was aware of the following interests in 3% or more of its issued share capital of 50,864,800 ordinary shares of £0.00125.

	Shares	%
Gordon McArthur **	30,296,400	59.56%
HSBC Global Custody Nominee (UK) Limited	2,450,000	4.82%
CGWL Nominees Limited	1,941,500	3.82%

**Includes 740,000 Ordinary Shares held by Gordon McArthur's wife, Claire McArthur, representing 1.45% per cent. of the issued share capital at 30 June 2019.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group uses various financial instruments which include cash, finance leases, bank loans and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, exchange rate risk and interest rate risk. The Directors review these risks on an ongoing basis. This policy has remained unchanged from previous years. Further information on financial risk management is disclosed in note 15 of the Group accounts.

CREDIT RISK

Credit risk is managed on a Group basis. Credit risks arise from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group's credit risk is primarily attributable to its trade receivables. It is the policy of the Group to present the amounts in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment. The Group reviews the reliability of its customers on a regular basis; such a review takes into account the nature of the Group's trading history with the customer. The credit risk on liquid funds is limited because the majority of funds are held with two banks with high credit-ratings assigned by international credit-rating agencies. Management does not expect any losses from non-performance of these counterparties. None of the Group's financial assets are secured by collateral or other credit enhancements.

LIQUIDITY RISK

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

EXCHANGE RATE RISK

The Group monitors its exposure to exchange rate risk on an ongoing basis. The Group has minimal exposure to foreign exchange risk as a result of natural hedges arising between sales and cost transactions. Details of exchange rate exposure balances are disclosed in note 15 of the Group accounts.

INTEREST RATE RISK

The Group has limited exposure to interest rate risk in respect of cash balances and long-term borrowings held with banks and other highly rated counterparties. All loans and leases are at fixed rates of interest therefore the group does not have exposure to interest rate risk.

GOING CONCERN

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Group has adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. In making this assessment, the Directors have considered the Group's current trading, financial forecasts for the next 12 months, and associated risks and the availability of bank and leasing facilities.

AIM RULE COMPLIANCE REPORT

Beeks Financial Cloud PLC is quoted on AIM and as a result the Company has complied with AIM Rule 31. Further information on AIM compliance is explained in the Corporate Governance Report on pages 19 to 24.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report and Directors' Report, and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have chosen to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period.

In preparing these financial statements, the directors are required to,

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable IFRSs have been followed for the Group financial statements and whether United Kingdom Generally Accepted Accounting Practice FRS 101 (United Kingdom Accounting Standards and applicable laws) have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the Group and Parent Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors consider the annual report and accounts to be fair, balanced, understandable and to provide the necessary information for shareholders to assess the Group position and performance.

INDEPENDENT AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

The directors confirm that each of the persons who is a director at the date of approval of this annual report confirms that:

- So far as each director is aware, there is no relevant audit information of which the Group and Parent Company's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2016.

AUDITOR

A resolution to reappoint the auditor, Grant Thornton UK LLP and to authorise the Directors to agree their remuneration will be placed before the forthcoming Annual General Meeting of the Company.

By order of the Board

Fraser McDonald
Chief Financial Officer
4 September 2019

Report on Remuneration

REMUNERATION COMMITTEE

The Remuneration Committee operates within defined terms of reference. The Remuneration Committee reviews the performance of the executive directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee meets as and when necessary. The Remuneration Committee comprises the Chairman and two Non-Executive Directors and is chaired by Mark Cubitt.

DIRECTORS' REMUNERATION

2019	Basic Salary £'000	Bonus £'000	Benefits in Kind £'000	Total £'000	Pension £'000
Executive Directors					
Gordon McArthur	67	-	11	78	1
Simon Goulding*	28	-	-	28	1
Fraser McDonald*	56	-	-	56	1
Non-Executive Directors					
Mark Cubitt	35	-	-	35	-
William Weldrum	35	-	-	35	-
Christopher Livesey	35	-	-	35	-
Total	**256**	**-**	**11**	**267**	**3**

2018	Basic Salary £'000	Bonus £'000	Benefits in Kind £'000	Total £'000	Pension £'000
Executive Directors					
Gordon McArthur	85	-	10	95	1
Simon Goulding*	80	40	-	120	1
Non-Executive Directors					
Mark Cubitt	31	-	-	31	-
William Meldrum	31	-	-	31	-
Christopher Livesey	27	-	-	27	-
Total	**254**	**40**	**10**	**304**	**2**

*Simon Goulding resigned from the board at the AGM on 24 October 2018, Fraser McDonald was appointed on the same date.

NON-EXECUTIVE DIRECTORS

The Board, based on a recommendation by the Chairman of the Remuneration Committee or, in the case of the Chairman, the remainder of the Board, determines the remuneration of the Non-Executive Directors.

SERVICE CONTRACTS

The Executive Directors have entered into service contracts with the Group that are terminable by either party on no less than three months' prior notice.

SHARE OPTIONS

Share options were awarded to staff (including Directors) during the year in accordance with the Company's LTIP (Long Term Incentive Plan). The details of these are disclosed in Note 19.

Share Options awarded to the Director, Fraser McDonald are shown below:

Director	Date of Grant	Option Shares	Vesting Date	Lapse Date	Exercise Price (£)
Fraser McDonald	6 Sept 18	112,745	6 Sept 21	6 Sept 28	0.00125

For the year ended 30 June 2020, share options awards of up to £1.3m have been agreed by the Remuneration Committee as part of the LTIP. These options will have a three year vest and be based on challenging performance conditions in line with the existing plan.

DIRECTORS' SHARE INTERESTS

The Directors' shareholdings in the Company is shown in the Directors' Report on page 15.

Mark Cubitt
Chairman of the Remuneration Committee
4 September 2019

Corporate Governance

Chairman's introduction to Corporate Governance

As chairman of the Board it is my responsibility to ensure that the highest standards of corporate governance are embraced throughout the Group. All members of the Board believe strongly in the value and importance of good corporate governance and in the Group's accountability to all of Beek's stakeholders, including shareholders, staff, contractors, clients and suppliers.

The corporate governance framework which the Group operates, including Board leadership and effectiveness, Board remuneration, and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the Group's values. Of the two widely recognised formal codes, the Group decided, on admission of its shares to AIM in November 2017, to adhere to the Quoted Company Alliance's ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018 to meet the current requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The Group has considered how it applied each principle to the extent that the Board judges these to be appropriate in the circumstances, and below there is an explanation of the approach taken in relation to each. The Board considers that it does not depart from any of the principles of the QCA Code.

Set out below is an explanation at a high level of how the Group currently applies the principles of the QCA Code and, to the extent applicable, those areas where the Group's corporate governance structures and practices differ from the expectations set out in the QCA Code.

We are confident that our approach to corporate governance will underpin the development of a strong organisation, well positioned to take the business to the next phase of growth.

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

Beeks Financial Cloud is a leading cloud computing and connectivity provider for financial markets, offering Infrastructure as a Service to institutional and retail traders in forex, futures, equities, fixed income and cryptocurrency asset classes.

Beeks provides:

» Dedicated and virtual servers that host traders and brokers in 11 data centres around the world
» Ultra-low latency connectivity between clients and key financial venues and exchanges
» Co-location for clients to position their own computing power in our space, benefitting from our proximity to financial hubs
» In-house security software in order to protect client infrastructure from DDoS attacks

The business model focuses on efficiency and flexibility, offering our clients the ability to scale up and scale down as needed. Due to market fluctuations and the inherent risk involved in algorithmic trading, this makes our services highly attractive to clients.

The Group's strategy can be viewed on pages 5 to 13.

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

The Group is committed to open communication with all its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows, attending investor conferences and through our regular reporting.

Institutional shareholders

The Directors hold regular meetings with institutional shareholders to discuss and review the Group's activities and objectives. The CEO and CFO meet institutional investors shortly after publication of the annual and interim results, and on an ongoing basis as required. Directors also undertake consultation on certain matters with major shareholders from time to time. Through these consultations, the Group maintains a regular dialogue with institutional shareholders and analysts. Feedback is reported to the Board so that all Directors develop an understanding of the views of major shareholders.

Private shareholders

Communication with private shareholders is done via investor events during the year such as Mello and Sharesoc where the CEO and CFO present and are available to speak to private investors on a one to one basis. This is in addition to the Annual General Meeting, where attendance by shareholders is encouraged and where the Board is available to answer questions.

The Notice of AGM is sent to shareholders at least 21 days before the meeting. The Chairman of the Board and the committees, together with all other directors attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Company's corporate website.

Specific queries may be raised at any time by any shareholder by emailing Beeks' investor relations team at investorrelations@beeksfinancialcloud.com. The team ensures that the person best placed to address each query responds as soon as possible. The CEO is responsible for overseeing day-to-day communications with shareholders.

The news and investor relations sections of the Beeks website are regularly updated and provide the market with the latest business news and shareholder updates. Following major periods of communications, our advisers consolidate feedback, on an anonymised basis, from the relevant parties which then forms the basis of a briefing pack for the Board to ensure awareness of shareholder opinions.

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

In addition to its shareholders, the Company believes its main stakeholders are its employees and clients. The Company dedicates significant time to understanding and acting on the needs and requirements of these groups via meetings dedicated to obtaining feedback which is then, where appropriate, considered by the Board and acted upon.

The Company believe recruiting and maintaining highly talented and motivated staff is key to its success. All staff have objectives and regular communication with management is encouraged as part of the Company's culture. Staff are also encouraged to develop their skills and budget is always identified for staff training and development. The Company has low levels of staff attrition and fosters a culture of continuous improvement and innovation. The Company has regular communication with its customers and has recently recruited a Service Delivery Director whose responsibilities include developing client relations, and providing feedback to the Board on issues arising.

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

The Board is responsible for risk management and internal controls, supported and informed by the executive team. The Board defines risk appetite and monitors the management of significant risks to ensure that the nature and extent of significant risks taken by the Group are aligned with overall goals and strategic objectives.

The Board takes responsibility for establishing and maintaining reliable systems of control in all areas of operation. These systems of control, especially of financial control, can only provide reasonable but not absolute assurance against material misstatement or loss. The key matters relating to the system of internal control are set out below:

» Beeks has established an operational management structure with clearly defined responsibilities and regular performance reviews;
» the Group operates a comprehensive system for reporting financial and non-financial information to the Board, including review of strategy plans and annual budgets;
» financial results are monitored against budgets, forecasts and other performance indicators with action dictated accordingly at each meeting;
» a structured approval process based on assessment of risk and value delivered; and
» Operational updates highlighting any risks and/or issues are communicated to the Board at Board Meetings by the CEO and the COO;
» sufficient resource is focused to maintain and develop internal control procedures and information systems, especially in financial management. The Board considers that there have been no substantial weaknesses in internal financial controls that have resulted in any material losses, contingencies or uncertainties that need to be disclosed in the accounts.

Within the scope of the annual audit, specific financial risks are evaluated in detail, including in relation to foreign currency, interest rates, liquidity and credit.

More information on the Group's principal risks and internal control procedures are set out on pages 11 to 13.

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

Subject to the Articles of Association, UK legislation and any directions given by special resolution, the business of the Group is managed by the Board. The Code requires the Group to have an effective Board whose role is to develop strategy and provide leadership to the Group as a whole. It sets out a framework of controls that allows the Board to apply these principles for the identification, assessment and management of risk. Additionally, it ensures the Board takes collective responsibility for the success of the Group.

The Board's main roles are to provide leadership to the management of the Group, determine the Group's strategy and ensure that the agreed strategy is implemented. The Board takes responsibility for approving potential acquisitions, annual budgets, annual reports, interim statements and Group financing matters. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The Board appoints its members and those of its principal Committees following the recommendations of the Nomination and Remuneration Committee. The Board reviews the financial performance and operation of the Group's businesses. The Board also reviews the identification, evaluation and management of the principal risks faced by the Group, and the effectiveness of the Group's system of internal control.

For the year ended 30 June 2019 the PLC Board comprises the independent Non-Executive Chairman, the CEO, the CFO and two independent Non-Executive Directors. The Board is highly committed and experienced and is supported by qualified executive and senior management teams.The Chairman, Mark Cubitt holds 70,707 ordinary shares, William Meldrum holds 23,500 ordinary shares. The Company considers the three Non-Executive Directors to be independent.

The Executive Directors of the Company are full time and do not serve as non executive directors in any other organisation. The Non-Executive Chairman also serves as a non-executive director of private company RHA Technologies Ltd based in Glasgow and is also a retained advisor to pureLiFi based in Edinburgh. Non-Executive Directors devote as much time as is necessary for the proper performance of their duties. The Non-Executive Directors typically spend one to two days a month on Company-related matters. The Board met 10 times in the year ended 30 June 2019. The attendance of each director is shown on page 23.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code requires that there should be a clear division of responsibilities between the running of the Board and the executive responsible for the Group's business, so as to ensure that no one person has unrestricted powers of decision. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the CEO's responsibility to ensure they are delivered upon. To facilitate this, the CEO regularly meets the Executive Management Team (EMT) which comprises representatives from Operations, Technical Delivery, Finance and Sales. The day to day operations of the Group are managed by the EMT.

COMPOSITION OF AND APPOINTMENTS TO THE BOARD

The Code requires that there should be a balance of Executive and Non-Executive Directors and when appointing new Directors to the Board, there should be a formal, rigorous and transparent procedure.

For the year ended 30 June 2019 the PLC Board comprises the Non-Executive Chairman, the CEO, the CFO and two Non-Executive Directors. Short biographies of the Directors are given on page 14. The Board is satisfied with the balance between Executive and Non-Executive Directors. The Board considers that its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

Each member of the Board brings different skills and experience to the Board and the Board Committees. The Board is satisfied that there is sufficient diversity in the Board structure to bring a balance of skills, experience, independence and knowledge to the Group. The Code requires that the Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and Directors. The Board continues to annually review its composition, to ensure there is adequate diversity to allow for its proper functioning and that the Board works effectively together as a unit. When a new appointment to the Board is due to be made, consideration will be given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition.

BOARD COMMITTEES

The Board has established two committees to deal with specific aspects of the Board's responsibilities: the Audit Committee and the Nomination and Remuneration Committee. The Report of the Audit Committee can be found on pages 25 to 26. The Audit Committee is chaired by Mark Cubitt and includes William Meldrum.

The Nomination and Remuneration Committee is chaired by Mark Cubitt and includes William Meldrum and Christopher Livesey. The Committee has overall responsibility for making recommendations to the Board of the remuneration packages of the Executive Directors. The Board considers it appropriate, due both to the size of the Group and the experience of the Board members, to have a combined nomination and remuneration committee.

These Board operate under the terms of reference as set out in the Group's Financial Position and Prospects. The Audit Committee and the Nominations and Remuneration Committee met twice during the year.

RE-ELECTION

Under the Code, Directors should offer themselves for re-election at regular intervals. It is proposed that all five directors will be put forward for re-election at the Group's AGM which will be scheduled during October 2019.

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

Biographies of the Board of Directors can be found on page 14.

Each member of the Board brings different skills and experience to the Board and the Board Committees. The Board is satisfied that there is sufficient diversity in the Board structure to bring a balance of skills, experience, independence and knowledge to the Group.

The CEO's role is critical in developing and maintaining the sustainability and effectiveness of the Group. Specifically, the CEO's key responsibilities include:

» Leading the development and execution of the Group's vision and strategy
» Senior human resource management: Recruit, retain and motivate an appropriately skilled executive management team.
» Representing the Group: The CEO will be required to consistently present the Group and its objectives to key stakeholders and the market in general.
» Lead and drive overall Merger and Acquisition strategy

The CEO is therefore expected to keep up to date with the industry and market in which the Company operates.

The primary function of the CFO is to ensure that the Group's Board is able to make proper judgements as to the Group's financial position. This encompasses responsibility for the Group's financial health, that it has in place an appropriate financial strategy to enable it to achieve its wider strategic plan objectives, its annual budget outcomes and, most importantly, is able to meet its obligations to shareholders, the 'market', banks, creditors, suppliers and other stakeholders as required. The CFO responsibilities also encompass:

» Internal and external financial reporting
» Corporate governance
» Risk management and the maintenance of effective systems of internal control
» Responsible for the Company Secretary role
» Tax compliance and planning
» Liaising with the Nomad on a regular basis
» Compliance with AIM Rules and Market Abuse Regulation (MAR)

The CFO is required to keep up to date with any changes to accounting standards and to ensure his skillset is refreshed on an ongoing basis.

The Non-Executive Directors hold senior positions with other companies ensuring that their knowledge is continuously refreshed. Specific training will be provided to the Board by the Company when required to support the Directors existing skillset.

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

The Company was admitted to trading on AIM on 27 November 2017. The Board was appointed in advance of Admission with the exception of the CFO who was appointed at the Company's AGM on 24 October 2018. Since Admission, evaluation of the performance of the Company's Board has historically been implemented in an informal manner. The Chairman regularly communicates with Board Members outside of Board meetings to ensure that each director is satisfied with the performance of the Board and has the opportunity to raise any issues of concern. Similarly, the Chairman uses his substantial experience of plc boards to evaluate the Board effectiveness on an ongoing basis.

The Chairman has been tasked with assessing the individual contributions of each of the members of the team to ensure that:

» Their contribution is relevant and effective
» They are committed
» Where relevant, they have maintained their independence

The Board has established an executive team with strength in depth in each of its core functions of network operations, software development, sales & marketing and finance which it will draw on, together with appropriate external appointments, in regards to succession.

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

The Board places a high degree of value on promoting a corporate culture that reflects the Group's ethical principles and behaviours in order to maximise the quality of service that is passed on to the customer. As the Group works as an international team that is spread across three continents, a lot of importance is placed on a culture of inclusivity and open and honest communication; ensuring that employees are equally understood, trusted, and that individual cultural values and languages are respected. The Company encourages innovation, has flat management structures, open plan offices and a culture of continuous improvement. This helps to ensure that communication and understanding flows well within the Company, and thereby provides the most efficient and highest quality of service to clients.

The Board has implemented formal HR policies and procedures that sets out details and guidelines on the culture of the Company and how this should be reflected in employees' individual conduct.

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

The Board comprises three independent Non-executive Directors and two Executive Directors.

BOARD PROGRAMME

The Board is scheduled to meet ten times each year in accordance with its scheduled meeting calendar. The Group has a highly committed and experienced Board and is supported by qualified executive and senior management teams.

Board meetings held during the period under review and the attendance of directors is summarised below:

	Board Meetings		Audit Committee		Remuneration Committee	
	Possible	Attended	Possible	Attended	Possible	Attended
Executive Directors						
Gordon McArthur	10	10	0	0	2	2
Fraser McDonald	10	10	3	3	1	1
Independant Non-executive Directors						
Mark Cubitt	10	10	3	3	2	2
William Meldrum	10	9	3	3	2	2
Christopher Livesey	10	8	3	3	2	2

The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget and market forecast and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings as appropriate to present business updates.

The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that its accounting policies, in particular in relation to income recognition and research and development, are appropriate and are informed by its Auditors on future changes to such accounting policies. During the financial year ended 30 June 2019, the business reviewed the impact of the changes as a result of IFRS 9, IFRS 15 and IFRS 16 and prepared papers that were reviewed and agreed by the Company's auditor.

Financial results with comparisons to budget and forecast results are reported to the Board on a regular basis, together with a commercial report on strategic and operational issues. Significant variances from budget or strategy are discussed at Board meetings and actions set in place to address them.

There is a clear division of responsibility at the head of the Company. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the CEO's responsibility to ensure they are delivered upon. To facilitate this, the CEO regularly meets the Executive Management Team (EMT) which comprises representatives from Operations, Technical Delivery, Finance and Sales. The day to day operations of the Group are managed by the EMT.

BOARD COMMITTEES

The Board is supported by the Audit, and Remuneration and Nominations committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duty.

Based on the current stage of growth within the business, the Board do not believe it is requirement to have an internal audit function, but this will be kept this under review as the business continues to grow or equivalent.

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

Trading updates and press releases are issued as appropriate and the Company's brokers provide briefings on shareholder opinion and compile independent feedback from investor meetings. Information offered at the analysts' meetings together with financial press releases are available on the Company's website, wwwbeeksfinancialcloud.com.

The Annual General Meeting is used by the Directors to communicate with both institutional and private investors. Every shareholder will have access to a full annual report each year end and an interim report at the half year end. Care is taken to ensure that any price sensitive information is released to all shareholders, institutional and private, at the same time in accordance with London Stock Exchange requirements. The Company strives to give a full, timely and realistic assessment of its business in all price-sensitive reports and presentations.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee reviews the performance of the executive directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee meets as and when necessary. The Remuneration Committee comprises the Chairman and two Non-Executive Directors and is chaired by Mark Cubitt.

During the period under review the Remuneration Committee met two times and has granted options over ordinary shares in the company to some senior management, including executive directors, under the Company's Staff Long term incentive sheme (LTIP). In granting these options, the Remuneration Committee's objective was to attract, motivate and retain key staff over the long term, designed to incentivise delivery of the company's growth objectives.

By order of the Board

Mark Cubitt
Chairman
4 September 2019

Report of the Audit Committee

OVERVIEW

This report details the activities of the Committee during the financial year ended 30 June 2019. The report sets out how the Committee has discharged its responsibilities in relation to internal control and risk management.

MEMBERSHIP AND MEETINGS

The Audit Committee is a committee of the Board and is comprised of two Non-Executive Directors: Mark Cubitt and Will Meldrum. The Audit Committee is chaired by Mark Cubitt. The Audit Committee invites the Executive Directors, the Auditor and other senior managers to attend its meetings as appropriate. The Audit Committee is considered to have sufficient, recent and relevant financial experience to discharge its functions. The Committee carries out its duties for Beeks Financial Cloud Group PLC, its subsidiary undertakings and the Group as a whole as appropriate. During the period under review, the Audit Committee held three scheduled meetings. The Group's Auditor, Grant Thornton UK LLP, has a standing invitation to attend meetings and representatives were in attendance at all of the three scheduled meetings. The Executive Directors, Gordon McArthur and Fraser McDonald were welcome to attend the meetings if they wish. Fraser McDonald was in attendance in all meetings of the Audit Committee in the year.

ROLES AND RESPONSIBILITIES

The Audit Committee has a wide remit and its key functions include reviewing and advising the Board on:

» the integrity of the financial statements of the Group, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;
» the appointment and remuneration of the Auditor and their effectiveness in line with the requirements of the Code;
» the nature and extent of non-audit services provided by the Auditor to ensure that their independence and objectivity are maintained;
» changes to accounting policies and procedures;
» decisions of judgement affecting financial reporting, compliance with accounting standards and with the Companies Act 2006;
» internal control and risk management processes, including principal risks and internal control findings highlighted by management or external audit;
» the content of the Auditor's transparency report, concerning Auditor independence in providing both audit and non-audit services;
» the scope, performance and effectiveness of internal control functions and the Auditor's assessment thereon; and
» The Group's procedures for responding to any allegations made by whistle-blowers.

The Audit Committee considers and reviews non-audit services provided by the Auditor, and this is tabled annually at Board for discussion. The Audit Committee reports to the Board on the effectiveness of the Auditor and receives information from the Executive team in this regard. The Audit Committee and Board will also consider the appointment of the Auditor annually prior to recommending the appointment of the Auditor at the Beeks Financial Cloud Group PLC Annual General Meeting.

COMMITTEE ACTIVITIES IN THE FINANCIAL YEAR ENDING 30 JUNE 2019

The Committee met 3 times in relation to the financial year ended 30 June 2019, 2 of the meetings were post year end, with the 3rd meeting to approve the annual accounts. In addition to standing items on the agenda, the Committee:

» received and considered, as part of the review of interim and annual financial statements, reports from the Auditor in respect of the Auditor's review of the interim results, the audit plan for the year and the results of the annual audit. These reports included the scope of the interim review and annual audit, the approach to be adopted by the Auditor to address and conclude upon key estimates and other key audit areas, the basis on which the Auditor assesses materiality, the terms of engagement for the Auditor and an on-going assessment of the impact of future accounting developments for the Group;
» considered the Annual Report and Accounts in the context of being fair, balanced and understandable;
» considered the effectiveness and independence of the external audit;
» review the enhanced audit report.

INDEPENDENCE AND OBJECTIVITY OF THE AUDITOR

The Committee continues to monitor the work of the Auditor to ensure that the Auditor's objectivity and independence is not compromised by it undertaking inappropriate non-audit work. The current Auditor, Grant Thornton UK LLP, was appointed Auditor on 6 November 2017.

NON-AUDIT FEES

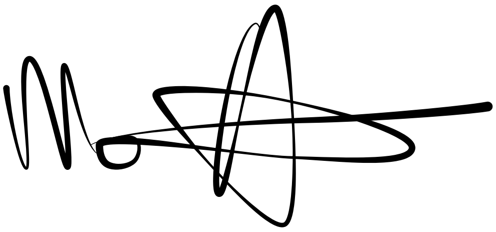
The Committee approves all non-audit work commissioned from the external auditors. During the year the fees paid to the Auditor were £39,000 for Group and subsidiary audit and £9,000 for the interim audit services. Included within the audit services provided was the review of the acquisition of the trading assets of CNS. The Committee concluded that it was in the interests of the Group to use the Auditor for this work as they were considered to be best placed to provide these services.

OTHER MATTERS

The Committee is authorised to seek any information it requires from any Group employee in order to perform its duties. The Committee can obtain, at the Group's expense, outside legal or other professional advice on any matters within its terms of reference. The Committee may call any member of staff to be questioned at a meeting of the Committee as and when required.

REPORTING RESPONSIBILITIES

The Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is required. The Committee ensures that it gives due consideration to laws and regulations, the provisions of the Combined Code, the requirements of the UK Listing Authority's Listing Rules, Prospectus and Disclosure and Transparency Rules and any other applicable rules as appropriate. The Committee also oversees any investigation of activities which are within its terms of reference. The Audit Committee operates within agreed terms of reference in accordance with the Group's Financial Position and Prospects.



Mark Cubitt
Chairman of the Audit Committee
4 September 2019

Independent auditor's report to the members of Beeks Financial Cloud Group PLC

OPINION

Our opinion on the group financial statements is unmodified

We have audited the group financial statements of Beeks Financial Cloud group Plc for the year ended 30 June 2019, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the group financial statements:

» give a true and fair view of the state of the group's affairs as at 30 June 2019 and of its profit for the year then ended;

» have been properly prepared in accordance with IFRSs as adopted by the European Union; and

» have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the group financial statements' section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

» the directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or

» the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Grant Thornton

OVERVIEW OF OUR AUDIT APPROACH

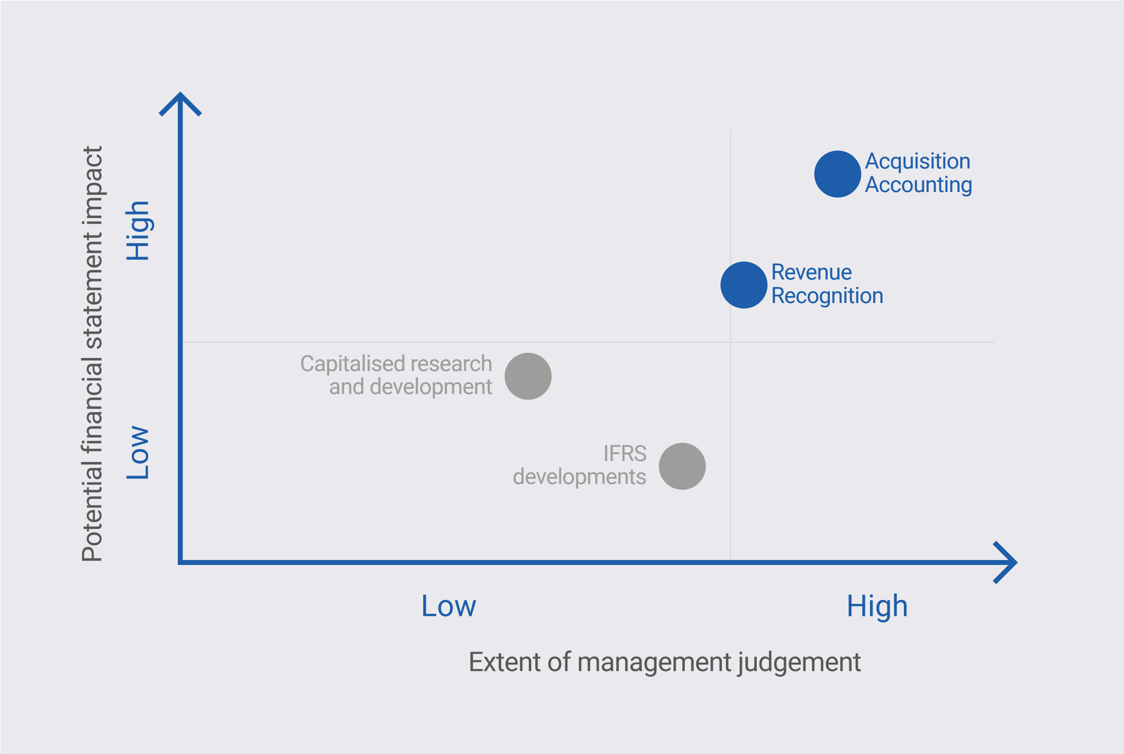
» Overall materiality: £98,700, which represents 4.5% of the group's preliminary earnings before interest, tax, depreciation and amortisation charges;

» Key audit matters were identified as revenue recognition and acquisition accounting; and

» Full scope audit procedures have been performed on the financial information of both Beeks Financial Cloud Group Plc, the parent company, and Beeks Financial Cloud Limited, the UK trading company. There have been targeted audit procedures performed on the US and Japan operations, being Beeks FX VPS USA Inc and Beeks Financial Cloud Co. Ltd. respectively.

KEY AUDIT MATTERS

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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 were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS

REVENUE RECOGNITION

Group revenue recognised in the year has grown from £5.6m in June 2018 to £7.4m in June 2019. This continues to be derived from the two key streams, being both institutional and retail revenue. There is also a smaller immaterial revenue stream consisting of hardware sales. Revenue is generated from giving customers access to cloud services for a specific period of time and therefore is recognised over this relevant time period.

We have pinpointed the revenue risk to the final two months of the year as management could recognise revenue early to meet performance targets.

Revenue has been assessed as a significant risk due to being a key performance indicator for the business and driver of activity. It is therefore a fundamental part of the financial statements for users with one of the most significant risks of material misstatement therefore has been assessed as a key audit matter

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Our audit work included, but was not restricted to:

- Revenue analytics by customer, month and revenue stream to identify any potential fluctuations which require to be corroborated;
- For a statistical sample of revenue generated in the period, this has been traced to post year end cash receipt to show that the revenue occurred. We have also traced the items selected to signed service order, usage report or server login to demonstrate that the sale took place;
- For the above sample tested, we have assessed the periods over which the invoice relates and recalculated the expected accrued/deferred income. This has been traced to actual accrued / deferred income to ensure that the revenue has been appropriately treated; and
- Assessing revenue recognition policies to ensure they are consistent with the relevant accounting standards.
- The group's accounting policy on revenue is shown in note 1 to the financial statements and related disclosures are included in note 3.

KEY OBSERVATIONS

From the work performed, we have not noted any concerns over the occurrence of revenue in the period.

ACQUISITION ACCOUNTING

There has been an acquisition in the year of the assets of Commercial Network Services on 9 May 2019 for $1.3m.

Significant management judgement is required to determine the fair value of intangible assets at acquisition

Due to the significance of the acquisition and this being outside of normal business activities, we have assessed the accounting for this transaction to be a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- Considering the terms of the sale and purchase agreement to ensure that the acquisition terms have been correctly reflected in the financial statements;
- Assessing management's assumptions and calculations for goodwill and other intangible assets identified from the acquisition, reviewing forecasts where required for the calculations. Our specialist Valuations Team were used to assess the valuation method employed. The audit team then ensured that the calculations comply with the requirements of IFRS 3 "Business Combinations"; and
- Management's rationale and calculations behind the fair values of the contingent consideration were challenged, including an assessment of the range and probability of possible outcomes.

The group's accounting policy on acquisitions is shown in note 1 to the financial statements and related disclosures are included in note 9.

KEY OBSERVATIONS

From the work performed, we have noted no material misstatements over the accounting for the acquisition in the period, the recognition of related intangible assets or the value recognised in respect of contingent consideration in accordance with IFRS 3.

OUR APPLICATION OF MATERIALITY

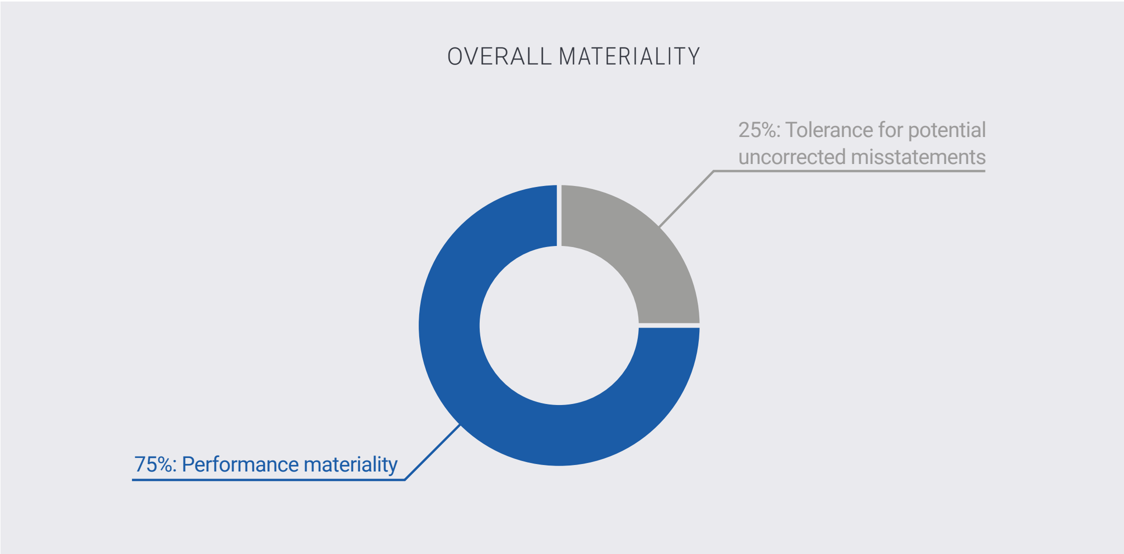
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the group financial statements as a whole to be £98,700, which is 4.5% of the Group's preliminary earnings before interest, tax, depreciation and amortisation charges. This benchmark is considered the most appropriate because of the importance of the measure to investors in the market as an assessment of company performance.

Materiality for the current year is higher than the level that we determined for the year ended June 2018 to reflect the overall growth in Group revenue due to both the acquisition increasing activity and the establishment of a new geographical location in Washington. There has also been organic growth from increasing the customer base in the period and the focus on tier I customer growth.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the group financial statements.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



We also determine a lower level of specific materiality for certain areas such as directors' remuneration, auditor's remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £4,900. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. We consider the significance of each component as a percentage of Group's total assets, revenues and EBITDA;
- Beeks Financial Cloud Group Plc and Beeks Financial Cloud Company Limited (UK trading company) were identified as significant components and full scope audit procedures were performed. Beeks FX VPS USA Inc (US trading company) and Beeks Financial Cloud Co Ltd (Japanese trading company) were subject to a targeted testing approach. All work was performed by Grant Thornton UK LLP;
- There were no changes in the scope of the current year audit from the scope of the prior year;
- This approach delivered 100% coverage of external revenues and adequate coverage of total assets; and
- We have 100% full scope audit coverage of both of the key audit matters identified above.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the group 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 in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

» the information given in the strategic report and the directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
» the strategic report and the directors' report have been prepared in accordance with applicable legal

MATTERS ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

» certain disclosures of directors' remuneration specified by law are not made; or
» we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the directors are responsible for assessing the

group'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 to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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OTHER MATTER

We have reported separately on the parent company financial statements of Beeks Financial Cloud Group Plc for the year ended 30 June 2019. That report includes how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit. We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Chadwick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
4 September 2019

Consolidated statement of comprehensive income
For the year ended 30 June 2019

		Consolidated	
	Notes	2019 £'000	2018 £'000
Revenue	3	7,352	5,583
Cost of sales		3,645	(2,602)
Gross profit		2,981	2,981
Administrative expenses		(2,457)	(2,081)
Operating profit	4	1,188	900
Analysed as:			
Earnings before depreciation, amortisation, acquisition costs, share based payments and non-recurring costs:		2,479	1,946
Depreciation	11	898	584
Amortisation	10	182	94
Acquisition costs	9	127	-
Share based payments	19	63	-
Non-recurring costs		21	368
Operating profit		1,188	900
Finance income		7	2
Finance costs	5	(152)	(155)
Profit before taxation		1,043	747
Taxation	8	20	10
Profit after taxation for the year attributable to the owners of Beeks Financial Cloud Group PLC		1,063	747
Other comprehensive income			
Amounts which may be reclassified to profit and loss			
Gain on exchange		18	1
Total comprehensive income for the year attributable to the owners of Beeks Financial Cloud Group PLC		1,081	758

		Pence	Pence
Basic earnings per share	23	2.10	2.37
Diluted earnings per share	23	2.09	2.26

The above income statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
As at 30 June 2019

	Notes	Consolidated	
		2019 £'000	2018 £'000
Non-current assets			
Intangible assets	10	2,229	852
Property, plant and equipment	11	2,440	2,137
Deferred tax	12	136	255
Total non-current assets		4,805	3,244
Current assets			
Trade and other receivables	13	1,104	664
Cash and cash equivalents	14	2,338	2,887
Total current assets		3,442	3,551
Total assets		8,247	6,795
Liabilities			
Non-current liabilities			
Borrowings and other financial liabilities	16	699	332
Deferred tax	12	48	108
Total non-current liabilities		747	440
Current liabilities			
Trade and other payables	17	1,868	1,511
Total current liabilities		1,868	1,511
Total liabilities		2,615	1,951
Net assets		5,632	4,844
Equity			
Issued capital	18	64	62
Reserves	20	4,531	4,450
Retained profits		1,037	332
Total equity		5,632	4,844

These financial statements were approved by the Board of Directors on 4 September 2019 and were signed on its behalf by:

Gordon McArthur

Gordon McArthur
Chief Executive Officer

Beeks Financial Cloud Group Plc,
Company number: SC521839

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
For the year ended 30 June 2019

	Issued capital	Foreign currency reserve	Merger reserve	Other reserve	Share based payments	Share premium reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 July 2017	2	83	372	(315)	-	-	(517)	(375)
Loss after taxation expense for the year	-	-	-	-	-	-	757	757
Total comprehensive income	-	-	-	-	-	-	757	757
Exchange gain	-	1	-	-	-	-	-	1
Deferred tax	-	-	-	-	-	-	104	104
Issue of share capital	60	-	-	-	-	4,309	(12)	4,357
Balance as at 30 June 2018	62	84	372	(315)	-	4,309	332	4,844
Profit after income tax expense for the year	-	-	-	-	-	-	1,063	1,063
Total comprehensive income	-	-	-	-	-	-	1,063	1,063
Exchange gain	-	18	-	-	-	-	-	18
Deferred tax	-	-	-	-	-	-	(104)	(104)
Issue of share capital	2	-	-	-	-	-	-	2
Share based payments	-	-	-	-	63	-	-	63
Dividends paid	-	-	-	-	-	-	(254)	(254)
Balance as at 30 June 2019	64	102	372	(315)	63	4,309	1,037	5,632

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2019

		Consolidated	
	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit before taxation for the year		1,043	747
Adjustments for:			
Depreciation and amortisation		1,080	678
Share options		63	-
Impairment		21	-
Foreign exchange		(16)	-
Interest received		(7)	(2)
Finance fees and interest		152	155
Operating cash flows		2,336	1,578
(Increase) in receivables		(440)	(270)
Increase/ (decrease) in payables		229	(768)
Operational cash flows after movement in working capital		2,125	540
Corporation tax paid		(26)	(92)
Net cash inflow from operating activities		2,099	448
Cash flows from investing activities			
Capitalised development costs	10	(437)	(384)
Acquisition of trading assets of business	9/10	(1,112)	-
Payments for property, plant and equipment	11	(1,222)	(1,071)
Net cash (outflow)/ inflow from investing activities		(2,771)	(1,455)
Cash flows from financing activities			
Repayment of existing loan borrowings		(34)	(78)
Dividends paid		(254)	-
Sale and leaseback of property, plant and equipment		-	203
Issue of loans		990	-
Finance lease repayments		(435)	(458)
Finance fees and interest	5	(152)	(155)
Interest received		7	2
Proceeds from the issue of share capital		1	4,357
Net cash outflow from financing activities		123	3,871
Net (decrease) / increase in cash and cash equivalents		(549)	2,864
Cash and cash equivalents at beginning of year		2,887	23
Cash and cash equivalents at end of year	14	2,338	2,887

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

Note 1. Significant accounting policies

CORPORATE INFORMATION

Beeks Financial Cloud Group PLC is a public limited company which is listed on the AIM Market of the London Stock Exchange and is incorporated in Scotland. The address of its registered office is Lumina Building, 40 Ainslie Road, Ground Floor, Hillington Park, Glasgow, UK, G52 4RU. The principal activity of the Group is the provision of information technology services. The registered number of the Company is SC521839.

The financial statements are prepared in pounds sterling.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

International Financial Reporting Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following standards, interpretations and amendments have been issued but are not yet effective and have no material impact on the Group's financial statements:

» IFRS 10 and IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
» IFRS 11 - Amendments relating to Acquisitions of Interests in Joint Operations.
» IFRS 2 (amendments) – Classification and Measurement of Share-Based Payment Transactions.
» Annual Improvements to IFRSs 2012 - 2014 cycle – Amendments to IFRS 1 first-time adoption of International Financial Reporting Standards.

Amendments that are expected to have an impact on the Group's consolidated financial statements:

IFRS 16 – Leases

The Group is currently completing its assessment of IFRS 16, however, at this time the Group intends to transition to IFRS 16 applying the modified retrospective adoption method, with no restatement of prior year comparatives, and will therefore recognise leases on balance sheet as at 1 July 2019. Adopting IFRS 16 will result in the recognition of a right-of-use asset and corresponding liability on the balance sheet for each lease, with the associated depreciation and interest expense being recognised in the income statement over the period of the lease. The right-of-use asset will be assessed for impairment under IAS 36 at the date of initial application.

The current initial impact assessment of IFRS 16 has provisionally concluded that our intention is to make the following policy choices on transition to IFRS 16 on 1 July 2019:The Group plans to apply IFRS 16 initially on 1 July 2019 using the modified retrospective approach with the cumulative effect of adopting IFRS 16 recognised through opening retained earnings with no restatement of comparatives.

» The value of the right-of-use asset recognised on the initial application of IFRS 16 will be equal to the lease liability.
» The Group intends to apply the practical expedient that permits the exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.
» The Group intend to use the practical expedient not to recognise short-term leases (with a term of less than twelve months) and low-value leases (where the value of lease on inception is less than £5,000). These leases will continue to be classed as operating leases under IAS 17.
» The lease liability at 1 July 2019 will be measured at the present value of unpaid lease payments applying an appropriate incremental borrowing rate based on the rate of interest on the Group's external borrowings, adjusted for the term of the lease.

Based on our preliminary assessment the impact will be:

» There will be recognition of a right-of-use asset and lease liability of an estimated £1.3m to £1.5m at 1 July 2019 based on the values disclosed in the operating lease commitment note adjusted to present value and for our provisional view of the definition of a lease under IFRS 16.
» It is estimated that proforma EBITDA for the year ended 30 June 2019 would have increased by £500k to £560k as operating lease expenses previously recognised as operating expenses will be reclassified to depreciation and finance costs under IFRS 16.
» Our preliminary assessment will be further advanced over the coming months.

ADOPTION OF NEW AND REVISED STANDARDS

Amendments to IFRS that are mandatorily effective for the current year. In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective in the current year.

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2018.

The Group has considered the impact of these standards and revisions and has concluded that they will not have a significant impact on the Group's financial statements. The accounting policies set out below have been applied consistently to all periods presented in the financial statements by the Group.

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets. The Group's finance team performs valuations of financial items for financial reporting purposes. The Group has no complex Financial Instruments.

Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to

the Chief Financial Officer (CFO) and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's reporting dates.

When adopting IFRS 9, the group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

- The impairment of financial assets applying the expected credit loss model. This affects the group's trade receivables and investments in debt type assets measured at amortised cost. For contract assets arising from IFRS 15 and trade receivables, the group applies a simplified model of recognising lifetime expected credit losses on these assets. There are no significant financing components attached to these assets.
- The reclassification of financial instruments, financial assets previously classified as loans and receivables are now classified as financial assets subsequently measured at amortised cost. There has been no reclassification of financial liabilities, and the reclassification of financial assets has not resulted in any adjustment to the values previously reported.

IFRS 9 has no impact on the on the balance sheet presentation of financial liabilities and minimal impact for financial assets, mainly being the reduction of the categories of financial assets.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to IFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "IFRS 15") replaced IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement as it had no material impact on previously reported results or retained earnings. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 July 2018.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, revenue is recognised when the performance obligation on each contract has been satisfied with the customer. At the outset of each contract, an assessment is completed to determine the relevant performance obligations on each contract. As defined in IFRS 15, performance obligations in a contract are either goods or services that are distinct, or a series of goods or services that are substantially the same. Services which are not distinct, are combined with other services in the contract until a performance obligation is satisfied.

Whilst implementing IFRS 15 the Group has not made any significant judgements.

The Group has considered the following areas where IFRS 15 may have a potential Impact: -

1. Set-up fees charged on contracts. When a set-up fee is arranged, Beeks will consider the material rights of the set-up fee, if in substance it constitutes a payment in advance, the set-up fee will be deemed to be a material right.

   The accounting treatment for both material rights and non-material rights set-up fees is as follows:

   » Any set up fees that are material rights are spread over the term of the contract.
   » Set up fees that are not material rights are recognised over one month.

2. Access and use of server, here revenue is generally recognised over time as the group satisfies performance obligations by transferring the promised services to its customers.
3. In addition to recurring services, the Group also generates revenue from the sale of hardware, software, and consultancy services. Again consistent with IFRS 15, revenue is recognised in line with the satisfaction of the performance obligation which in the vast majority of instances is in line with the delivery of the item or service to the customer. As a result, the revenue recognition policy for these services remains unchanged under IFRS 15.

The Group has considered these areas and is of the opinion that adoption of IFRS 15 has not resulted in any adjustment to previously reported results or retained earnings.

As the Group enters into new streams of business it will consider the impact of IFRS 15 on an individual basis.

GOING CONCERN

The Directors have assessed the current financial position of Beeks Financial Cloud Group PLC, taking account of its business activities, together with the factors likely to affect its future development, performance and position as set out in the Strategic Report on pages 5 to 13.

The key factors considered by the Directors were:

» historic and current trading and profitability of the Group,
» the rate of growth in sales both historically and forecast,
» the competitive environment in which the group operates,
» the current level of cash reserves,
» current level of debt obligations,
» the finance facilities available to the Group, including the availability of any short term funding required.

The Group prepares regular forecasts and projections of revenues, profits and cash flows that are essential for identifying areas on which management can focus to improve performance and mitigate the possible adverse impact of a deteriorating economic outlook. They also provide projections of working capital requirements. The Directors have reviewed the trading and cash flow forecasts for the 18 months after the year ended 30th June 2019 as part of their going concern assessment, including downside sensitivities, which take into account the uncertainties in the current operating environment.

Having considered all the factors impacting the Group's business and having prepared relevant financial projections and sensitivities, including financial projections which allow for reasonably possible downsides to the Group's base case projections, and taking account of mitigating actions that can be taken in periods when headroom is tight, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing the annual financial statements.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

PRINCIPLES OF CONSOLIDATION

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary or a business is the fair values of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity interests issued to the Group. The consideration transferred includes the fair values of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. Acquisition related costs are expensed as incurred. As each of the subsidiaries are 100% wholly owned, the Group has full control over each of its investees. Intercompany transactions, unrealised gains and losses on intragroup transactions and balances between group companies are eliminated on consolidation.

Foreign currency translation

Foreign currency transactions are translated into pound sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into pound sterling using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Pound sterling using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

REVENUE RECOGNITION

Revenue arises from the provision of cloud-based localisation. To determine whether to recognise revenue, the group follows a 5-step process as follows:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is measured at transaction price, stated net of VAT and other sales related taxes, if applicable.

The Group considers the performance condition to be the provision of access and use for clients of our servers. As the client receives and consumes the benefit of this use and access over time, the related revenue is recognised evenly over the life of the contract.

Revenue is generally recognised over time as the group satisfies performance obligations by transferring the promised services to its customers.

Cost of Sales

Costs considered to be directly related to revenue are accounted for as cost of sales. All direct production costs and overheads, including indirect overheads that can reasonably be allocated, have been classified as cost of sales.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

TAXATION AND DEFERRED TAXATION

The income tax expense or income for the period is the tax payable on the current period's taxable income. This is based on the national income tax rate enacted or substantively enacted for each jurisdiction with any adjustment relating to tax payable in previous years and changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in financial statements

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted by the reporting date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of temporary differences can be deducted. The carrying amount of deferred tax assets are reviewed at each reporting date.

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

CASH AND CASH EQUIVALENTS

Cash at bank, overnight and longer term deposits which are held for the purpose of meeting short term cash commitments are disclosed within cash and cash equivalents.

IFRS 9 – FINANCIAL INSTRUMENTS

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments of IFRS 7 Financial Instruments: Disclosures that are effective for an annual period that begins on or after 1 July 2018. The Group and parent company has elected to apply the transition provisions of IFRS 9 and opted not to restate comparatives. Any differences from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities;
2. Impairment of financial assets; and
3. Hedge accounting.

There has not been a material impact to the Group on adoption of IFRS 9. The Group has applied the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables.

The expected credit loss provision under IFRS 9 as at 30 June 2019 is £4,000. In the prior year, the impairment of trade receivables was assessed based on the incurred loss model under IAS 39. The allowance provision for impairment calculated under IAS 39 "Financial instruments: recognition and measurement" and IFRS 9 "Financial Instruments" at 1 July 2019 are not materially different, accordingly, there are no adjustments on transition.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at fair value, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that Beeks Financial Cloud Group PLC will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade and other receivables may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss within 'administrative expenses'. When a trade or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'cost of sales' in the profit or loss.

SHARE BASED PAYMENTS

Options are measured at fair value at grant date using the Black Scholes model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

Under the group's share option scheme, share options are granted to directors and selected employees. The options are expensed in the period over which the share based payment vests. A corresponding increase to the share option reserve under shareholder's funds is recognised.

When share options are exercised, the company issues new shares. The nominal share value from the proceeds received are credited to share capital and proceeds received above nominal value, net of attributable transaction costs, are credited to the share premium when the options are exercised. When share options are forfeited, cancelled or expire, the corresponding fair value is transferred to the accumulated losses reserve.

The group has no legal or constructive obligation to repurchase or settle the options in cash.

PROPERTY, PLANT AND EQUIPMENT (PPE)

PPE is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Beeks Financial Cloud Group PLC and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on plant and machinery and fixtures and fittings is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Leasehold improvements over the lease period
- Computer Equipment 3 to 4 years and over the length of lease

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Sale and leaseback transactions

For a sale and leaseback transaction that results in a finance lease, any excess of proceeds over the carrying amount is deferred and amortised over the lease term.

For a transaction that results in an operating lease:

» if the transaction is clearly carried out at fair value - the profit or loss should be recognised immediately,
» if the sale price is below fair value - profit or loss should be recognised immediately, except if a loss is compensated for by future rentals at below market price, the loss it should be amortised over the period of use,
» if the sale price is above fair value - the excess over fair value should be deferred and amortised over the period of use,
» if the fair value at the time of the transaction is less than the carrying amount – a loss equal to the difference should be recognised immediately.

INTANGIBLE ASSETS AND AMORTISATION

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the assets and liabilities assumed at the date of acquisition. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Intangible assets carried forward from prior years are re-valued at the exchange rate in the current financial year. Impairment testing is carried out by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Negative goodwill is immediately released to the Income Statement in the year of acquisition.

Customer relationships

Included within the value of intangible assets are customer relationships. These represent the purchase price of customer lists and contractual relationships purchased on the acquisition of the business and assets of Gallant VPS Inc., and Commercial Network Services. These relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method over periods of between five and ten years.

Development costs

The Group reviews half yearly whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each bi-annual review. During the year ended 30 June 2019, management conducted a comprehensive review of all capitalised development. Development costs relating to the company's customer self-service portal and cyber-attack prevention products have been capitalised. Management have estimated that 5 years is an appropriate useful life of these asset based on future revenues and cost savings. All new capitalised development is reviewed on an individual project basis and management will select the most appropriate rate of amortisation for each asset. For details on the estimates made in relation to intangible assets, see note 2.

IMPAIRMENT

Goodwill and assets that are subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These amounts represent liabilities for goods and services provided to Beeks Financial Cloud Group plc prior to the end of the financial period which are unpaid as well as any outstanding tax liabilities.

BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

DEFINED CONTRIBUTION SCHEMES

The defined contribution scheme provide benefits based on the value of contributions made. Contributions to the defined contribution superannuation plans are expensed in the period in which they are incurred.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

EQUITY

Ordinary shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of Beeks Financial Cloud Group plc after deducting all of its liabilities. Equity instruments issued by Beeks Financial Cloud Group plc are recorded at the proceeds received net of direct issue costs.

The share capital account represents the amount subscribed for shares at nominal value.

The accounting policies set out above have, unless otherwise stated, been applied consistently by the Group to all periods presented.

EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Beeks Financial Cloud Group PLC, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

VALUE-ADDED TAX ('VAT') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

ROUNDING OF AMOUNTS

Amounts in this report have been rounded off to the nearest thousand pounds, or in certain cases, the nearest pound.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Sensitivity analysis is also performed to reduce growth assumptions and increase discount rates and there is still sufficient headroom in the asset, see note 10.

Valuation of intangible assets and fair value adjustments on acquisition

As the Group continues to implement its acquisition strategy there is a requirement to fair value the assets and liabilities of any business acquired during the year. The Group is required to make an assessment as to what intangible assets exist within the acquired business at the time of the acquisition and what fair value adjustments are required. When reviewing the existence of intangible assets, consideration has been given to potential intangible assets such as customer relationships. The estimation of the valuation of customer relationships is based on the value in use calculation which requires estimates of the future cash flows expected to arise from the existing customer relationships over their useful life and to select a suitable discount rate in order to calculate the present value. Full details of the assumptions used in the calculation of intangible assets and fair value adjustments on the acquisitions that have occurred during the current year are disclosed in note 9.

Development costs

The Group reviews half yearly whether the recognition criteria for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each review period. In addition, all internal activities related to the development of new products are continuously monitored by the Directors. See note 10 for further information.

Taxation

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

The Group has tax losses available to offset future taxable profits. In estimating the amount of deferred tax to be recognised as an asset the Group estimates the future profitability of the relevant business unit. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Within the deferred tax provisions are deferred tax assets that have been recognised in the US due to the difference between the amortisation period. The group has elected to amortise the US assets over a period of 15 years in line with US tax authorities. This gives rise to a deferred tax asset as the Group is using a five year useful life for financial reporting purposes. The deferred tax asset has been calculated at an average US tax rate of 30%. This is shown in note 12.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Share based payments

The Group operates equity-settled share based remuneration plans for its employees. All goods and services received in exchange for the grant of any share based payment are measured at their fair values. Where employees are rewarded using share based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant.

All share based remuneration plans are ultimately recognised as an expense through profit or loss with a corresponding credit to 'retained earnings'.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share based incentives expected to vest differs from previous estimates. The two main vesting conditions that apply to share options relate to the achievement of annual objectives and continuous employment. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share based incentives ultimately exercised are different to that estimated on vesting.

Upon exercise of share based incentives the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Note 3. Segment Information

Operating segments are reporting in a manner consistent with the internal reporting provided to the chief operating decision makers.

The chief operating decision makers, who are responsible for allocating resources and assessing performance of operating segments, have been identified as the PLC Board.

During the year ended 30 June 2019, the Group was organised into two main business segments for revenue purposes, institutional and private customers. The group does not place reliance on any specific customer and has no individual customer that generates 6% or more of its total group revenue. Performance is assessed by a focus on the change in revenue across both institutional and retail revenue. Cost is reviewed at a cost category level but not split by segment. Assets are used across all segments and are therefore not split between segments so management review profitability at a group level.

	Consolidated	
Revenues by business segment are as follows:	**2019 £'000**	**2018 £'000**
Institutional	6,437	4,752
Retail	915	831
Total	7,352	5,583

	Consolidated	
Revenues by geographic location are as follows:	**2019 £'000**	**2018 £'000**
United Kingdom	1,525	760
Europe	863	729
Rest of World	4,964	4,094
Total	7,352	5,583

	Consolidated	
Non-Current Assets by geographic location are as follows:	**2019 £'000**	**2018 £'000**
United Kingdom - Property, plant and equipment	1,369	1,268
Europe - Property, plant and equipment	30	20
Rest of World - Intangible assets	1,701	459
Rest of World - Goodwill	528	393
Rest of World - Property, plant and equipment	1,041	849
Total Non-Current Assets	4,669	2,989

Intangible assets have been classified as "Rest of World" due to the fact they represent products that are available to customers throughout the World as well as the US intangible assets referred to in note 10.

The Group has taken advantage of the practical expedient permitted by IFRS 15 and has therefore not disclosed the amount of the transaction price allocated to unsatisfied performance obligations or when it expects to recognise that revenue, as contracts have an expected duration of less than one year.

Note 4. Operating Profit

Operating Profit is stated after charging:

	Consolidated	
Operating profit is stated after charging:	**2019 £'000**	**2018 £'000**
Staff costs (note 6)	1,839	1,390
Depreciation (note 11)	898	584
Amortisation of intangibles (note 10)	182	94
Foreign exchange losses	36	15
Operating leases*	608	617
Acquisition costs (note 9)	127	-
Share based payments (note 19)	63	-
Leasehold property write down	21	-
IPO exceptional items	-	368

*2018 figures have been restated to reflect IFRS 16 (see note 21).

Auditors remuneration

	Consolidated	
Audit	**2019 £'000**	**2018 £'000**
Audit services		
Fees payable for the audit of the consolidation and the parent company accounts	24	18
Fees payable for the audit of the subsidiaries	15	15
Non Audit		
Fees payable for the interim review of the group	9	6
Tax compliance	-	8
Corporate finance	-	62
	48	109

Note 5. Finance costs

	Consolidated	
	2019 £'000	2018 £'000
Bank charges	61	62
Loans and leasing	91	89
Other finance costs	-	4
Total finance income	152	155

Note 6. Average number of employees and employee benefits expense

Excluding directors, the average number of employees (at their full time equivalent) during the year was as follows:

	Consolidated	
	2019 £'000	2018 £'000
Management and administration	11	10
Support and development staff	18	13
Average numbers of employees	29	23

The employee benefits expense during the year was as follows:

Wages and salaries	1,612	1,241
Social security costs	201	139
Other pension costs	26	10
Total employee benefits expense	1,839	1,390
Share based payments (note 19)	63	-

Note 7. Directors remuneration

	Consolidated	
	2018 £'000	2017 £'000
Aggregate remuneration in respect of qualifying services	264	304
Aggregate amounts of contributions to pension schemes in respect of qualifying services	3	2
Highest paid director - aggregate remuneration	78	120

There are two directors (2018: two) who are accruing retirement benefits in respect of qualifying services.

Note 8. Taxation expense

Current Tax	Consolidated 2018 £'000	Consolidated 2017 £'000
Foreign tax on overseas companies	25	56
Adjustment in respect of prior periods	-	3
Total current tax	25	59
Origination and reversal of temporary differences	(45)	(53)
Adjustment in respect of prior periods	-	(16)
Total deferred tax	(45)	(69)
Tax on profit on ordinary activities	(20)	(10)

The differences between the total tax charge above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax, together with the impact of the effective tax rate, are as follows:

	2019 £'000	% ETR movement	2018 £'000	% ETR movement
Profit before tax	1,043		747	
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	198	19%	142	19.00%
Effects of:				
Expenses not deductible for tax purposes	42	4.03%	16	2.14%
R&D tax credits relief	(86)	(8.25%)	(63)	19.00%
Share option deduction	(128)	(12.28%)	(104)	(13.92%)
Prior year over-provision	-	-	3	0.40%
Prior year deferred tax adjustments	(44)	(4.22%)	(16)	(2.14%)
Adjustment for tax rate differences	-	-	6	0.80%
Foreign tax suffered	(3)	(0.29%)	2	0.27%
Other	1	0.1%-	4	0.54%
Total tax charge	(20)	(1.92%)	(10)	(1.34%)
The effective tax rate ('ETR') for the period was (1.9%), (2018: (1.3%)).				

	UK unrelieved trading losses £'000	Foreign unrelieved trading losses £'000	Total unrelieved trading losses £'000	Tax effect £'000
As at 1 July 2018	258	315	573	109
Recognised during the year	(74)	(315)	(389)	(74)
As at 30 June 2019	184	-	184	35

Note 9. Acquisitions

On 9 May 2019, the Group acquired the assets of Commercial Network Services ("CNS"), a US-based online service provider, for a total consideration of up to USD $1.4 million. This has been financed by a loan of £1m ($1.27m) the remainder being funded by Beeks own cash resources.

CNS specialises in hosting low latency algorithmic trading systems, virtual private networks and streaming media from data centres in London, New York and Los Angeles. Founded in 2000, CNS provides services to approximately 1,000 retail traders across multiple geographies.

During the current period the Group incurred £127k of third party acquisition related costs in respect of this acquisition and another acquisition that failed during diligence. These expenses are included in administrative expenses in the Group's consolidated statement of comprehensive income for the year ended 30 June 2019.

The following table summarises the consideration to acquire CNS and the amounts of identified assets acquired and liabilities assumed at the acquisition date which are now final.

Recognised amounts of net assets acquired	**USD $**
Customer relationship	1,186
Other intangibles	75
Identifiable net assets	1,261
Goodwill	151
Total consideration	1,412
Satisfied by:	
Cash – payable on acquisition	1,362
Contingent consideration - payable	50
Total consideration transferred	1,412

Under the terms of the Transaction, $1.3m was due on completion (the "Initial Consideration") with $0.1m held as retention subject to satisfactory completion of warranties (the "Contingent Consideration"). The Initial Consideration and Contingent Consideration was financed out of the Group's existing cash balance and banking facilities.

The goodwill arising on the acquisition of CNS is attributable to the premium payable for a pre-existing, well positioned business and the specialised, industry specific knowledge of its staff, together with the benefits to the Group in merging the business with its existing infrastructure and the anticipated future operating synergies from the combination.

The fair value included in respect of the acquired customer relationships intangible asset is £0.993m. There is no difference between the fair value and the book value of the intangible asset. To estimate the fair value of the customer relationships intangible asset, a discounted cash flow method, specifically the income approach, was used with reference to the directors' estimates of the level of revenue, which will be generated from them. A post-tax discount rate of 14.5% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 10 years.

CNS earned revenue of £0.10m and generated profits, before allocation of group overheads, share based payments and tax, of £0.03m in the period since acquisition. If the CNS business had been owned by Beeks for the entire 12 months, the effect on the results, before cost synergies, would have been: increase in profits, £0.1m increase in revenue £0.8m.

Note 10. Intangible assets

Consolidated	Customer list £'000	Development Costs £'000	Goodwill £'000	Total £'000
Cost				
Balance at 1 July 2017	390	-	400	790
Additions	-	384	-	384
Balance at 30 June 2018	390	384	400	1,175
Acquisition of trading assets	993	-	119	1,112
Additions	-	437	-	437
As at 30 June 2019	1,383	821	519	2,723
Accumulated Depreciation				
Balance at 1 July 2017	(216)	-	-	(216)
Charge for the year	(76)	(18)	-	(94)
Foreign exchange movements	(5)	-	(7)	(12)
Balance at 30 June 2018	(297)	(18)	(7)	(323)
Charge for the year	(99)	(83)	-	(182)
Foreign exchange movements	(6)	-	16	10
As at 30 June 2019	(402)	(101)	9	(495)
N.B.V. 30 June 2018	93	366	393	852
N.B.V. 30 June 2019	981	720	528	2,229

The customer relationships list primarily relates to the acquisition of CNS with a net book value of USD $1.3m and with a remaining useful life of 10 years. The customer relationship list relating to Gallant VPS Inc. was fully amortised during the year. Fair value is not considered to be materially different to the value paid by the Group.

Development costs have been recognised in accordance with IAS 38 in relation to the creation of the company's self-service portal, website and cyber-attack prevention software (DDoS). As at 30 June 2019 the remaining useful lives of these assets are 3 years and 7 months, 3 years and 6 months and 3 years and 5 months respectively.

Included within goodwill is:-

» goodwill relating to the recent acquisition CNS with a value of £119k,
» the historic goodwill relating to VDIWare LLC with a value of £409k.

The goodwill relating to CNS has been recently valued and will be assessed for impairment on an annual basis.

Goodwill arising from the acquisition of the business and assets of VDIWare LLC has been capitalised and is assessed on an annual basis for impairment. The revaluation represents exchange adjustment only. Impairment reviews are carried out on an annual basis to ensure that the carrying value of each individual asset is still appropriate. In performing these reviews, under the requirements of IAS 36 "Impairment of Assets" management prepared forecasts for future trading in which assumptions over sales growth, gross margins and costs were applied over a useful life period of five years.

The forecasts were performed assuming an 8% growth in sales with a 3% annual price increase as was applied by the company during June 2019. There was an assumption of 2% growth in costs for the period which was considered prudent and appropriate, using a discount rate of 12%. Sensitivities were applied by reducing the growth assumptions to 4% and increasing the discount rate to 14%. After running these sensitivities, management concluded that there is still sufficient headroom in the value of the asset.

Management consider these assumptions to be reasonable based on current performance of the Group. As at 30 June 2019, no change to the impairment provision against the carrying value of intangibles was required.

Note 11. Non-current assets - Property, plant and equipment

Consolidated	Computer equipment £'000	Office equipment £'000	Leasehold improvement £'000	Total £'000
Cost				
Balance at 1 July 2017	2,219	7	30	2,256
Additions	1,622	14	-	1,636
Disposals	(222)	-	-	(222)
Balance at 30 June 2018	3,619	21	30	3,670
Additions	1,220	2	-	1,222
Disposals	-	-	(30)	(30)
As at 30 June 2019	4,839	23	-	4,862
Depreciation				
Balance at 1 July 2017	(943)	(2)	(4)	(949)
Charge for the year	(576)	(3)	(5)	(584)
Balance at 30 June 2018	(1,519)	(5)	(9)	(1,533)
Charge for the year	(892)	(6)	-	(898)
Disposals	-	-	9	9
As at 30 June 2019	(2,411)	(11)	-	(2,422)
N.B.V. 31 June 2018	2,100	16	21	2,137
N.B.V. 31 June 2019	2,428	12	-	2,440

The Group recognised a loss of £21,000 (2018: a profit of £4,000) in relation to fixed asset disposals during the year. £21,000 of this related to non-recurring leasehold improvement costs in relation to the Group's Head office.

All depreciation charges are included within cost of sales.

The net book value of assets held under finance lease at 30 June 2019 was £0.54m (2018: £1.01m), the depreciation for the year on these assets was £0.45m (2018: £0.40m).

Note 12. Non-current assets - Deferred tax

Deferred tax is recognised at the standard UK corporation tax of 19% for fixed assets in the UK (2018: 19%). Deferred tax in the US is recognised at an average rate of 25% for 2019 (2018: 21%). The deferred tax asset relates to the difference between the amortisation period of the US acquisitions for tax and reporting purposes as well as the impact of the share options exercised during the year and tax losses carried forward in both UK and overseas companies.

The split of fixed and intangible asset are summarised as follows:	**Consolidated**	
	2019 £'000	**2018 £'000**
Deferred tax liabilities	(48)	(108)
Deferred tax asset	136	255
Total deferred tax	88	147
Movements		
Opening balance	147	(39)
Charged to profit or loss (note 8)	45	69
Charged to equity	(104)	104
Other movement	-	13
Closing balance	88	147

The movement in deferred income tax assets and liabilities during the year is as follows:

	Share based payments £'000	**Tax losses carried forward £'000**	**Accelerated tax depreciation £'000**	**Total deferred tax asset £'000**	**Total deferred tax liability £'000**
At July 2017	-	-	27	27	(66)
Charge to income	-	110	14	124	(29)
Charge to equity	104	-	-	104	-
Other movement	-	-	-	-	(13)
As at 30 June 2018	104	110	41	255	(108)
Charge to income	-	(75)	60	(15)	60
Charge to equity	(104)	-	-	(104)	-
As at 30 June 2019	-	35	101	136	(48)

Note 13. Current assets - Trade and other receivables

	Consolidated	
	2019 £'000	2018 £'000
Trade receivable	679	460
Less: provision for impairment of receivables	(63)	(82)
	616	378
Prepayments and accrued income	388	169
Other taxation	40	69
Other receivables	60	48
	1,104	664

The credit risk relating to trade receivables is analysed as follows:

	Consolidated	
	2019 £'000	2018 £'000
Trade receivable	679	460
Less: provision for impairment of receivables	(63)	(82)
	616	378

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2019 £'000	2018 £'000
Opening balance	82	5
Additional provisions recognised	63	86
Receivables written off during the year as uncollectable	(82)	(6)
Unused amounts reversed	-	(3)
Closing balance	63	82

The provision allowance in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the amounts are considered irrecoverable and are written off against the trade receivable directly. Where trade receivables are past due, an assessment is made of individual customers and the outstanding balance.

Past due but not impaired

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of the customers based on recent collection practices.

The aging of trade receivables at the reporting date is as follows:

	Consolidated	
The aging of trade receivables at the reporting date is as follows:	2019 £'000	2018 £'000
Past due	365	287
Past due 1 to 3 months	152	116
Past due 3 to 6 months	23	15
More than 6 months past due	139	42
	679	460

Note 14. Current assets - Cash and cash equivalents

The credit risk on cash and cash equivalents is considered to be negligible because over 99% of the balance is with counter parties that are UK and US banking institutions.

Note 15. Current assets
Financial instruments and risk management

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, short term deposits and bank and other borrowings.

The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments which mainly comprise trade receivables and trade payables which arise directly from its operations.

Risk management is carried out by the finance department under policies approved by the Board of Directors. The Group finance department identifies, evaluates and manages financial risks. The Board provides guidance on overall risk management including foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

The impact of the risks required to be discussed under IFRS 7 are detailed below:

Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the functional currency of the operations. The Group has minimal exposure to foreign exchange risk as a result of natural hedges arising between sales and cost transactions. A 10% movement in the USD rate would have an impact on the Group's profit and equity by approximately £6,000. The Group had potential exchange rate exposure within USD trade payable balances of £91,842 as at 30 June 2019 (£69,775, at 30 June 2018).

Cash flow and interest rate risk

The Group has limited exposure to interest rate risk in respect of cash balances and long-term borrowings held with banks and other highly rated counterparties. All loans and leases are at fixed rates of interest therefore the group does not have exposure to interest rate risk.

Credit risk

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	Consolidated	
	2019 £'000	2018 £'000
Cash and cash equivalents	2,338	2,887
Trade receivables	679	460
Accrued income	234	91
Other receivables	60	48
VAT	40	69
	3,351	3,555

Credit risk is managed on a Group basis. Credit risks arise from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group's credit risk is primarily attributable to its trade receivables. It is the policy of the Group to present the amounts in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment. The Group reviews the reliability of its customers on a regular basis, such a review takes into account the nature of the Group's trading history with the customer.

The credit risk on liquid funds is limited because the majority of funds are held with two banks with high credit-ratings assigned by international credit-rating agencies. Management does not expect any losses from non-performance of these counterparties.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Liquidity risk

The Group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet obligations of the Group as they fall due.

The Board receives regular debt management forecasts which estimate the cash inflows and outflows over the next twelve months, so that management can ensure that sufficient financing is in place as it is required. Surplus cash within the Group is put on deposit in accordance with limits and counterparties agreed by the Board, the objective being to maximise return on funds whilst ensuring that the short-term cash flow requirements of the Group are met.

As at 30 June 2019, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current			Non-current	
	Within 1 month £'000	1–3 months £'000	3–12 months £'000	1–5 years £'000	After 5 years £'000
Trade payables	413	47	169	-	-
Other payables	22	210	-	-	-
Other loans	5	90	263	701	-

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The aging of trade receivables at the reporting date is as follows:	Consolidated	
	2019 £'000	2018 £'000
Total equity	5,632	4,844
Cash and cash equivalents	2,338	2,887
Capital	7,970	7,731
Total equity	5,632	4,844
Other loans	997	35
Finance leases	326	761
Overall financing	6,955	5,640
Capital-to-overall financing ratio	1.15	1.37

Note 16. Non-current liabilities - Borrowings and other financial liabilities

	Consolidated	
	2019 £'000	2018 £'000
Other loans	672	6
Finance leases	27	326
	699	332

Other loans	Consolidated	
	2019 £'000	2018 £'000
Under one year	325	35
Between one to five years	672	6
	997	41

Finance Leases	Consolidated	
	2019 £'000	2018 £'000
Under one year	299	435
Between one to five years	27	326
	326	761

Finance leases, The future minimum finance lease payments are as follows:	Consolidated	
	2019 £'000	2018 £'000
Under one year	348	494
Between one to five years	33	380
Total gross payments	381	874

The finance leases are secured on the fixed assets to which they relate.

The present value of the future minimum finance lease payments:	Consolidated	
	2019 £'000	2018 £'000
Under one year	316	450
Between one to five years	27	312
	343	762

The discount applied to the future payments was 10% per annum.

Reconciliation of net debt:

	Finance Leases £'000	Other £'000	Total £'000
Balance at 1 July 2018	761	41	802
Proceeds from new loans	-	990	990
Loan and lease repayments	(435)	(34)	(469)
Balance at 30 June 2019	326	997	1,323

During the year a loan of £1m was taken out to fund the acquisition of CNS.

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2018 £'000	2017 £'000
Trade payables	629	662
Other loans	325	35
Finance leases	299	435
Accruals and deferred income	364	319
Other taxation and social security	28	45
Other payables	223	15
	1,868	1,511

Note 18. Equity - issued capital

	2019 Shares	2018 Shares	2019 £'000	2018 £'000
Ordinary shares - fully paid	50,864,800	50,043,100	64	62

Movements in ordinary share capital

Details	Date	Shares	Issue Price	£'000
Balance	30 June 2018	50,043,100		62
EMI Share options exercised	31 August 2018	677,700	£.00125	1
EMI Share options exercised	24 October 2018	32,200	£.00125	-
EMI Share options exercised	20 June 2019	111,800	£.00125	1
Balance	30 June 2019	50,864,800		64

Ordinary shares

During the year there were 821,700 of share options exercised. At the date of the grant the fair value was immaterial.

Note 19. Share based payments

The movements in the share options during the year, were as follows:-

	Consolidated	
	2019	2018
Outstanding at the beginning of the year	821,700	1,864,800
Exercised during the year	(821,700)	(1,043,100)
Issued during the year	308,824	-
Outstanding at the end of the year	308,824	821,700
Exercisable at the end of the year	-	821,700

The Group granted a total of 308,824 share options to members of its management team on 6 September 2018. These share options outstanding at the end of the year have the following expiry dates and exercise prices:

» The exercise price for all of the outstanding issued share options is £0.00125.
» All of these options vest on 6 September 2021, which is three years after the issue date.

These share options vest under challenging performance conditions based on underlying EPS growth during the three year period.

The Black Scholes model was used to calculate the fair value of these options, the resulting fair value is expensed over the vesting period. The following table lists the range of assumptions used in the model:

Stock price	1.02
Standard deviation	5%
Annual risk free rate	4%
Exercise strike price	0.00125
Time to maturity (yrs.)	2.1667

The total expense recognised from share based payments transactions on the group's profit for the year was £62,647 (2018: nil).

These share options vest on the achievement of challenging growth targets. It is management's intention that the Company will meet these challenging growth targets therefore, for prudency, the share options are included in the calculation of underlying diluted EPS in note 23.

Note 20. Equity - Reserves

The foreign currency retranslation reserve represents exchange gains and losses on retranslation of foreign operations. Included in this is revaluation of opening balances from prior years. The merger relief reserve arose on the share for share exchange reflecting the difference between the nominal value of the share capital in Beeks Financial Cloud Group Limited and the value of the Group being acquired, Beeks Financial Cloud Limited.

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Retained earnings represents retained profits.

The other reserve arose on the share for share exchange and reflects the difference between the value of Beeks Financial Cloud Group Limited and the share capital of the Group being acquired through the share for share exchange. Also included in the other reserve is the fair value of the warrants issued on the acquisition of VDIWare LLC. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Note 21. Capital and other commitments

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods. Operating lease payments represent rentals payable by the Group for office premises and computer equipment. The leases for computer equipment contain an option to purchase the assets at the end of the lease period. The leases are standard operating leases with no special clauses.

Lease commitments - operating **Committed at the reporting date but not recognised as liabilities, payable:**	**2019** **£'000**	***Restated*** **2018** **£'000**
Within one year	497	629
One to five years	862	797
	235	133
	1,594	**1,559**

*Based on our preliminary assessment of the impact of IFRS 16 (see note 1), we have restated the prior year to include contracts identified as containing a lease under IAS 17 Leases.

A new office lease contract was entered into during the year, this lease commences on 1 July 2019.

Note 22. Related party transactions

Parent entity

Beeks Financial Cloud Group PLC is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 24.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2019 £'000	2018 £'000
Withdrawals from the director, Gordon McArthur	33	24

The loan account owed by the director; Gordon McArthur was repaid in full following the year end.

Beeks Financial Cloud Limited provided services in the normal course of its business and at arm's length to Ofelia Algos Limited, a company owned by Gordon McArthur. During the financial year Beeks Financial Cloud Limited made sales of £141,120 (2018: £72,453) to Ofelia Algos Limited and the amounts due to Beeks Financial Cloud Limited at the year-end were £53,600 (2018: £35,280).

Key management personnel

Compensation paid to key management (which comprises the executive and non-executive PLC Board members) during the year was as follows:

Current payables:	Consolidated	
	2019 £'000	2018 £'000
Wages and salaries including social security costs	256	294
Other pension costs	3	2
Other benefits in kind	11	10

Note 23. Earnings per share

	Consolidated	
	2019 £'000	2018 £'000
Profit after income tax attributable to the owners of Beeks Financial Cloud Group PLC	1,063	757

	Pence	Pence
Basic earnings per share	2.10	2.37
Diluted earnings per share	2.09	2.26

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	50,632,965	31,900,070
Adjustments for calculation of diluted earnings per share: Options over ordinary shares	231,835	1,660,204
Weighted average number of ordinary shares used in calculating diluted earnings per share	50,864,800	33,560,274

Underlying earnings per share	Consolidated	
	2019 £'000	2018 £'000
Profit for the year	1,043	757
Exceptional costs	-	368
Acquisition costs	127	-
Share Based payments	63	-
Amortisation on acquired intangibles	62	76
Exceptional non-recurring costs	21	-
Tax effect	(12)	(84)
Underlying profit for the year	1,304	1,117

Weighted average number of shares in issue - basic	50,632,965	49,204,596
Weighted average number of shares in issue - diluted	51,116,936	50,864,800

Underlying earnings per share - basic	2.58	2.27
Underlying earnings per share - diluted	2.55	2.20

Included in the weighted average number of shares for the calculation of underlying diluted EPS are share options outstanding but not exercisable. It is management's intention that the Company will meet the challenging growth targets therefore, for prudency, the share options are included in the calculation of underlying diluted EPS.

Note 24. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries held by the company in accordance with the accounting policy described in note 1.

The subsidiary undertakings are all 100% owned, with 100% voting rights.

Company name	Country of incorporation	Principal place Registered office / Registered office
Beeks Financial Cloud Co Ltd	Japan	FARO 1F, 2-15-5, Minamiaoyama, Minato-Ku, Tokyo, Japan.
Beeks FX VPS USA Inc.	Delaware, USA	874 Walker Road, Suite C, Dover, Kent, Delaware, 19904, USA.
Beeks Financial Cloud Limited	Scotland	Lumina Building, 40 Ainslie Road, Ground Floor, Hillington Park, Glasgow, UK, G52 4RU

Note 25. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 26. Ultimate controlling party

The Group is ultimately controlled by Gordon McArthur by virtue of his majority shareholding.

Independent auditor's report to the members of Beeks Financial Cloud Group PLC

OPINION

Our opinion on the group financial statements is unmodified

We have audited the group financial statements of Beeks Financial Cloud group Plc for the year ended 30 June 2019, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the group financial statements:

» give a true and fair view of the state of the group's affairs as at 30 June 2019 and of its profit for the year then ended;

» have been properly prepared in accordance with IFRSs as adopted by the European Union; and

» have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the group financial statements' section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

» the directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or

» the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Grant Thornton

OVERVIEW OF OUR AUDIT APPROACH

» Overall materiality: £86,900, which represents 2% of the company's total assets, capped for Group purposes;

» No key audit matters were identified relating to the parent company financial statements; and

» Our audit was scoped by obtaining an understanding of the company and its environment, including its internal controls, and assessing the risks of material misstatement.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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 were addressed in the context of our audit of the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

OUR APPLICATION OF MATERIALITY

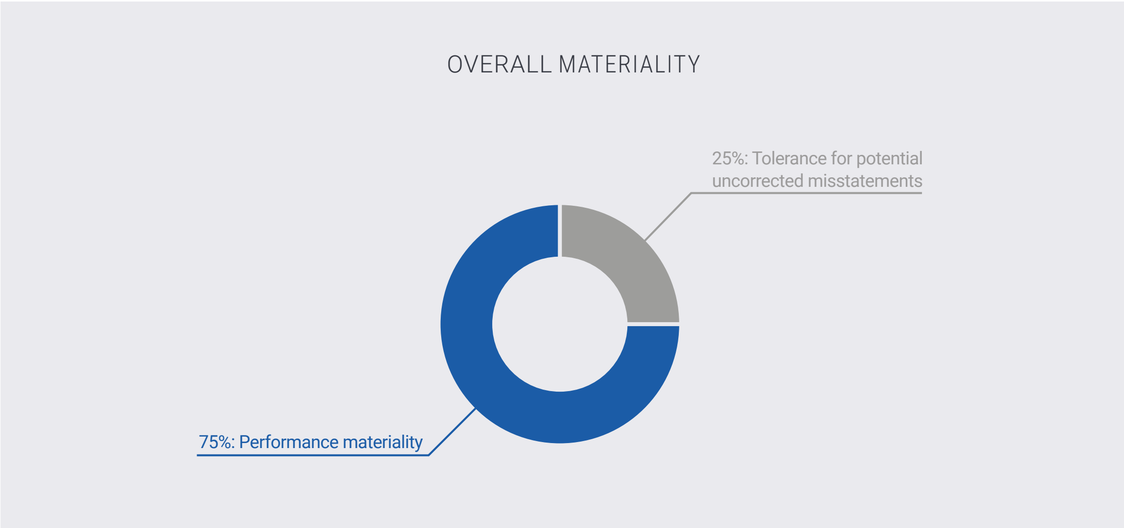
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the parent company financial statements as a whole to be £86,900, which is 2% of total assets at year end, capped for group purposes. This benchmark is considered the most appropriate given the primary purpose of the company is to hold investments in subsidiaries.

Materiality for the current year is higher than the level that we determined for the year ended 30 June 2018 to reflect the growth in overall Group revenues which results in less of a cap for parent company materiality.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



We also determine a lower level of specific materiality for certain areas such as directors' remuneration, auditors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £4,300. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile and in particular included:

- Obtaining an understanding of the company and its environment, including its internal controls and assessing the risks of material misstatement;
- There were no material changes in the overview of the scope of the current year audit from the scope of prior year

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the parent company 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 in this regad.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement, set out on pages 19 to 21, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the directors are responsible for assessing the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE PARENT COMPANY FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 parent company financial statements.

A further description of our responsibilities for the audit of the parent company financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTER

We have reported separately on the group financial statements of Beeks Financial Cloud Group Plc for the year ended 30 June 2019. That report includes details of the group key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

James Chadwick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
4 September 2019

Company Statement of Financial Position

For the Year Ended 30 June 2019

		Company	
	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Intangibles	4	438	438
Deferred tax	5	31	92
Total non-current assets		469	530
Current assets			
Trade and other receivables	6	2,588	2,188
Cash and cash equivalents		2,009	2,561
Total current assets		4,597	4,749
Total assets		5,066	5,279
Liabilities			
Current liabilities			
Trade and other payables	7	128	173
Net current assets		4,469	4,576
Net assets		4,938	5,106
Equity			
Issued capital	8	64	62
Reserves	9	4,744	4,681
Retained profits	9	130	363
Total equity		4,938	5,106

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parents company's profit after tax for the year was £82,000 (2018: £270,000).

These financial statements were approved by the Board of Directors and were authorised for issue on 4 September 2019 and are signed on its behalf by:

Gordon McArthur
Chief Executive Officer

Company name, Beeks Financial Cloud Group PLC
Company number, SC521839

Company Statement of Changes in Equity
As at 30 June 2019

	Share based payments £'000	Issued capital £'000	Merger relief £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
As at 1 July 2017	-	2	372	-	17	391
Profit after income tax expense for the year	-	-	-	-	270	270
Total comprehensive income	-	-	-	-	270	270
Issue of share capital	-	60	-	4,309	(12)	4,357
Deferred tax	-	-	-	-	88	88
As at 30 June 2018	-	62	372	4,309	363	5,106
Profit after income tax expense for the year	-	-	-	-	82	82
Total comprehensive income	-	-	-	-	82	82
Deferred tax	-	-	-	-	(61)	(61)
Issue of share capital	-	2	-	-	-	2
Share based payments	63	-	-	-	-	63
Dividends paid	-	-	-	-	(254)	(254)
As at 30 June 2019	63	64	372	4,309	130	4,938

Notes to the Company Financial Statements

Note 1. Company information

Beeks Financial Cloud Group PLC (the "Company") is a public limited company which is listed on the AIM Market of the London Stock Exchange and incorporated in Scotland.

The address of the registered office is : Lumina Building, 40 Ainslie Road, Ground Floor, Hillington Park, Glasgow, UK, G52 4RU. Beeks Financial Cloud Group PLC was incorporated on 4 December 2015 and has subsequently been converted to a public limited company "plc" on 8 November 2017.

The principal activity of the Company and its subsidiaries is the provision of information technology services. The company number is SC521839.

Note 2. Accounting policies

Basis of Preparation

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – The Reduced Framework (FRS 101). The principal accounting policies adopted in preparation of the financial statements are set out on pages 37 to 44. These policies have been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on an historic cost basis.

The financial statements are presented in pounds sterling.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. These financial statements do not include:

- A statement of cash flows and related notes,
- Disclosure of key management personnel compensation,
- The effect of future accounting standards not adopted,
- Related party transactions with other group entities,
- Share based payments disclosures,
- Financial instrument disclosures.

Note 3. Average number of employees

	Parent	
	2019 £'000	2018 £'000
Management and administration	11	12

Note 4. Investments

	Parent	
	2019 £'000	2018 £'000
Shares in Group undertakings	438	438

Details of subsidiary companies are found in note 24 in the Group financial statements.

Note 5. Deferred tax

	Parent	
	2019 £'000	2018 £'000
Tax losses carried forward	4	4
Share based payments, recognised in equity	27	88
Deferred tax asset	31	92

Note 6. Non-current assets – Trade and other receivables

	Parent	
	2019 £'000	**2018 £'000**
Other receivables	3	32
Repayments and accrued interest	24	19
Amounts due from Group undertakings	2,561	2,137
	2,588	2,188

Note 7. Non-current liabilities – Trade and other payables

	Parent	
	2019 £'000	**2018 £'000**
Trade payables	36	44
Accruals and deferred income	46	77
Other taxes	42	21
Other payables	4	31
	128	173

Note 8. Equity – issued capital

For details of the issued share capital see note 18 in the Group notes.

Note 9. Equity - reserves

Ordinary shares are classified as equity. An equity instruments is a contract that evidences a residential interest in the assets of Beeks Financial Cloud Group Plc after deducting aa of its liabilities. Every instrument issued by Beeks Financial Cloud Group Plc are recorded at the proceeds received net of direct issue costs.

The share capital amount represents the amount subscribed for shares at nominal value. Any transactional costs associated with the issuing of share are deducted from the share premium, net of any related taxation benefits. The accounting policies set out above have, unless otherwise stated, have been applied consistently by the Group to all periods presented.

The merger relief reserve arose on the share for share exchange reflecting the difference between the nominal value of the share capital in Beeks Financial Cloud Group Limited and the value of the Group being acquired, Beeks Financial Cloud Limited.

Note 10. Related party transactions

As permitted by FRS 101, related party transactions by wholly owned members of the Group have not been disclosed. Related party transactions regarding remuneration and dividends paid to key management of the company have been disclosed in note 22 of the Group financial statements.

Note 11. Capital commitments

The Company had no material capital commitments at 30 June 2019.

Note 12. Contingent liabilities

The Company had no material contingent liabilities at 30 June 2019.

Note 13. Post balance sheet events

There have been no post balance sheet events after the year end.

Note 14. Ultimate controlling party

The Company is ultimately controlled by Gordon McArthur, by virtue of his majority shareholding.

Beeks Financial Cloud

www.beeksfinancialcloud.com

Lumina Building, 40 Ainslie Road, Ground Floor, Hillington Park, Glasgow, G52 4RU, United Kingdom.

Company Number SC521839