*The information contained within this announcement (the "**Announcement**") is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this Announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.*

Beeks Financial Cloud Group plc

("Beeks" or the "Company")

Interim Results

02 March 2020 - Beeks Financial Cloud Group plc (AIM: BKS), a niche cloud computing and connectivity provider for financial markets, is pleased to announce its unaudited results for the six months ended 31 December 2019.

Financial Highlights

- Revenues increased by 23% to £4.29m (H1 2019: £3.50m)
- Annualised Committed Monthly Recurring Revenue (ACMRR) up 37% to £10.20m (H1 2019: £7.45m)
- Gross profit up 25% to £2.12m (H1 2019: £1.70m)
- Gross profit margin 49% (H1 2019: 49%)
- Underlying EBITDA* increased by 66% to £1.56m (H1 2019: £0.94m), including IFRS 16 adjustment of £0.34m
- Underlying profit before tax** up 46% to £0.60m (H1 2019: £0.41m)
- Underlying basic EPS** 1.01 pence (H1 2019: 0.96 pence)
- Period end net cash of £0.72m (H1 2019: Net cash £1.84m)
- Proposed interim dividend of 0.20p (H1 2019: 0.20p)

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 of £0.39m (H1 2019: loss £0.34m)
- Basic earnings per share of 0.62p (H1 2019: loss 0.82p)

** Underlying EBITDA is defined as earnings before share based payment charges, amortisation, depreciation, finance costs and IPO exceptional costs*

*** Underlying profit before tax and underlying EPS excludes share based payment charges, amortisation on acquired intangibles and IPO exceptional costs*

Operational Highlights

- Signing of first Tier 1 client representing a major milestone for the company with strong pipeline of further institutional contracts
- Signing of a further two Tier 1 clients, a cloud based payments provider (£1.1m contract over three years) and a global financial markets technology provider ($1m annualised contract), demonstrating continued momentum and ability to attract large scale customers
- Expansion of further new data centres, NY2 and NY5 in New York, with a further three opened during January 2020, Singapore SG1, Paris PA1 and London LD8
- Successful integration of the CNS platform, ahead of timescale, and performing in line with expectations
- Launch of Back Up as a Service in first quarter with client uptake in line with expectations
- Award of a grant of up to £2m from Scottish Enterprise to support the Network Automation Project facilitating growth and expansion and enabling a broader product offering
- Average entry monthly recurring value for a new institutional customer contract increased to £3,680 (H1 2019: £1,825)

Outlook

- Current trading is positive and is within the range of market expectations

Gordon McArthur, CEO of Beeks Financial Cloud commented:

"I am pleased to report on another positive trading period for Beeks, delivering continued growth in revenue, underlying EBITDA and Annualised Committed Monthly Recurring Revenues (ACMRR). Our success is being driven by a combination of the growing demand for secure and scalable cloud environments by financial institutions, and the superior breadth of our offering and capability.

Momentum has continued into the second half of the year, with the implementations of the Tier 1 contracts progressing well and to plan. The business has grown considerably over the last six months, in terms of offering and customer base but also in addressable market, due to the successes we have had in new areas of the financial services market. These factors combined with the continued growth in our committed recurring revenues and size of our new business pipeline, provide us with confidence in our continued success."

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The Directors of the Company are responsible for the contents of this announcement.

ABOUT BEEKS FINANCIAL CLOUD

Beeks Financial Cloud is a leading cloud computing and connectivity provider for financial services. Our cloud-based Infrastructure-as-a-Service (IaaS) model allows financial organisations the flexibility and agility to deploy and connect to a variety of exchanges, trading venues and cloud service providers at a fraction of the cost of building their own networks and infrastructure.

Based in the UK with an international network of fifteen datacentres, Beeks supports its global customers at scale in the leading financial centres. For more information, visit: www.beeksgroup.com

Chief Executive Officer's Review

Our vision is simple: to provide a rapidly deployable, secure and scalable cloud environment for financial institutions.

I am pleased to report on another positive trading period for the Group, delivering continued growth in revenue, underlying EBITDA and Annualised Committed Monthly Recurring Revenues (ACMRR). Our success is being driven by a combination of the growing demand for secure and scalable cloud environments by financial institutions, and the strong breadth of our offering and capability.

We have seen continued growth in customer numbers in the half, including the winning of two further multi-year contracts with Tier 1 institutions, both of significantly higher value than we have historically signed. One takes us into the growing Open Banking sector and the other is our first $1 million annualised deal. With both contracts signed in December, the majority of associated revenue will be recognised in future periods, adding to our high levels of visible revenue as we enter the second half of the year. These contracts were signed at the end of H1 and so help underpin our expectations for FY20 and beyond.

We have continued to invest in the expansion of our offerings, to capture our growing opportunity. We have expanded our datacentre estate, moved to a new head office and added further talent to our teams. We have continued to expand our offering into the wider financial services market, broadening out from our heritage in forex, into growth areas such as Fixed Income, Cryptocurrencies and Open Banking.

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. For our Tier 1 customers, we are also increasingly supporting them in their wider cloud requirements, managing their connections to the public cloud vendors, providing and managing their cloud infrastructure and connectivity from the ground up. While these contracts take longer to negotiate and on board, they increase the quality of our recurring revenues and we have been pleased with the rate of new customer wins in the first half, and are encouraged by the size of the pipeline of opportunities for H2 and beyond.

The Board is pleased to propose an interim cash dividend to shareholders of 0.20p per share (H1 2019: 0.20p per share). The Board intends to continue to meet its previously stated progressive dividend policy in relation to the year as a whole, reflecting the Board's confidence in the financial position of the Group and future prospects.

As we move into the second half of the year, our focus will be on successfully deploying our newly signed Tier 1 customers, capitalising on the growth of the new sectors; Opening Banking, Fixed Income and Cryptocurrencies; growing the institutional customer base and securing further Tier 1 customers.

Financial performance

Revenues in the period grew by 23% to £4.3m (H1 FY19: £3.5m), resulting in an increase in underlying EBITDA of 66% to £1.56m (H1 FY19: £0.94m). The adoption of IFRS 16 lease accounting, which reclassifies previous operating lease charges to a depreciation and interest charge has had a benefit to the adjusted EBITDA metric of £0.34m which is further explained in the Financial Review. Excluding the IFRS 16 re-classification, EBITDA has increased by 30% when compared with the same period last year. Beeks has over 95% recurring revenue and customer retention remained within target. Our Annualised Committed Monthly Recurring Revenues (ACMRR) grew 37% to £10.2m at 31 December 2019, increasing from £7.45m at 31 December 2018.

The two Tier 1 contracts were signed at the end of the period and will provide a larger contribution to revenue in the second half of the year, as they are deployed. Gross profit margin has remained flat in the period helped partly by the change in accounting estimate to align the Group's depreciation policy with similar businesses. The change in estimate is further explained in the notes to the financial statements. Excluding this change, the gross profit margin reduced to 46% in the period in line with our expectations reflecting investment in the Group, including the expansion into new data centres and our self-service portal. Gross margin is expected to increase through the remainder of the year, as we recognise revenue from the newly signed Tier 1 contracts and increase revenues from the new datacentres.

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 secured and the growing number of opportunities we have identified. 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 asset classes, the continued evolution of our self-service web portal and increased network automation. 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.

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.

Our retail trader offering remains steady, 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 and bolt-on acquisition opportunities that will accelerate growth and complement our business model. The acquisition of CNS in the prior year added both scale and cost-synergies to Beeks' retail trader offering and that acquisition has now been successfully integrated into the Group ahead of plan, with the acquired business performing in line with our expectations. We remain alert to additional acquisitions of business that are profitable or near term profitable and add value to our customer offerings.

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 in delivering these services via the cloud. We will continue to develop our cloud services in the second half of the year, 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 Expansion

This has been an exceptional period for Beeks in terms of delivering on our stated strategy of signing additional Tier 1 customers and expanding our offering. The Group has broadened its geographical footprint, with the opening of two additional New York datacentres in the period, and three new datacentres post period end, in Singapore, London and Paris, bringing Beeks' international network to a total of 15 datacentre locations worldwide in key financial hubs.

Continued growth in client demand in these new locations has prompted the expansion, with all new datacentres backed by initial client deployments. The addition of these five new locations, and an increase in capacity at existing sites, means Beeks has increased its datacentre capacity by approximately 45% in the last nine months, demonstrating the scale of customer demand for its expanding service offerings.

In order to attract new clients and to meet existing client demand, we successfully launched our expansion into new asset classes in 2018, including Fixed Income and Cryptocurrency offerings, which remain valuable to our combined offering. This includes a partnership with BeQuant Exchange, a leading cryptocurrency exchange based in London and Malta.

We are excited about the growing opportunity within the Open Banking and Payments sector. New regulations, such as the second Payment Services Directive (PSD2) and the Open Banking reforms, which require the sharing of financial data, are driving a shift towards new Open Banking and Payments offerings within Financial Services and the growing adoption of cloud-computing to deliver them. Our proven capabilities and global network mean we are ideally placed to support Financial Services institutions in this move to cloud-based infrastructure, providing an expanding addressable market for us and the opportunity for accelerated growth in the Open Banking sector.

We continue to innovate, adding additional services as well as locations to our offering. In September 2019 we launched the Bare Metal Automated Backup Service, within our London locations initially, in response to the growing compliance and regulatory pressures for backup and storage being experience by our customers. This 'Back up as a Service' platform offering is an automated server image backup for Dedicated Servers and storage within Dedicated Servers, providing backup images of customers' data in our offsite location, via a secure dedicated backup network.

The broadening of our offering and growing adoption of cloud computing by financial services organisations has contributed to the increase in our average monthly client revenue, as customers expand the services they receive from us.

Headcount has increased to 40 at 31 December 2019, (30 June 2019: 33), with some key hires in operations and software development to support our growth objectives.

In January 2020, post period end, we also recruited a Chief Information Security Officer in order to further strengthen our Cyber Security vision, strategy and program to ensure a world class level of protection for customer assets and technologies.

We were delighted to have been awarded a Scottish Enterprise R&D grant of up to £2m, to invest in our Network Automation project. The funding will allow for acceleration of the project, which will facilitate growth and expansion at our Glasgow headquarters and enable us to broaden our product offering, in particular to the Tier 1 financial services market. Customer self-service and automation is at the heart of our strategic objectives and is a key differentiator for us in the financial services cloud computing sector. Through this cross-system project we will aim to fully automate our network infrastructure deployment, enhancing our ability to capitalise on the growing adoption of cloud computing infrastructure by Tier 1 financial institutions.

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: for instance, 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.

As we move into the second half of the year, our focus will be on deploying the major contracts we have signed during the first half, continuing to exploit new sectors and attracting additional institutional clients. We now have the resources and server capacity to meet our current growth projections, without significantly increasing our capital expenditure.

Political changes
The political climate in the UK is currently challenging due to the UK leaving the EU on the 31st January 2020. As the UK enters into a transition period, we are regularly monitoring emerging news and trends and remain alert to any impact on the trading of the Group. At this point, we do not expect any adverse effect on the operation of the business as our supply chain, customer base and talent attraction has no single dependency on the EU and we have multiple Global supplier options.

Customers
The number of institutional customers grew to 225, an increase from the 210 clients reported at 31 December 2018, whilst the average entry level new institutional customer contract has increased to £3,680 per month, up from £1,825 when compared to the same period last year.

Institutional revenue now represents 84% of total revenue, and we expect to see this figure increase in the second half of the year as we recognise a greater proportion of the revenue from the recently secured Tier 1 customer engagements, and continue to add to our institutional client base.

We are seeing considerable expansion of the types of customer we support, with Beeks now catering for banks, brokers, hedge funds, crypto traders and exchanges, insurance organisations, financial markets technology providers and payments providers. The five Tier 1 customers we have now signed, signal a major step forward for Beeks, and provides us with a solid foundation for further growth. The first three tier one contracts, secured in previous periods, have all commenced billing, with two now fully implemented and live.

New Tier 1 customers

In December 2019 we were delighted to announce two further tier 1 customers.

One is a three-year contract worth a combined £1.1m with a cloud-based payments solution provider to design and supply a private network and fully managed infrastructure environment, enabling the Payments Provider to expand its secure and resilient end-to-end Payments-as-a-Service solution for financial institutions and regulated Fintech organisations. This is our first win for Beeks in the growing Open Banking and Payments sector, demonstrating the security of the Beeks' offering and applicability to this new segment of the financial markets. The core infrastructure has now been deployed and network configuration is underway with the client.

We also secured our first $1m annualised contract, with a global financial markets technology provider. We are providing them with a global deployment of private cloud infrastructure, complementing their existing secure, high-performance data and voice communications solutions delivered to the global financial markets. The SaaS-based contract commenced in January 2020 and is committed to grow to a run rate of $1 million annually, with the potential for further expansion thereafter. The private cloud infrastructure is now deployed on the Beeks network, with the first end customers successfully live on the platform and further deployments planned.

Future Growth and Outlook
Current trading is positive and is within the range of market expectations. Momentum has continued into the second half of the year, with the implementations of the new Tier 1 contracts progressing well and to plan. The business has grown considerably over the last six months, in terms of offering and customer base but also in addressable market, due to the successes we have had in new areas of the financial services market. These factors combined with the continued growth in our committed recurring revenues and size of our new business pipeline, provide us with confidence in our continued success.

Gordon McArthur
CEO
28 February 2020

Chief Financial Officer's Review

Financial Review
We are pleased to report another sound set of financial results for the first half of the year demonstrating growth in our key financial metrics.

Group revenues grew by 23% to £4.29m (H1 2019: £3.50m), driven mainly by continued organic growth with the now embedded CNS business contributing approximately 8% of the Group's total revenue in the period. 95% of revenues were recurring in the period. Due to the timing of the Tier 1 Open Banking contract win, £0.25m of revenue relating to this client will be recognised in the second half of the year with a further £0.15m deferred into future years. Annualised Committed Monthly Recurring Revenues (ACMRR) increased by 37% to £10.20m (H1 2019: £7.45m).

Gross profit earned increased 25% to £2.12m (H1 2019: £1.70m) with gross margin flat at 49%. Gross margin has benefitted by the change in depreciation useful life estimate of computer equipment which resulted in a reduction of depreciation in the period of £0.15m. The decision to change from four years to five years followed both an internal review of the useful life of assets and an external review of similar companies' policies within the infrastructure space. Gross profit margin was also slightly impacted by IFRS 16 which resulted in an additional depreciation charge of £0.31m offset by a cost of sales reduction of £0.28m.

Excluding the impact of the depreciation policy change and the IFRS 16 adjustment, gross margin was 46%, reflecting the investment in new datacentre expansion. In line with our 12 month target, both London InterXion and our original Singapore site are now at break-even level following their launch last year. Gross margin has also been impacted by the timing of revenue recognition from the two additional Tier 1 contracts, which were signed towards the end of the period, and therefore had a minor contribution to the revenue recognised in the period. As with prior years, we expect gross margins to increase in the second half of the year, with revenue growth utilising existing capacity without the need for significant additional operating expenditure increase.

Earnings before interest, tax, depreciation, amortisation and exceptional costs ("Underlying EBITDA") increased by 66% to £1.56m (H1 2019: £0.94m) with underlying EBITDA margins increasing to 36% (H1 2019: 27%). The adoption of IFRS 16 lease accounting, which reclassifies previous operating lease charges to a depreciation and interest charge has a benefit of £0.34m in the six month period to the adjusted EBITDA metric. Excluding the IFRS 16 re-classification, EBITDA increased by 30% when compared with the same period last year with EBITDA margin excluding the IFRS 16 lease re-classification 29% up from 27% in H1 2019.

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

	Period ended 31 Dec 2019 £000	Period ended 31 Dec 2018 £000
Profit before tax for the period	389	340
Deduct:		
Grant Income	(13)	-
Add back:		
Acquisition costs	31	-
Non-recurring costs	14	-
Amortisation of acquired intangibles	77	40
Share based payments	100	30
Underlying profit for the period	**598**	**410**

Reported profit before tax increased to £0.39m (H1 2019: £0.34m) with underlying profit before tax increasing to £0.60m (H1 2019: £0.41m).

Cost of sales has increased by 20% to £2.17m (H1 2019: £1.80m), largely due to further investment across our data centres to expand our capacity in both London and New York and to further support geographical expansion.

There has been an increase in Administrative expenses (excluding share based payments, acquisition and non-recurring costs) of 11% to £1.41m (H1 2019: £0.127m) largely driven by an increase in staff. We have grown our headcount from 33 to 40 across our network support, software development and sales functions to support our growing business.

Finance costs are higher, but in line with expectations at £0.18m (H1 2019: £0.07m) due to the £1m debt facility to support the CNS acquisition. Finance costs have also been impacted by IFRS 16 which resulted in an additional finance interest charge of £0.03m. No further debt has been taken during the first six months of the year as growth has been financed by existing cash reserves and historic lease finance has been repaid.

The Group has continued to invest in developing innovative technology solutions and has incurred capitalised development cost to date of £1.03m largely due to the customer self-service portal (H1 2019: £0.58m). Phase III of the portal release went live during Q2 and therefore the costs of the portal are now being fully amortised over a useful life of five years.

Taxation

The effective tax rate ('ETR') for the period is 19%, (H1 2019: (22%). In line with expectations the Group will have a more typical tax charge than previous years as carried forward losses are fully utilised. The lower effective rate than expected is largely as a result of R&D tax credits.

Earnings per Share and Dividends

Underlying earnings per share has increased to 1.01 pence (H1 2019: 0.96 pence). Underlying diluted earnings per share has increased to 0.98 pence (H1 2019: 0.95 pence). EPS was helped last year by a tax credit in the period of £76,000 vs the current period tax charge of £74,000. Statutory basic EPS has reduced from 0.82p to 0.62p largely as a result of the difference in effective tax rate as well as acquisition costs and share based payments.

Maintaining our dividend policy, we will pay an interim dividend of 0.20 pence per share (H1 2019: 0.20 pence) on 01 April 2020 to shareholders on the register on 13 March 2020, with an ex-dividend date of 12 March 2020. This dividend represents a pay-out ratio of 21% of the underlying diluted earnings per share for the interim period.

Balance Sheet and Cashflows

At 31 December 2019 net assets were £5.91m compared to net assets of £5.05m at 31 December 2019 and net assets of £5.63m at 30 June 2019.

As a result of IFRS 16, the Group recognised a right-of-use asset and lease liability of £2.00m as at 1 July 2019 with further additions of £0.94m during the period. The value of the right of use lease liability as at 31 December 2019 was £2.63m. The Group ended the period with net cash of £0.72m (31 December 2018: net cash £1.84m).

Excluding the IFRS 16 right of use lease liability adjustment, the Group's outstanding borrowings and finance leases stood at £0.97m at 31 December 2019 (31 December 2018: £0.57m).

Operating cash flows for the period were £1.48m with further investment in infrastructure and the customer portal of £1.42m. Repayment of historic lease finance and the CNS loan facility of £0.35m as well as interest charges has resulted in a net cash deficit in the period of £1.05m.

Key performance indicator review

	H1 2020	H1 2019	Growth
Revenue	£4.29m	£3.50m	22.6%
ACMRR	£10.20m	£7.45m	36.9%
Gross profit	£2.12m	£1.70m	24.7%
Gross margin	49.4%	48.6%	
Underlying EBITDA	£1.56m	£0.94m	66.0%
Underlying EBITDA margin	36.2%	26.8%	
Underlying profit before tax	£0.60m	£0.41m	46.3%
Underlying basic EPS	1.01p	0.96p	5.2%
Dividend per share	0.20p	0.20p	

Fraser McDonald
CFO
28 February 2020

Beeks Financial Cloud Group PLC
Consolidated statement of comprehensive income
For the period ended 31 December 2019

	Note	6 months to December 2019 (unaudited)	December 2018 (unaudited)	Year to June 2019 (audited)
		£'000	£'000	£'000
Revenue	3	4,289	3,505	7,352
Cost of sales		(2,168)	(1,802)	(3,707)
Gross profit		**2,121**	**1,703**	**3,645**
Administrative expenses		(1,559)	(1,300)	(2,457)
Operating profit	4	**562**	**403**	**1,188**
Presented as:				
Earnings before depreciation, amortisation, acquisition costs, share based payments and non-recurring costs		**1,562**	**940**	**2,479**
Non-recurring costs	4	(14)	-	(21)
Depreciation and amortisation expense	4	(855)	(507)	(1,080)
Acquisition costs	4	(31)	-	(127)
Share based payments	4	(100)	(30)	(63)
Operating profit		**562**	**403**	**1,188**
Finance income		2	3	7
Finance costs		(175)	(66)	(152)
Profit before taxation for the period		**389**	**340**	**1,043**
Taxation	5	(74)	76	20
Profit after taxation for the period		**315**	**416**	**1,063**
Other comprehensive income				
Items that may be reclassified to Statement of Comprehensive income				
Exchange (losses) / gains on retranslation of foreign operations		(59)	(1)	18
Total comprehensive income for the period		**256**	**415**	**1,081**
		Pence	Pence	Pence
Basic earnings per share	6	0.62	0.82	2.10
Diluted earnings per share	6	0.62	0.81	2.09

Beeks Financial Cloud Group PLC
Consolidated statement of financial position
For the period ended 31 December 2019

		December 2019 (unaudited)	December 2018 (unaudited)	June 2019 (audited)
Assets		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment		3,299	2,149	2,440
Right-of-use asset	7	2,632	-	-
Intangibles		2,271	969	2,229
Deferred tax		158	285	136
Total non-current assets		8,360	3,403	4,805
Current assets				
Cash and cash equivalents		1,289	2,410	2,338
Trade and other receivables		1,759	863	1,104
Total current assets		3,048	3,273	3,442
Total assets		11,408	6,676	8,247
Liabilities				
Non-current liabilities				
Borrowings and other financial liabilities		509	140	699
Right-of-use liabilities	7	2,297	-	-
Deferred tax		41	111	48
Total non-current liabilities		2,847	251	747
Current liabilities				
Trade and other payables		2,109	967	1,569
Lease liabilities		137	404	299
Right-of-use liabilities	7	403	-	-
Total current liabilities		2,649	1,371	1,868
Total liabilities		5,496	1,622	2,615
Net assets		5,912	5,054	5,632
Equity				
Issued share capital		64	63	64
Reserves		4,572	4,479	4,531
Retained earnings		1,276	512	1,037
Total equity		5,912	5,054	5,632

Beeks Financial Cloud Group PLC
Consolidated statement of changes in equity
For the period ended 31 December 2019

	Issued capital	Foreign currency retranslation reserve	Merger relief reserve	Other reserve	Share premium	Share based payment reserve	Retained profits	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2018	62	84	372	(315)	4,309	-	332	4,844
Profit after taxation for the period	-	-	-	-	-	-	416	416
Total comprehensive income for the period	-	-	-	-	-	-	416	416
Exchange loss on retranslation of foreign operations	-	(1)	-	-	-	-	-	(1)
Share based payments	-	-	-	-	-	30	-	30
Transactions with owners in their capacity as owners:								
Issue of share capital	1	-	-	-	-	-	-	1
Dividends paid	-	-	-	-	-	-	(152)	(152)
Deferred tax movement on shares	-	-	-	-	-	-	(84)	(84)
Balance at 31 December 2018	63	83	372	(315)	4,309	30	512	5,054
Balance at 31 December 2018 (unaudited)	63	83	372	(315)	4,309	30	512	5,054
Profit after taxation expense for the period	-	-	-	-	-	-	647	647
Exchange gain/(loss) on retranslation of foreign operation	-	19	-	-	-	-	-	19
Share based payments	-	-	-	-	-	33	-	33
Transactions with owners in their capacity as owners								
Issue of share capital	1	-	-	-	-	-	-	1
Deferred tax movement on shares	-	-	-	-	-	-	(20)	(20)
Dividends paid	-	-	-	-	-	-	(102)	(102)
Balance at 30 June 2019	64	102	372	(315)	4,309	63	1,037	5,632
Balance at 1 July 2019	64	102	372	(315)	4,309	63	1,037	5,632
Profit after taxation for the period	-	-	-	-	-	-	315	315
Total comprehensive income for the period	-	-	-	-	-	-	315	315
Exchange loss on retranslation of foreign operations	-	(59)	-	-	-	-	-	(59)
Share based payments	-	-	-	-	-	100	-	100
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	-	-	(76)	(76)
Balance at 31 December 2019	64	43	372	(315)	4,309	163	1,276	5,912

Beeks Financial Cloud Group PLC
Consolidated statement of cash flows
For the period ended 31 December 2019

		6 months to December 2019 (unaudited)	6 months to December 2018 (unaudited)	Year to June 2019 (audited)
		£'000	£'000	£'000
Cash flows from operating activities				
Profit before taxation for the period		389	340	1,043
Adjustments for:				
Depreciation and amortisation	4	855	507	1,080
Share based payments	4	100	30	63
Impairment		-	-	21
Foreign Exchange		-	-	(16)
Interest and other finance costs		136	63	145
Operating cash flows before movements in working capital		1,480	940	2,336
(Increase) in trade and other receivables		(655)	(199)	(440)
Increase/(Decrease) in trade and other payables		435	(95)	229
Cash generated from operating activities		1,261	646	2,125
Taxation paid		(13)	(26)	(26)
Net cash from operating activities		1,248	620	2,099
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,211)	(448)	(1,222)
Capitalisation of development costs		(209)	(200)	(437)
Acquisition of trading assets of business		-	-	(1,112)
Net cash used in investing activities		(1,420)	(648)	(2,771)
Cash flows from financing activities				
Repayment of borrowings		(164)	(17)	(34)
Finance lease repayments		(189)	(218)	(435)
Issue of loans		-	-	990
Right-of-use lease repayments		(276)	-	-
Interest and other finance costs		(172)	(63)	(145)
Dividends paid		(76)	(152)	(254)
Proceeds from the issue of new share capital		-	1	1
Net cash (used in)/from financing activities		(877)	(449)	123
Net (decrease) in cash and cash equivalents		(1,049)	(477)	(549)
Cash and cash equivalents at the beginning of the financial period		2,338	2,887	2,887
Cash and cash equivalents at the end of the financial period		1,289	2,410	2,338

Note 1. General information

The financial statements cover the consolidated entity, Beeks Financial Cloud Group PLC and the entities it controlled at the end of, or during, the interim period to 31 December 2019.

The company is a public limited company which is quoted on the Alternative Investment Market and is incorporated and domiciled in United Kingdom. Its registered office and principal place of business are:

Registered office
Lumina Building
40 Ainslie Road
Hillington
Glasgow
G52 4RU

Note 2. Basis of preparation

The financial information for the period ended 31 December 2019 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and is unaudited. The figures for the year ended 30 June 2019 have been extracted from the Group financial statements for that year. Those have been filed with the Registrar of Companies. The auditor's report on those financial statements was unmodified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

The interim financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements for the year ending 30 June 2020. The group financial statements for the year ended 30 June 2019 were prepared under International Financial Reporting Standards as adopted by the European Union. These interim financial statements have been prepared on a consistent basis and format with the Group financial statements for the year ended 30 June 2019, with the exception of the adoption of IFRS 16 as discussed below.

The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

New accounting standards and interpretations

IFRS 16 – Leases

In the current year, the Group, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016).

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 July 2019.

The Group has applied IFRS 16 using the modified retrospective approach, with no restatement of the comparative information.

Impact of the new definition of a lease;
The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

Impact on Lessee Accounting;

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

IFRS 16 has impacted the Group's head office lease and the space within the data centres in which it operates throughout its global locations.

Applying IFRS 16, for all leases (except as noted below), the Group:

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
c) separates the total amount of cash paid into a principal portion and interest in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

The Group assesses whether a contract is or contains a lease, at inception of a contract.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate, which is based on the current bank loan and amended for leases outside of the UK based upon the differences in the base rates.

Financial impact of initial application of IFRS 16;

The table below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the period ended 31 December 2019.

	£'000
Impact on profit for the period ended 31 December 2019	
Increase in depreciation and amortisation expense	308
Increase in finance costs	36
Decrease in other expenses	(276)
Decrease in profit for the year	68
The effect on the opening balance sheet as at 1 July 2019 is as follows:	
Right of Use asset	2,005
Liabilities	(2,005)

The impact on EBITDA for the period to 31 December 2019 was an increase of £0.34m.

Revenue recognition does not fall within the scope of IFRS 16 on the basis that the company provide infrastructure and connectivity as a service to their customers. The assets within the datacentres are managed by the Group and the Group determine how these assets are provided to each customer. Provision of infrastructure is virtualised and at the control of the Group. Connectivity is managed via shared cabling and therefore would not be solely utilised by any individual customer.

IFRS 15 - "Revenue from Contracts with customers"

Following the adoption of IFRS 15 - Revenue from Contracts with Customers in the year ended 30 June 2019 the Group has continued to assess the impact of the standard as it enters into new streams of business, particularly in relation to the on-boarding of Tier 1 institutions.

In the period to 31 December 2019, management have considered key areas of IFRS 15 and have created a framework to assess whether a material right exists in relation to set-up fees. The framework included making key judgements to determine whether a material right exists and this has been applied to all new set up fees in the period.

Change in accounting estimates

The Group previously calculated depreciation on computer equipment using the straight line method to allocate its cost or revalued amount, net of residual value, over its estimated useful life of 3-4 years or over the length of the lease.

On 1 July 2019, the Group carried out a full review of the appropriateness of the useful life of its computer equipment. Following this review, the Group considers the estimated useful life of its computer equipment to be 5 years. The Group believes that this provides more reliable and relevant information to the users of its financial statements with regards to the length of time economic benefits are consumed over. Changes in estimates are applied prospectively.

The group depreciation charge for the period (£0.71m) is calculated based on the carrying value of these assets at the 1 July 2019 and the remaining amount of the revised estimated useful life.

If computer equipment had been measured under the previous estimated useful life, the group depreciation charge for the period would have been £0.86m and the carrying value of Property, Plant and Equipment would have been £6.1m at the period end.

The group has also reviewed the amounts recognised in relation to the acquisition of CNS in the period to 30 June 2019 and has made no subsequent changes to the valuation of intangible assets.

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 and performance. Key factors considered include:

- Historic and current trading and profitability of the Group
- The rate of growth in sales both historically and forecast,
- The current level of cash reserves
- Current level of debt obligations,
- Ability to comply with existing covenants
- 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. The group also monitors it's working capital requirements and ability to comply with its existing covenants. Having considered all factors and given the company's profitability and working capital position, 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 interim report.

Note 3. Operating Segments

Identification of reportable operating segments

Operating segments are reported 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 Executive Board.

During the period ended 31 December 2019, the Group was organised into two main business segments for revenue purposes. The group does not place reliance on any specific customer and has no individual customer that generates 8% 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.

On 24 October 2019, the Group was awarded a £2million research and development grant from the Scottish Enterprise in order to invest in the Group's network automation project. The grant is payable in instalments over the next three years based on eligible spend and milestone achievements. At 31 December 2019, £0.02m was recognised in relation to accrued income for costs incurred on the project to this point.

	6 months to		Year to
	December 2019 (unaudited)	December 2018 (unaudited)	June 2019 (audited)
	£'000	£'000	£'000
Revenues by geographic location are as follows:			
United Kingdom	1,072	672	1,525
Europe	555	420	863
Rest of World	2,662	2,413	4,964
Total	4,289	3,505	7,352

	6 months to		Year to
	December 2019 (unaudited)	December 2018 (unaudited)	June 2019 (audited)
	£'000	£'000	£'000
Revenues by segment are as follows:			
Institutional Revenue	3,593	3,111	6,437
Retail Revenue	696	394	915
Total Revenue	4,289	3,505	7,352

Note 4. Operating profit

	6 months to		Year to
	December 2019 (unaudited)	December 2018 (unaudited)	June 2019 (audited)
	£'000	£'000	£'000
Operating profit is stated after charging:			
Depreciation	711	434	898
Amortisation of intangibles	144	73	182
Currency translation cost on settlement	1	15	36
Acquisition costs	31	-	127
Share based payments	100	-	63
Non-recurring costs	14	-	-
Leasehold property write down	-	-	21

Note 5. Taxation

	6 months to December 2019 (unaudited) £'000	6 months to December 2018 (unaudited) £'000	Year to June 2019 (audited) £'000
Current Tax			
Corporation tax on profits for the period	92	-	-
Foreign tax on overseas companies	11	34	25
Total current tax	103	34	25
Deferred tax			
Origination and reversal of temporary differences	(29)	(110)	(45)
Total Deferred tax	-	(110)	(45)
Total tax charge/(credit)	74	(76)	(20)

The group has also calculated the impact of deferred tax on the IFRS 16 adjustments during the period, and has adopted a net approach. No adjustments have therefore been made as at 31st December 2019.

The effective tax rate for the six months to 31 December 2019, based on the taxation charge for the period as a percentage of the profit before tax is 19%, (H1 2019: (22%)). The main factors that have caused the Group to have a tax credit in the prior period is in respect of expected R&D claims and deductions for share options exercised during the year as well as carried forward losses in foreign jurisdictions.

Note 6. Earnings per share

As at 30 June 2019 and 31 December 2019, the company had 50,864,800 shares.

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of ordinary shares in issue during the year and adjusting for the dilutive potential ordinary shares relating to share options.

	6 months to December 2019 (unaudited) £'000	6 months to December 2018 (unaudited) £'000	Year to June 2019 (audited) £'000
Numerator			
Profit after taxation attributable to the owners of the parent	315	416	1,063
Denominator			
Weighted average number of ordinary shares used in calculated basic earnings per share	50,864,800	50,505,633	50,632,965
Weighted average number of ordinary shares used in calculated diluted earnings per share	50,864,800	51,070,683	50,864,800
Profit per share - basic	0.62	0.82	2.10

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 underlying diluted EPS.

At 31 December 2019, the underlying basic earnings per share was 1.01 (2018: 0.96).

As at 30 June 2019, the company had 308,824 options outstanding. During the period to 31 December 2019 1,580,838 share options were granted taking the total number of options to 1,889,662.

Note 7. Right of use assets

Right-of-use assets with a NBV of £2.63m in relation to leasehold property and datacentre equipment are disclosed as non-current assets within property, plant and equipment at 31 December 2019. A summary of the movement of these Right-of-use Assets is provided below:

Right-of-use Assets	Data Centre Equipment	Leasehold Property	Total
	£'000	£'000	£'000
Balance at 1 July 2019			
Adjustment to transition to IFRS 16	1,520	485	2,005
Additions	935	-	935
Depreciation charge	(274)	(34)	(308)
Balance at 31 December 2019	2,181	451	2,632

At 31 December 2019, the Group had the following liabilities in respect of right of use liabilities, which fall due as follows:

	2019
	£'000
Within one year	403
Within two to five years	2,297
	2,700

The weighted average effective interest rate contracted is 3.74%.

Note 8. Events after the reporting period

No matter or circumstance has arisen since 31 December 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 9. Availability of announcement and Half Yearly Financial Report

Copies of this announcement are available on the Company's website, www.beeksfinancialcloud.com. Copies of the Interim Report will be downloadable from the Company's website and available from the registered office of the Company shortly.

Independent review report to Beeks Financial Cloud Group PLC

Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 31 December 2019 which comprises the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related explanatory notes that have been reviewed. We have read the other information contained in the half yearly financial report which comprises only the financial highlights, Chief Executive's Review and Chief Financial Officers Review and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in Note 2.

Our responsibility

Our responsibility is to express to the company a conclusion on the financial information in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties arising from the UK exiting the European Union on our review

Our review of the condensed set of financial statements in the half-yearly financial report requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. Such reviews assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no review of interim financial information should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 31 December 2019 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

Use of our report

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to it in a review 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 for our review work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
28 February 2020