Beeks Financial Cloud Group PLC

Annual Report and Financial Statements 2020

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Financial and Operational Highlights

Financial Highlights

- Revenues increased 27% to £9.36m (2019: £7.35m)
- Annualised Committed Monthly Recurring Revenue (ACMRR) up 23% to £11.2m (2019: £9.1m)
- Underlying Gross profit^ up 30% to £4.75m (2019: £3.65m)
- Underlying Gross profit margin 51% (2019: 50%)
- Underlying* EBITDA increased 34% to £3.33m (2019: £2.48m), including IFRS 16 adjustment of £0.52m (an increase of 14% excluding IFRS 16)
- Underlying profit before tax** increased 8% to £1.43m (2019: £1.32m)
- Underlying EPS** 2.52p (2019: 2.58p)
- Net debt as at 30 June 2020 of £0.75m (30 June 2019: Net cash £1.02m)
- Proposed final dividend of 0.15p per share equating to full year dividend payment of 0.35p (2019: 0.35p)

^Underlying gross profit is statutory gross profit excluding other income and acquired amortisation costs
* 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 two Tier 1 clients in the year, bringing the total number of Tier 1 clients to five with further Tier 1 customers acquired as part of the Velocimetrics acquisition
- Acquisition of Velocimetrics, a UK-based network monitoring and trade analytics software company, broadening Beeks' offering and expanding the total addressable market
- Further expansion with the opening of seven new Datacentres: Singapore SG1, London LD8 and LD4.2, Paris PA1, Sydney, Australia and NY2 and NY5 in New York, bringing the international network to 18 Datacentres; all new Datacentres are now revenue generating
- 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
- Obtaining ISO 27001 certification (gained post year end on 21 August 2020)
- Average entry monthly recurring value for a new institutional customer contract increased to £2,400 (FY 2019: £2,200)

Outlook

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

Statutory Equivalents

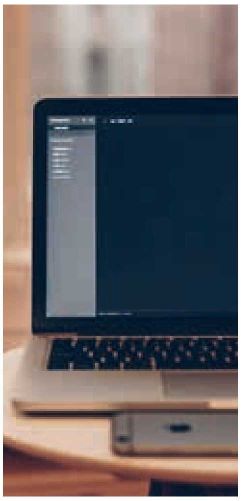
The above highlights are based on underlying results. Reconciliations between underlying and statutory results are contained within these financial statements. The statutory equivalents of the above results are as follows:

- Profit before tax was £0.68m (2019: £1.04m)
- Basic EPS was 1.13p (2019: 2.10p)

The Year in Numbers

Revenues increased
27%
to **£9.36m**

Annualised Committed Monthly Recurring Revenue (ACMRR) up 23% to
£11.2m
(2019: £9.1m)



Increased international datacentre locations to
18
in eight countries

35
new employees including 11 from the Velocimetrics acquisition bringing our total head count to 62 at financial year end

242
Institutional customers

ISO 27001
certification gained to significantly improve customer implementation processes

Increased capacity by
45%
in the year, grown more in one year than over the last three

1
First hybrid Cloud deployment to support our strategic focus to grow institutional customer base

7
number of partnerships completes 85% of Phase 1 ($1m annualised)

2
new Tier 1 customers bringing the total number of organic new customers to five

Our Company at a Glance

What We Do

Beeks Financial Cloud is a leading Cloud computing, connectivity and analytics 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 eighteen datacentres, 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 eighteen Datacentres 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 Datacentres 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

Datacentre Locations

- Frankfurt, Germany
- Slough, UK (4)
- London City, UK
- Illinois, US
- Chicago, US (2)
- New Jersey, US (3)
- Hong Kong
- Tokyo, Japan
- Singapore (2)
- Sydney, Australia
- Paris, France

Chairman's Statement

I am pleased to report on a year of considerable progress, in which the Group has delivered against its strategic objectives; increasing the number of Tier 1 customers, expanding its geographic presence and offering and completing the strategic acquisition of Velocimetrics. Beeks continues to benefit from its IaaS based business model, which through continued good levels of customer retention, new customer acquisition and the increasing size of average customer contracts has seen revenues grow by 27% and underlying EBITDA by 14% (excluding the impact of the IFRS 16 adjustment). The Group exited the year with £11.2m of Annualised Committed Monthly Recurring Revenue (ACMRR), an increase of 23%, which provides us with strong foundations for growth going forward.

It is evident to me that the Group has taken considerable strides forward during the year in increasing the attractiveness of its offering to the Tier 1 segment of the financial services market, investing in an expanded offering and sales and marketing capabilities. With five Tier 1 customers now engaged, we have growing proof points of our ability to deliver the infrastructure, resilience, capabilities and support required by Tier 1 customers, and a growing ability to capture market share in this lucrative segment of the financial services market.

Naturally, Covid-19 presented some challenges but we were quick to implement measures to ensure minimal disruption to the running of the business. Whilst some new customer implementations have become protracted in the second half of the year and sales cycles have extended, the Group's 94% recurring revenues, strong balance sheet and resilient business model ensured we delivered a positive overall trading result.

We were pleased to complete the acquisition of Velocimetrics during the year – a UK-based network monitoring and trade analytics software company, which has broadened our offering, with our first SaaS based analytics offering to be launched in the next twelve months. Whilst the Group is focused on organic growth, we will continue to assess strategic acquisitions that fit our criteria and complement our business model.

The Board has taken the decision to pay a final dividend to shareholders as a result of the recurring revenue nature of the Group, the level of operating cash which we now deliver and the low level of indebtedness within the Group. Should the impact of Covid-19 increase in the year ahead, the Board will keep the level of future dividend payment under review. However, it should be noted the Group has not, to date, utilised any of the government furlough schemes and therefore believes that there is no impediment in this respect to paying a dividend to shareholders.

During the period, Christopher Livesey, Non-Executive Director, notified the Board of his resignation. I would like to thank Chris for his valuable input since the Company's IPO and wish him all the best for the future. We will continue to assess the Board composition on an ongoing basis and look to appoint an additional Non-Executive Director at the appropriate juncture

I would like to thank all our employees for their continued hard work, especially during these challenging times. We are in a strong position to deliver on growth and I am confident of continued success in this coming year.

Mark Cubitt

Chairman

14 September 2020

Strategic Overview

Market Overview

The Group continues to operate successfully in a demanding, time-sensitive industry and is uniquely positioned to take advantage of the rapid acceleration of Cloud deployment in financial services and the growing need for analytics around those infrastructure environments. These latency sensitive environments need to be built, connected and analysed and Beeks is one of the few companies in the world that can provide this.

The complex nature of building and managing a latency sensitive infrastructure means financial enterprises are moving away from on premise datacentres to third party facilities. 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. As Cloud adoption in financial services evolves, companies are finding that the benefits are not just about cost efficiencies but also to do with resilience, agility and innovation which brings additional opportunities for by-products such as analytics and scalable global connectivity.

Our addressable market is extensive with up to 20,000 financial institutions, a large percentage of which maintain their own IT infrastructure and are yet to move to the Cloud computing model.

A 2019 survey by Refinitiv found:

- 48% of financial services' IT budget will be invested in public Cloud in 2020 up from 34% in 2018.
- 64% of firms believe that the Cloud will be significant, or transformational, for their sector over the next five to 10 years.
- 76% of firms say that their public Cloud projects performed better than expected when it came to delivering an immediate cost reduction.

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. A lack of human resource or expertise is one of the main barriers to moving to a Cloud environment leading to a greater demand for third party solutions provided by Beeks.

Our innovations, enhanced product range position, breadth of asset classes and growing number of 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

Build. Connect. Analyse. Our global backbone of eighteen datacentres provide Cloud deployment for financial services customers, helping them to formulate a Cloud strategy and replicate that in different regions. The acquisition of Velocimetrics expanded our product offering to include the required analytics around those infrastructure environments.

Beeks provides:

- Dedicated and virtual servers that host traders and brokers in 18 datacentres around the world
- Ultra-low latency connectivity between customers and key financial venues and exchanges
- Co-location for customers 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 cyber 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 customers 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 customers.
- Beeks has a unique self-service customer portal that facilitates the same-day deployment of a host of services and allows our customers to configure and order their own servers.
- Beeks analytics: Comprehensive monitoring and performance analysis allows the user to independently track and analyse real-time performance of every single price, quote or trade traversing business critical processes.

Strategic Overview continued

Strategy

Our strategy is to design and deliver a range of secure cloud solutions, both public and private, which are easy to consume for small, medium and large financial enterprises.

Our main strategic priority is to grow our institutional customer base both for public, private and secure Cloud deployment in addition to our core low latency offering together and complementary analytics solutions. In order to satisfy existing demand, and attract new customers, we will continue expanding into new asset classes and geographies, furthering our offering, encouraged by the significant opportunities we have identified.

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 make sure we continue to provide a market leading offering while we focus our strategic initiatives on the growth of our 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 and Velocimetrics added both scale and cost-synergies to Beeks' core offering and we will look to acquire other businesses that are profitable and will add additional complementary resources.

Chief Executive's Review

"I am pleased to report on a year of considerable progress, in which the Group has delivered against its strategic objectives; increasing the number of Tier 1 customers, expanding its geographic presence and offering and completing the strategic acquisition of Velocimetrics.

While the ongoing Covid-19 pandemic may have caused a small delay in corporate decision making, we are now seeing business has returned to pre-Covid levels and we are confident the long-term growth drivers in our market remain intact – with financial services organisations increasingly looking to take advantage of the benefits of Cloud infrastructure.

We anticipate continued growth of our existing Tier 1 accounts, as they expand the use of our offering into new geographies, and we believe the launch of our analytics offering has the potential to layer on new SaaS product revenues. We are confident in our ability to convert our growing sales pipeline, and therefore continue to be excited about the future for the Group."

Our vision is simple: Build. Connect. Analyse. Providing end to end outsourcing of financial services compute environments.

FY20 was a year of considerable development, as we continued to make headway in new geographies and segments of the financial services markets. The impact of Covid-19 delayed the acceleration of our growth in the second half of the year, however the investments we have made in the business and the successful Tier 1 customer implementations to date, mean we are more confident than ever in our ability to take advantage of the rapid acceleration of Cloud deployment in financial services and the growing need for analytics around those infrastructure environments.

The economic uncertainty caused by the Covid-19 pandemic initially protracted some of our customers' decision making processes and the lockdown delayed a small number of our customer implementations, however trading across our existing customer base remained robust and contract discussions with prospective Tier 1 clients are in advanced form. We are encouraged by our growing sales pipeline – the depth, breadth and quality of which is far greater than we have ever experienced before.

The scale of the opportunity ahead of us, provides us with the confidence to invest in the business, to ensure we have the capacity to support our customers in their expansion strategies. We invested in all areas of the business during the year and will continue to do so in the year ahead, while maintaining our robust financial position.

Financial Performance

I am pleased to report another year of solid growth for the Company. Revenue increased by 27% year on year with further growth in institutional sales. Beeks has retained strong recurring revenue of 94% and customer retention remained within target. Our ACMRR reached £11.2m at 30 June 2020, increasing 23% from £9.10m at 30 June 2019.

Institutional customer numbers using the platform grew from 220 at 30 June 2019 to 242 at 30 June 2020 and the average entry level new institutional customer contract has increased to £2.4k per month from £2.2k per month when compared to the same period last year. Institutional revenue, which continues to be our focus, increased during the second half of the year as we recognised a greater proportion of revenue from the secured Tier 1 customers, and now represents 85% of total revenue. We anticipate this figure increasing further in the current financial year, as we add to our institutional client base.

Operational Expansion

This year was a period of significant investment, across our platforms, teams, offering and operations.

We continued our expansion into new geographies, with the opening of seven datacentres in the year: in Singapore, London and Paris and two in New York, bringing the total number of datacentre locations to 18. These new sites, which are all revenue generating, have increased Beeks' capacity by 45% over the past year, providing us with the ability to support a significant increase in customer demand.

Chief Executive's Review continued

Headcount has increased to 65 (including 12 from Velocimetrics Ltd), with further key hires in the sales team who will be responsible of targeting Tier 1s, including a new Head of Sales in New York to follow. 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.

As well as people, we have invested in additional services to provide another revenue stream for the Group. The Bare Metal Automated Backup Service, launched in September in response to the growing compliance and regulatory pressures for backup and storage being experience by its customers, has been well received This 'Back up as a Service' platform is currently available in both London and New York, and is designed to further increase the security options available to our clients in order to best protect their data.

In April we took a significant step forward in building out our offering for Tier 1 organisations, through the acquisition of Velocimetrics, for a base consideration of £1.3 million in cash and equity, plus contingent earn-out. Velocimetrics provides real time network monitoring and trade analytics software to a global client list of financial services businesses, including Tier 1 banks, exchanges, brokers, hedge funds and payments providers. Operating in a specialist field with few direct competitors, the addition of the Velocimetrics analytics products to our offering enables us for the first time to offer value-add services in network monitoring and trade analytics, increasing the functionality within the Beeks Portal and providing another point of differentiation from generic Cloud hosting and infrastructure providers. We will be launching a SaaS version of the Velocimetrics products in Q2, which will expand the total addressable market for these offerings and making them more attractive to the existing Beeks' customer base.

Commercial Network Services (CNS), which we acquired in the prior year, continues to perform in line with expectations.

Our partnership with IPC systems has resulted in a global deployment of a private Cloud solution for IPC's Connexus Unigy product. Connexus Unigy is a state-of-the-art (SOA) based platform for trading communications and applications offering ground-breaking, unified, integrated platform for both trading communications and compliance. IPC systems is a leading global provider for the financial markets community, delivering secure, compliant communications and network solutions.

The Network Automation project aims to facilitate growth and enable product expansion by making a wider variety of Beeks products available via a self-service portal. The biggest commercial opportunities lie within the Private Cloud product offering and the cornerstone of our Private Cloud offering is to automate the network. This changing focus to build our Private Cloud offering has accelerated the Network Automation project and we'll launch a Private Cloud product on an automated platform within the next 12 months.

The private portal offered to Beeks customers will be updated to enable customers to more easily consume Beeks services with a point and click capability. Particular focus will be given to improving the user interface for a better end-user experience as well as increase cross-sell opportunities.

New Tier 1 customers

In December 2019 we were delighted to announce two further Tier 1 customers, bringing our total organic Tier 1 customers to five. The acquisition of Velocimetrics brought an additional four to increase our total Tier 1 portfolio to nine. Each of these contracts has the ability to significantly expand as the customers transition a greater proportion of their infrastructure or product offering to the Cloud. They are typically multi-year contracts, adding to our underlying revenue visibility.

The first of the two signed in the year 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 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.

Chief Executive's Review continued

The second is with a global financial markets technology provider and represents our first $1m annualised contract. 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

Our main strategic priority continues to be to grow our institutional customer base both for public, private and secure Cloud deployment and our core low latency offering together with complementary analytics solutions. In order to satisfy existing client demand, and attract new customers, we will continue expanding into new asset classes and geographies, furthering our offering, and we are encouraged by the significant opportunities we have identified so far.

We have entered the current financial year with a significantly expanded business, increased customer base, expanded product offering and increasing number of Tier 1 reference points. While the ongoing Covid-19 pandemic may continue to cause a delay in corporate decision making, and in spite of the wider economic uncertainties, we are confident the long-term growth drivers in our market remain intact – with financial services organisations increasingly looking to take advantage of the benefits of Cloud infrastructure.

We anticipate continued growth of our existing Tier 1 accounts, as they expand the use of our offering into new geographies and we believe the launch of our analytics offering has the potential to layer on new SaaS product revenues. We are confident in our ability to convert our growing sales pipeline, and therefore continue to be excited about the future for the Group.

Gordon McArthur

Chief Executive Officer

14 September 2020

Financial Review

Key Performance Indicator Review

	2020	2019	Growth
Revenue	**£9.36m**	£7.35m	27%
ACMRR	**£11.2m**	£9.10m	23%
Underlying Gross margin	**50.8%**	50.4%	
Underlying EBITDA*	**£3.33m**	£2.48m	35%
Underlying EBITDA margin*	**35.6%**	33.7%	
Underlying profit before tax**	**£1.43m**	£1.32m	8%
Underlying EPS (note 23) **	**2.52p**	2.58p	(2%)
Dividend per share	**0.35p**	0.35p	0%

^ Underlying gross margin is statutory gross margin excluding other income and acquired amortisation costs
* Underlying EBITDA is defined as earnings before amortisation, depreciation, finance costs, acquisition costs, share based payments, taxation and exceptional costs. Underlying EBIDTA increased as a result of IFRS 16 adjustment by £0.52m, excluding IFRS 16 adjustment EBITDA would be £2.82m, representing a 14% increase and 30% EBITDA margin.
** Underlying profit before tax and underlying EPS excludes amortisation on acquired intangibles, acquisition costs, share based payments and exceptional non-recurring costs. IFRS 16 reduced underlying PBT in the year by £0.15m.

Revenue

FY20 was a good year in terms of revenue growth. Group revenues grew by 27% to £9.36m (2019: £7.35m), through the combination of continued organic growth and the full year impact of last year's acquisition of CNS. The Velocimetrics acquisition contributed £0.29m revenue in the final two months of the year. Of the Group's revenues, 94% were recurring. Annualised Committed Monthly Recurring Revenues (ACMRR) increased by 23% to £11.2m (2019: £9.1m) with Velocimetrics representing £0.8m of this increase.

We continue to have a healthy level of customer concentration with no single customer accounting for more than 7% of ACMRR. We have increased the number of institutional customers to 242 from 220 as at 30 June 2020 and our top 10 customers accounted for 36% of recognised revenue in the year (2019: 32%).

Gross Profit

Underlying gross profit earned increased 30% to £4.75m (2019: £3.65m), with gross margins slightly up from 49.6% to 50.8%similar to last year. We have made further expansion across our Datacentre footprint with the opening of seven new Datacentres: Singapore SG1, London LD8 and LD4.2, Paris PA1, Sydney and NY2 and NY5 in New York. These have all been driven by customer demand. The new Datacentres are revenue generating but not are not all yet at breakeven levels which is typically achieved 12 months from go-live. 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 the network automation project, and has incurred internal capitalised development costs to date of £1.34m (2019: £0.8m).

Financial Review continued

Other Operating Expenses

Operational costs, which are defined as operating expenses less exceptional costs, share based payments and non-recurring costs, have increased by £0.8m as we support both a growing and more mature customer base and to gear up for future growth plans. Overall, they increased by 35% to £3.0m (2019: £2.2m). Within this, staff costs have increased by £0.7m as we have recruited in a number of key areas including sales, software development and engineering. Most of our recruitment has been to support future product and sales growth with a relatively small increase in support staff given our automation and self service strategy.

Finance Costs

Finance costs have increased compared with last year. Finance lease interest costs have reduced as a result of some historic finance leases coming to the end of life but this has been offset by higher loan interest due to the £1m debt facility taken to finance the CNS acquisition and latterly in the year, a £1.5m debt facility taken to help support the Velocimetrics acquisition. The impact of the transition to IFRS 16 also resulted in additional finance costs of £0.01m

Earnings before interest, tax, depreciation, amortisation and exceptional non-recurring costs ("Underlying EBITDA") increased by 34% to £3.33m (2019: £2.48m). The impact of IFRS 16 which reclassifies previous operating lease rentals to a depreciation and interest charge, has had a benefit of £0.52m in the year to the underlying EBITDA metric therefore the pre-IFRS16 increase was 14%. The growth in Underlying EBITDA has been driven by the combination of continued organic growth and the full year impact of last year's acquisition of CNS.

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 2020 £'000	Year ended 30 June 2019 £'000
Profit before tax for the year	**678**	1,043
Add back:		
Acquisition costs	**205**	127
Share Based payments	**312**	63
Exceptional Non-recurring costs	**61**	21
Amortisation of acquired intangibles	**237**	62
Deduct:		
Grant income	**(59)**	–
Underlying profit for the period	**1,434**	**1,316**

Underlying Profit before tax increased to £1.43m (2019: £1.32m). The impact of IFRS 16 had a detrimental impact on underlying PBT in the year by £0.15m as a result of the difference in operating lease payment profiles when amortised over the lease periods. These are purely timing differences and will reverse in future periods.

Financial Review continued

Taxation

The effective tax rate ('ETR') for the period was 15.2%, (2019: (1.9%)).

The ETR has increased from the prior year which benefitted from a significant share option deduction giving rise to a tax credit in the year. The overall effective tax rate has still benefitted from R&D tax credit claims but is more in line with what would be anticipated given the company's profitability and tax status.

Further tax has become payable in the US which has been provided for at a US tax rate estimate of 21%.

Earnings per Share and Dividends

Underlying earnings per share reduced 2% to 2.52p (2019: 2.58p). Underlying diluted earnings per share reduced to 2.45p (2019: 2.55p). The key driver was the difference in tax charges between the two years (refer to Note 8).

Basic earnings per share decreased to 1.13p (2019: 2.10p). Basic EPS has shown a decrease due to the difference in statutory profit after tax with a higher amount of exceptional costs in the current year as well as a higher tax charge. Diluted earnings per share was also impacted by this and reduced to 1.13p (2019: 2.09p).

The Board proposes a full year dividend of 0.35p (2019:0.35p). Subject to shareholder approval at the forthcoming Annual General Meeting, the final dividend is expected to be paid on 30 October 2020 to shareholders on the register at 2 October 2020.

Acquisition

On 14 April 2020, Beeks acquired the full share capital of Velocimetrics Ltd for an initial consideration of £1.05m on a cash free debt free basis, with a further consideration of £0.3m due after satisfactory completion of warranties. The initial payment was funded via a term loan from the Company's bank. The contingent consideration will be based on achievement of certain revenue targets in June 2020 and June 2021. Based on estimates of the probabilities of revenue growth, we expect the amount to be paid in respect of the final contingent consideration due will be £2.45m (note 9). The business purchase agreement saw the transfer of 12 customers, of which a number are Tier 1, and a small number of staff based in London.

Statement of Financial Position and Cash Flows

The statement of financial position shows an increase in non-current assets to £13.9m (2019: £4.8m). This is as a result of the £4.1m acquisition of Velocimetrics, investment in property, plant and equipment of over £2.8m (2019: £1.2m) and further investment in our customer self-service portal and network automation project of £0.7m (2019: £0.4m), offset by depreciation and amortisation. Non-current assets have also been increased as a result of the Right-of-use asset addition of £2.9m due to the transition to IFRS 16. Trade and other receivables have increased proportionately with revenue growth and because of the Velocimetrics acquisition.

During the year the Group repaid £0.6m of loan and lease finance (excluding the IFRS 16 adjustment) and drew down £1.5m of loan finance to fund the initial consideration and expected year 1 earn-out payment of Velocimetrics.

At 30 June 2020 net assets were £6.7m compared to net assets of £5.6m at 30 June 2019.

The Group ended the period with net debt of £0.75m (30 June 2019: net cash £1.02m), primarily as a result of the drawdown of additional debt facilities to help finance the acquisition of Velocimetrics.

Fraser McDonald

Chief Financial Officer

14 September 2020

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 reporting of cyber and IT infrastructure and controls, including DDoS
- External audit on cyber security management and controls with full review identifying no major issues
- Obtained ISO 27001 (Information Security Management) certification on 21st August 2020. This certification proves Beeks Financial Cloud has structured its IT and cyber security to effectively manage risks and demonstrates to customers our robust policies protect against todays big cyber threats to protect information and infrastructure
- IT and cyber risk framework implemented and approved
- External testing and report of DDOS defences;
- 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 Datacentres, 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

Principal Risks and Uncertainties continued

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

Principal Risks and Uncertainties continued

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, particularly given the current climate. 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.

Section 172(1) Statement

The Directors consider, both individually and collectively, that they have taken decisions in a manner they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholders, having regard to the matters set out in s172(1)(a-f) of the Companies Act 2006:

a) The likely consequences of any decision in the long-term: the long-term success of the Group is always a key factor when making strategic decisions.

b) The interests of the Group's employees: our employees are the main asset of the Group and their wellbeing and development are at the heart of strategy for success. Initiatives in extending benefits in kind for all employees and greater

Principal Risks and Uncertainties continued

candidate and employee engagement have moved the Group forward during 2019.

c) The need to foster business relationships with suppliers, customer and others; the Group regularly meets with key suppliers and customers to review operations and explore mutually beneficial future actions. The primary mechanism for engaging with shareholders is via investor meetings and these were extended in 2019 along with launching an improved website.

d) The impact of the Group's operations on the community and the environment: the impact on both the community and the environment is factored in to the Group's decision making process.

e) The Group's reputation for high standards of business conduct: integrity, both personally and professionally, is embedded in the Group's culture and is lead by example by the Directors. The need to act fairly between members of the Group: no single set of stakeholders is prioritised over other stakeholders and all decisions are made trying to be equitable to all members.

The Board held twelve board meetings in the year to address and meet its obligations under Section 172 of the Companies Act 2006. The following table covers the key decisions made during the year and the stakeholder group(s) impacted by these decisions.

Principal Risks and Uncertainties continued

Key Impact	Key Decision Made	Key Stakeholder Group's impacted
Long term Strategy and Acquisitions	Each year, the Board approves the budget of the Group and reviews the Group's strategy and growth plans. In February 2020, the Board approved the purchase of Velocimetrics Ltd. The Board considers that this transaction is in line with the acquisition strategy of the Group and the achievement of the long term growth plans.	Shareholders, Employees, Customers, Suppliers
Performance of the Group including financial performance	On a monthly basis, the Board reviews the trading performance of the Group with detailed Board reports provided by the CFO covering trading in the month and year to date, with performance monitored against internal budget, external market forecast and the previous financial year. At each Board meeting, the Board also receives detailed Board reports covering commercial, operational and HR matters prepared by senior managers of the business. These reports cover sales and forecast pipeline, customers and suppliers, data centre activity and various aspects of operational performance and key employee activities. The Board reviews the dividend policy and approves the interim and annual dividends taking into account the results and financial position of the Group, including the impact of Covid-19.	Shareholders, Employees, Customers, Suppliers, Environment
Governance, Regulatory requirements and Risk	The Board reviews and approves the results announcements and trading updates, the half year report and annual report and the AGM statement. The Board receives regular briefings from the Chief Executive Officer and Chief Financial Officer and the Operations board members. The Board takes regulatory responsibilities seriously and is committed to ensuring that it is open and transparent with regulators. In the current year, the Board met with our nominated adviser to obtain an update on changes to AIM rules and market abuse regulations to ensure Beek's compliance with requirements. In the current year, the Board has received updates on the internal control framework and the Group risk register which was updated as part of the ISO27001 accreditation process. Risk control documents are presented at Board meetings on the Group's key risks which include an updated assessment of controls and improvement actions required in respect of each major risk. As noted in the Chief Executive Officer's report on page 7, Principal Risks and Uncertainties on page 17 and the Corporate Governance report on page 28, the Board has formally considered the emerging risks as a result of Covid-19 on the business.	Shareholders, Employees, Customers, Suppliers, Environment

The strategic report on pages 7 to 17 has been approved by the board and signed on its behalf by:

Gordon McArthur

Chief Executive Officer

14 September 2020

Board of Directors

Mark Cubitt, Non-Executive Chairman, Age 57

Mark has extensive multinational experience gained over the last 35 years, including 23 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 non-executive chairman of AIM listed Concurrent Technologies plc and a non-executive director of private company RHA Technologies Ltd based in Glasgow. 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 44

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 20 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.

Board of Directors continued

Fraser McDonald, Chief Financial Officer, Age 45

Fraser McDonald has over 19 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.

William Meldrum, Non-Executive Director, Age 52

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 2020 are set out on pages 46 to 87. The Group's profit for the year after tax amounted to £0.58m. (2019: £1.06m).

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 2020 equating to a full year dividend payment of 0.35p (2019: 0.35p).

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 7 to 17.

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:

	2020 Shares	2020 Options	**2019 Shares**	2019 Options
Mark Cubitt	**70,707**	–	**70,707**	–
William Meldrum	**23,500**	–	**23,500**	–
Fraser McDonald	–	651,667	–	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 2020, the Company was aware of the following interests in 4% or more of its issued share capital of 51,228,258 ordinary shares of £0.00125.

	Shares	**%**
Gordon McArthur**	27,475,193	53.63%
HSBC Global Custody Nominee (UK) Limited	2,440,000	4.76%
CGWL Nominees Limited	2,226,500	4.35%

** 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 2020.

Directors' Report continued

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 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 7 to 17 including the potential impact of Covid-19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Report on pages 10 to 12.

In the five months since the response to the Covid-19 pandemic was initiated in the UK, there has been a very limited impact on Beeks' trading from Covid-19. We take great comfort from the resilience of our business model and are fortunate that we are not significantly exposed to the industries that are suffering the worst effects. The level of customer churn across our business has remained low and cash collection has been in line with our typical profile. We do however remain vigilant to the economic impact the ongoing situation may create, particularly on the SME segment of the market.

Directors' Report continued

Note 1 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The directors are of the opinion that the Group can operate within their current debt facilities and comply with its banking covenants. At the end of the financial year, the Group had net debt of £0.75m (2019: Net cash £1.02m) a level which the Board is comfortable with given the strong cash generation of the Group and low level of debt to EBITDA ratio. The Group has a diverse portfolio of customers with relatively low customer concentration across the 242 which are split across different geographic areas. As a consequence, the directors believe that the Group is well placed to manage its business risks.

The directors have considered the Group budgets and the cash flow forecasts for the next two financial years, and associated risks, including the potential impact of Covid-19, and the availability of bank and leasing facilities. We have run appropriate scenario and stress tests applying reasonable downside sensitivities and are confident we have the resources to meet our liabilities as they fall due. After making enquiries, the directors have a reasonable expectation that the Group will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

AIM Rule Compliance Report

Beeks Financial Cloud PLC is quoted on AIM and the Company has complied with AIM Rule 31. Further information on AIM compliance is explained in the Corporate Governance Report on pages 27 to 34.

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 confirm that:

- So far as each director is aware, there is no relevant audit information of which the 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

Directors' Report continued

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.

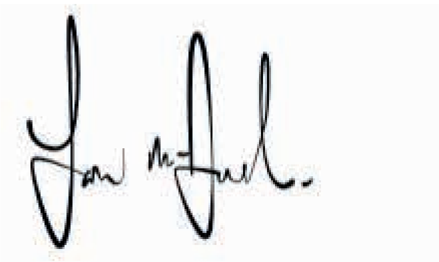
Independent Auditor and Disclosure of Information to Auditor

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
14 September 2020

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 the Non-Executive Director and is chaired by Mark Cubitt.

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 the Non-Executive Director 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 scheme (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.

Report on Remuneration continued

Directors' Remuneration

2020	Basic salary £'000	Benefits In kind* £'000	Total £'000	Pension £'000
Executive directors				
Gordon McArthur	**60**	–	**60**	**2**
Fraser McDonald	**96**	**115**	**211**	**3**
Non-executive directors				
Mark Cubitt	**35**	–	**35**	–
William Meldrum	**35**	–	**35**	–
Christopher Livesey*	**32**		**32**	–
Total	**258**	**115**	**373**	**5**
2019				
Executive directors				
Gordon McArthur	67	11	78	1
Simon Goulding[1]	28	–	28	1
Fraser McDonald[1]	56	24	56	1
Non-executive directors				
Mark Cubitt	35	–	35	–
William Meldrum	35	–	35	–
Christopher Livesey[2]	35	–	35	–
Total	**256**	**35**	**267**	**3**

1 Simon Goulding resigned from the board at the AGM on 24th October 2018 and Fraser McDonald was appointed on the same date
2 Chris Livesey resigned from the board on 27th May 2020.
* Benefits in kind includes share based payments for the director Fraser McDonald (Note 19).

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 Director.

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.

Report on Remuneration continued

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.

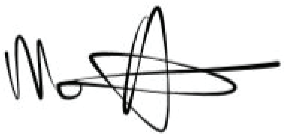
Share Options awarded to the Director, Fraser McDonald are shown below:

Director	Date of Grant	Share Options	Vesting Date	Lapse Date	Exercise Price (£)
Fraser McDonald	6 Sept 18	68,627	6 Sept 21	6 Sept 28	0.00125
Fraser McDonald	6 Sept 18	44,118	6 Sept 20	6 Sept 28	0.00125
Fraser McDonald	17 Oct 19	538,922	17 Oct 22	17 Oct 29	0.00125

For the year ended 30 June 2020, share options awards of up to £0.9m 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 20.



Mark Cubitt
Chairman of the Remuneration Committee
14 September 2020

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 18 Datacentres 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 6.

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.

Strategic Report Governance Financials

Corporate Governance continued

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.

Corporate Governance continued

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.
- Beeks has implemented and operation risk framework to evaluate how we operate our business. This enables Beeks to measure outcomes and understand the input to business processes and assess risks before making any significant decision based on risk appetite. This will reduce the likelihood of future potential damages as a result of operational impact.

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 13 to 17.

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.

Corporate Governance continued

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 2020 the PLC Board comprises the independent Non-Executive Chairman, the CEO, the CFO and the independent Non-Executive Director. 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 two Non-Executive Directors to be independent. Due to the resignation of Chris Livesey as a non-executive director in May 2020, the board now comprises of an even split of Executive and Non-Executive Directors. The board believes the current composition enables the board to perform it's duties effectively and there is a clear division of responsibilities between the running of the Board and the Executives responsible for the Company's business, to ensure that no one person has unrestricted powers of decision. However, the company will continue to assess the Board composition on an ongoing basis and look to appoint an additional Non-Executive Director at the appropriate juncture

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 ten times in the year ended 30 June 2020. The attendance of each director is shown on page 33.

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 2020 the PLC Board comprises the Non-Executive Chairman, the CEO, the CFO and the Non-Executive Directors. Short biographies of the Directors are given on pages 18 and 19. 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 Board recognises that to remain effective it must ensure that it has the right balance of skills, experience, knowledge and independence to enable it to discharge its duties and responsibilities. The Company has a highly committed and experienced Board, which is supported by a senior management team, with the qualification and experience necessary to run the Company.

Corporate Governance continued

Each member of the Board brings different experience and skills to the Board and its various committees. The Board composition is kept under review as this mix of skills and business experience is a major contributing factor to the proper functioning of the Board, helping to ensure matters are fully debated and that no individual or group dominates the Board decision-making process.

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 35 to 37. 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. 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 three times during the year.

Re-Election

Under the Code, Directors should offer themselves for re-election at regular intervals. It is proposed that all four directors will be put forward for re-election at the Group's AGM which will be scheduled during October 2020.

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 pages 18 and 19.

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.

Corporate Governance continued

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 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

Corporate Governance continued

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	12	12	0	0	2	2
Fraser McDonald	12	12	3	3	2	2
Independent Non-executive Directors						
Mark Cubitt	12	12	3	3	2	2
William Meldrum	12	12	3	3	2	2
Christopher Livesey[1]	12	7	3	3	2	2

1 Chris Livesey resigned from the board on 27th May 2020.

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 2020, the business reviewed the impact of the changes as a result of IFRS 16 and prepared papers that were reviewed and agreed by the Company's auditor.

Corporate Governance continued

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.

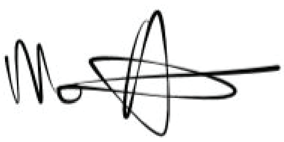
Based on the current stage of growth within the business, the Board do not believe it is requirement to have an internal audit function, but this will be kept this under review as the business continues to grow or equivalent.

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.

By order of the Board.



Mark Cubitt
Chairman
14 September 2020

Report of the Audit Committee

Overview

This report details the activities of the Committee during the financial year ended 30 June 2020. 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.

Report of the Audit Committee continued

Committee Activities in the financial year ending 30 June 2020

The Committee met three times in relation to the financial year ended 30 June 2020, 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.

Significant areas considered by the Audit Committee in relation to the 2020 financial statements are set out below:

Areas of estimates	Matter Considered and Role of the Committee
Business combinations valuation of intangible assets and fair value adjustments on acquisition	During the year ended 30 June 2020 the Group made an acquisition, in which the Committee considered the calculations supporting the fair value of assets and liabilities of the business acquired in the year and reviewed the supporting workings to support the value of intangibles acquired and any fair value adjustments required.
Contingent consideration	For the contingent consideration of the acquisition, the Committee reviewed the fair value assessment prepared having regard to criteria on which the sum due will be calculated and challenged the probability of payment being required (note 9).

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 £61,490 for Group and subsidiary audit and £9,500 for the interim audit services. Part of these audit services included a review of the acquisition of Velocimetrics, which formed part of the overall audit. 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.

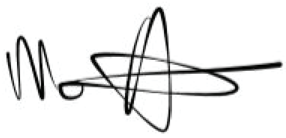
Report of the Audit Committee continued

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
14 September 2020

Independent Auditors' 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 2020, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement 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 2020 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits 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 group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events faced by the UK, and at the date of this report their 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 Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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 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.

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business, including effects arising from the macro-economic uncertainties such as Covid-19 and Brexit , and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

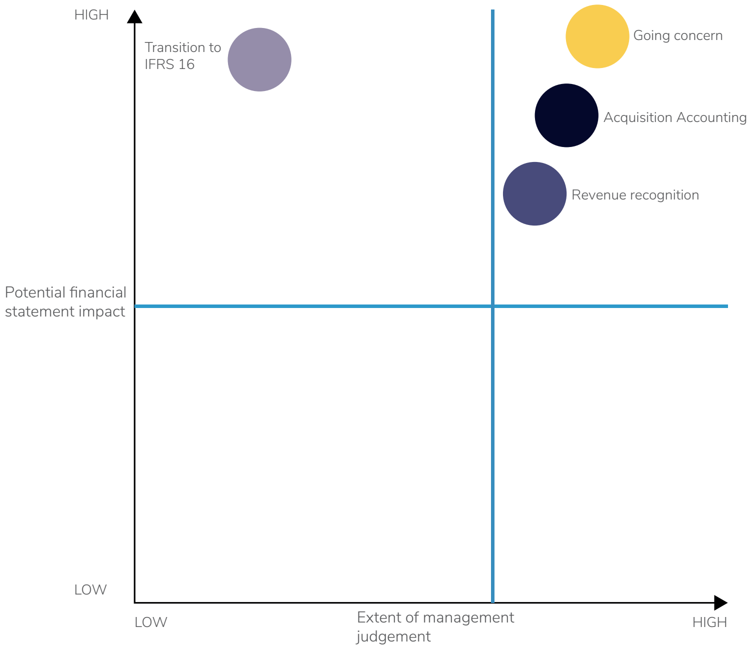
Grant Thornton

Overview of our audit approach

- Overall materiality: £142,400 which represents 1.5% of the Group's revenue;
- Key audit matters were identified as revenue recognition, acquisition accounting, and the impact of the Covid-19 pandemic on going concern; and
- Full scope audit procedures have been performed on the financial information of Beeks Financial Cloud Group Plc, the parent company and Beeks Financial Cloud Limited, the UK trading company. There have been targeted and analytical procedures performed on the US and Japan operations, being Beeks FX VPS USA Inc and Beeks Financial Cloud Co. Ltd respectively. The newly acquired subsidiary, Velocimetrics Limited, has been subject to a targeted response for group audit purposes.

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.



Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

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	How the matter was addressed in the audit
Revenue Recognition Group revenue recognised in the year has grown from £7.4m in June 2019 to £9.4m in June 2020. This continues to be derived from the two key streams, being both institutional (sales to businesses) and retail revenue (sales to private clients). We have assessed the significant risk as relating to any point in time transactions and, within revenue recognised over time, to the element deferred or accrued at year end. This is in contrast to revenue which has been paid for and recognised in the year where we note there is less judgement around the value to be recognised. Revenue is a key performance indicator for the business and driver of activity, and a such a fundamental part of the financial statements for users. We therefore identified occurrence of revenues as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Revenue analytics by customer, month and revenue stream to identify any potential fluctuations. These have been followed up with management and their explanations corroborated to source documentation. For a sample of revenue generated in the period, this has been traced to invoice, signed service order/contract and cash receipt • We performed revenue data analytics to identify transactions outside of the standard posting cycle. For the transactions identified, we have traced to the underlying journal to understand the purpose of this posting, and agreed to the relevant supporting documentation. • We have tested a sample of income accrued in the year. The sample was agreed to signed service order and post year end invoice to ensure occurrence and accuracy. We have used the signed sales order to recompute the expected accrued income. • We have tested a sample of income deferred in the year by recalculating the expected amount of revenue deferred, by using customers' billing profiles • Assessing revenue recognition policies to ensure they are consistent with the relevant accounting standards. The group's accounting policy on revenue recognition 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 material misstatements of revenue in the period.

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

Key Audit Matters	How the matter was addressed in the audit
Acquisition Accounting There has been an acquisition in the year of the legal entity Velocimetrics Limited on 14 April 2020 for £4.1m. Significant management judgement is required to determine the fair value of intangible assets and contingent consideration 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 and the valuation of the investment 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 and challenging management's assumptions and checking their calculations for goodwill and other intangible assets identified from the acquisition, evaluating forecasts where required for the calculations. • Using our auditor's internal valuations expert to assess and challenge management's expert's report regarding the consideration paid and fair value assessment of assets acquired. • Consideration and challenge of management's assessment that the transaction complies 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 in relation to 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.

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

Key Audit Matters	How the matter was addressed in the audit
Going Concern As stated in the 'The impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the group and the parent company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. We therefore identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement	Our audit work included, but was not restricted to: • Obtaining management's cash flow forecasts covering the period to December 2021. These included a base case scenario and two scenarios with a more pessimistic outlook reflecting static or reduced revenues in both revenue streams, and a reduction in capital expenditure. We assessed how these forecasts were compiled, including assessing their accuracy by validating the underlying information • Challenging management on the key assumptions included within the forecast, reviewing forecast covenant compliance and performing sensitivity analysis on the expected results in order to validate our conclusion. • Challenging management on how Covid-19 has impacted their cash flow forecasts and how this has been incorporated into the model. This included reviewing elements of the forecast such as revenue cashflows by reviewing against current year trading to highlight any assumptions which were outside expectations. Financing and investing cash flows were agreed to loan repayment schedules or other supporting documentation as appropriate. • Reviewing the prior year forecasts against FY 20 actuals to ensure we assess the accuracy of management's historic forecasting • Assessing the adequacy of the disclosures included within the financial statements relating to going concern The group's accounting policy on going concern is shown in note 1 to the financial statements. **Key observations** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

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.

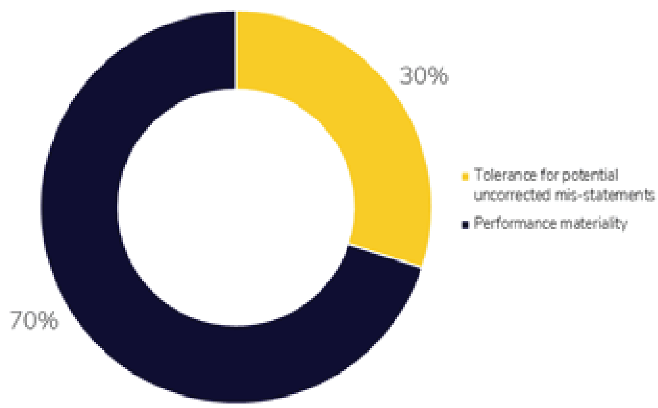
We determined materiality for the audit of the group financial statements as a whole to be £142,400, which is 1.5% of revenue. This benchmark is considered the most appropriate because both the key performance measures and focus of the business is on driving revenue growth in order to facilitate the overall growth of the business.

Materiality for the current year is higher than the level that we determined for the year ended 30 June 2019 to reflect the overall growth in the group, due to both the acquisition and the growth of the Group. The 2019 measure also focussed on EBITDA as the underlying benchmark, which we have reviewed within the current year and noted that revenue was of greater focus for stakeholders.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 70% 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.

Overall materiality



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

We determined the threshold at which we will communicate misstatements to the audit committee to be £7,120. 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 PBT;
- 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.

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

Velocimetrics Limited was subject to a targeted approach for the purposes of the Group audit, as was Beeks FX VPS USA Inc (the US trading company held).Beeks Financial Cloud Co Ltd (Japanese trading company) was subject to an analytical review approach. All work was performed by Grant Thornton UK LLP;

- In the prior year, the Japanese trading company was subject to targeted testing. As noted above, the entity was subject to an analytical review in the current year due to the immateriality of the entity to the group accounts in the current year.

This approach delivered 100% coverage of external revenues and 97% coverage of total assets; and we have 100% full scope audit coverage 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 requirements.

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.

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 22 to 23, 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.

Other matter

We have reported separately on the parent company financial statements of Beeks Financial Cloud Group Plc the year ended 30th June 2020. That report includes details of the parent company 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

14 September 2020

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020 £000	2019 £000
Revenue	3	**9,360**	7,352
Other Income	3	**59**	–
Cost of sales		**(4,845)**	(3,707)
Gross profit		**4,574**	3,645
Administrative expenses		**(3,619)**	(2,457)
Operating profit	4	**955**	1,188
Analysed as			
Earnings before depreciation, amortisation, acquisition costs, share based payments and non-recurring costs:		**3,394**	2,479
Depreciation	11	**1,474**	898
Amortisation	10	**387**	182
Acquisition costs	9	**205**	127
Share based payments	19	**312**	63
Non-recurring costs	4	**61**	21
Operating profit		**955**	1,188
Finance income		**2**	7
Finance costs	5	**(279)**	(152)
Profit before taxation		**678**	1,043
Taxation	8	**(103)**	20
Profit after taxation for the year attributable to the owners of Beeks Financial Cloud Group PLC		**575**	1,063
Other comprehensive income			
Amounts which may be reclassified to profit and loss			
Currency translation differences		**43**	18
Total comprehensive income for the year attributable to the owners of Beeks Financial Cloud Group PLC		**618**	1,081

		Pence	Pence
Basic earnings per share	23	1.13	2.10
Diluted earnings per share	23	1.13	2.09

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

Financial Statements continued

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 £000	2019 £000
Non-current assets			
Intangible assets	10	**6,741**	2,229
Property, plant and equipment	11	**6,755**	2,440
Deferred tax	12	**380**	136
		13,876	4,805
Current assets			
Trade and other receivables	13	**1,525**	1,104
Cash and cash equivalents	14	**1,433**	2,338
		2,958	3,442
Total assets		**16,834**	8,247
Liabilities			
Non-current liabilities			
Borrowings and other financial liabilities	16	**3,452**	699
Contingent consideration due on acquisitions	9	**1,957**	–
Deferred tax	12	**531**	48
Total non-current liabilities		**5,940**	747
Current liabilities			
Trade and other payables	17	**4,178**	1,868
Total current liabilities		**4,178**	1,868
Total liabilities		**10,118**	2,615
Net assets		**6,716**	5,632
Equity			
Issued capital	18	**64**	64
Reserves	20	**5,218**	4,531
Retained earnings		**1,434**	1,037
Total equity		**6,716**	5,632

These financial statements were approved by the Board of Directors on 14 September 2020 and were signed on its behalf by:

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.

Financial Statements continued

Consolidated Statement of Changes in Equity

As at 30 June 2020

	Issued capital £000	Foreign currency reserve £000	Merger reserve £000	Other reserve £000	Share based payments £000	Share premium reserve £000	Retained earnings £000	Total equity £000
As at 1 July 2018	62	84	372	(315)	–	4,309	332	4,844
Profit after income tax expense for the year	–	–	–	–	–	–	1,063	1,063
Currency translation difference	–	18						18
Total comprehensive income	**–**	**18**	**–**	**–**	**–**	**–**	**1,063**	**1,081**
Deferred tax	–	–	–	–	–	–	**(104)**	**(104)**
Issue of share capital	2							**2**
Share based payments					63			**63**
Dividends paid							**(254)**	**(254)**
Total transaction with owners	2	–	–	–	63	–	**(358)**	**(293)**
Balance at 30 June 2019	**64**	**102**	**372**	**(315)**	**63**	**4,309**	**1,037**	**5,632**
Profit after income tax expense for the year	–	–	–	–	–	–	575	575
Currency translation difference	–	43						43
Total comprehensive income	**–**	**43**	**–**	**–**	**–**	**–**	**575**	**618**
Deferred tax	–	–	–	–	–	–	–	–
Issue of share capital	–	–	333	–	–	–	–	333
Share based payments	–	–	–	–	311	–	–	311
Dividends paid	–	–	–	–	–	–	(178)	(178)
Total transaction with owners	–	–	333	–	311	–	**(178)**	**466**
Balance at 30 June 2020	**64**	**145**	**705**	**(315)**	**374**	**4,309**	**1,434**	**6,716**

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

Financial Statements continued

Consolidated Cash Flow Statement

For the year ended 30 June 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit before taxation for the year		**678**	1,043
Adjustments for:			
Depreciation and amortisation		**1,861**	1,080
Share options		**312**	63
Impairment		**–**	21
Foreign exchange		**17**	(16)
Interest received		**(2)**	(7)
Finance fees and interest		**192**	152
Grant income received		**(59)**	–
Operating cash flows		**2,999**	2,336
(Increase) in receivables		**(419)**	(440)
Increase/ (decrease) in payables		**678**	229
Operational cash flows after movement in working capital		**3,258**	2,125
Corporation tax paid		**(23)**	(26)
Net cash inflow from operating activities		**3,235**	2,099
Cash flows from investing activities			
Capitalised development costs	10	**(720)**	(437)
Acquisition of trading assets of business		**–**	(1,112)
Payments for property, plant and equipment	11	**(2,819)**	(1,222)
Payments for current period acquisition	9	**(750)**	–

Financial Statements continued

	Note	2020 £000	2019 £000
Net cash (outflow)/ inflow from investing activities		**(4,289)**	(2,771)
Cash flows from financing activities			
Repayment of existing loan borrowings		**(324)**	(34)
Dividends paid		**(178)**	(254)
Right of use repayments		**–**	–
		(517)	
Issue of loans		**1,485**	990
Finance lease repayments		**(301)**	(435)
Finance fees and interest	5	**(192)**	(152)
Interest received		**2**	7
Proceeds from the issue of share capital			1
Proceeds from grant income		**174**	–
Net cash outflow from financing activities		**149**	123
Net (decrease) / increase in cash and cash equivalents		**(905)**	(549)
Cash and cash equivalents at beginning of year		**2,338**	2,887
Cash and cash equivalents at end of year	14	**1,433**	2,338

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

Notes to the Consolidated Financial Statements

1. Summary of 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

New and revised IFRSs in issue but not yet effective and have not been adopted by the Group 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 17 - Insurance Contracts;
- IFRS 10 and IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 3 – Definition of a business;
- Amendments to IAS 1 and IAS 8 – Definition of material; and
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards.

Adoption of new and revised Standards - amendments to IFRS that are mandatorily effective for the current year

- IFRIC 23 Uncertainty over Income Tax Treatments;
- IFRS 16 Leases

IFRIC 23 – Uncertainty over Income Tax Treatments

The Group has adopted IFRIC 23 for the first time in the current year which had no material impact on the amounts reported, and disclosures included, in the financial statements. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; and

Notes to the Consolidated Financial Statements continued

- If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

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 adoption method, with no restatement of prior year comparatives, and has recognised leases on balance sheet as at 1 July 2019. From 1 July 2019, the Group recognises a right-of-use asset and corresponding lease liability on the balance sheet with respect of all lease arrangements in which it is a lessee, except for short-term leases and low value leases. At this date, the Group has elected to measure the right-of-use assets to an amount equal to the lease liability.

For contracts in place at the date of transition, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and IFRIC 4.

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 Datacentres 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.

Notes to the Consolidated Financial Statements continued

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 over the remaining term of the lease 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 its current bank loans and debt terms 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 30 June 2020.

	£'000
Impact on profit for the period ended 30 June 2020	
Increase in depreciation and amortisation expense	583
Increase in finance costs	87
(Decrease) in other expenses	(517)
Decrease in profit for the year	153

The impact on EBITDA for the period to 30 June 2020 was an increase of £0.52m.

	£'000
Impact on balance sheet for the period ended 30 June 2020	
Right of use assets on transition on 1 July 2020	775
Right of use assets acquired during the period	2,165
	2,940
Depreciation and amortisation expense	(583)
Net book value of right of use assets at 30 June 2020	2,357
Lease liabilities arising on transition and acquired	(2,940)
Finance costs (effective interest)	(87)
Payments towards lease liabilities	818
Lease liabilities at 30 June 2020	(2,535)

Notes to the Consolidated Financial Statements continued

The following is a reconciliation of total operating lease commitments at 30 June 2020 to the lease liabilities recognised at 1 July 2019:

	£'000
Reconciliation to operating lease commitments	
Total operating lease commitments at 30 June 2019	1,594
Discounted using the lessee's incremental borrowing rate at the date of initial application	(108)
Relief option for short term leases and low value assets	(579)
Other movement	(132)
Lease liabilities at 1 July 2019	775

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.5%.

IAS 17 – Leases (comparative period)

In the comparative period, a distinction was 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 were capitalised. A lease asset and liability was established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments were 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 were 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, were charged to profit or loss on a straight-line basis over the term of the lease.

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 (£1.47m) 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 £1.67m and the carrying value of Property, Plant and Equipment would have been £6.95m 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 2020 and has made no subsequent changes to the valuation of intangible assets.

Notes to the Consolidated Financial Statements continued

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 7 to 17.

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
- Ability to comply with existing covenants
- Potential Impact of Covid-19
- The finance facilities available to the Group, including the availability of any short term funding required.

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 7 to 17 including the potential impact of Covid-19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Report on pages 10 to 12.

In the five months since the response to the Covid-19 pandemic was initiated in the UK, there has been a very limited impact on Beeks' trading from Covid-19. We take great comfort from the resilience of our business model and are fortunate that we are not significantly exposed to the industries that are suffering the worst effects. The level of customer churn across our business has remained low and cash collection has been in line with our typical profile. We do however remain vigilant to the economic impact the ongoing situation may create, particularly on the SME segment of the market. Note 1 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The directors are of the opinion that the Group can operate within their current debt facilities and comply with its banking covenants. At the end of the financial year, the Group had net debt of £0.75m (2019: Net cash £1.02m) a level which the Board is comfortable with given the strong cash generation of the Group and low level of debt to EBITDA ratio. The Group has a diverse portfolio of customers with relatively low customer concentration across the 242 which are split across different geographic areas. As a consequence, the directors believe that the Group is well placed to manage its business risks.

The directors have considered the Group budgets and the cash flow forecasts for the next two financial years, and associated risks, including the potential impact of Covid-19, and the availability of bank and leasing facilities. We have run appropriate scenario and stress tests applying reasonable downside sensitivities and are confident we have the resources to meet our liabilities as they fall due. After making enquiries, the directors have a reasonable expectation that the Group will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, the Directors have adopted the going concern basis in preparing the Report for the year ending 30 June 2020.

Notes to the Consolidated Financial Statements continued

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 Transactions

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.

Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Where the Group's assessment of the net fair value of a subsidiary's identifiable assets acquired and liabilities assumed is less than the fair value of the consideration including contingent consideration of the business combination then the excess is treated as goodwill. Where the Group's assessment of the net fair value of a subsidiary's net assets and liabilities exceeds the fair value of the consideration including contingent consideration of the business combination then the excess is recognised through profit or loss immediately.

Where an acquisition involves a potential payment of contingent consideration the estimate of any such payment is based on its fair value. To estimate the fair value an assessment is made as to the amount of contingent consideration which is likely to be paid having regard to the criteria on which any sum due will be calculated and is probability based to reflect the likelihood of different amounts being paid. Where a change is made to the fair value of contingent consideration within the initial measurement period as a result of additional information obtained on facts and circumstances that existed at the acquisition date then this is accounted for as a change in goodwill. Where changes are made to the fair value of

Notes to the Consolidated Financial Statements continued

contingent consideration as a result of events that occurred after the acquisition date then the adjustment is accounted for as a charge or credit to profit or loss.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Deferred consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the deferred consideration, which is deemed to be an asset or liability, are recognised either in the profit and loss account or in other comprehensive income.

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.

Beeks Core Services

The group's core business provides managed Cloud computing infrastructure and connectivity. The Group considers the performance condition to be the provision of access and use of servers to our clients. 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 from the supply of hardware or software is recognised when delivery of the item is completed on a point in time basis.

The Group has concluded it acts as a principal in each sales transaction vs an agent. This has been determined by giving consideration to whether the Group holds inventory risk, has control over the pricing over a particular service, takes the credit risk, and whether responsibility ultimately sits within the Group to service the promise of the agreements.

Revenue from Consultancy services are recognised as these services are rendered and the performance obligation satisfied. Any unearned portion of revenue is included in payables as deferred revenue.

Set up fees charged on contracts are reviewed to consider the material rights of the set-up fee. 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 group's average contract term
- Set up fees that are not material rights are recognised over the enforceable right period, i.e 1 to 3 months depending on the termination period

Notes to the Consolidated Financial Statements continued

Monitoring Software and Services

Following the acquisition of Velocimetrics, the group also provides software products that analyse and monitor IT infrastructure. Revenue from the provision of software licences is split between the delivery of the software licence and the ongoing services associated with the support and maintenance. The supply of the software licence is recognised on a point in time basis when the delivery of the item is complete, whilst the ongoing support and maintenance service is recognised evenly over the period of the service on an over time basis. The group applies judgement to determine the percentage of split between the licence and maintenance portions, which includes an assessment of the pricing model and comparison to industry standards

Revenue from the supply of hardware or software, and the provision of services in respect of installation or training, is recognised when delivery and installation of the equipment is completed on a point in time basis. Revenue from Consultancy services are recognised as these services are rendered and the performance obligation satisfied. Any unearned portion of revenue is included in payables as deferred revenue.

Revenue recognised over time and at a point in time is as follows:

	Year to 30/06/20			Year to 30/06/19		
	Revenue recognised over time £'000	**Revenue recognised at point in time £'000**	**Total £'000**	Revenue recognised over time £'000	Revenue recognised at point in time £'000	Total £'000
Beeks core services	**8,492**	**577**	**9,069**	7,259	93	7,352
Monitoring software services	**158**	**134**	**291**	–	–	–
Total	**8,649**	**711**	**9,360**	7,259	93	7,352

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

Government Grant Income

Grants from Government agencies are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is deducted from carrying amount of the intangible asset over the expected useful life of the related asset. Note 3 Revenue provides further information on Government grants.

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.

Notes to the Consolidated Financial Statements continued

Exceptional Costs

The Group defines exceptional items as costs incurred by the Group which relate to material non-recurring costs. These are disclosed separately where it is considered it provides additional useful information to the users of the financial statements.

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.

Financial Instruments

IFRS 9 requires an expected credit loss ("ECL") model which requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The main financial asset that is subject to the new expected credit loss model is trade receivables, which consist of billed receivables arising from contracts.

The Group has applied the simplified approach to providing for expected credit losses ("ECL") prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables.

Notes to the Consolidated Financial Statements continued

The ECL model reflects a probability weighted amount derived from a range of possible outcomes. To measure the ECL, trade receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. The Group has established a provision matrix based on the payment profiles of historic and current sales and the corresponding credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information that might affect the ability of customers to settle the receivables, including macroeconomic factors as relevant.

Provision against trade and other receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. An assessment for impairment is undertaken at least at each reporting date.

Trade and Other Receivables

Trade and other receivables are recognised at fair value, less provision for impairment. These are subsequently measured at amortised costs using effective interest method. 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.

Notes to the Consolidated Financial Statements continued

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	5 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.

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

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred are capitalised when all the following conditions are satisfied:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. The costs which do meet the criteria range from new product development to the enhancement of existing services such as mail platforms. The scope of the development team's work continues to evolve as the Group continues

Notes to the Consolidated Financial Statements continued

to deliver business critical solutions to a growing customer base. Development costs capitalised are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful life is deemed to be five years for all developments capitalised. Amortisation charges are recognised through profit or loss in the period in which they are incurred.

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.

Notes to the Consolidated Financial Statements continued

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.

2. Critical accounting judgements and key sources of estimation uncertainty

The Group do not consider that there are any critical accounting judgements in the preparation of the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities 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. During the period, the group applied a change in estimate of it's useful life of computer equipment as noted on page 54.

Notes to the Consolidated Financial Statements continued

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 21%. This is shown in Note 12.

Notes to the Consolidated Financial Statements continued

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.

Contingent consideration

Where an acquisition involves a potential payment of contingent consideration the Group is required to make an assessment as to whether any contingent consideration payment is likely. If it is, then an estimate of any such payment is based on its fair value. To estimate the fair value an assessment is made as to the amount of contingent consideration which is likely to be paid having regard to future forecasts, the criteria on which any sum due will be calculated and is probability based to reflect the likelihood of different amounts being paid. At 30 June 2020, contingent consideration relates to Velocimetrics Ltd (note 9).

Revenue

The group applies judgment for elements of revenue recognition. The key areas of assessment include whether the group acts as a principal vs an Agent for the sale of hardware and the percentage of split between licence and maintenance for the sale of software licences. Full details of the Group's revenue recognition policy and these judgements can be found on page 57.

Alternative performance measures

In addition to measuring financial performance of the Group based on statutory profit measures, the Group also measures performance based on adjusted EBITDA, adjusted profit before tax and adjusted diluted earnings per share.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation (EBITDA) before share-based payment charges, acquisition costs and any gains or losses on revaluation of contingent consideration. Adjusted EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies, particularly in the sector that the Group operates.

The Group considers adjusted EBITDA to be a useful measure of operating performance because it approximates the underlying operating cash flow by eliminating the charges mentioned above. It is not a direct measure of liquidity, which is shown in the consolidated statement of cash flows, and needs to be considered in the context of the Group's financial commitments.

Notes to the Consolidated Financial Statements continued

Adjusted profit before tax

Adjusted profit before tax is defined as profit before tax adjusted for the following:

- Amortisation charges on acquired intangible assets;
- Share-based payment charges;
- M&A activity including:
  - Professional fees;
  - Any non-recurring integration costs;
  - Any gain or loss on the revaluation of contingent consideration where it is material; and
  - Any material non-recurring costs where their removal is necessary for the proper understanding of the underlying profit for the period.

The Group considers adjusted profit before tax to be a useful measure of performance because it eliminates the impact of certain non-recurring items including those associated with acquisitions and other charges commonly excluded from profit before tax by investors and analysts for valuation purposes.

Adjusted diluted earnings per share

Adjusted diluted earnings per share is calculated by taking the adjusted profit before tax as described after deducting an appropriate taxation charge and dividing by the total weighted average number of ordinary shares in issue during the year and adjusting for the dilutive potential ordinary shares relating to share options.

The Group considers adjusted diluted earnings per share to be a useful measure of performance for the same reasons as adjusted profit before tax. In addition, it is used as the basis for consideration to the level of dividend payments.

Notes to the Consolidated Financial Statements continued

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 2020, the Group was organised into two main business segments for revenue purposes, institutional and private customers. Customers acquired as part of the recent Velocimetrics acquisition are all institutional. The group does not place reliance on any specific customer and has no individual customer that generates 7% 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.

	2020 £000	2019 £000
Revenues by business segment are as follows:		
Institutional	**7,995**	6,437
Retail	**1,365**	915
Total	**9,360**	7,352
Revenues by geographic location are as follows:		
United Kingdom	**2,720**	1,525
Europe	**1,180**	863
United States	**1,906**	1,589
Rest of World	**3,554**	3,375
Total	**9,360**	7,352
Non-Current Assets by geographic location are as follows:		
United Kingdom – Property, plant and equipment	**3,514**	1,369
Europe – Property, plant and equipment	**566**	30
Rest of World – Intangible assets	**4,458**	1,701
Rest of World – Goodwill	**2,283**	528
Rest of World – Property, plant and equipment	**2,675**	1,041
Total Non-Current Assets	**13,496**	4,669

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.

During the year, £59,000 was recognised in other income for grant income received from Scottish Enterprise.

Notes to the Consolidated Financial Statements continued

4. Operating Profit

Operating Profit is stated after charging:

	2020 £000	2019 £000
Staff costs (note 6)	**2,526**	1,839
Depreciation (note 11)	**891**	898
Depreciation right-of-use assets (note 11)	**583**	–
Amortisation of intangibles (note 10)	**387**	182
Foreign exchange losses	**17**	36
Acquisition costs (note 9)	**205**	127
Share based payments (note 19)	**312**	63
Non recurring costs – Head office relocation costs	**13**	–
Non recurring costs – Restructuring costs	**33**	–
Other non-recurring costs	**15**	21

Auditors Remuneration

	2020 £000	2019 £000
Audit		
Auditors services		
Fees payable for the audit of the consolidation and the parent company accounts including the audit of the acquisition	**34**	24
Fees payable for the audit of the subsidiaries	**27**	15
Non Audit		
Fees payable for the interim review of the group	**10**	9
	71	**48**

Notes to the Consolidated Financial Statements continued

5. Finance costs

	2020 £000	2019 £000
Bank charges	**89**	61
Loans and leasing	**190**	91
Total finance costs	**279**	**152**

6. Average number of employees and employee benefits expense

	2020 £000	2019 £000
Excluding directors, the average number of employees (at their full time equivalent) during the year was as follows:		
Management and administration	**12**	11
Support and development staff	**29**	18
Average numbers of employees	**41**	29
The employee benefits expense during the year was as follows:		
Wages and salaries	**2,214**	1,612
Social security costs	**265**	201
Other pension costs	**46**	26
Total employee benefits expense	**2,526**	1,839
Share based payments (note 19)	**312**	63

7. Directors remuneration

	2020 £000	2019 £000
Aggregate remuneration in respect of qualifying services	**258**	256
Aggregate amounts of contributions to pension schemes in respect of qualifying services	**5**	3
Share based payments	**115**	24
Highest paid director – aggregate remuneration	**96**	78

There are two directors (2019: two) who are accruing retirement benefits in respect of qualifying services.

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Notes to the Consolidated Financial Statements continued

8. Taxation expense

	2020 £000	2019 £000
Current tax		
UK tax	**(16)**	–
Foreign tax on overseas companies	**25**	25
Total current tax	**9**	25
Origination and reversal of temporary differences	**94**	(45)
Total deferred tax	**94**	(45)
Tax on profit on ordinary activities	**103**	(20)

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:

	2020 £000	**% ETR movement**	2019 £000	% ETR movement
Profit before tax	**678**		1,043	
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**129**	**19%**	198	19%
Effects of:				
Expenses not deductible for tax purposes	**33**	**4.87%**	42	4.03%
R&D tax credits relief	**(72)**	**(10.62%)**	(86)	(8.25%)
Share option deduction	**59**	**8.70%**	(128)	(12.27%)
Prior year deferred tax adjustments	**(49)**	**(7.23%)**	(44)	(4.22%)
Foreign tax suffered	**2**	**0.29%**	(3)	(0.29%)
Other	**1**	**0.15%**	1	0.10%
Total tax charge	**103**	**15.19%**	(20)	(1.92%)

The effective tax rate ('ETR') for the period was 15.2%, (2019: (1.9%)).

	UK unrelieved trading losses £000	Foreign unrelieved trading losses £000	Total unrelieved trading losses £000	Tax effect £000
As at 1 July 2019	184	–	184	35
Recognised during the year	363	–	363	69
As at 30 June 2020	547	–	547	104

Notes to the Consolidated Financial Statements continued

9. Acquisitions

On 14 April 2020, the Group acquired the entire issued share capital of Velocimetrics Limited ("VMX"), a UK-based network monitoring and trade analytics software company for a base consideration of £1.3 million in cash and equity, plus contingent earn-out.

Total cash paid on acquisition, net of cash acquired, in the year ended 30 June 2020 was £0.75m. Velocimetrics provides real time network monitoring and trade analytics software to a global client list of financial services businesses, including Tier 1 banks, exchanges, brokers, hedge funds and payments providers. The Acquisition expands the Beeks' product offering into network automation and trading analytics, increasing the Group's competitive differentiation from generic Cloud hosting and infrastructure providers and provides additional cross-sale opportunities across the expanded customer base. The Company funded the initial payment via a new debt facility with The Royal Bank of Scotland plc totalling £1.5 million to fund both the acquisition and provide additional growth capital for the enlarged Group.

During the current period the Group incurred £0.17m of third party acquisition related costs in respect of this acquisition and another £0.03m for the integration of the CNS business acquired in the previous financial year. These expenses are included in administrative expenses in the Group's consolidated statement of comprehensive income for the year ended 30 June 2020.

The following table summarises the consideration to acquire VMX, and the amounts of identified assets acquired and liabilities assumed at the acquisition date, which are provisional

	Book value £000	Fair Value Adjustments £000	Final Fair Value £000
Cash and cash equivalents	368	–	368
Trade and other receivables	307	–	307
Property plant and equipment	6	–	6
Intangible Assets	1,101	1,386	2,487
Trade and other payables	(785)	–	(785)
Deferred tax liability	(1)	(145)	(146)
Identifiable net assets	**996**	**1,241**	**2,237**
Goodwill	–		1,846
Total consideration			4,083
Satisfied by:			
Cash – paid on acquisition			750
Equity – paid on acquisition			333
Deferred consideration			552
Contingent consideration – payable			2,448
Total consideration transferred			**4,083**

Under the terms of the Transaction, £1.05m was due on completion (the "Initial Consideration") with £0.3m held as retention subject to satisfactory completion of warranties and a net working capital adjustment to follow as the deal was done on a cash free, debt free, normalised working capital basis. Further consideration payable based on achievement of revenue targets for the financial years to Jun-20 and Jun-21. (the "Contingent Consideration").

Notes to the Consolidated Financial Statements continued

The potential undiscounted amount of the Deferred Payment that the Company could be required to pay is between £nil and £2,800,000. The amount of contingent consideration payable, which was recognised as of the acquisition date, was £2,448,000. The level of revenue was estimated by considering the current level of the MRR, historic performance, known and agreed changes to the current level, and forecasts based on the sales pipeline.

The goodwill arising on the acquisition of VMX 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, software and Velocimetrics trade name intangible asset is £2.59m. To estimate the fair value of the trade name and software, a discounted cash flow method, specifically the income approach (relief from royalty), was used. The income approach (excess earnings) was used to value the customer contracts and relationships with reference to the directors' best estimates of the level of revenue, which will be generated from them. These estimates were consistent with those used to determine the contingent consideration and considered a range of possible sales pipeline forecasts. A post-tax discount rate of 29.5% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 10 years and software intangibles and trade names are being amortised over 5 years.

Velocimetrics earned revenue of £0.3m and generated loss, before allocation of group overheads and tax of £22,000 in the period since acquisition.

Pro-forma full year information

The following summary presents the Group as if the businesses acquired during the year had been acquired on 1 July 2019. The amounts include the results of the acquired business excluding any possible synergies. The information is provided for illustrative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of the future results of combined companies.

	Pro-forma for the year ended 30 June 2020 £000
Revenue	1,625
Profit before tax for the year	215

Notes to the Consolidated Financial Statements continued

10. Intangible assets

	Acquired Customer lists £000	Development Costs £000	Trade name	Goodwill £000	Total £000
Cost					
Balance at 1 July 2018	406	384		400	1,190
Acquisition of trading assets	993	–		119	1,112
Additions	–	437		–	437
Currency translation differences	(16)	–		–	(16)
Balance at 30 June 2019	**1,383**	**821**		**519**	**2,723**
Acquisition of subsidiary	1,097	1,253	137	1,846	4,333
Additions	–	720		–	720
Grant funding received		(221)			(221)
Currency translation differences	53	–		–	53
As at 30 June 2020	**2,533**	**2,573**	**137**	**2,365**	**7,608**
Accumulated Depreciation					
Balance at 1 July 2018	(297)	(18)		(7)	(323)
Charge for the year	(99)	(83)		–	(182)
Foreign exchange movements	(6)	–		16	10
Balance at 30 June 2019	**(402)**	**(101)**		**9**	**(494)**
Charge for the year	(150)	(230)	(7)	–	(387)
Foreign exchange movements	–	–		14	14
As at 30 June 2020	**(552)**	**(331)**	**(7)**	**23**	**(867)**
N.B.V. 30 June 2019	**981**	**720**	**–**	**528**	**2,229**
N.B.V. 30 June 2020	**1,981**	**2,242**	**130**	**2,388**	**6,741**

Included within Customer list are the following significant items; customer relationships in relation to the acquisitions of CNS of £1.0m with a useful life of 10 years as well as the current year additions of the VMX business of £1.1m with a useful life of 10 years.

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 2020 the remaining useful lives of these assets are 2 years and 7 months, 2 years and 6 months and 2 years and 5 months respectively. Development costs also include £1.3m of acquired VMX software which is being amortised over a useful life of five years as well as £0.4m of costs relating to the network automation project which has yet to be amortised.

Notes to the Consolidated Financial Statements continued

Included within goodwill is:-

- The historic goodwill relating to CNS with a value of £0.1m,
- The historic goodwill relating to VDIWare LLC with a value of £0.4m.
- Goodwill relating to the recent acquisition of Velocimetrics with a value of £1.8m

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

Goodwill arising from the acquisition of the businesses and assets which have been capitalised are 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 up to ten years. For VDIWare and CNS, a post-tax discount rate, that reflects current market assessments of the time value of money and the risks specific to the asset, of 12% and 14.5% was used. Based on an analysis of the impairment calculation’s sensitivities to changes in key parameters (growth rate, discount rate and post-tax cash flow projections) there was no reasonably possible scenario where these recoverable amounts would fall below their carrying amounts therefore as at 30 June 2020, no change to the impairment provision against the carrying value of intangibles was required.

Notes to the Consolidated Financial Statements continued

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

	Computer equipment £000	Office equipment £000	Leasehold Property and improvement £000	Total £000
Cost				
Balance at 1 July 2018	**3,619**	**21**	**30**	**3,670**
Additions	1,220	2	–	1,222
Disposals	–	–	(30)	(30)
Balance at 30 June 2019	**4,839**	**23**	**–**	**4,862**
Acquisition of subsidiaries	6	–	–	6
Additions	2,784	35	2,993	5,811
Disposals	(39)	–	–	(39)
As at 30 June 2020	**7,590**	**58**	**2,993**	**10,641**
Depreciation				
Balance at 1 July 2018	(1,519)	(5)	(9)	(1,533)
Charge for the year	(892)	(6)	–	(898)
Disposals	–	–	9	9
Balance at 30 June 2019	**(2,411)**	**(11)**	**–**	**(2,422)**
Charge for the year	(873)	(18)	(583)	(1,474)
Eliminated on Disposal	10	–	–	10
As at 30 June 2020	**(3,274)**	**(29)**	**(583)**	**(3,886)**
N.B.V. 31 June 2019	**2,428**	**12**	**–**	**2,440**
N.B.V. 31 June 2020	**4,316**	**29**	**2,410**	**6,755**

Of the total additions in the year of £5,811,000, £775,000, relates to right-of-use assets brought on the balance at 1 July 2019 on transition to IFRS 16 (Note 1) with further right-of-use additions during the year of £2,165,000 and £53,000 of leasehold improvements relating to the new head office.

As disclosed in Note 1, on 1 July 2019, the Group adopted IFRS 16 and recognised a right-of-use asset of £0.83m. At 30 June 2020, a total of £2.94m is recognised within additions to leasehold property and improvements in relation to the initial recognition and additions during the year along with a corresponding depreciation charge of £0.58m.

All depreciation charges are included within cost of sales.

Notes to the Consolidated Financial Statements continued

12. Non-current assets – Deferred tax

Deferred tax is recognised at the standard UK corporation tax of 19% for fixed assets in the UK (2019: 19%). Deferred tax in the US is recognised at an average rate of 21% for 2020 (2019: 25%). 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.

	2020 £000	2019 £000
The split of fixed and intangible asset are summarised as follows:		
Deferred tax liabilities	**(531)**	(48)
Deferred tax asset	**380**	136
Total deferred tax	**(151)**	88
Movements		
Opening balance	**88**	147
Charged to profit or loss (note 8)	**(94)**	45
Charged to goodwill/equity	**(145)**	(104)
Closing balance	**(151)**	88

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 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)**
Charge to income	–	152	(46)	106	(200)
Charge to equity	–	–	–		–
Deferred tax on acquired assets		138		138	(283)
As at 30 June 2020	**–**	**325**	**55**	**380**	**(531)**

Notes to the Consolidated Financial Statements continued

13. Current assets - Trade and other receivables

	2020 £000	2019 £000
Trade receivable	**791**	679
Less: provision for impairment of receivables	**(20)**	(63)
	771	616
Prepayments and accrued income	**721**	388
Other taxation	**0**	40
Other receivables	**33**	60
	1,525	1,104

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

	2020 £000	2019 £000
Trade receivables	**791**	679
Less: provision for impairment of receivables	**(20)**	(63)
	771	616

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

	2020 £000	2019 £000
Opening balance	**63**	82
Additional provisions recognised	**20**	63
Receivables written off during the year as uncollectable	**(65)**	(82)
Unused amounts reversed	**2**	–
Closing balance	**20**	63

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. 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 2020 is £13k.

Trade receivables consist of a large number of customers across various geographical areas. The aging below shows that almost all are less than three months old and historic performance indicates a high probability of payment for debts in this aging. Those over three months relate to customers without history of default for which there is a reasonable expectation of recovery.

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:

	2020 £000	2019 £000
Not yet due	**505**	365
Past due 1 to 3 months	**275**	152
Past due 3 to 6 months	**0**	23
More than 6 months past due	**11**	139
	791	679

Notes to the Consolidated Financial Statements continued

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.

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 carrying amount of all financial assets presented in the statement of financial position are measured at amortised cost.

The carrying amount of all financial liabilities presented in the statement of financial position are measured at amortised costs with the exception of contingent consideration with is measured at Fair Value through profit or loss.

The Group's financial liabilities per the fair value hierarchy classifications under IFRS 13 'Financial Instruments: Disclosures' are described below:

Category of financial liability	Fair value at 30 June 2020 £'000	Level in hierarchy	Description of valuation technique	Inputs used for valuation model	Total recognised in profit or loss
Contingent consideration due on acquisitions	(2,445)	3	Based on level of future revenue and probability that vendors will comply with obligations under sale and purchase agreement.	Management estimate on probability and time scale of vendors meeting revenue targets and complying with obligations.	–
Total fair value	(2,445)			Total net gain/loss	–

There have been no changes to valuation techniques or any amounts recognised through 'Other Comprehensive Income'.

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.

Notes to the Consolidated Financial Statements continued

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 £4,000. The Group had potential exchange rate exposure within USD trade payable balances of £77,617 as at 30 June 2020 (£91,842, at 30 June 2019).

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:

	2020 £000	2019 £000
Cash and cash equivalents	**1,433**	2,338
Trade receivables	**791**	679
Accrued income	**223**	234
Other receivables	**28**	60
VAT	**0**	40
	2,475	3,351

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. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group provides standard credit terms (normally 30 days) to all of its customers which has resulted in trade receivables of £751,000 (2019: £616,000) which are stated net of applicable provisions and which represent the total amount exposed to credit risk.

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.

Notes to the Consolidated Financial Statements continued

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 2020, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current			Non-current	
	Within 1 month £	1-3 months £	3-12 months £	1-5 years £	After 5 years £
Trade payables	608	61	30	–	–
Other payables	16	–	–	–	–
Other loans	–	196	600	1,578	–

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.

	2020 £000	2019 £000
Total equity	**6,716**	5,632
Cash and cash equivalents	**1,433**	2,338
Capital	**8,149**	7,970
Total equity	**6,716**	5,632
Other loans	**2,158**	997
Lease liabilities	**2,535**	326
Overall financing	**11,409**	6,955
Capital-to-overall financing ratio	**0.71**	1.15

Notes to the Consolidated Financial Statements continued

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

	2020 £000	2019 £000
Other loans	**1,461**	672
Lease liabilities	**1,991**	27
	3,452	699

	2020 £000	2019 £000
Other loans		
Under one year	**697**	325
Between one to five years	**1,461**	672
	2,158	997
Lease liabilities		
Under one year	**544**	299
Between one to five years	**1,991**	27
	2,535	326

Finance leases,

The maturity analysis of undiscounted lease liabilities are shown in the table below:

	2020 £000	2019 £000
Under one year	**560**	348
Between one to five years	**2,211**	33
Total gross payments	**2,771**	381

Reconciliation of net debt:

	Lease liabilities	Loans	Total
Balance at 1 July 2019	326	997	1,323
Lease liabilities on transition to IFRS 16	2,940	–	2,940
Impact of effective interest rate	87	–	87
Proceeds from new loans	–	1,485	1,485
Loan and lease repayments	(818)	(324)	(1,142)
Balance at 30 June 2020	2,535	2,158	4,693

During the year a loan of £1.5m was taken out to fund the acquisition of Velocimetrics.

Notes to the Consolidated Financial Statements continued

17. Current liabilities – Trade and other payables

	2020 £000	2019 £000
Trade payables	**699**	629
Other loans	**697**	325
Finance leases	**544**	299
Accruals and deferred income	**1,019**	364
Other taxation and social security	**96**	28
Other payables	**16**	223
VAT	**67**	–
Deferred consideration	**552**	–
Contingent consideration	**488**	–
	4,178	1,868

18. Equity – issued capital

	2020 shares	2019 shares	**2020 £000**	2019 £000
Ordinary shares - fully paid	**51,228,258**	50,864,800	**64**	64

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
	30 June 2019	**50,864,800**		**64**
New share issue	14 April 2020	363,458	£0.00125	–
Balance	**30 June 2020**	**51,228,258**		**64**

Ordinary shares

During the year 363,458 shares were issued as part of the consideration for the acquisition of Velocimetrics Ltd. No share options were exercised during the year.

Notes to the Consolidated Financial Statements continued

19. Share based payments

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

	2020	2019
Outstanding at the beginning of the year	**308,824**	821,700
Exercised during the year	–	(821,700)
Issued during the year	**1,580,838**	308,824
Outstanding at the end of the year	**1,889,662**	308,824
Exercisable at the end of the year	–	–

The Group granted a total of 1,580,838 share options to members of its management team on 17th October 2019. These share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Grant 1	Grant 2	Grant 3	Total
Shares	264,706	44,118	1,580,838	**1,889,662**
Date of grant	6th September 2018	6th September 2018	17th October 2019	
Exercise price	£0.00125	£0.00125	£0.00125	
Vesting date	6th September 2021	6th September 2020	17th October 2022	

These share options vest under challenging performance conditions based on underlying profitability 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:

	Grant 1	Grant 2	Grant 3	Total
Shares	264,706	44,118	1,580,838	**1,889,662**
Share price	1.02	1.02	0.84	
Volatility	5%	5%	5%	
Annual risk free rate	4%	4%	4%	
Exercise strike price	0.00125	0.00125	0.00125	
Time to maturity (yrs)	1.1667	0.1667	2.3333	

The total expense recognised from share based payments transactions on the group's profit for the year was £311,713 (2019: £62,647).

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, based on management's expectations, the share options are included in the calculation of underlying diluted EPS in note 23.

Notes to the Consolidated Financial Statements continued

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.

During the year £333,000 was recognised within the merger reserve, which arose on the share for share exchange reflecting the difference between the nominal value of the share capital issued from Beeks Financial Group plc and the value of the shares issued to the owners of Velocimetrics Ltd at the date of acquisition.

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.

21. Capital and other commitments

Excluding the contingent liabilities associated with the contingent consideration (Note 1), there are no contingent assets or contingent liabilities as at 30 June 2020 (2019: nil).

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:

	2020 £000	2019 £000
Withdrawals from the director, Gordon McArthur	**11**	33

The loan account owed by the director; Gordon McArthur was repaid in full before 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 £120,540 (2019: £117,600) to Ofelia Algos Limited and the amounts due to Beeks Financial Cloud Limited at the year-end were £35,090 (2019: £53,600).

Notes to the Consolidated Financial Statements continued

Key management personnel

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

	2020 £000	2019 £000
Wages and salaries including social security costs	**258**	256
Other pension costs	**5**	3
Other benefits in kind	–	11
Share based payments	**115**	24

23. Earnings per share

	2020 £000	2019 £000
Profit after income tax attributable to the owners of Beeks Financial Cloud Group PLC	**575**	1,063

	Pence	Pence
Basic earnings per share	**1.13**	2.10
Diluted earnings per share	**1.13**	2.09

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**50,942,258**	50,632,965
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	**48,132**	231,835
Weighted average number of ordinary shares used in calculating diluted earnings per share	**50,990,391**	50,864,800

Notes to the Consolidated Financial Statements continued

Included in the weighted average number of shares for the calculation of statutory diluted EPS are the shares that will be issued to the owners of Velocimetrics in relation to the first earn out period ending 30 June 2020. The target earn out amount has been agreed following the statutory audit therefore these shares are included in the calculation of underlying diluted EPS.

	2020 £000	2019 £000
Underlying earnings per share		
Profit for the year	**575**	1,043
Acquisition costs	**205**	127
Share Based payments	**312**	63
Amortisation on acquired intangibles	**236**	62
Exceptional non-recurring costs	**61**	21
Grant income	**(59)**	–
Tax effect	**(45)**	(12)
Underlying profit for the year	**1,285**	1,304
Weighted average number of shares in issue - basic	**50,942,258**	50,632,965
Weighted average number of shares in issue - diluted	**52,409,256**	51,116,936
Underlying earnings per share – basic	**2.52**	2.58
Underlying earnings per share – diluted	**2.45**	2.55

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, based on management expectations, the share options are included in the calculation of underlying diluted EPS.

Also included in the weighted average number of shares for the calculation of underlying diluted EPS are the shares that will be issued to the owners of Velocimetrics in relation to the first earn out period ending 30 June 2020. The target earn out amount has been agreed following the statutory audit therefore these shares are included in the calculation of underlying diluted EPS.

Notes to the Consolidated Financial Statements continued

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 of business/ 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
Velocimetrics Limited	England	Birchin Court, 230 Park Avenue 20 Birchin Lane, Suite 300 West, London, England, EC3V 9DU
Velocimetrics Inc	New York, USA	230 Park Avenue, 10th Floor, New York 10169, USA.

25. Events after the reporting period

No matter or circumstance has arisen since 30 June 2020 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.

26. Ultimate controlling party

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

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC

To the members of Beeks Financial Cloud Group PLC

Opinion

Our opinion on the parent company financial statements is unmodified

We have audited the parent company financial statements of Beeks Financial Cloud Group Plc for the year ended 30 June 2020, which comprise the statement of financial position, the statement of changes in equity 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 parent company financial statements:

- Give a true and fair view of the state of the parent company's affairs as at 30 June 2020;
- 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 parent company financial statements' section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the parent company 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits 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 group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events faced by the UK, and at the date of this report their 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 parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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 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 parent company'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.

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

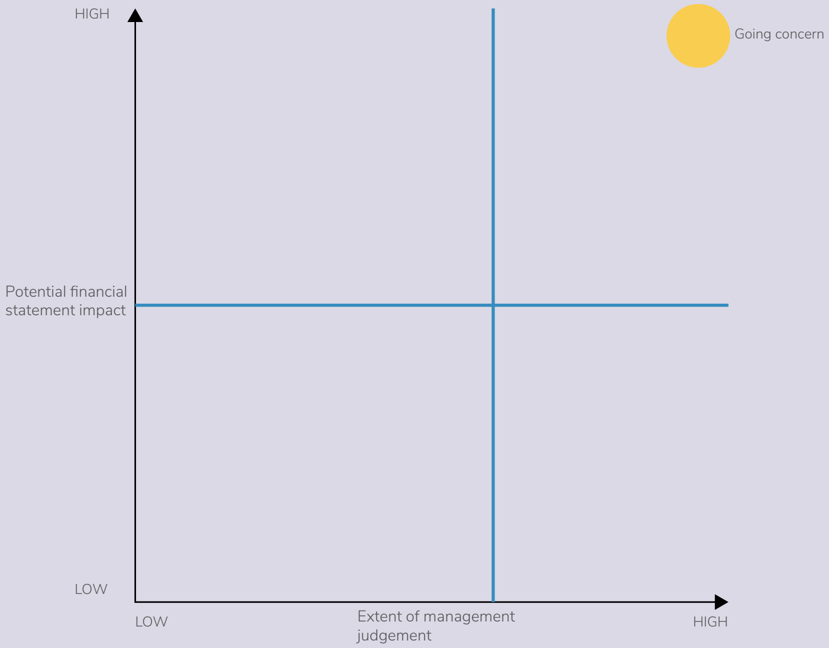
In our evaluation of the directors' conclusions, we considered the risks associated with the parent company's business, including effects arising from the macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the parent company will continue in operation.

Overview of our audit approach	
Grant Thornton	• Overall materiality: £75,247, which represents 1.3% of the company's total assets; • A key audit matter was identified as the impact of the Covid-19 pandemic on going concern;

Key audit matters[1]

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 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.

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

Key Audit Matters	How the matter was addressed in the audit
Going Concern As stated in the 'The impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the group and the parent company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. We therefore identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement	Our audit work included, but was not restricted to: • Obtaining management's cash flow forecasts covering the period to December 2021. These included a base case scenario and two scenarios with a more pessimistic outlook reflecting static or reduced revenues in both revenue streams, and a reduction in capital expenditure. We assessed how these forecasts were compiled, including assessing their accuracy by validating the underlying information • Challenging management on the key assumptions included within the forecast, reviewing forecast covenant compliance and performing sensitivity analysis on the expected results in order to validate our conclusion. • Challenging management on how covid-19 has impacted their cash flow forecasts and how this has been incorporated into the model. This included reviewing elements of the forecast such as revenue cashflows by reviewing against current year trading to highlight any assumptions which were outside expectations . Financing and investing cash flows were agreed to loan repayment schedules or other supporting documentation as appropriate. • Reviewing the prior year forecasts against FY 20 actuals to assess the accuracy of management's historic forecasting • Assessing the adequacy of the disclosures included within the financial statements relating to going concern The accounting policy on going concern is shown in note 1 to the financial statements.. **Key observations** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

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.

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

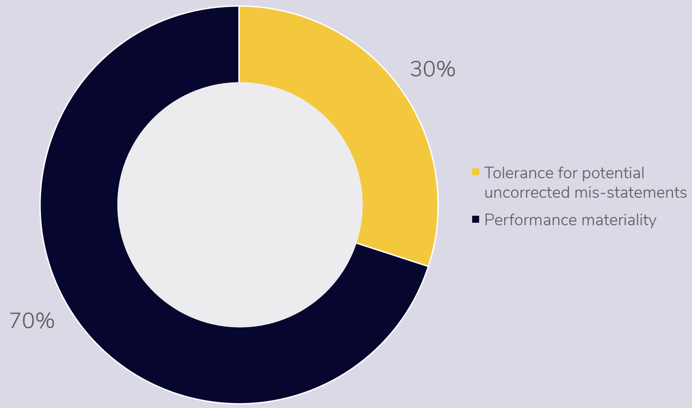
We determined materiality for the audit of the parent company financial statements as a whole to be £75,247, which is 1.3% of total assets in the current year. This benchmark is considered the most appropriate because the entity does not trade and therefore total assets appears the most appropriate indicator of company size.

Materiality for the current year is lower than the level that we determined for the year ended 30 June 2019.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 70% of financial statement materiality.

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

Overall materiality



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

We determined the threshold at which we will communicate misstatements to the audit committee to be £3,800. 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 include:

- 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 scope of the current year from the scope of the 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,

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

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 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 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.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the parent company 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:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; 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 22 to 23, 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.

Independent Auditors' Report To the members of Beeks Financial Cloud Group PLC continued

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 matters

We have reported separately on the group financial statements of Beeks Financial Cloud Group Plc for the year ended 30 June 2020. 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.

James Chadwick

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow

14 September 2020

Financial Statements

Company Statement of Financial Position

As at 30 June 2020

	Note	**2020 £000**	2019 £000
Assets			
Non-current assets			
Investments	4	**4,521**	438
Deferred tax	5	**–**	31
		4,521	469
Current assets			
Trade and other receivables	6	**4,246**	2,588
Cash and cash equivalents		**8**	2,009
Total current assets		**4,254**	4,597
Total assets		**8,775**	5,066
Liabilities			
Non-current liabilities			
Contingent Consideration	10	**1,961**	–
Deferred tax	5	**3**	–
		1,964	–
Current liabilities			
Trade and other payables	7	**1,301**	128
Net current assets		**2,953**	4,469
Net assets		**5,510**	4,938
Equity			
Issued capital	8	**64**	64
Reserves	9	**5,388**	4,744
Retained earnings	9	**58**	130
Total equity		**5,510**	4,938

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 £106,000 (2019: £82,000).

These financial statements were approved by the Board of Directors and were authorised for issue on 14 September 2020 and are signed on its behalf by:

Gordon McArthur
Chief Executive Officer

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

Financial Statements continued

Company Statement of Changes in Equity

As at 30 June 2020

	Share based payments £000	Issued capital £000	Merger relief £000	Share premium £000	Retained earnings £000	Total equity £000
As at 1 July 2018	**–**	**62**	**372**	**4,309**	**363**	**5,106**
Profit after income tax expense for the year	–	–	–	–	82	82
Total comprehensive income	**–**	**–**	**–**	**–**	**82**	**82**
Issue of share capital	–	2	–	–	–	2
Share based payments	63					63
Deferred tax					(61)	(61)
Dividends paid	–	–	–	–	(254)	(254)
As at 30 June 2019	**63**	**64**	**372**	**4,309**	**130**	**4,938**
Profit after income tax expense for the year	–	–	–	–	106	106
Total comprehensive income	–	–	–	–	106	106
Deferred tax	–	–	–	–	–	–
Issue of share capital	–	–	333	–	–	333
Share based payments	311	–	–	–	–	311
Dividends paid					(178)	(178)
As at 30 June 2020	**374**	**64**	**705**	**4,309**	**58**	**5,510**

Notes to the Company Financial Statements

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.

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 51 to 63. 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.

Going concern

The Company has net current assets of £3m at 30th June 2020.

After making enquiries, the directors have a reasonable expectation that the Company will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future (being a period extending at least twelve months from the date of approval of these financial statements). For this reason they continue to adopt the going concern basis in preparing the financial statements.

Revenue

Revenue arises from intercompany management charges, stated net of VAT.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. On an annual basis, in order to assess any potential impairment of investments, the carrying value of the investment in all companies is considered against future cash flows and reviewed for events or changes in circumstances that indicate that the carrying amount may be impaired.

Notes to the Company Financial Statements continued

Contingent consideration

Contingent consideration Where an acquisition involves a potential payment of contingent consideration the estimate of any such payment is based on its fair value. To estimate the fair value an assessment is made as to the amount of contingent consideration which is likely to be paid having regard to the criteria on which any sum due will be calculated and is probability based to reflect the likelihood of different amounts being paid. Where a change is made to the fair value of contingent consideration within the initial measurement period as a result of additional information obtained on facts and circumstances that existed at the acquisition date then this is accounted for as a change in goodwill. Where changes are made to the fair value of contingent consideration as a result of events that occurred after the acquisition date then the adjustment is accounted for as a charge or credit to profit or loss.

Deferred consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the deferred consideration, which is deemed to be an asset or liability, are recognised either in the profit and loss account or in other comprehensive income.

3. Average number of employees

	2020 £000	2019 £000
Management and administration	**17**	11

4. Investments

	2020 £000	2019 £000
Shares in Group undertakings	**4,521**	438

Additions of £4,083m in the year relate to the acquisition of Velocimetrics Ltd. Details of the acquisition can be found in note 9 of the Group financial statements and details of all subsidiary companies in note 24.

5. Deferred tax

	2020 £000	2019 £000
Tax losses carried forward		4
Share based payments, recognised in equity	–	27
Deferred tax asset	–	31

6. Current assets – Trade and other receivables

	2020 £000	2019 £000
Other receivables	–	3
Repayments and accrued interest	**48**	24
Amounts due from Group undertakings	**4,198**	2,561
	4,246	2,588

Strategic Report
Governance
Financials

Notes to the Company Financial Statements continued

7. Current liabilities – Trade and other payables

	2020 £000	2019 £000
Trade payables	**14**	36
Accruals and deferred income	**53**	46
Other taxes	**189**	42
Other payables	**5**	4
Deferred consideration	**552**	–
Contingent consideration	**488**	–
	1,301	128

8. Equity – issued capital

For details of the issued share capital see note 20 in the Group notes.

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 all 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.

During the year £333,000 was recognised within the merger reserve, which arose on the share for share exchange reflecting the difference between the nominal value of the share capital issued from Beeks Financial Group plc and the value of the shares issued to the owners of Velocimetrics Ltd at the date of acquisition.

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.

11. Capital commitments

The Company had no material capital commitments at 30 June 2020.

12. Contingent liabilities

The Company had no material contingent liabilities at 30 June 2020.

13. Post balance sheet events

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

14. Ultimate controlling party

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

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Company Number SC521839