BEEKS FINANCIAL CLOUD GROUP PLC

ANNUAL REPORT

30 June 2018

Company Number SC521839

General Information

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

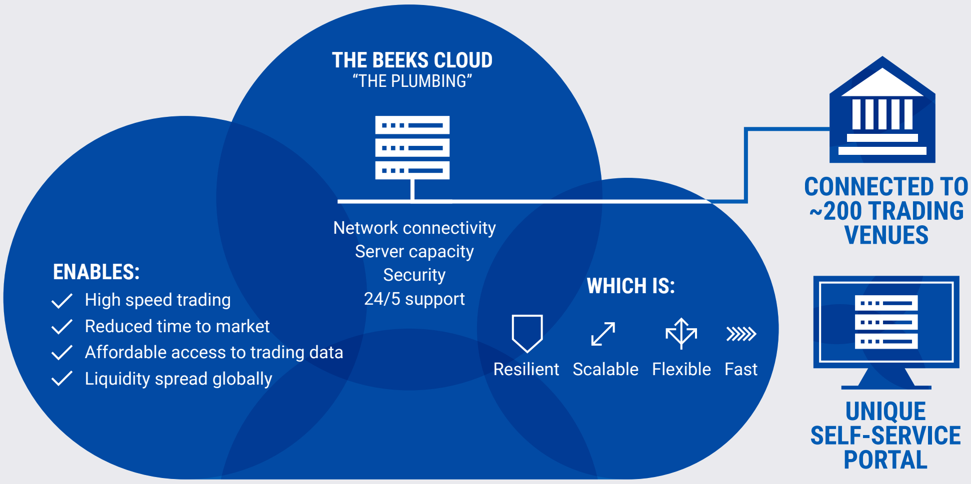
Beeks Financial Cloud Group PLC is a listed public company limited by shares, incorporated and domiciled in the United Kingdom. Its registered office and principal place of business is:

Phoenix House
Pegasus Avenue
Phoenix Business Park
Paisley, PA1 2BH

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2018. The directors have the power to amend and reissue the financial statements.

Contents



Financial and Operational Highlights

FINANCIAL HIGHLIGHTS

- Revenues increased by 41% to £5.58m (2017: £3.97m)
- Annualised Committed Monthly Recurring Revenue (ACMRR) up 47% to £6.9m (2017: £4.7m)
- Gross profit up 90% to £2.98m (2017: £1.57m)
- Gross profit margin 53% (2017: 39%)
- Underlying* EBITDA increased by 258% to £1.95m (2017: £0.54m)
- Underlying* EBITDA margin 35% (2017: 14%)
- Underlying profit before tax** £1.19m (2017: £0.1m)
- Underlying EPS** 2.27p (2017: 0.22p loss)
- Net cash as at 30 June 2018 is £2.09m (2017: Net debt £0.74m)
- Proposed maiden final dividend of 0.3p (2017: 0.0p)

* Underlying EBITDA is defined as earnings before amortisation, depreciation, finance costs, taxation and IPO exceptional costs

** Underlying profit before tax and underlying EPS excludes amortisation on acquired intangibles and IPO exceptional costs

OPERATIONAL HIGHLIGHTS

- Successfully completed IPO onto the London AIM market in November 2017, raising £4.5m
- Entry into new asset classes including Fixed Income, Cryptocurrencies and Equities
- Geographical expansion into Singapore and opening of sales offices in Shanghai and London
- Number of cloud hosting sites increased to 11, adding new sites in London and the US
- Built and launched industry leading customer self-service portal enabling clients to build their own infrastructure, a unique offering in the financial services sector
- Number of institutional clients increased to 192 as at 30 June 2018 (30 June 2017: 156)
- Largest customer is 5% of revenues (2017: 4%)
- Top 10 customers produce 29% of revenues (2017: 28%)

OUTLOOK

- Strong pipeline of sales opportunities
- Confident in continued strong organic growth in 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 £0.75m (2017: £0.76m loss)
- Basic EPS was 2.37p (2017: 44.00p loss)

Our Company at a Glance

WHAT WE DO

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

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

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

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

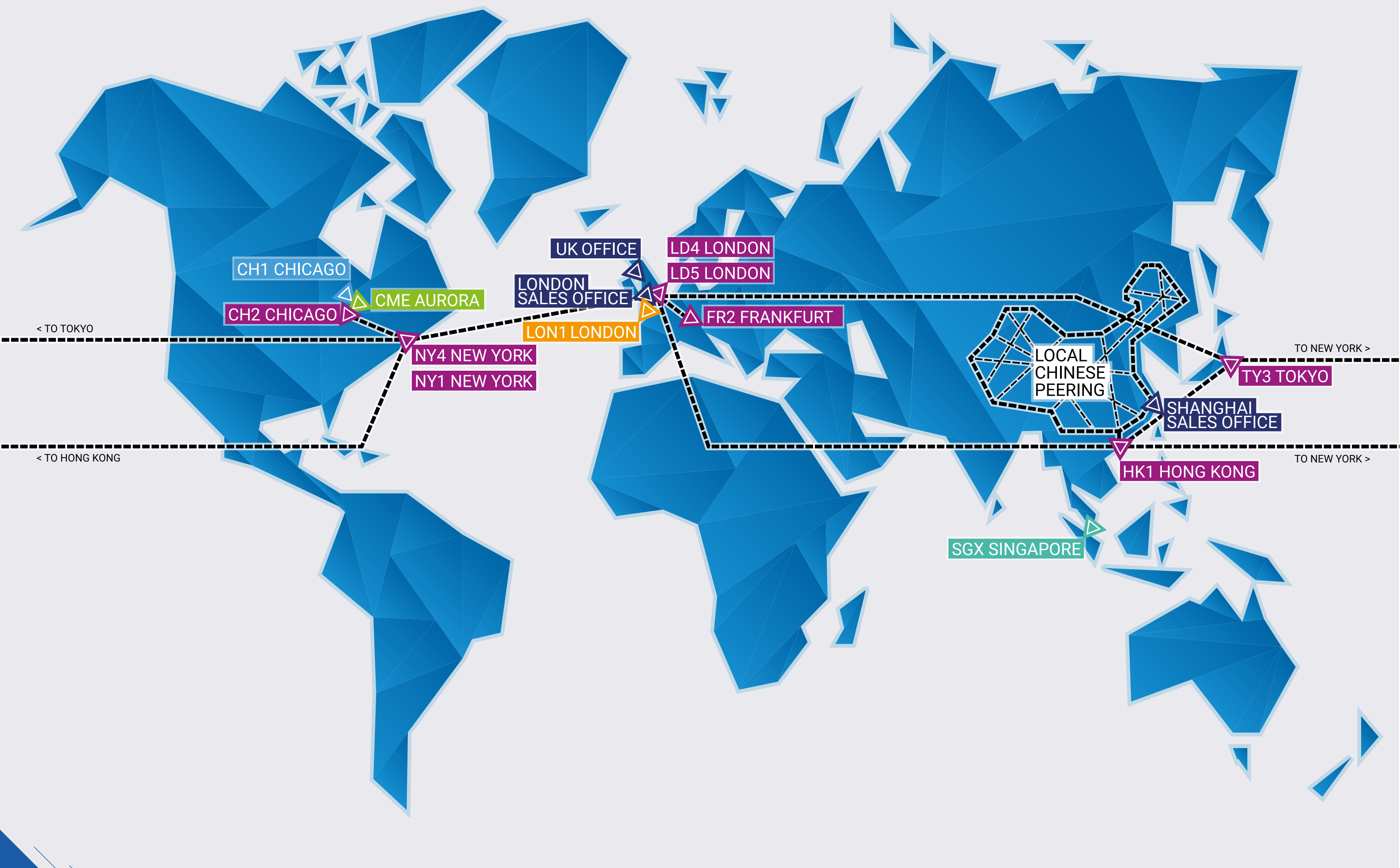
OFFICE LOCATIONS

» Paisley, UK
» London, UK
» Tokyo, Japan
» Shanghai, China
» Surabaya, Indonesia

DATA CENTRE LOCATIONS

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

Our Global Network



Chairman's Statement

I am delighted to report on a successful first year trading for Beeks Financial Cloud as a public company. The strong revenue growth delivered each year since inception has continued in 2017/18 with revenues growing by 41% to £5.58m, resulting in an increase in underlying EBITDA by 258% to £1.95m, with a strong annualised committed monthly recurring revenue moving into 2018/19.

The successful IPO on AIM in November 2017 was a key strategic development for the business in the first half of the year, providing Beeks with the funds to continue to invest in the expansion of its offerings and geographical presence, capitalising on the global growth in automated trading. With the addition of Singapore, Beeks can now offer hosting in 11 geographical locations, each in proximity to leading global financial markets. We have also expanded the range of asset classes to which we provide access to include Fixed Income, Cryptocurrencies and Equities. While the majority of revenue is still associated with forex and futures automated trading, the increased breadth of our offering further strengthens our competitive position and provides the potential for additional growth.

Our cloud based infrastructure and connectivity considerably reduces barriers to entry and time to market for financial institutions looking to roll out infrastructure to key trading locations around the globe. The Company's business model generates high levels of recurring revenue with a high retention rate from a growing number of clients. This, coupled with the investments made into the infrastructure of the business over the past two years, provides Beeks with a highly scalable business.

As we move into 2018/19, activity will be focused on continued geographical expansion and enhancements to our offerings. The Board remains confident in the continued growth prospects of the Group and in a successful outcome to 2018/19 and beyond.

We would like to take this opportunity to thank our global team for their hard work which has enabled our successful evolution into a public company and will be the backbone of our future growth.

Mark Cubitt
Chairman
28 August 2018

Our Strategic Overview

MARKET OVERVIEW

The Group continues to operate successfully in a demanding, time-sensitive industry. Our addressable market is extensive with up to 20,000 financial institutions as potential customers. The majority of these organisations are currently utilising their own IT infrastructure and are yet to move to the cloud computing model. We believe the decreased latency, flexibility and cost-benefits of cloud computing that we facilitate will see a gradual long-term shift to this model. Our innovations such as the self-service portal, allow us to enhance the efficiency of our services and take advantage of new opportunities in our market.

BUSINESS MODEL

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

Beeks provides:

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

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

STRATEGY

Our strategy is to continue to grow organically through the expansion of our service offerings to both our existing customer base and to new customers. We will selectively expand within our existing asset classes and add new geographies to our portfolio in order to further satisfy client demand where we see operational leverage.

The main priority to drive shareholder value is through organic growth. With the business currently servicing what the directors believe is less than 1% of our addressable market, we believe the scope for growing organically is substantial. Our business model is highly scalable and our existing infrastructure has the capacity to exploit this market opportunity.

The Company has acquired in the past and will continue to explore suitable acquisition opportunities to accelerate growth. We are looking to acquire organisations that are growing, profitable and are either a respected competitor or an organisation that will add value to Beeks' product offering.

During 2017/18 we have evaluated a number of businesses but none that met our acquisition criteria. As can be seen, however, this has not hindered our ability to strongly grow the business.

HEADCOUNT AND RECRUITMENT

The Group now employs 33 people globally. Our new recruits over the last 12 months include experienced financial markets professionals, which we believe add considerable value to the Company by enabling us to access some of the larger customers in our sector. Whilst we continue to hire quality people, our aim is to automate tasks wherever possible - from billing through to service delivery, to allow us to provide a competitive price and to build operational leverage.

Strategic Report - Chief Executive's Review

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

We are pleased to report our full year results, for the first time as a public company, and are extremely proud of the Group's achievements since we began operations in 2011. We have established Beeks as a leading technology provider to the growing automated trading market in foreign exchange and financial futures products and have now entered into equities, fixed income and cryptocurrency markets. We have continued to increase the number of financial institutions using our platform, and now have almost 200 connections to trading venues globally across eleven data centre locations.

We continue to see considerable momentum towards the adoption of our business model in our marketplace. Our cloud-based Infrastructure as a Service ('IaaS') model allows financial organisations the flexibility and agility to deploy and connect to a variety of trading venues globally, at speed and at a fraction of the cost of building their own networks and infrastructure.

The admission of our shares to trading on AIM in November 2017 was a significant milestone in our evolution, and was always part of the management team's business plan. The successful capital raise puts the Company on a sound footing as well as providing the business with a strong platform from which to expand its geographic offering and exploit any acquisitions that we believe may add value to the Group.

FINANCIAL PERFORMANCE

I am delighted with the record results achieved during our first year of trading as an AIM listed company. Revenue increased by 41% year on year with growth in institutional sales, on which management is focussed, particularly encouraging. Beeks has strong recurring revenue and customer retention remained high with losses mainly as a result of customers exiting the market. Monthly and quarterly new sales wins can be subject to seasonality and there was a slightly lower level of new sales immediately after the Company's IPO in November 2017. The Board are strongly encouraged, however, by the record performance in the last quarter of the year in which Beeks saw its highest ever level of new business closed. Our Annualised Committed Monthly Recurring Revenues (ACMRR) at 30 June 2018 reached £6.9m, up £2.2m since 30 June 2017.

Our margins increased as expected as we continue to utilise the capacity and investments already made in the Group over the past 18 months, resulting in underlying EBITDA increasing 258% to £1.95m (2017: £0.54m).

MARKET & STRATEGY

Our principal objective is to grow our institutional customer base in the markets for automated trading. Financial institutions around the world are looking to increase their customer offerings and require sophisticated cloud-based technology platforms to do so. Growth will be achieved through the entry into new geographies, further development of our offerings across the asset classes, and the continued evolution of our self-service web portal, which we recently released with full dedicated server automated provisioning to compliment the VPS offering released in Phase 1 of the product. This is a major milestone and we believe gives the Group competitive advantage in terms of deployment speeds against our peers.

We will continue to add further services to our platform, such as data feeds from additional trading venues, data normalisation (where data from trading venues is collated and packaged), cloud data recovery and additional connectivity offerings and WAN capacity. We will also look at both bolt on acquisition opportunities and larger, more strategic initiatives. We have strict criteria for both valuation metrics and target performance which will be used to evaluate any potential opportunities.

COMPETITIVE POSITIONING

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

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

OPERATIONAL EXPANSION

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

Headcount increased to 33 as at 30 June 2018, up from 22 as at 30 June 2017, predominantly in the areas of technical support, delivery and sales. We have expanded our sales team and appointed an experienced Commercial Director to grow our direct sales presence. We plan on continuing to expand this direct sales presence throughout the next financial year.

We have continued our geographical expansion, including establishing connectivity and cloud compute capability in the Singapore Exchange, Asia's leading international, multi-asset exchange. We launched a new data centre site at 165 Halsey in New Jersey which has become the Beeks Point of Presence for WAN connectivity into the USA. The Halsey data centre is one of the most connected centres in the world and allows us to connect to a wide variety of ISPs to extend our WAN presence and other offerings. A further addition in London brings our total number of sites to 11. We are assessing a number of new locations for infrastructure deployment in the year ahead with further expansion in Asia and our first deployment in South America currently being considered. We will deploy into a site if we believe we have the business opportunities to make it break even at a monthly operating level within 12 months of launch.

With recent regulatory changes in the domestic Chinese market we are adopting a "wait and see" strategy before we invest in hard assets in country, although we are in the process of establishing a local entity registered to trade which will be supported by a small local team based in Shanghai.

The year has seen us expand into new asset classes, including the delivery of the first Fixed Income project and the launch into the cryptocurrency market via a collaboration with Gemini, a next-generation digital asset exchange and custodian, located in New York. Both of these generated revenue in the year and we anticipate will provide a growing contribution in the year ahead. We also added connectivity to IEX, the New York Exchange, in order to enter the Equities automated trading market. This is very much just an initial step into Equities and we will expand our offering in this area.

We have carried out several important initiatives in the year to enhance our sales channels. The first, in November, saw the launch of the Beeks Partner Portal, an industry-leading customer self-service portal that automates the creation of infrastructure to allow clients the ability to build servers themselves. By reducing human intervention, the speed and ease of the provision of products is greatly improved with a basic virtual private server, the building block for our clients being able to trade, being ready in as little as five minutes. This is unique to Beeks in the financial services sector. We have also joined the Equinix Cloud Exchange™ Fabric which is the largest Cloud marketplace of its kind in the world and allows any participant within the Equinix Cloud Exchange to connect to Beeks via the Exchange. We have opened additional sales support offices in Shanghai and London, to better respond to the rising demand from Chinese-speaking customers, and to be better placed for face-to-face presence with our high number of existing and potential clients in London.

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

CUSTOMERS

Institutional customer numbers using the platform grew from 156 at 30 June 2017 to 192 at 30 June 2018. Beeks now caters for banks as well as brokers and hedge funds. Our recent collaborations in the cryptocurrency industry has opened up a new scope of customers and partners in this market, such as crypto traders, brokers and exchanges, with the first revenue generated in Q4 of the year.

FUTURE GROWTH AND OUTLOOK

Our business opportunities remain strong going into the start of the new financial year as we see continued momentum to our Infrastructure as a Service model. We are confident the business will continue to grow. We will roll out more cloud hosting and have a strategic focus on Asia over the near term. With an established and growing customer base, high levels of recurring revenue and strong market drivers, we are confident in delivering a successful outcome for the year ahead.

Gordon McArthur

Gordon McArthur
Chief Executive Officer
28 August 2018

Strategic Report - Financial Review

Group revenues grew by 40.6% to £5.58m (2017: £3.97m), driven by continued organic growth. 99% of the Group's revenues were recurring. Annualised Committed Monthly Recurring Revenues (ACMRR) increased by 46.8% to £6.9m (2017: £4.7m).

Gross profit earned increased 90.0% to £2.98m (2017: £1.57m) and the Group saw an increase in gross margins from 39.5% to 53.4% as a result of the previous investments made in capacity now becoming revenue generating. Earnings before interest, tax, depreciation, amortisation and exceptional costs ("Underlying EBITDA") increased by 258.3% to £1.95m (2017: £0.54m) with underlying EBITDA margins increasing to 34.9% (2017: 13.7%).

PROFIT BEFORE TAX

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Profit / (loss) before tax for the period	747	(761)
Add back:		
IPO exceptional costs	368	736
Amortisation of acquired intangibles	76	80
Underlying profit before tax for the period	**1,191**	**55**

Reported profit before tax increased to £0.75m (2017: loss £0.76m) as a result of increased sales and improved margins following significant investment in capacity as well as lower exceptional costs.

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.

Underlying EBITDA increased by 258.3% to £1.95m (2017: £0.54m) impacted by a strong organic growth performance which has capitalised on the capacity investments previously made.

Cost of sales has increased by 8.3% to £2.6m (2017: £2.4m), largely due to an increase in depreciation of 47.5% to £0.6m (2017: £0.4m). This was due to the significant investment in operational fixed assets during the year. Administrative expenses excluding IPO exceptional costs increased by 13.8% to £1.71m (2017: £1.51m) largely resulting from increased costs of being a public company and higher staff costs.

Finance costs have increased to £0.16m (2017: £0.09m) due to additional finance leases being taken prior to the listing on AIM when additional funds became available. No additional leases have been signed since that date.

The Group has invested in developing innovative technology solutions and has incurred capitalised development costs of £0.4m (2017: £nil).

TAXATION

The effective tax rate ('ETR') for the period was (1.3%), (2017: 0.0%).

The tax rate in 2017 and 2018 has been impacted by the significant disallowable costs relating to the IPO, which has increased the ETR. The ETR has been reduced by R&D tax credit claims for 2017 and 2018, which we would expect to continue in future years. The ETR has been further reduced by deductions for share options exercised during the year. Tax has become payable in the US for the first time which was at a higher rate, although tax reforms in the US will impact the future tax charge as the rates reduce.

EARNINGS PER SHARE AND DIVIDENDS

Basic earnings per share rose to 2.37p (2017: loss 44.00p). Diluted earnings per share rose to 2.26p (2017: loss 44.00p).

Underlying earnings per share rose to 2.27p (2017: 0.22p loss). Underlying diluted earnings per share rose to 2.20p (2017: 0.22p loss).

The Board proposes a final dividend of 0.3p (2017: 0.0p). This is in line with our progressive dividend policy for dividend growth. Subject to shareholder approval at the forthcoming Annual General Meeting, the final dividend is expected to be paid on 31 October 2018 to shareholders on the register at 28 September 2018.

BALANCE SHEET AND CASH FLOWS

The Group's balance sheet was strengthened during the period due to the successful Admission of the Company to trading on AIM in November 2017 which was accompanied by the issue of 9 million ordinary shares at a price of 50 pence each raising £4.5m before costs. The funds raised on Admission have strengthened the Group's working capital position providing us with greater financial flexibility and will enable the Group to reduce its use of asset finance.

At 30 June 2018 net assets were £4.84m compared to net liabilities of £0.38m at 30 June 2017.

The Group ended the period with net cash (cash less loans and leases) of £2.09m (30 June 2017: net debt £0.74m).

The Group's outstanding borrowings and finance leases stood at £0.80m at 30 June 2018 (30 June 2017: £0.76m) and is expected to fall as cash resources are used to acquire additional infrastructure equipment in place of expensive historic lease finance.

Deferred income, representing invoiced subscriptions yet to be recognised in revenue stood at £0.21m (30 June 2017: £0.15m).

KEY PERFORMANCE INDICATOR REVIEW

	2018	2017	Growth
Revenue	£5.58m	£3.97m	40.6%
ACMRR	£6.90m	£4.70m	46.8%
Gross margin	53.4%	39.5%	
Underlying EBITDA *	£1.95m	£0.54m	258.3%
Underlying EBITDA margin *	34.9%	13.7%	
Underlying profit before tax **	£1.19m	£0.06m	2,065.5%
Underlying EPS (Note 23) **	2.27p	(0.22)p	
Dividend per share	0.30p	0.00p	

* Underlying EBITDA is defined as earnings before amortisation, depreciation, finance costs, taxation and IPO exceptional costs

** Underlying profit before tax and underlying EPS excludes amortisation on acquired intangibles and IPO exceptional costs

Simon Goulding
Chief Financial Officer
28 August 2018

Strategic Report - Principal Risks and Uncertainties

Risk management processes and internal control procedures are established within the company. Risk identification, assessment and mitigation are performed across Beeks Financial Cloud at an operational level, and through Board led assessment of strategic and market risk. Risk management and internal controls provide reasonable but not absolute protection against risk. Risk appetite is not static and is regularly assessed by the Board to ensure it continues to be aligned with the Group's goals and strategy.

BOARD

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

AUDIT COMMITTEE

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

RISKS RELATING TO BEEKS AND ITS BUSINESS

(a) Cyber Risk

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

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

(b) Key systems failure, disruption and interruption

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

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

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

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

(c) Actions of third parties and suppliers

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

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

(d) Terms of client contracts

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

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

(e) Reliance on key individuals

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

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

(f) Competition

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

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

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

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

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

(h) Achievement of strategic aims

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

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

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

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

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

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

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

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

The strategic report on z s 4 to 11 has been approved by the board and signed on its behalf by

Gordon McArthur
Chief Executive Officer
28 August 2018

Board of Directors

MARK CUBITT, NON-EXECUTIVE CHAIRMAN, AGE 55

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

GORDON MCARTHUR, CHIEF EXECUTIVE OFFICER, AGE 42

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

SIMON GOULDING, CHIEF FINANCIAL OFFICER, AGE 53

Simon Goulding has over 25 years' experience in finance, management and consultancy. Having commenced his career at KPMG, Simon has held finance and senior management roles at Arthur Andersen, Deloitte Consulting, Blandy & Blandy LLP and Campbell Dallas LLP. Simon first worked with Beeks in 2012 whilst running his own consulting business, and joined on a permanent basis in December 2015. Simon is a Chartered Accountant and has a BComm (Acc) from the University of Birmingham.

CHRISTOPHER LIVESEY, NON-EXECUTIVE DIRECTOR, AGE 49

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

WILLIAM MELDRUM, NON-EXECUTIVE DIRECTOR, AGE 50

Will 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 Edinburgh University and an MBA from London Business School.

Directors' Report

RESULTS AND DIVIDENDS

The Group's audited financial statements for the year ended 30 June 2018 are set out on pages 28 to 55. The Group's profit for the year after tax amounted to £0.76m (2017: £0.76m loss).

The Directors will propose, at the forthcoming AGM, a final dividend of 0.3 pence per share in respect of the year ended 30 June 2018.

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 4 to 11.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and their 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. In addition, the Chairman, Mark Cubitt holds 70,707 ordinary shares, William Meldrum holds 23,500 ordinary shares and the director Simon Goulding holds 628,800 share options (refer to page 15 Remuneration Report). Christopher Livesey does not have any shareholdings.

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 2018, the Company was aware of the following interests in 3% or more of its issued share capital of 50,043,100 ordinary shares of £0.00125.

	Number of shares	%
Gordon McArthur **	30,276,076	60.50%
Canaccord Genuity Wealth Management (Inst.)	4,138,000	8.27%
Anthony Doleman	2,352,206	4.70%
Octopus Investments Ltd	2,000.000	4.00%
Livingbridge EP LLP	1,500,00	3.00%

**Includes 740,000 Ordinary Shares held by Gordon McArthur's wife, Claire McArthur, representing 1.48 per cent. of the issued share capital post-Admission.
Note: Gordon McArthur is a Director of the Group PLC Board and Anthony Doleman is a director of the Group subsidiary, Beeks Financial Cloud Limited.

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 14 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 14 of the Group accounts.

INTEREST RATE RISK

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

GOING CONCERN

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

AIM RULE COMPLIANCE REPORT

Beeks Financial Cloud PLC is quoted on AIM and as a result the Company has complied with AIM Rule 31. Further information on AIM compliance is explained in the Corporate Governance Report on pages 17 to 20.

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

Simon Goulding
Chief Financial Officer
28 August 2018

Report on Remuneration

REMUNERATION COMMITTEE

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

DIRECTORS' REMUNERATION

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

2017	Basic Salary £'000	Bonus £'000	Benefits in Kind £'000	Total £'000	Pension £'000
Executive Directors					
Gordon McArthur	51	-	8	59	-
Simon Goulding	59	-	-	59	1
Non-Executive Directors					
Mark Cubitt	10	-	-	10	-
William Weldrum	8	-	-	8	
Christopher Livesey	7	-	-	7	-
Total	135	-	8	143	1

* A bonus of £40,000 was paid to the director, Simon Goulding on admission to AIM.

A 5% pay increase has been approved for the executive directors effective from 1 August 2018.

NON-EXECUTIVE DIRECTORS

The Board, based on a recommendation by the Chairman of the Remuneration Committee or, in the case of the Chairman, the remainder of the Board, determines the remuneration of the Non-Executive Directors. The salary of the non-executive directors increased to £35,000 per annum from the date of the IPO.

SERVICE CONTRACTS

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

SHARE OPTIONS

There have been no awards of share options during the year. Directors share options are detailed below:

Director	Date of Grant	Option Shares	Vesting Date	Lapse Date	Exercise Price (£)
Simon Goulding	20/06/2016	628,800	27/11/2017	19/06/2026	0.00125

A LTIP (Long Term Investment Plan) has been established for senior management, including executive directors which will commence from 1 September 2018. Under the plan annual share awards will be made up to 100% of basic salary which vest over three years based on challenging performance conditions.

For the current year awards the individual limit will be capped at £70,000 of shares which will vest fully if 25% CAGR (Compound Annual Growth Rate) in underlying EPS is achieved, with zero vesting below 15% CAGR, and proportionate from 15% to 25% CAGR.

A one-off award is also being made to a limited number of individuals which will vest over two years and is being made in respect of awards postponed last year during the IPO process.

DIRECTORS' SHARE INTERESTS

The Directors' shareholdings in the Company is shown in the Directors' Report on pages 13 to 14.

Mark Cubitt
Chairman of the Remuneration Committee
28 August 2018

Corporate Governance

The Company is committed to achieving and maintaining the highest standards of corporate governance. On admission of its shares to AIM in November 2017, the Board resolved to adopt the Quoted Company Alliance Corporate Governance Code (as updated from time to time, the 'QCA Code'). The Board believes that the QCA Code is more appropriate for a company of the Company's size than the UK Corporate Governance Code (the "Code") published by the Financial Reporting Council. The Group has, however, reported on corporate governance arrangements by drawing upon best practice available, including those aspects of the Code considered to be relevant to the Group. The Board receives advice on best practice corporate governance compliance and this has supported its governance practice.

BOARD OF DIRECTORS

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 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.

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.

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 advised by its Auditors on future changes to such accounting policies. In the coming financial year, the business will be preparing for the adoption of IFRS15 and IFRS 9.

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.

The main PLC Board comprises three Non-Executive Directors and two Executive Directors.

The Board met seven times during the financial year following the Company's admission to AIM under the terms of reference of the Board. The Group has a highly committed and experienced Board and is supported by qualified executive and senior management teams.

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 2018 the PLC Board comprises the Non-Executive Chairman, the CEO, the CFO and two Non-Executive Directors. Short biographies of the Directors are given on page 12. The Board is satisfied with the balance between Executive and Non-Executive Directors. The Board considers that its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

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

A formal process would then be undertaken, which may involve external recruitment agencies, with appropriate consideration being given, in regards to Executive appointments, to internal and external candidates. Before undertaking the appointment of a Non-Executive Director, the Chairman establishes that the prospective Director can give the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

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 21 to 22. The Audit Committee is chaired by Mark Cubitt and includes William Meldrum.

The Nomination and Remuneration Committee is chaired by Mark Cubitt and includes William Meldrum and Christopher Livesey. The Committee has overall responsibility for making recommendations to the Board of the remuneration packages of the Executive Directors.

These Board operate under the terms of reference as set out in the Group's Financial Position and Prospects.

The Audit Committee and the Nominations and Remuneration Committee met twice during the year.

EXECUTIVE RISK REPORTING TO THE BOARD

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.

RE-ELECTION

Under the Code, Directors should offer themselves for re-election at regular intervals. It is proposed that all five directors will be put forward for re-election at the Group's AGM which will be scheduled during October 2018.

INTERNAL CONTROL

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
- 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Accounts and the 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. The Directors have elected to prepare the Company financial statements in accordance with FRS101 "Reduced Disclosure Framework". 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 Group and Company 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 UK Accounting Standards have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements; and
» prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The Directors confirm that:

» so far as each Director is aware, there is no relevant audit information of which the Group'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 Group's Auditor is aware of that information

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.

INFORMATION AND DEVELOPMENT

The Code requires that the Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. The Chairman is responsible for ensuring that all the Directors continually update their skills, knowledge and familiarity with the Group in order to fulfil their role on the Board and the Board's Committees. Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by external advisors, the CFO and Legal Counsel. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring its procedures, are properly complied with and that the discussions and decisions are appropriately minuted. Directors may seek independent professional advice at the Group's expense in furtherance of their duties as Directors. Training on matters relevant to their role is available to all Board Directors.

INVESTOR RELATIONS

Beeks Financial Cloud is committed to open communication with all its shareholders. The Directors hold regular meetings with institutional shareholders to discuss and review the Group's activities and objectives. Communication with private shareholders will be principally through the Annual General Meeting, where participation is encouraged and where the Board is available to answer questions. Beeks Financial Cloud maintains up-to-date information on the Investor Relations section of its website, www.beeksfinanacialcloud.com. The CEO and CFO meet institutional investors immediately after publication of the annual and interim results, and on an ongoing basis as required. In 2017 there was extensive investor engagement with the Executive as part of the IPO process. In respect of the annual and interim results, 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.

Trading updates and press releases are issued as appropriate and the Group'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 Group's website. 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. Beeks Financial Cloud strives to give a full, timely and realistic assessment of its business in all price-sensitive reports and presentations.

CORPORATE CULTURE

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 communication; ensuring that employees are equally understood, trusted, and that individual cultural values and languages are respected. 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 customers. The culture of the company is promoted to employees through internal communications and is communicated to prospective employees in the Group's recruitment process. The Board is in the process of introducing an employee handbook that includes guidelines on the culture of the company and how this should be reflected in employees' individual conduct, as a means of monitoring the company culture.

AIM RULE COMPLIANCE REPORT

Beeks Financial Cloud PLC is quoted on AIM, London Stock Exchange's international market for smaller growing companies. Beeks Financial Cloud complied with the AIM Rules, in particular AIM Rule 31 which requires the following:

- sufficient procedures, resources and controls to enable its compliance witth the AIM Rules;
- seek advice from Nominated Adviser ('Nomad") regarding its compliance with the Rules whenever appropriate and take that advice into account;
- provide the Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisers, including any proposed changes to the Board and provision of draft notifications in advance;
- ensure that each of the Directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and
- ensure that each Director discloses without delay all information which the Group needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the Director or could with reasonable diligence be ascertained by the director.

By order of the Board

Simon Goulding
Chief Financial Officer
28 August 2018

Report of the Audit Committee

OVERVIEW

This report details the activities of the Committee during the financial year ended 30 June 2018. 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 Simon Goulding were welcome to attend the meetings if they wish. Simon Goulding was in attendance in all meetings of the Audit Committee in the year and Gordon McArthur attended one.

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 whistleblowers.

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

COMMITTEE ACTIVITIES IN THE FINANCIAL YEAR ENDING 30 JUNE 2018

The Committee met three times in relation to the financial year ended 30 June 2018, two of the meetings were post year end, with the third meeting to approve the annual accounts . In addition to standing items on the agenda, the Committee:

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

INDEPENDENCE AND OBJECTIVITY OF THE AUDITOR

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

NON-AUDIT FEES

The Committee approves all non-audit work commissioned from the external auditors. During the year the fees paid to the Auditor were £33,000 for Group and subsidiary audit and £6,000 for the interim audit services. During May 2016 to November 2017, £215,000 was paid in relation to the Reporting accountant work in achieving the Group's AIM listing. Any other non-audit services provided by the Auditor were in respect of corporation tax and HMRC compliance. The Committee concluded that it was in the interests of the Group to use the Auditor for this work as they were considered to be best placed to provide these services.

OTHER MATTERS

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

REPORTING RESPONSIBILITIES

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

Mark Cubitt
Chairman of the Audit Committee
28 August 2018

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

OPINION

Our opinion on the group financial statements is unmodified

We have audited the group financial statements of Beeks Financial Cloud Group PLC for the year ended 30 June 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the consolidated 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 2018 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.

WHO WE ARE REPORTING TO

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.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OVERVIEW OF OUR AUDIT APPROACH

- Overall materiality: £78,000, which represents 4% of the Group's earnings before depreciation, amortisation and IPO exceptional costs;
- Key audit matters were identified as revenue recognition and intangible asset valuation; and
- Full scope audit procedures have been performed on the financial information of the parent company and the UK trading component, with targeted procedures around the US operations.

KEY AUDIT MATTERS

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

Key audit matters are those matters that, in our professional judgment, 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

Revenue recognised in the year to 30 June 2018 is £5.6 million (30 June 2017: £4.0 million). Revenue is derived from two key revenue streams, institutional and retail revenue. The majority of revenue is earned for access to cloud services for a specified time period and recognised over time on this basis.

As a result of the significance of the number as a key performance indicator for the business and the users of the financial statements, we therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Our audit work included, but was not restricted to:

» Assessing the revenue recognition accounting policies applied by the group against the financial reporting framework, and confirming that the accounting treatment was in accordance with this policy;
» Performing detailed sample testing of both key revenue streams back to supporting documentation and recalculating and agreeing that revenue was appropriately accrued or deferred as required for the detailed sample above.

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

We gained sufficient audit evidence to support revenue recognition. No matters arose from the audit procedures performed and based on our audit work, we concluded that revenue is appropriately recognised.

KEY AUDIT MATTERS HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Intangible asset capitalisation

Development costs of £384,000 relating to three IT projects were capitalised as intangible assets during the year. There is a risk that this expenditure does not meet the criteria for recognition under International Accounting Standard (IAS) 38 'Intangible assets'.

Management judgement is required to identify which costs meet the criteria of directly attributable costs.

We therefore identified intangible asset valuation as a significant risk, which was one of the most significant assessed risks of material misstatement.

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Our audit work included, but was not restricted to:

- Assessment of the accounting policy against the financial reporting framework and confirmed that the accounting treatment was in line with that policy;
- Challenging management's assessment that both projects were separately identifiable, that the Group has the power to obtain the future economic benefits from the asset, and that there are clear future economic benefits likely to be derived from the asset through obtaining management's assessment and confirming that each criterion has been met;
- Assessing all key inputs, assumptions and judgements made in the process of creating management models through agreeing to underlying support; and
- Substantively testing a sample of capitalised costs back to supporting documentation.

The group's accounting policy on intangible assets and amortisation, including intangible asset valuation, is shown in note 1 to the financial statements and related disclosures are included in note 9.

Key observations

We gained sufficient audit evidence relating to the capitalisation and valuation of intangible assets. We confirmed that the projects and individual costs met the IAS 38 'Intangible assets' criteria, and substantiated the costs to supporting documentation.

OUR APPLICATION OF MATERIALITY

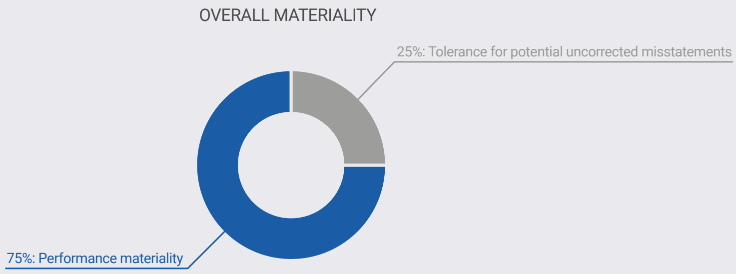
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating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

We determined materiality for the audit of the group financial statements as a whole to be £78,000, which is 4% of the group's earnings before depreciation, amortisation and IPO costs. This benchmark is considered the most appropriate because it is the most important key performance indicator for management and investors.

Materiality for the current year is higher than the level that we determined for the year ended 30 June 2017 to reflect the significant growth in recurring earnings before depreciation, amortisation and IPO costs in the year.

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

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



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

We determined the threshold at which we will communicate misstatements to the audit committee to be £3,900. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the statement of directors' responsibilities, 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 for the year ended 30 June 2018. That report includes how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit. We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

Grant Thornton UK LLP

James Chadwick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
28 August 2018

Consolidated statement of comprehensive income
For the year ended 30 June 2018

		Consolidated	
	Notes	2018 £'000	2017 £'000
Revenue	3	5,583	3,970
Cost of sales		(2,602)	(2,401)
Gross profit		2,981	1,569
Administrative expenses		(2,081)	(2,242)
Operating profit	5	900	(673)
Analysed as:			
Earnings before depreciation, amortisation and IPO Exceptional costs		1,946	543
Depreciation	10	(584)	(400)
Amortisation of intangibles	9	(94)	(80)
IPO Exceptional costs	5	(368)	(736)
Operating profit	5	900	(673)
Finance income		2	-
Finance costs	4	(155)	(88)
Profit/(loss) before taxation expense		747	(761)
Taxation	8	10	-
Profit/(loss) after taxation expense for the year attributable to the owners of Beeks Financial Cloud Group PLC		757	(761)
Other comprehensive income			
Items that may be reclassified to Statement of Comprehensive income			
Exchange gains on retranslation of foreign operations		1	12
Other comprehensive income for the year, net of tax		1	12
Total comprehensive income for the year attributable to the owners of Beeks Financial Cloud Group PLC		758	(749)

		Pence	Pence
Basic earnings per share	23	2.37	(44.00)
Diluted earnings per share	23	2.26	(44.00)

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

Consolidated statement of financial position
As at 30 June 2018

		Consolidated	
	Notes	2018 £'000	2017 £'000
Assets			
Non-current assets			
Intangibles	9	852	574
Property, plant and equipment	10	2,137	1,302
Deferred tax	11	255	27
Total non-current assets		3,244	1,903
Current assets			
Trade and other receivables	12	664	392
Cash and cash equivalents	13	2,887	23
Total current assets		3,551	415
Total assets		6,795	2,318
Liabilities			
Non-current liabilities			
Borrowings and other financial liabilities	15	332	398
Deferred tax	11	108	66
Total non-current liabilities		440	464
Current liabilities			
Trade and other payables	16	1,511	2,229
Total current liabilities		1,511	2,229
Total liabilities		1,951	2,693
Net assets/(liabilities)		4,844	(375)
Equity			
Issued capital	17	62	2
Reserves	18	4,450	140
Retained profits/(accumulated losses)		332	(517)
Total equity/(deficiency)		4,844	(375)

The financial statements were approved by the Board of Directors and authorised for issue on 28 August 2018 and are signed on its behalf by:

Gordon McArthur, Chief Executive Officer

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

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

Consolidated statement of changes in equity
For the year ended 30 June 2018

	Issued capital	Foreign currency retranslation reserve	Merger relief reserve	Other reserve	Share premium	Retained profits	Total deficiency in equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2016	2	71	372	(315)	-	244	374
Loss after taxation expense for the year						(761)	(761)
Total comprehensive income for the year	-	-	-	-	-	(761)	(761)
Exchange gain on retranslation of foreign operations	-	12	-	-	-	-	12
Balance at 30 June 2017	2	83	372	(315)	-	(517)	(375)

	Issued capital	Foreign currency retranslation reserve	Merger relief reserve	Other reserve	Share premium	Retained profits	Total deficiency in equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2017	2	83	372	(315)	-	(517)	(375)
Profit after taxation expense for the year	-	-	-	-	-	757	757
Total comprehensive income for the year	-	-	-	-	-	757	757
Exchange loss on retranslation of foreign operations	-	1	-	-	-	-	1
Transactions with owners in their capacity as owners:							
Deferred tax movement on share options	-	-	-	-	-	104	104
Issue of share capital	60	-	-	-	4,309	(12)	4,357
Balance at 30 June 2018	62	84	372	(315)	4,309	332	4,844

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

Consolidated statement of cash flows
For the year ended 30 June 2018

		Consolidated	
	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit/(loss) before taxation expense for the year		747	(761)
Adjustments for:			
Depreciation and amortisation		678	480
Interest received		(2)	-
Interest and other finance costs		155	88
		1,578	(193)
Change in operating assets and liabilities:			
Increase in trade and other receivables		(270)	(56)
(Decrease) / increase in trade and other payables		(768)	928
		540	679
Taxation paid	8	(92)	(60)
Net cash from operating activities		448	619
Cash flows from investing activities			
Acquisitions of trademarks		-	(32)
Payments for intangible assets	9	(384)	-
Payments for property, plant and equipment		(1,071)	(818)
Net cash used in investing activities		(1,455)	(850)
Cash flows from financing activities			
Proceeds from borrowings		-	136
Repayment of borrowings		(78)	(131)
Sale and leaseback of property, plant and equipment		203	584
Finance lease repayments		(458)	(278)
Interest received		2	-
Interest and other finance costs paid	4	(155)	(88)
Proceeds from the issue of new share capital		4,357	-
Net cash from financing activities		3,871	223
Net increase/(decrease) in cash and cash equivalents		2,864	(8)
Cash and cash equivalents at the beginning of the financial year		23	31
Cash and cash equivalents at the end of the financial year	13	2,887	23

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

Notes to the consolidated financial statements

Note 1. Significant accounting policies

CORPORATE INFORMATION

Beeks Financial Cloud Group PLC is a public limited company which is listed on the AIM Market of the London Stock Exchange and is incorporated in Scotland. The address of its registered office is Phoenix House, Pegasus Avenue, Phoenix Business Park, Paisley, PA1 2BH. 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 pound sterling.

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

BASIS OF PREPARATION

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

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

International Financial Reporting Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new standards, amendments and interpretations to existing standards have been published that are mandatory for forthcoming financial periods, but which the Group has not adopted early. These are not expected to have a material impact on the Group's consolidated financial statements:

» IFRS 9: 'Financial instruments' - effective for periods commencing on or after 1 January 2018
» IFRIC 22 'Foreign Currency Transactions and Advance Consideration' - effective for periods commencing on or after 1 Jan 2018
» IFRIC 23: 'Uncertainties over Taxation Treatment' - effective for periods commencing on or after 1 January 2019
» Amendments to IFRS 2: 'Classification and Measurement of Share-based Payment Transactions' - effective for periods commencing on or after 1 Jan 2018
» Amendments to IFRS 4: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' - effective for periods commencing on or after 1 Jan 2018
» Annual Improvements to IFRS Standards 2014-2016 Cycle - effective for periods commencing on or after 1 Jan 2018
» Amendments to IAS 40: 'Transfers of Investment Property' - effective for periods commencing on or after 1 Jan 2018
» Amendments to IFRS 9: 'Prepayment Features with Negative Compensation' - effective for periods commencing on or after 1 Jan 2019
» Amendments to IAS 28: 'Long-term Interests in Associates and Joint Ventures' - effective for periods commencing on or after 1 Jan 2019
» IFRS 17 'Insurance Contracts' - this requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021. The Group will review the impact of this revision during 2018.

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

» IFRS 15 'Revenue from contracts with customers' – effective for periods commencing on or after 1 January 2018. The company do not plan to adopt IFRS 15 early. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Group is required to adopt IFRS 15 for the year ending 30 June 2019. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognised at the date of initial application (the cumulative catch-up transition method).

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to exchange for those goods or services. The Standard introduces a 5-step approach to revenue recognition:

» Step 1: Identify the contract(s) with a customer
» Step 2: Identify the performance obligations in the contract
» Step 3: Determine the transaction price
» Step 4: Allocate the transaction price to the performance obligations in the contract
» Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Note 1. Significant accounting policies (continued)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Group plans to complete a detailed assessment of the impact of IFRS 15 during the second quarter of its current financial year and any changes to revenue recognition or disclosures will be disclosed in the interim financial statements as at 31 December 2018. The current view from the Group is that there is unlikely to be a material impact on revenue recognition.

» IFRS 16 'Leases' – effective for periods commencing on or after 1 January 2019. The impact of this amendment is that operating leases will be shown on the statement of financial position which will increase both the assets and liabilities of the group and will result in some re-classification of costs. The net effect to both the statement of financial position and income statement are not expected to be significant; refer to Note 19 for the future value of capital commitments of operating leases.

ADOPTION OF NEW AND REVISED STANDARDS

There were no additional standards, amendments and interpretations that had a material impact on the Group's financial statements during the year. The following standards, amendments and interpretations were effective in the year but had no material impact on the Group's financial statements

» Disclosure Initiative (Amendments to IAS 7)
» Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12):

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 4 to 11.

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;
» the current level of debt obligations;
» the finance facilities available to the Group, including the availability of any short-term funding required.

The Group prepares regular forecasts and projections of revenues, profits and cash flows that are essential for identifying areas on which management can focus to improve performance and mitigate the possible adverse impact of a deteriorating economic outlook. They also provide projections of working capital requirements. The Directors have reviewed the company's trading forecasts for the 12 months after the year ended 30 June 2018 as part of their going concern assessment, including downside sensitivities, which take into account the uncertainties in the current operating environment.

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

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Note 1. Significant accounting policies (continued)

PRINCIPLES OF CONSOLIDATION

In order to insert the Company as the ultimate holding company of the Group, in financial year 2016/17, the Company entered into a share for share exchange with the then existing shareholders of Beeks Financial Cloud Limited. Management have treated this as a common control transaction and have accounted for this transaction under the predecessor value method. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary or a business is the fair values of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity interests issued to the Group. The consideration transferred includes the fair values of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. Acquisition related costs are expensed as incurred. As each of the subsidiaries are 100% wholly owned, the Group has full control over each of its investees. Intercompany transactions, unrealised gains and losses on intragroup transactions and balances between group companies are eliminated on consolidation.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Pound sterling, which is Beeks Financial Cloud Group PLC's functional and presentation currency.

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.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable net of sales related taxes. The Group follows the principles of IAS 18 "Revenue" in determining appropriate revenue recognition policies. In principle revenue is recognised when it is probable that the economic benefits associated with the transaction will flow into the Group. The Group accounts for revenue at the point, or over the period that, the service is provided. The majority of the Group's revenues are based on a recurring subscription model and therefore revenue recognition is matched with the service provision period. The Group also has a small amount of revenue it earns through some one-off services. There has historically been some re-sale of hardware, which is recognised on delivery to the customer, as well as one-off set up fees which are again recognised on delivery.

The Group has different types of customer payments; annual, monthly, payment in arrears and in advance therefore accounts for revenue by deferring or accruing as is appropriate for the type of customer payment. Business to business revenue is either deferred or accrued depending on the timing of customer billing in relation to the end of the month. Business to customer revenue is deferred due to non-business customers being required to pay in advance for their service.

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.

Note 1. Significant accounting policies (continued)

TAXATION AND DEFERRED TAXATION

The taxation expense or income for the period is the tax payable on the current period's taxable income. This is based on the national taxation 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

Recognition, initial measurement and de-recognition.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets.

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition.

TRADE AND OTHER RECEIVABLES

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

Note 1. Significant accounting policies (continued)

PROPERTY, PLANT AND EQUIPMENT (PPE)

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

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

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

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

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

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

LEASES

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

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

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

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

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

Sale and leaseback transactions

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

For a transaction that results in an operating lease:

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

INTANGIBLE ASSETS AND AMORTISATION

Goodwill

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

Note 1. Significant accounting policies (continued)

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 VDIWare LLC. These relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method over a period of five years.

Development costs

The Group reviews half yearly whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each bi-annual review. During the year ended 30 June 2018, management conducted a comprehensive review of all capitalised development. Development costs relating to the company's customer self service portal and cyber attack prevention products have been capitalised. Management have estimated that five years is an appropriate useful life of these asset based on future revenues and cost savings. All new capitalised development is reviewed on an individual project basis and management will select the most appropriate rate of amortisation for each asset. For details on the estimates made in relation to intangible assets, see note 9.

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 provides 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.

Note 1. Significant accounting policies (continued)

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

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

EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

ROUNDING OF AMOUNTS

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

Note 2. Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets

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

Goodwill and other indefinite life intangible assets

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

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. As with goodwill, sensitivities were run to reduce growth rate assumptions and increase discount rates and there is still sufficient headroom in the asset. All internal activities related to the development of new products are continuously monitored by the Directors. See note 9 for further information.

Taxation

The Group is subject to taxation in the jurisdictions in which it operates. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. 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 11.

Note 3. Segment Information

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

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

During the year ended 30 June 2018, the Group was organised into two main business segments for revenue purposes, institutional and private customers. The group does not place reliance on any specific customer and has no individual customer that generates 5% 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. All of the company's products and services are sold across all geographic locations. Assets are also utilised across all geographic locations and are therefore not split between segments so management review profitability at a group level.

	Consolidated	
Revenues by business segment are as follows:	2018 £'000	2017 £'000
Institutional	4,752	3,110
Retail	831	860
Total	5,583	3,970

	Consolidated	
Revenues by geographic location are as follows:	2018 £'000	2017 £'000
United Kingdom	760	240
Europe	729	438
Rest of World	4,094	3,292
Total	5,583	3,970

	Consolidated	
Non Current Assets by geographic location are as follows:	2018 £'000	2017 £'000
United Kingdom - Property, plant and equipment	1,268	743
Europe - Property, plant and equipment	20	4
Rest of World - Intangible assets	459	174
Rest of World - Goodwill	393	400
Rest of World - Property, plant and equipment	849	555
Total Non Current Assets	2,989	1,876

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 9.

Note 4. Finance Costs

	Consolidated	
	2018 £'000	2017 £'000
Bank charges	62	55
Loans and leasing	89	25
Other finance costs	4	8
Total	155	88

Note 5. Operating profit / (loss)

	Consolidated	
Operating profit / (loss) is stated after charging:	2018 £'000	2017 £'000
Staff costs	1,390	978
Depreciation	584	400
Amortisation of intangibles	94	80
Foreign exchange losses	15	6
Other operating leases	80	123
IPO exceptional items	368	736

IPO exceptional costs have been recognised in relation to the professional adviser and other costs incurred during the process of achieving an AIM admission.

	Consolidated	
Auditor's renumeration:	2018 £'000	2017 £'000
Audit services		
Fees payable for the audit of the consolidation and the parent company accounts	18	7
Fees payable for audit of subsidiaries	15	13
Fees payable for the interim audit of the consolidation and the parent company accounts	6	6
Tax advisory	-	32
Tax compliance	8	10
Corporate finance (listed within IPO exceptional fees above)	62	100
	109	168

Note 6. Average number of employees and employee benefits expense

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

	Consolidated	
	2018	2017
Management and administration	10	9
Support and development staff	13	8
Average number of employees	23	17

Note 6. Average number of employees and employee benefits expense (continued)

The employee benefits expense during the year was as follows:

	Consolidated	
	2018 £'000	2017 £'000
Wages and salaries	1,241	899
Social security costs	139	79
Other pension costs	10	-
Total employee benefits expense	1,390	978

Note 7. Directors' remuneration

	Consolidated	
	2018 £'000	2017 £'000
Aggregate remuneration in respect of qualifying services	304	143
Aggregate amounts of contributions to pension schemes in respect of qualifying services	2	1
Highest paid director - aggregate remuneration	120	59
There are two directors (2017: none) who are accruing retirement benefits in respect of qualifying services.		

Note 8. Taxation expense

	Consolidated	
Current Tax	2018 £'000	2017 £'000
UK Corporation tax on profits for the period	-	12
Foreign tax on overseas companies	56	2
Over provision in respect of prior periods	3	9
Total current tax	59	23

	Consolidated	
Deferred Tax	2018 £'000	2017 £'000
Original and reversal of temporary differences	(53)	(4)
Adjustment for rate change	-	(5)
Adjustments in respect of prior periods	(16)	(14)
Total deferred tax	(69)	(23)
Total tax charge	(10)	-

Note 8. Taxation expense (continued)

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:

	2018 £'000	% ETR movement	2017 £'000	% ETR movement
Profit before tax	**747**		**(761)**	
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19%)	142	19.00%	(145)	19.00%
Effects of:				
Expenses not deductible for tax purposes	16	2.14%	141	(18.53%)
R&D tax credits relief	(63)	(8.43%)	-	-
Tax losses not relieved	-	-	20	(2.63%)
Share option deduction	(104)	(13.92%)	-	-
Prior year over-provision	3	0.40%	9	(1.18%)
Prior year deferred tax adjustments	(16)	(2.14%)	(14)	1.84%
Adjustment for tax rate differences	6	0.80%	(10)	1.31%
Foreign tax suffered	2	0.27%	2	(0.26%)
Other	4	0.54%	(3)	0.39%
Total tax charge	(10)	(1.34%)	-	(0.00%)

The effective tax rate ('ETR') for the period was (1.3%), (2017: 0.0%). Significant tax credits were recognised in 2018, not previously provided for, in respect of R&D claims and deductions for share options exercised during the year. An R&D claim for 2017 has been made which was not provided for in 2017, creating tax losses which were partially utilised in 2017, the balance being brought forward and utilised in 2018. These downward pressures on ETR were partially offset by disallowed expenses, mainly relating to IPO costs, and higher taxes in overseas jurisdictions.

Prior year ETR was affected by significant costs which were disallowable and could not be utilised for tax purposes.

	UK unrelieved trading losses	Foreign unrelieved trading losses	Total unrelieved trading losses	Tax effect
	£'000	£'000	£'000	£'000
Recognised Trading losses				
As at 1 July 2017	-	-	-	-
Recognised during the year	258	315	573	109
As at 30 June 2018	258	315	573	109

There were no unrecognised trading losses during the year

Note 9. Non-current assets - Intangibles

	Intangible Asset - customer list	Intangible Asset - Development costs	Goodwill	Total
Consolidated	£'000	£'000	£'000	£'000
Balance at 1 July 2016	248	-	391	639
FX on opening balances	6	-	9	15
Amortisation expense	(80)	-	-	(80)
Balance at 30 June 2017	174	-	400	574
Additions	-	384	-	384
FX on opening balances	(5)	-	(7)	(12)
Amortisation expense	(76)	(18)	-	(94)
Balance at 30 June 2018	93	366	393	852

The customer list represents the fair value of the acquisition of Gallant VPS Inc which is recognised over a useful life of five years. As at 30 June 2018 the remaining useful life is 9 months. Fair value is not considered to be materially different to the value paid by the Group.

Development costs have been recognised in accordance with IAS 38 in relation to the creation of the company's self service portal, website and cyber attack prevention software (DDoS). As at 30 June 2018 the remaining useful lives of these assets are 4 years and 7 months, 4 years and 6 months and 4 years and 5 months respectively.

Goodwill arising from the acquisition of the business and assets of VDIWare LLC has been capitalised and is assessed on an annual basis for impairment. The revaluation represents exchange adjustment only.

All goodwill and intangible assets primarily support institutional clients. Impairment reviews are carried out on an annual basis considering value in use to ensure that the carrying value of each individual asset is still appropriate. In performing these reviews, under the requirements of IAS 36 "Impairment of Assets" management prepared forecasts for future trading in which assumptions over sales growth, gross margins and costs were applied over a useful life period of five years with an assumption of terminal value. The forecasts were performed assuming an 8% growth in sales with a 5% annual price increase as was applied by the company during December 2017. There was an assumption of 2% growth in costs for the period which was considered prudent and appropriate, using a discount rate of 10%. Management's approach in deriving these assumptions was based on a numbers of factors including historic and forecast growth rates as well as current cost of capital. Sensitivities were applied by reducing the growth by half and increasing the discount rate to 12%. After running these sensitivities, management concluded that there is still sufficient headroom in the value of the asset.

Management consider these assumptions to be reasonable based on current performance of the Group. As at 30 June 2018, no change to the impairment provision against the carrying value of intangibles was required.

Note 10. Non-current assets - Property, plant and equipment

	Computer Equipment	Office Equipment	Leasehold Improvements	Total
Consolidated	£'000	£'000	£'000	£'000
Balance at 1 July 2016	648	-	-	648
Additions	1,604	9	25	1,638
Disposals	(582)	(2)	-	(584)
Depreciation expense	(394)	(2)	(4)	(400)
Balance at 30 June 2017	1,276	5	21	1,302
Additions	1,622	14	5	1,641
Disposals	(222)	-	-	(222)
Depreciation expense	(576)	(3)	(5)	(584)
Balance at 30 June 2018	2,100	16	21	2,137

Disposals of £203,000 (2017: £584,000) relate to sale and leaseback transactions. There were no gains or losses recognised in these sale and leaseback transactions. The assets have been sold at terms which result in them being accounted for under finance leases within computer equipment. The Group recognised a profit of £4,000 (2017: £15,000) in relation to fixed asset disposals during the year.

All depreciation charges are included within cost of sales.

	Computer Equipment
Fixed assets, included in the above, which are held under finance leases are as follows:	£'000
Balance as at 1 July 2016	257
Additions	819
Depreciation charge for the year	(250)
Balance at 30 June 2017	826
Additions	579
Depreciation charge for the year	(397)
	1,008

The leases included above are standard finance leases with no special clauses. The leases are for the purchase of computer equipment and are for periods of between two and three years. The leases contain an option to purchase the asset at the end of the lease period.

Note 11. Non-current assets - Deferred tax

Deferred tax is recognised at the standard UK corporation tax of 19% for fixed assets in the UK (2017: 19%). Deferred tax in the US is recognised at an average rate of 21% for 2018 (2017: 30%). The Group has unrecognised tax losses in overseas subsidiaries of £nil in (2017: £11,000). 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 share options exercised during the year and tax losses carried forward in both UK and overseas companies. There were no options issued in the year.

	Consolidated	
The split of fixed and intangible asset are summarised as follows:	2018 £'000	2017 £'000
Deferred tax liabilities	(108)	(66)
Deferred tax asset	255	27
Total deferred tax	147	(39)

	Consolidated	
Movements:	2018 £'000	2017 £'000
Opening balance	(39)	(62)
Charged to profit or loss (note 8)	69	23
Charged to equity	104	-
Other movement	13	-
Closing balance	147	(39)

The movement in deferred taxation assets and liabilities during the year is as follows:	Share based payments	Tax losses carried forward	Accelerated tax depreciation	Total deferred tax asset	Total deferred tax liability
	£'000	£'000	£'000	£'000	£'000
At July 2016	-	-	12	12	(74)
Charge to income	-	-	15	15	8
As at 30 June 2017	-	-	27	27	(66)

	Share based payments	Tax losses carried forward	Accelerated tax depreciation	Total deferred tax asset	Total deferred tax liability
	£'000	£'000	£'000	£'000	£'000
At 1 July 2017	-	-	27	27	(66)
Charge to income	-	110	14	124	(29)
Charge to equity	104	-	-	104	-
Other movement	-	-	-	-	(13)
As at 30 June 2018	104	110	41	255	(108)

Note 12. Current assets - Trade and other receivables

	Consolidated	
	2018 £'000	2017 £'000
Trade receivables	460	106
Less: Provision for impairment of receivables	(82)	(5)
	378	101
Prepayments and accrued income	169	218
VAT	69	61
Other receivables	48	12
	286	291
	664	392

The Group has two types of customer, institutional and retail clients. Retail clients pay for services in advance and so there is no credit risk associated with these clients.

A detailed review of the credit quality of each institutional client is completed before an engagement commences and the concentration of credit risk is limited as exposure is spread over a large number of clients. Some of the trade receivables balances are due in USD so there is some degree of currency translation risk on settlement (Note 14).

The carrying amount of trade and other receivables approximates to their fair value, which has been calculated based on expectations of debt recovery from historic performances feeding into impairment provision calculations.

Trade receivables are reviewed regularly for impairment and judgement made as to any likely impairment based on historic trends and the latest communication with customers.

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

	Consolidated	
	2018 £'000	2017 £'000
Trade receivables	460	106
Bad debt provision	(82)	(5)

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2018 £'000	2017 £'000
Opening balance	5	6
Additional provisions recognised	86	-
Receivables written off during the year as uncollectable	(6)	-
Unused amounts reversed	(3)	(1)
Closing balance	82	5

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

Note 12. Current assets - Trade and other receivables (continued)

Past due but not impaired.

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

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

	Consolidated	
	2018 £'000	2017 £'000
Not past due	287	68
Past due 1 to 3 months	116	28
Past due 3 to 6 months	15	3
More than 6 months past due	42	7
	460	106

Note 13. Current assets - Cash and cash equivalents

	Consolidated	
	2018 £'000	2017 £'000
Cash at bank and in hand	2,887	23
Cash and cash equivalents per cash flow statement	2,887	23

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

Note 14. Current assets - Financial instruments and risk management

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, short term deposits and bank and other borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments which mainly comprise trade receivables and trade payables which arise directly from its operations. Risk management is carried out by the finance department under policies approved by the Board of Directors. The Group finance department identifies, evaluates and manages financial risks. The Board provides guidance on overall risk management including foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

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

a) 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 had an impact on the Group's profit and equity by approximately £29,000. The Group has minimal exposure to any other foreign exchange movements. The Group had potential exchange rate exposure within USD trade payable balances of £69,775 as at 30 June 2018 (£166,905 at 30 June 2017).

Note 14. Current assets - Financial instruments and risk management (continued)

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.

b) Credit risk

	Consolidated	
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:	2018 £'000	2017 £'000
Cash and cash equivalents	2,887	23
Trade receivables	460	106
Other receivables	48	12
VAT	69	61
	3,464	202

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.

c) 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 2018, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

Note 14. Current assets - Financial instruments and risk management (continued)

		Current		Non-current	
	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years
	£'000	£'000	£'000	£'000	£'000
Trade payables	662	-	-	-	-
Other payables	15	-	-	-	-
Other loans	3	9	23	6	-
	680	9	23	6	-

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

d) 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.

	Consolidated	
	2018 £'000	2017 £'000
Total Equity	4,844	(375)
Cash and cash equivalents	2,887	(23)
Capital	**7,731**	**(398)**
Total Equity	**4,844**	**(375)**
Other loans	35	118
Finance Leases	761	640
Overall Financing	**5,640**	**383**
Capital-to-overall financing ratio	**1.37**	**(1.04)**

Note 15. Non-current liabilities - Borrowings and other financial liabilities

	Consolidated	
	2018 £'000	2017 £'000
Other loans	6	41
Finance leases	326	357
	332	398

	Consolidated	
Other loans	2018 £'000	2017 £'000
Under one year	35	78
Between one to five years	6	41
	41	119

	Consolidated	
Finance Leases	2018 £'000	2017 £'000
Under one year	435	283
Between one to five years	326	357
Total	761	640

	Consolidated	
Finance Leases. The future minimum finance lease payments are as follows:	2018 £'000	2017 £'000
Under one year	494	309
Between one to five years	380	394
Total gross payments	874	703

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

	Consolidated	
The present value of the future minimum finance lease payments is as follows:	2018 £'000	2017 £'000
Under one year	450	281
Between one to five years	312	316
	762	597

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

Reconciliation of movements in debt

	Finance Leases	Loans	Total
Consolidated	£'000	£'000	£'000
Balance at 1 July 2017	640	119	759
Proceeds from leases through sale and leaseback	203	-	203
Proceeds from new finance leases	376	-	376
Loan and lease repayments	(458)	(78)	(536)
Balance at 30 June 2018	761	41	802

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2018 £'000	2017 £'000
Trade payables	662	1,033
Other loans	35	78
Finance leases	435	283
Accruals and deferred income	319	720
Corporation tax	-	44
Other taxation and social security	45	43
Other payables	15	28
	1,511	2,229

Note 17. Equity - issued capital

	Consolidated			
	2018 Shares	2017 Shares	2018 £'000	2017 £'000
Ordinary shares - fully paid	50,043,100	2,162	62	2

Movements in ordinary share capital

Details	Date	Shares	Issue Price	£'000
Balance	1 July 2016	2,162	£1.00	2
Balance	30 June 2017	2,162	£1.00	2
Share Capitalisation of distributable reserves	8 November 2017	47,838	£1.00	48
		50,000	£1.00	50
Share sub division from £1 to £0.00125	8 November 2017	40,000,000	£0.00125	50
New share issue (AIM admission)	27 November 2017	9,000,000	£0.00125	11
EMI Share options exercised	19 January 2018	138,000	£0.00125	-
EMI Share options exercised	06 April 2018	370,620	£0.00125	-
EMI Share options exercised	24 May 2018	534,480	£0.00125	1
Balance	30 June 2018	50,043,100		62

Ordinary shares

As at 30 June 2016 the Company had 2,162 ordinary shares of £1 each. Prior to being admitted to the UK Alternative Investment Market (AIM), on 8 November 2017, (a) the Company capitalised the sum of £11,959.50 standing to the credit of its distributable reserves in paying up, as a quarter paid up, 47,838 ordinary shares of £1 each; (b) each of the issued ordinary shares of £1.00 each were subdivided into 800 Ordinary Shares of £0.00125; and (c) the Company approved the re-registration of the Company as a public limited company.

As at 8 November 2017 the company had 40,000,000 ordinary shares at £0.00125 in issue. On 27 November, the date of admission to the AIM market, there was an issue of a further 9,000,000 ordinary shares at £0.00125 taking the total number of ordinary shares in issue to 49,000,000.

During the year there were 1,043,100 of share options exercised. At the date of the grant, the fair value was immaterial.

Note 17. Equity - issued capital (continued)

For EPS comparative purposes, the EPS calculation for June 2017 has been done on a like for like basis taking the number of ordinary shares at the pre-admission date of 2,162 at the nominal value of £0.00125.

Detail of all share options over £0.00125 Ordinary shares, falling within the measurement and recognition criteria of IFRS 2 "Share based Payment" and forming part of the share scheme is as follows:

	Consolidated	
	2018	2017
Outstanding at the beginning of the year	1,864,800	1,864,800
Exercised during the year	(1,043,100)	-
Outstanding at the end of the year	821,700	1,864,800
Exercisable at the end of the year	821,700	1,864,800

The exercise price for all of the above share options is £0.00125.

Note 18. 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.

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 taxation benefits.

Note 19. Capital and other commitments

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

	Consolidated	
Lease commitments - operating **Committed at the reporting date but not recognised as liabilities, payable:**	2018 £'000	2017 £'000
Within one year	92	115
One to five years	10	149
	102	264

b) Capital Commitments

There were no material Group capital commitments at 30 June 2018.

Note 20. Related party transactions

Parent entity

Beeks Financial Cloud Group PLC is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 21.

Transactions with related parties

	Consolidated	
The following transactions occurred with related parties:	2018 £'000	2017 £'000
Withdrawals from the director, Mr G McArthur	17	68
Withdrawals from the director, Mr A Doleman	2	26

Mr Doleman is a director of the subsidiary, Beeks Financial Cloud Limited

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
Current payables:	2018 £'000	2017 £'000
Amounts owed by / (to) the director, Mr G McArthur	24	(1)
Amounts owed to the director, Mr A Doleman	(1)	(3)

The loan amount owed by the director, Mr G McArthur was repaid in full following the year end.

Beeks Financial Cloud Limited provided services in the normal course of its business and at arm's length to Ofelia Algos Limited. Ofelia Algos Limited is owned by Mr G McArthur. During the financial year Beeks Financial Cloud Limited made sales of £72,453 (2017: £nil) to Ofelia Algos Limited and amounts due to Beeks Financial Cloud Limited at the year end were £35,280 (2017: £nil).

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

	Consolidated	
Current payables:	2018 £'000	2017 £'000
Wages and salaries including social security costs	294	135
Other pension costs	2	1
Other benefits in kind	10	8

Note 21. 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 subsidiaries are all 100% owned with 100% voting rights:

Current payables:	Principal place of business / Country of incorporation	Proportion held %
Beeks Financial Cloud Co.Ltd.	Japan, Head Office: FARO 1F, 2-15-5, Minamiaoyama, Minato-Ku,Tokyo, Japan	100.00%
BeeksFX VPS USA Inc	874 Walker Road, Suite C, Dover, Kent, Delaware, 19904, USA	100.00%
Beeks Financial Cloud Limited	Suite1, Phoenix House Phoenix Business Park, Linwood, Paisley, Renfrewshire, Scotland, PA1 2BH	100.00%

Note 22. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 23. Earnings per share

	Consolidated	
	2018 £'000	2017 £'000
Profit/(loss) after taxation attributable to the owners of Beeks Financial Cloud Group PLC	757	(761)

	Pence	Pence
Basic earnings per share	2.37	(44.00)
Diluted earnings per share	2.26	(44.00)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	31,900,070	1,729,600
Adjustments for calculation of diluted earnings per share: Weighted average number of options over ordinary shares	1,660,204	1,864,800
Weighted average number of ordinary shares used in calculating diluted earnings per share	33,560,274	3,594,400

	Consolidated	
Underlying earnings per share	2018 £'000	2017 £'000
Profit after tax for the year	757	(761)
IPO exceptional costs	368	736
Amortisation on acquired intangibles	76	80
Tax effect	(84)	(161)
Underlying profit for the year	1,117	(106)
Weighted average number of shares in issue – basic*	49,204,596	49,000,000
Weighted average number of shares in issue – diluted*	50,864,800	50,864,800
Underlying earnings per share - basic	2.27	(0.22)
Underlying earnings per share - diluted	2.20	(0.22)

*The weighted average number of shares has been adjusted to assume that the number of shares in issue at IPO on 27 November 2017 were in issue for the full year. The prior year comparative has been calculated on the same basis.

Note 24. Ultimate controlling party

The Group is ultimately controlled by Gordon McArthur.

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

OPINION

Our opinion on the group financial statements is unmodified

We have audited the parent company financial statements of Beeks Financial Cloud Group PLC for the year ended 30 June 2018, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 2018 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 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.

WHO WE ARE REPORTING TO

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.

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 parent company 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.

- Overall materiality: £58,000, which represents 2% of the company's total assets capped at 75% of group materiality;
- No key audit matters were identified relating to the parent company financial statements; and
- Our audit was scoped by obtaining an understanding of the company and its environment, including its internal controls, and assessing the risks of material misstatement.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

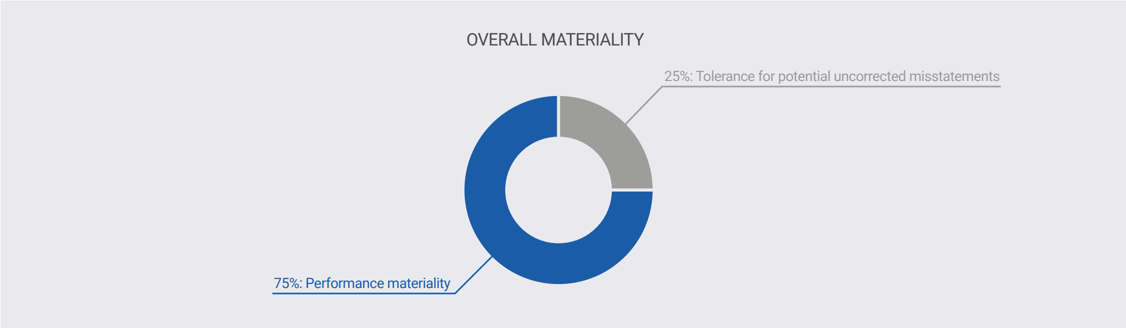
OUR APPLICATION OF MATERIALITY

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

We determined materiality for the audit of the parent company financial statements as a whole to be £58,000, which is 2% of the company's total assets, capped at 75% of group materiality. This benchmark is considered the most appropriate because the company is a holding company with no external trading revenue. Given the primary purpose of the company is to hold the investments in the subsidiaries, we determined that total assets was the most appropriate benchmark.

Materiality for the current year is higher than the level that we determined for the year ended 30 June 2017 to reflect the growth in underlying group trading revenues which has reduced the extent to which parent company materiality is capped.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality. The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



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

We determined the threshold at which we will communicate misstatements to the audit committee to be £3,100. 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 overview of the scope of the current year audit 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, 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 statement of directors' responsibilities, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

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

OTHER MATTERS

We have reported separately on the group financial statements of Beeks Financial Cloud Group PLC for the year ended 30 June 2018. 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.

Grant Thornton UK LLP

James Chadwick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
28 August 2018

Statement of the Financial Position - Company Only

For the Year Ended 30 June 2018

		Company	
	Notes	2018 £'000	2017 £'000
Assets			
Non-current assets			
Intangibles	4	438	438
Deferred tax	5	92	-
Total non-current assets		530	438
Current assets			
Trade and other receivables	6	2,188	178
Cash and cash equivalents		2,561	-
Total current assets		4,749	178
Total assets		5,279	616
Liabilities			
Current liabilities			
Trade and other payables	7	173	225
Total current liabilities		173	225
Total liabilities		173	225
Net assets		5,106	391
Equity			
Issued capital	8	62	2
Reserves	9	4,681	372
Retained profits/(accumulated losses)		363	17
Total equity		5,106	391

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 parent company's profit after tax for the year was £270,000 (2017: profit after tax £17,000).

The financial statements were approved by the Board of Directors and authorised for issue on 28 August 2018 and are signed on its behalf by:

Gordon McArthur
Chief Executive Officer

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

Statement of Changes in Equity - Company Only

30 June 2018

Parent	Issued capital £'000	Merger relief reserve £'000	Share premium £'000	Retained profits £'000	Total equity £'000
Balance at 1 July 2016	2	-	-	-	2
Total comprehensive income for the year	-	-	-	17	17
Transactions with owners in their capacity as owners:					
Issue of share capital	-	372	-	-	372
Balance at 30 June 2017	2	372	-	17	391

Parent	Issued capital £'000	Merger relief reserve £'000	Share premium £'000	Retained profits £'000	Total equity £'000
Balance at 1 July 2017	2	372	-	17	391
Profit after taxation for the year	-	-	-	270	270
Total comprehensive income for the year	-	-	-	270	270
Transactions with owners in their capacity as owners:					
Issue of share capital	60	-	4,309	(12)	4,357
Deferred tax movement on share options	-	-	-	88	88
Balance at 30 June 2018	62	372	4,309	363	5,106

Notes to the Company Financial Statements

Note 1. Company 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 Phoenix House, Pegasus Avenue, Phoenix Business Park, Paisley, PA1 2BH. The principal activity of the Group is the provision of information technology services. The registered number of the Company is SC521839.

Note 2. Accounting policies

Basis of Preparation

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in preparation of these financial statements are set out on pages 32 to 38. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in sterling (£).

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS101. 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
- Financial instrument disclosures

Note 3. Average number of employees

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

	Parent	
	2018	2017
Management and administration	12	4
Average number of employees	12	4

Note 4. Investments

	Parent	
	2018 £'000	2017 £'000
Shares in group undertakings	438	438

Details of subsidiary companies are found in Note 21 to the Group's financial statements.

Note 5. Deferred tax

	Parent	
	2018 £'000	2017 £'000
Tax losses carried forward	4	-
Share based payments – recognised in equity	88	-
Deferred tax asset	92	-

Note 6. Current assets - Trade and other receivables

	Parent	
	2018 £'000	2017 £'000
Other receivables	32	4
Prepayments and accrued income	19	-
Amounts due from group undertakings	2,137	174
	2,188	178

Note 7. Current liabilities - Trade and other payables

	Parent	
	2018 £'000	2017 £'000
Trade payables	44	7
Accruals and deferred income	77	130
Corporation tax	-	4
Amounts due to group undertakings	-	34
VAT	21	-
Other payables	31	50
	173	225

Note 8. Equity - Issued capital

	Parent			
	2018 Shares	2017 Shares	2018 £'000	2017 £'000
Ordinary shares - fully paid	50,043,100	2,162	62	2

Movements in ordinary share capital

	Date	Shares	Issue Price	£'000
Balance	1 July 2016	2,162	£1.00	2
Balance	30 June 2017	2,162	£1.00	2
Share Capitalisation of distributable reserves	8 November 2017	47,838	£1.00	48
		50,000	£1.00	50
Share sub division from £1 to £0.00125	8 November 2017	40,000,000	£0.00125	50
New share issue (AIM admission)	27 November 2017	9,000,000	£0.00125	11
EMI Share options exercised	19 January 2018	138,000	£0.00125	-
EMI Share options exercised	06 April 2018	370,620	£0.00125	-
EMI Share options exercised	24 May 2018	534,480	£0.00125	1
Balance	30 June 2018	50,043,100		62

Ordinary shares

As at 30 June 2016 the Company had 2,162 ordinary shares of £1 each. Prior to being admitted to the UK Alternative Investment Market (AIM), on 8 November 2017, (a) the Company capitalised the sum of £11,959.50 standing to the credit of its distributable reserves in paying up, as a quarter paid up, 47,838 ordinary shares of £1 each; (b) each of the issued ordinary shares of £1.00 each were subdivided into 800 Ordinary Shares of £0.00125; and (c) the Company approved the re-registration of the Company as a public limited company. As at 8th November 2017 the company had 40,000,000 ordinary shares at £0.00125 in issue. On 27th November, the date of admission to the AIM market, there was an issue of a further 9,000,000 ordinary shares at £0.00125 taking the total number of ordinary shares in issue to 49,000,000. During the year there were 1,043,100 of share options exercised.

Note 9. Equity – Reserves

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. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related taxation benefits. The accounting policies set out above have, unless otherwise stated, been applied consistently by the Group to all periods presented.

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

Note 10. Related party disclosures

As permitted by FRS 101, related party transactions with 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 20 of the Group financial statements.

Note 11. Capital commitments

The Company had no capital commitments at 30 June 2018.

Note 12. Contingent liabilities

There were no material Company contingent liabilities at 30 June 2018.

Note 13. Ultimate controlling party

The Company is ultimately controlled by Gordon McArthur.

www.beeksfinancialcloud.com

Phoenix House, Pegasus Avenue, Phoenix Business Park, Paisley, PA1 2BH

Company Number SC521839