

Beeks Financial Cloud Group plc
("Beeks" or the "Company")
Final Results for the year ended 30 June 2024

7 October 2024: Beeks Financial Cloud Group plc (AIM: BKS), a cloud computing and connectivity provider for financial markets, is pleased to announce its final results for the year ended 30 June 2024.

Financial highlights

- Revenues¹ increased 27% to £28.5m (2023: £22.4m)
- Annualised Committed Monthly Recurring Revenue (ACMRR) up 18% to £28.0m (2023: £23.8m) increasing further to £28.5m by the end of August 2024 following a strong start to the new financial year
- Gross profit up 24% to £11.3m (2023: £9.1m)
- Underlying² EBITDA increased 27% to £10.7m (2023: £8.4m)
- Underlying profit before tax³ increased 68% to £3.9m (2023: £2.3m)
- Underlying diluted EPS⁴ 6.36p (2023: 3.96p)
- Positive operational free cash flow position, with Net cash⁵ as at 30 June 2024 of £6.6m (30 June 2023: £4.4m) notwithstanding continued investment in Beeks' product offering

¹ Revenue referenced throughout the accounts excludes grant income and rental income

² Underlying EBITDA is defined as profit for the year before amortisation, depreciation, finance costs, taxation, acquisition costs, share based payments, exchange rate gains/losses on statement of financial position translation and exceptional non-recurring costs

³ Underlying profit before tax is defined as profit before tax excluding amortisation on acquired intangibles, acquisition costs, share based payments, exchange rate gains/losses on statement of financial position translation and exceptional non-recurring costs

⁴ Underlying diluted EPS is defined as profit for the year excluding amortisation on acquired intangibles, acquisition costs, share based payments, exchange rate gains/losses on statement of financial position translation and exceptional non-recurring costs divided by the number of shares including any dilutive share options

⁵ Net cash is defined as closing cash less closing asset financing loans and bank loans.

Statutory Equivalents

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

- Profit before tax was £1.46m (2023: Loss before tax £0.65m)
- Basic (LPS)/EPS was 3.33p (2023: Loss per share 0.14p)

Operational highlights

Significant growth of Tier 1 customer base and expansion with existing customers:

- Post-period multi-year Exchange Cloud contract with one of the largest exchange groups globally received regulatory approval, as announced in February. Beeks remains under a Non-Disclosure Agreement (NDA) with the exchange until the product's launch, which remains on track

- Further significant extensions of the JSE contract, including the launch of JSE's Colo 2.0 offering in September 23 and the addition of a second data centre location, as announced in August 24
- Significant Proximity Cloud wins including £5m contract with one of the world's largest banking Groups, and a \$3.6m (c£2.7m) contract in aggregate over a five-year period with a Tier 1 investment manager
- Private Cloud Contracts to a value of \$4m (c£3m) signed in July, including a significant win, via a partner, with one of the UK's largest banks
- Further expansion potential remains across the vast majority of existing customers

Investment in enhanced security and continued product innovation:

- Completed industry-leading SOC 2 Type 1 security compliance for Proximity and Exchange Cloud Products, as announced in March, and successfully achieved ISO 22301 the Global standard for Business Continuity Management
- Strategic partnership with Securities & Trading Technology (STT) to meet the evolving needs of global financial markets, and a collaboration with BlueVoyant, to enhance security protection
- Investment and implementation of new layered security defences & mitigations including; Privileged Access Management (PAM), External Attack Surface Management (EASM), and the Security Awareness Training Platform.
- Major Analytics releases providing new features, with ongoing investment into Artificial Intelligence in Beeks Analytics, implementing the next version of AI capability
- Investment in inventory, team and sales and marketing, to deliver on the growth opportunity:
- Strengthened our team with the appointment of key personnel in strategic regions, including a Head of APAC and a Technical Pre-Sales Specialist.
- Increased brand awareness through participation in key industry conferences, including events in Istanbul, London, Chicago, New York, Boca Raton, and Johannesburg.
- Further investment into inventory, ensuring the Group is capable of delivering against all contracts either signed or in the immediate pipeline.

Outlook

- Material growth in sales pipeline for Exchange Cloud, with several major international exchanges entering the final stages of contracting, and others at earlier points in the sales funnel
- Significant opportunity to scale Exchange Cloud through expansion with existing customers, the JSE contract serving as an example of the expansion potential once a customer has signed
- Favourable market trends as the financial services sector continues to shift to cloud computing
- Even at this early stage of the year, the Board is confident in achieving results for FY25 in line with its expectations, underpinned by high levels of recurring revenue, a strong pipeline, an established, international reputation and a significant market opportunity

Gordon McArthur, CEO of Beeks, commented: *"This has been another year of strong trading with double-digit growth across the board. Demand for our product is stronger than ever, fuelling a regular flow of new contract wins and extensions that offer long-term, recurring revenues. The expansion of our customer base is a testament to the value of our offering becoming increasingly recognised by the market and has resulted in a*

record sales pipeline. Exchange Cloud continues to offer the most exciting opportunity with a pipeline comprising of some of the world's largest exchanges.

Supported by favourable market trends and our increasingly recognised international reputation, we are confident in driving this momentum into the next financial year and beyond.”

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About Beeks:

Cloud computing is crucial to Capital Markets and finance.

Beeks Group is a leading managed cloud provider exclusively within this fast-moving sector. Our Infrastructure-as-a-Service model is optimised for low-latency private cloud compute, connectivity and analytics, providing the flexibility to deploy and connect to exchanges, trading venues and public cloud for a true hybrid cloud experience.

ISO 27001 certified, we provide world-class security aligned to global security requirements.

Founded in 2011, Beeks Group is listed on the London Stock Exchange (LSE: BKS) and has enjoyed continued growth each year. Beeks Group now employs over 100 team members across the globe with the majority based at our Renfrew HQ.

Find out more at beeksgroup.com

Chairman's Statement

Beeks has yet again proven its leading position and reputation in providing advanced technology solutions the capital markets, catering to the needs of the largest financial organisations globally. Revenues to the 30 June 2024 increased by 27% to £28.5m (2023: £22.4m), and underlying EBITDA by 27% to £10.7m (2023: £8.4m). The Group delivered an exit ACMRR of £28.0m (2023: £23.8m), up 18% in the year, providing a strong basis for continued growth in FY24.

Strong progress has been made against our financial and strategic objectives in FY24, exemplified by another set of impressive financial results, representing a period of significant growth. We are delighted to have now moved into a more profitable and operationally cash-generative position, yet again delivering double-digit increases in revenue, EBITDA, PBT and ACMRR, driven by a strong performance across Beeks' Private, Proximity and Exchange Cloud offerings.

I am particularly pleased with the strategic progress made during the year. Notwithstanding the strong performance across our Private and Proximity Cloud products, we continue to be highly optimistic about Exchange Cloud's transformational prospects for Beeks. With three exchanges now signed up to the offering and clear traction gained during the period under review, we look forward to capitalising on the offering's steadily increasing momentum.

I would like to take this opportunity to extend my thanks to the team at Beeks, without whom such a pleasing performance would not have been possible.

It is clear that we have a solid foundation on which to grow, bolstered by increasing levels of revenue visibility for FY25 and beyond. The conversion of our new customer sales pipeline remains a core focus moving forwards, and the current period has started very encouragingly, with significant new contracts already secured, providing confidence in the delivery of FY25 financial results in line with the Board's expectations.

Mark Cubitt
Chairman
4 October 2024

Strategic Report

Market Overview

“Cloud has become essentially indispensable. However, the tables are turning: business outcomes are now shaping cloud models, rather than the other way around.”

Sid Nag, Vice President Analyst at Gartner

Growth in Cloud Adoption

As cloud computing continues to drive digital transformation, its role in financial markets and payments is evolving. What was once a tool to enable innovation is now being shaped by the specific needs of financial institutions. The global IaaS market is forecast to grow significantly, but the focus is shifting from basic infrastructure provision to solving complex business challenges like regulatory compliance, cybersecurity, sustainability, and operational efficiency.

Regulatory Compliance and Data Sovereignty

As regulations grow more stringent, particularly in the EU and US, cloud providers must ensure robust compliance frameworks. Financial institutions need cloud solutions that can address data residency requirements while maintaining operational efficiency. Beeks, with its SOC2 certification and extensive experience in regulated markets, is well-positioned to meet this demand.

Cybersecurity

As cyber threats become more sophisticated, financial institutions are prioritising security above all else. They require cloud infrastructure that not only offers low-latency and scalability but also protects sensitive financial data. Beeks' partnership with BlueVoyant and our in-house cybersecurity measures give us a competitive edge in this rapidly growing area of concern.

Sustainability and Green Finance:

Cloud infrastructure is increasingly seen as a tool to help financial firms meet their sustainability goals. By migrating to cloud environments, institutions can reduce their carbon footprint compared to traditional on-premise data centres. Beeks' global network of energy-efficient data centres aligns with the sustainability objectives of financial institutions, making us a valuable partner for firms focused on green finance initiatives.

Real-time Data and Analytics

In financial markets, real-time data is critical for decision-making. Cloud solutions that deliver ultra-low latency and high-performance analytics are in high demand. Beeks' infrastructure is designed to handle the real-time data needs of financial institutions, enabling clients to make quicker, more informed decisions in fast-moving markets.

Payment Modernisation

The payments industry is evolving rapidly, with new technologies like real-time payments and Central Bank Digital Currencies (CBDCs) becoming mainstream. Financial institutions need scalable cloud solutions that can adapt to these innovations. Beeks' flexible infrastructure supports the complex requirements of modern payment systems, positioning us at the forefront of this transformation.

AI in Risk Management

Artificial Intelligence is increasingly being used to manage risk and detect fraud in financial services. Institutions require cloud environments that can support complex AI models and provide the computational power needed for real-time risk analysis. Beeks offers the infrastructure to meet these growing demands, allowing financial firms to deploy AI solutions at scale.

Positioning for the Future

With an addressable market that includes over 21,000 banks and hundreds of global exchanges, Beeks is uniquely positioned to capitalise on the continued growth of cloud adoption in financial services. As the demand for real-time data processing increases, particularly for high-frequency trading and risk management, Beeks' ultra-low latency infrastructure ensures our clients remain competitive in fast-paced markets.

Our cloud solutions are also built to support the growing integration of artificial intelligence (AI) in financial services, particularly in areas such as risk management, fraud detection, and automated trading strategies. As AI adoption scales, financial institutions will rely on cloud providers like Beeks to handle the complex computational workloads required to deliver real-time insights and improve decision-making.

As more financial organisations adopt cloud-first IT strategies, there's a growing trend towards outsourcing functions that demand hands-on infrastructure expertise, especially for performance-sensitive front-office operations. Beeks is well positioned to provide these specialised services and seize this opportunity.

As firms seek cloud solutions that address not just scalability, but also complex regulatory, security, and sustainability challenges, Beeks is ready to deliver innovative and secure infrastructure that ensures operational resilience and growth for financial institutions worldwide.

Business Model

#PoweredbyBeeks

For over thirteen years, Beeks has been a trusted partner for financial markets and payments, providing cloud compute and infrastructure solutions tailored to the unique demands of this fast-paced, high-stakes sector. Our mission is to deliver ultra-low latency, secure, and high-performance cloud infrastructure that optimises operations in capital markets, financial services, and payments.

Beeks is strategically positioned as the market leader in cloud solutions for financial markets and payments, offering cloud deployment options across a global network of financial data centres. Whether it's on-premise or cloud-based, we support clients in building robust, scalable cloud strategies. Our on-demand services ensure that financial firms maintain peak operational performance while lowering costs and mitigating risks.

As cloud adoption accelerates within financial services, Beeks leads the way in delivering cutting-edge infrastructure and analytics. We are one of the few companies globally that can provide a fully integrated solution that combines low-latency compute, secure connectivity, and real-time analytics to optimise the performance of financial trading environments.

Innovations and Solutions

One of our core offerings, *Proximity Cloud*[®], is a fully configured and pre-installed physical trading environment tailored to the needs of global exchanges. This secure, private cloud solution offers a seamless and rapid deployment, reducing time to market and operational complexities for clients.

Following the success of *Proximity Cloud*[®], we introduced *Exchange Cloud*[®]. Designed specifically for financial exchanges and Electronic Communication Networks, *Exchange Cloud*[®] is a multi-tenant iteration of *Proximity Cloud*[®], empowering exchanges to act as cloud service providers. This solution enhances

scalability, security, and compliance while enabling exchanges to offer their clients customisable, co-located cloud services.

We've also enhanced our market-leading analytics capabilities through *Beeks Analytics*. Our product delivers packet-level monitoring and deep insights into network traffic, helping clients to optimise their trading infrastructure. Beeks Analytics now features flexible, user-friendly dashboards powered by Grafana, offering intuitive visualisations and integration options for financial enterprises. The modularity of Beeks Analytics ensures that clients can scale the solution to fit their needs, whether it's just the VMX-Capture layer or the full analytics suite.

What We Provide

As the market leader in cloud infrastructure for financial markets and payments, Beeks offers a comprehensive range of cloud compute, private cloud, connectivity, and analytics solutions, tailored specifically to meet the demands of this fast-moving industry:

- **Compute on Demand:** High-performance virtual and dedicated servers, delivering ultra-low latency compute power in key financial hubs. Our infrastructure supports real-time trading, with the flexibility to scale up or down based on market demand.
- **Private Cloud:** Through *Proximity Cloud*® and *Exchange Cloud*®, we provide secure, pre-configured environments for capital markets. These private cloud solutions enable operational resilience, enhanced security, and reduced latency, giving financial institutions the control and agility they need to respond to market shifts efficiently.
- **Low-Latency Connectivity:** Our global connectivity services, including WAN, private networks, and cross-connects, ensure reliable, ultra-low latency connections. These are optimised for high-frequency trading and other time-sensitive financial operations, helping our clients maintain a competitive edge.
- **Beeks Analytics:** Our real-time performance monitoring and analytics platform empowers clients with full transparency and control over their trading infrastructure. By capturing and analysing network traffic, clients can optimise performance, enhance decision-making, and improve operational efficiency.

Our solutions are designed with flexibility and scalability in mind, enabling clients to manage their resources efficiently and adapt to changing market conditions. By combining industry-leading infrastructure, managed cloud services, advanced analytics, and low-latency connectivity, Beeks continues to set the standard as the trusted partner for financial institutions worldwide.

Strategy

At Beeks, our purpose is to deliver secure, scalable, and rapid deployment cloud solutions for financial enterprises of all sizes. Our vision is to enable our clients to operate with speed, agility, and resilience in a rapidly changing market.

Our core strategic goal is to continue expanding our customer base across public, private, and hybrid cloud deployments, along with our advanced analytics solutions. We will achieve this by continuously innovating, building on the success of our products like *Proximity Cloud*® and *Exchange Cloud*®, and refining our offerings to meet the evolving demands of financial institutions.

To support our growth and meet increasing demand, we will continue to enhance our product development roadmap, introducing new features and capabilities that address industry challenges such as regulatory

compliance, cybersecurity, and sustainability. Additionally, we aim to broaden our reach into new asset classes and geographies, leveraging the significant opportunities we have identified in these markets.

By maintaining our focus on innovation, scalability, and client success, Beeks is well-positioned to continue leading the way in cloud infrastructure for financial markets and payments.

Sales and Marketing

In 2024, our marketing strategy has evolved to reflect Beeks' commitment to becoming the market leader in financial markets and payments infrastructure. We've focused on strengthening our brand positioning, aligning our messaging to clearly communicate our unique value in low-latency cloud infrastructure for financial services.

Our focus this year has been on solidifying Beeks' position within both institutional and retail markets. We've enhanced our participation in high-impact industry events such as Finacle Conclave, FIA Boca, and JSE Trade Connect. These engagements have allowed us to showcase how Beeks' low-latency compute solutions address the critical needs of financial institutions, capital markets, and trading firms.

A critical part of our strategy is targeting regional markets with tailored messaging. We embarked on an Asia Roadshow, attending events such as FISD AsiaFIC and the FIX Trading Community AsiaPac Trading Summit, demonstrating our solutions to key players in growth markets. This focus on region-specific engagement supports our efforts to build stronger relationships with institutional clients and ensures our offerings are aligned with local market demands.

Looking ahead, the upcoming World Federation of Exchanges event in November is a prime opportunity for Beeks to highlight Exchange Cloud® as the go-to infrastructure solution for exchanges and trading venues. This will further bolster our brand presence, positioning us as the leader in cloud infrastructure for financial markets, while reinforcing our expertise in high-performance, low-latency solutions.

To support this strategic growth, we've placed a renewed emphasis on brand positioning and thought leadership. By focusing on low-latency technology and the critical role it plays in financial trading and payments processing, we continue to differentiate Beeks from larger cloud providers. Our memberships with STAC and FIA strengthen our standing in the industry, providing platforms to showcase our expertise and engage with key decision-makers.

As we continue to grow, our strategy is to enhance Beeks' thought leadership and brand visibility in the financial markets space. By leveraging data-driven marketing initiatives and focusing on targeted campaigns, we are well-positioned to further solidify our leadership in low-latency cloud infrastructure. This strategic focus is designed to meet the unique needs of institutional financial clients, driving growth and cementing Beeks' role as the trusted provider of cutting-edge infrastructure for financial markets and payments.

Chief Executive's Review

FY24 has been another year of strong progress for Beeks. Our impressive financial performance, driven by the conversion of our sales pipeline into significant new customer wins, represents yet another period of double-digit top and bottom line growth. Our consistent growth rate since becoming a listed business now leaves us in a more profitable and operationally cash-generative position, providing a strong basis for the continued delivery of accelerated growth.

We now have an established profile in the global financial services industry. Customers clearly recognise the value of our offering, with the benefits for the customer and their clients alike increasingly understood in the sector. The significant new contracts signed demonstrate the demand for our solutions and serves as material proof of the financial services sector shifting to cloud computing. With our increasingly established and international profile, we are confident in our ability to seize the opportunity ahead of us.

Our confidence in the ability of our Exchange Cloud offering to transform the financial status of our business continues to grow. The contract with the Johannesburg Stock Exchange (JSE) is an example of how an Exchange Cloud contract can rapidly expand following adoption. Since the launch with JSE in September 2023, two further expansions have been secured, due to the huge demand from JSE customers. We anticipate each Exchange Cloud contract will materially expand over multiple years, providing a sustained runway of growth. Our sales pipeline for the offering has developed materially in the year, with several of the world's leading exchanges entering the final stages of contracting, and others at earlier points in the sales funnel.

We have also continued to demonstrate a strong performance across our Private and Proximity Cloud products, further executing against our land and expand strategy.

With our increasingly established and international profile, we are confident in our ability to seize the opportunity ahead of us.

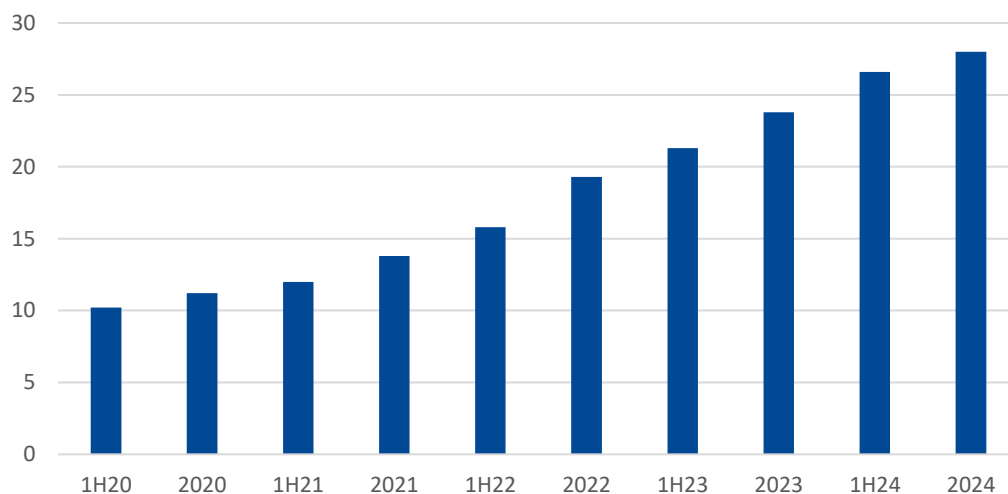
Financial performance

Revenue in the period grew by 27% to £28.5m (2023: £22.4m), resulting in an increase in underlying EBITDA of 27% to £10.7m (2023: £8.4m). Significantly, this year we have successfully improved operating profit margins with underlying profit before tax growth of 68% to £3.9m (FY23: £2.3m), as well as a positive operational free cash flow position, with net cash increasing to £6.6m at 30 June 2024 (2023: £4.4m) notwithstanding continued investment in Beeks' product offering.

Growth was largely driven by the significant Exchange and Proximity Cloud contracts with Tier 1 customers as Beeks continues to achieve new wins and scale with existing customers, our ACMRR growing 18% to £28.0m at 30 June 2024 (2023: £23.8m). Our customer retention remains high, and we continue to have a strong recurring revenue profile, with 84% of revenue in the year recurring (2023: 91%).

Consistent Growth Trajectory

Annualised Committed Monthly Recurring Revenue (ACMRR) (£m)



Operational Expansion

We made some key hires during the year however headcount remained broadly in line with the previous period. Headcount as at 30 June 2024 increased to 105 from 103 as at 30 June 2023, with the marginal increase representing a number of senior hires focussed on specific growth areas of the business. Senior hires included a new Head of Software Development, Head of Site Reliability Engineering and Head of APAC sales.

We now have a right sized sales team led by personnel with valuable experience in financial markets, providing confidence in ongoing momentum moving forward. We have also made a strategic senior hire with experience in AI to support the new developments in artificial intelligence within our Analytics offering, an area that has had continued focus this year.

We have continued to increase our data centre presence in the year both in existing locations and expanding in areas driven by customer demand. We will continue to evaluate new locations in line with our sales pipeline.

Product roadmap

We remain focused on evolving the functionality of our product offerings and during the year we continued to enhance our product set.

We have continued investing into the security of our products this year and were delighted to achieve the Service Organization Control 2 (SOC 2) compliance for our Proximity Cloud and Exchange Cloud products, as announced in March. SOC 2 compliance, the widely respected and recognised standard developed by the American Institute of Certified Public Accountants (AICPA), demonstrates Beeks' commitment to ensuring the security of customer data and strengthens Beeks' reputation as a trusted partner in the financial services sector, assuring clients that their core business functions are supported by a secure infrastructure.

In April we were also pleased to announce a strategic partnership with Securities & Trading Technology (STT), a leader in trading, clearing, and surveillance technology. This collaboration introduces a service-based solution that combines Beeks' financial cloud infrastructure with STT's trading and clearing systems to meet the evolving needs of global financial markets; streamlining operation, reducing costs, and enhancing market competitiveness by covering all aspects of exchange trading. The partnership enhances Beeks' solutions and demonstrates our dedication to innovation and value-creation for the financial markets.

This comes following continued investment into cybersecurity measures, such as the significant partnership with cybersecurity company BlueVoyant that was announced in January, enhancing Beeks' cybersecurity defences with their award-winning Managed Extended Detection and Response offering.

We have increased investment into Artificial Intelligence in the year. We believe that the latency and client experience insights that our analytics product provides can become an essential part of the capital markets front-office trading workflow. The open architecture and transparent commercial model of Beeks Analytics offers us a unique position to exploit this opportunity. During the year we implemented the next version of AI capability. Our Analytics product serves as an additional revenue stream as it is a stand-alone supplementary software that customers can access.

Sales and Marketing

Having made strategic hires during the year, gaining senior personnel with extensive industry experience and connections to enhance our sales and marketing strategies, we feel confident in our ability to delivering on our growth opportunity, particularly on scaling Exchange Cloud to reach new customers.

Our professional memberships serve as a valuable platform for Beeks to engage and establish connections with industry experts. These connections can potentially result in business opportunities, partnerships, and collaborations as well as offer access to valuable competitor insights. Furthermore, they set us apart from large-scale cloud service providers.

Customers

Beeks continues to support a diverse clientele, including banks, brokers, hedge funds, cryptocurrency traders and exchanges as well as insurance companies, financial technology firms, payment providers, and Independent Software Vendors (ISVs).

During the year we made material leaps in our sales pipeline for Exchange Cloud, a multi-home, fully configured and pre-installed physical trading environment fully optimised for global exchanges to offer cloud solutions to their end users. Significant Exchange Cloud wins include:

- The launch of the Johannesburg Stock Exchange's (JSE) Colo 2.0 offering in September 2023, providing JSE customers with leading edge innovative hosting and connectivity solutions.
- Significant extension of the JSE contract, announced in March, to meet stronger than anticipated customer demand for the solution, with the contract expanded again in August 2024, post period end, to a second data centre location, to meet the needs of large banks' regulatory requirements for dual location disaster recovery.
- Post-period multi-year Exchange Cloud contract with one of the largest exchange groups globally received regulatory approval, as announced in February. Beeks remains under an NDA with the exchange until the product's launch, which remains on track.

We have also continued to demonstrate a strong performance across our Private and Proximity Cloud products, further executing against our land and expand strategy.

Notable wins during the year include:

- Private Cloud Contracts to a value of \$4 million (c£3 million) signed in July, including a significant win, via a partner, with one of the UK's largest banks.
- \$1.3 million (c£1 million) Proximity Cloud contract win with a Tier 1 investment manager, announced in November. Subsequent expansion of this initial \$1.3 million

(c£1 million) Proximity Cloud contract to a value of \$3.6 million (c£2.7 million) in aggregate over a five-year period, as announced in February.

- £5 million contract with one of the world's largest banks, announced in March.

As demonstrated in the year, there is considerable potential for further expansion with existing customers across each of our product offerings. We have made strong progress with our Land and Expand strategy, with these extensions driving additional revenue from deals that grow in size since being signed.

Future Growth and Outlook

Looking ahead, we see a significant opportunity to scale with Exchange Cloud. Our sales pipeline for the offering has developed materially in the year, with several of the world's leading exchanges entering the final stages of contracting, and others at earlier points in the sales funnel.

We remain in a very strong position to continue our growth trajectory, boosted by high levels of recurring revenue, an established, international reputation and a significant market opportunity. Even at this early stage of the year, we are confident in our ability to achieve results for FY25 in line with the Board's expectations.

Gordon McArthur
CEO
4 October 2024

Financial Review

Key Performance Indicator Review

	FY24	FY23	Growth
Revenue ¹ (£m)	£28.49	£22.36	27%
ACMRR ² (£m)	£28.00	£23.80	18%
Gross Profit (£m)	£11.34	£9.12	24%
Gross Profit margin ³	39.8%	40.8%	(1%)
Underlying EBITDA ⁴ (£m)	£10.73	£8.42	27%
Underlying EBITDA margin ⁵	37.7%	37.7%	-
Underlying Profit before tax ⁶ (£m)	£3.90	£2.32	68%
Underlying Profit before tax margin ⁷	13.7%	10.4%	3.3%
Profit / (loss) before tax (£m)	£1.46	(£0.65)	325%
Underlying EPS ⁸ (pence)	£7.01	£4.31	63%

¹Revenue excludes grant income and rental income

²ACMRR is Annualised Committed Monthly Recurring Revenue

³Gross profit margin is statutory gross profit divided by Revenue

⁴Underlying EBITDA is defined as profit for the year excluding amortisation, depreciation, finance costs, taxation, acquisition costs, share based payments, exchange rate gains/losses on statement of financial position translation and exceptional non-recurring costs

⁵Underlying EBITDA margin is defined as Underlying EBITDA divided by Revenue

⁶Underlying profit before tax is defined as profit before tax excluding amortisation on acquired intangibles, acquisition costs, share based payments, exchange rate gains/losses on statement of financial position translation and exceptional non-recurring costs

⁷Underlying profit before tax margin is defined as Underlying profit before tax divided by Revenue

⁸Underlying EPS is defined as profit for the year excluding amortisation on acquired intangibles, acquisition costs, share based payments, exchange rate gains/losses on statement of financial position translation and exceptional non-recurring costs divided by the number of shares

I am pleased to report on another year of strong financial performance, with good revenue growth reflecting a positive response by both new and existing customers to our growing cloud offering. Recurring revenues remain high as a % of revenue, with high customer retention across our portfolio. Steady margins, high levels of recurring revenues, strong cash generation and a well-funded balance sheet provides us a solid foundation as we look to the year ahead.

Revenue

FY24 was another good year in terms of revenue growth. Group revenues grew by 27% to £28.5m (2023: £22.4m) driven by both Proximity, Exchange Cloud as well as our core Private Cloud offering across both existing and new customers. It has been pleasing to see growth within both these areas. Proximity and Exchange Cloud revenues grew by £3.0m and Private Cloud grew by £3.1m when compared to FY23. Refer to note 3 for a further breakdown of the Group's revenues. 84% of revenues (2023: 91%) were recurring with Tier 1 customers now representing 58% of delivered revenue (2023: 45%) and a high proportion of our recurring revenue on multi-year contracts. Historically we have always had high percentage levels of recurring revenue. The different revenue recognition principles of Proximity and Exchange Cloud, where a significant proportion is recognised upfront, will mean more fluctuations in our percentage of recurring revenue each year depending on the mix of Private/Public/Proximity and Exchange Cloud sales. It is pleasing to see another strong year of growth in contracted recurring revenue as represented by our ACMRR growth of 18% to £28.0m (2023: £23.8m).

Gross Profit

Statutory gross profit earned, which is calculated by deducting from revenue variable cost of sales such as data centre costs, software licencing, connectivity charges and depreciation and amortisation on our server estate and internally developed software, increased 24% to £11.3m (2023: £9.1m), with gross margin relatively stable, albeit reduced by one percent due largely to increased software licencing costs. These additional licencing costs are not expected to recur into FY25 as we have transitioned our server licence estate from VMWare to OpenNebula which has a lower software licencing charge. The investment in both Proximity Cloud and Exchange Cloud including Analytics during the year has continued as we seek to enhance the customer experience. We have incurred internal gross capitalised development costs at a similar level to the previous year of £2.8m (2023: £2.9m). This is largely made up of our internal software team which is now well established.

With a strong pipeline of Proximity and Exchange Cloud deals and with investment expected to be at a lower quantum when compared to sales growth, we anticipate gross margins to increase as these deals are converted into FY25.

Underlying Administrative Expenses

Underlying administrative expenses, which are defined as administrative expenses less share based payments and non-recurring costs, have increased by 5% from £7.0m to £7.4m primarily as a result of increases in staff costs. In line with our strategy, we maintained similar staffing levels from FY23 with an average headcount of 105 throughout the year (2023: 103) therefore these costs are largely as a result of inflationary pay increases. Other overhead costs have remained relatively flat during the year as we have worked hard to maintain margins. Hires will be continue to be made in value add areas but we anticipate the trend of incremental headcount increases in support areas moving forward as deals are converted and we look to deliver better operating margins.

Earnings before interest, tax, depreciation, amortisation and exceptional non-recurring costs (“Underlying EBITDA”) increased by 27% to £10.7m (2023: £8.4m). The growth in Underlying EBITDA has been driven by continued organic revenue growth.

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. The key adjusting items are share based payments, amortisation, grant income and unrealised exchange rate gains and losses.

Underlying Profit before tax** increased to £3.9m (2023: £2.3m) as a result of the changes in the key financial metrics discussed above.

Statutory Profit before tax increased to a profit of £1.5m (2023: Loss of £0.7m). The other reconciling differences are shown on the table below:

	Year ended 30 June 2024	Year ended 30 June 2023
	£'000	£'000
Statutory Profit / (Loss) Before Tax	1,459	(650)
Add back:		
Share Based Payments	2,326	2,291
Other Non-recurring costs*	29	136
Amortisation of acquired intangibles	304	489
Deduct:		
Grant Income	(275)	(267)
Exchange rate gains on intercompany translation	60	325
Underlying Profit before tax for the year	3,903	2,324

	Year ended 30 June 2024	Year ended 30 June 2023
	£'000	£'000
EBITDA***	10,940	8,362
Deduct:		
Grant Income	(275)	(267)
Exchange rate losses on intercompany translation	60	325
Underlying EBITDA	10,725	8,420

*Other non-recurring costs in the year relates exceptional costs in relation to one off staff termination payments, and other one off property costs. Prior year non-recurring costs were incurred due to refinancing and one off property costs. All of these costs are not expected to recur and are therefore disclosed separately to trading results.

**Underlying profit before tax is defined as profit before tax excluding amortisation on acquired intangibles, acquisition costs, share based payments, exchange rate gains/losses on statement of financial position translation and exceptional non-recurring costs

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

Taxation

The effective tax rate ('ETR') for the period was (50.3%), (2023: 86.3%).

The overall effective tax rate has benefitted from the UK Super-deduction on plant and machinery assets, deferred tax on share options and prior year adjustments for R&D claims.

See tax notes 9 and 12 for further details.

Earnings per Share

Underlying earnings per share increased 63% to 7.01p (2023: 4.31p). Underlying diluted earnings per share increased to 6.36p (2023: 3.96p). The increase in underlying EPS is largely as a result of the increased underlying profitability in FY24. See note 24 for further details.

Basic earnings per share increased to 3.33p (2023: loss per share of 0.14p). The increase in basic EPS is as a result of the statutory profit in the period. Diluted earnings per share has also increased to 3.11p (2023: loss per share 0.13p).

Statement of Financial Position and Cash flows

The statement of financial position shows an increase in total assets to £49.5m (2023: £47.4m) with operating cash flows before movement in working capital during the year increased by 23% to £11.0m (2023: £9.0m). Our strategy is to always have sufficient infrastructure capacity both across our global data centre network and to hold a sufficient level of IT inventory at our Glasgow Head Office. As such, a proportion of our capital spend during the year is spent to satisfy the growing pipeline demand for the year ahead. Investment in property, plant and equipment, hardware and infrastructure was again significant with £3.6m (2023: £4.1m) of additions (excluding Property and new leases in accordance with IFRS 16) throughout our expanding global network and supporting the client and revenue growth made during the year. We hold a stock supply of circa £1.5m in IT infrastructure which is capable of delivering against the immediate FY25 sales pipeline. As global supply chain issues are easing, we will not require these levels of stock which should assist working capital requirements going forward.

During the year we took advantage of preferential pricing with a supplier with additional borrowings via asset finance of £0.2m We repaid total debt of £1.8m against our borrowing facilities. Our net cash at the end of the year is £6.6m (30 June 2023: net cash £4.4m) and gross borrowings at £1.1m remain at 0.1x Underlying EBITDA of £10.7m which we believe is a very comfortable level of debt to carry given the recurring revenue business model and strong cash generation. We note the increases to the cost of borrowing and will look to maintain or reduce our interest rate cover as we move forward.

At 30 June 2024 net assets were £37.5m compared to net assets of £32.8m at 30 June 2023.

Fraser McDonald
Chief Financial Officer
4 October 2024

Consolidated Statement of Comprehensive Income

		2024	2023
	Note	£000	£000
Revenue	2	28,487	22,357
Other Income	2	371	361
Cost of sales		(17,516)	(13,602)
Gross profit		11,342	9,116
Administrative expenses		(9,759)	(9,447)
Operating profit / (loss)	3	1,583	(331)
Analysed as			
Earnings before depreciation, amortisation, acquisition costs, share based payments and non-recurring costs:		10,940	8,362
Depreciation	10	(5,085)	(4,550)
Amortisation – acquired intangible assets	9	(326)	(489)
Amortisation – other intangible assets	9	(1,591)	(1,227)
Share based payments	20	(2,326)	(2,291)
Other non-recurring costs	3	(29)	(136)
Operating profit / (loss)		1,583	(331)
Finance income	5	250	101
Finance costs	4	(374)	(420)
Profit / (Loss) before taxation		1,459	(650)
Taxation	8	734	561
Profit / (Loss) after taxation for the year attributable to the owners of Beeks Financial Cloud Group PLC		2,193	(89)
Other comprehensive income			
<i>Amounts which may be reclassified to profit and loss</i>			
Currency translation differences		8	77

Total comprehensive income/(loss) for the year attributable to the owners of Beeks Financial Cloud Group PLC		2,201	(12)
		Pence	Pence
Basic earnings/(loss) per share	23	3.33	(0.14)
Diluted earnings/(loss) per share	23	3.11	(0.13)

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

Consolidated Statement of Financial Position

		2024	2023
	Note	£000	(Restated) £000
Non-current assets			
Intangible assets	9	9,368	8,106
Trade and other receivables	13	3,287	1,891
Property, plant and equipment	10	16,739	17,952
Deferred tax	11	6,726	5,398
		36,120	33,347
Current assets			
Trade and other receivables	13	4,171	4,500
Inventories	12	1,506	1,767
Cash and cash equivalents	14	7,701	7,829
		13,378	14,096
Total assets		49,498	47,443
Liabilities			
Non-current liabilities			
Trade and other payables	17	136	531
Lease liabilities	16	1,283	2,047
Deferred tax	13	4,196	3,884
Total non-current liabilities		5,615	6,462
Current liabilities			
Trade and other payables	17	4,777	4,421
Lease liabilities	18	1,611	1,960
Borrowings	16	-	1,814
Total current liabilities		6,388	8,195
Total liabilities		12,003	14,657
Net assets		37,495	32,786
Equity			
Issued capital	19	83	82
Share premium	21	23,775	23,775

Reserves	21	6,297	4,879
Retained earnings		7,340	4,050
Total equity		37,495	32,786

These financial statements were approved by the Board of Directors on 4th October 2024 and were signed on its behalf by:

Gordon McArthur, Chief Executive Officer,
 Beeks Financial Cloud Group Plc,
 Company number: SC521839

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

Consolidated Statement of Changes in Equity

	Issued capital	Foreign currency reserve	Merger reserve	Other reserve	Share based payments	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 July 2022	82	(7)	705	(315)	2,274	23,775	4,245	30,759
Profit after income tax expense for the year	-	-	-	-	-	-	(89)	(89)
Currency translation difference	-	77	-	-	-	-	-	77
Total comprehensive income	-	77	-	-	-	-	(89)	(12)
Deferred tax	-	-	-	-	-	-	(252)	(252)
Share based payments	-	-	-	-	2,291	-	-	2,291
Exercise of share options	-	-	-	-	(146)	-	146	-
Total transaction with owners	-	-	-	-	2,145	-	(106)	2,039
Balance at 30 June 2023	82	70	705	(315)	4,419	23,775	4,050	32,786
Profit after income tax expense for the year	-	-	-	-	-	-	2,193	2,193
Currency translation difference	-	8	-	-	-	-	-	8
Total comprehensive income	-	8	-	-	-	-	2,193	2,201
Deferred tax	-	-	-	-	-	-	181	181
Issue of share capital	1	-	-	-	-	-	-	1
Share based payments	-	-	-	-	2,326	-	-	2,326
Exercise of share options	-	-	-	-	(916)	-	916	-
Total transaction with owners	1	-	-	-	1,410	-	1,097	2,508
Balance at 30 June 2024	83	78	705	(315)	5,829	23,775	7,340	37,495

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

Consolidated Cash Flow Statement

		2024	2023
	Note	£'000	£'000
Cash flows from operating activities			
Profit / (Loss) for the year before tax		1,459	(650)
Adjustments for:			
Depreciation of tangible fixed assets	11	5,085	4,737
Amortisation of intangible assets	10	1,917	1,698
Interest payable on bank loans	5	85	140
Lease liability interest	5	163	165
Share based payment charge	7	2,326	2,291
Proceeds from grant income		-	609
Operating cash flows		11,035	8,990
(Increase) in receivables	14	(1,343)	(1,667)
Increase in inventories	13	997	311
(Decrease) in payables	18	(171)	(696)
Operating cash flows after movement in working capital		10,518	6,938
Corporation tax received/(paid)		33	(6)
Net cash generated from operating activities		10,551	6,932
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(3,882)	(4,329)
Capitalised development costs	10	(2,909)	(2,822)
Net cash used in investing activities		(6,791)	(7,151)
Cash flows from financing activities			
Repayment of existing loan borrowings	17	(1,814)	(618)
Repayment of lease liabilities	17	(2,065)	(1,267)
Interest on lease liabilities	19	(163)	(165)
Interest payable on bank loans	5	(85)	(140)
Proceeds from asset finance	17	229	-

Net cash generated from financing activities		(3,898)	(2,190)
Net (decrease) in cash and cash equivalents		(138)	(2,409)
Effects of exchange rates on cash and cash equivalents		10	78
Cash and cash equivalents at beginning of year	15	7,829	10,160
Cash and cash equivalents at end of year	15	7,701	7,829

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

Notes to the Consolidated Financial Statements

1. Summary of significant accounting policies

Corporate information

Beeks Financial Cloud Group PLC is a public limited company which is listed on the AIM Market of the London Stock Exchange and is incorporated in Scotland. The address of its registered office is Riverside Building, 2 Kings Inch Way, Renfrew, Renfrewshire, PA4 8YU. The principal activity of the Group is the provision of information technology services and products. The registered number of the Company is SC521839.

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 UK-adopted International Financial Reporting Standards (IFRS) and with the requirements of the Companies Act 2006. The financial statements are prepared in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The financial statements have been prepared on the historical cost basis except for the valuation of certain financial instruments that are measured at fair values at each reporting period, as explained in the accounting policies below.

The measurement bases and principal accounting policies of the group are set out below and are consistently applied to all years presented unless otherwise stated.

New and revised IFRSs in issue but not yet effective and have not been adopted by the Group

New and revised IFRSs in issue but not yet effective and have not been adopted by the Group. At the date of authorisation of these financial statements, the following standards, interpretations and amendments have been issued but are not yet effective and have no material impact on the Group's financial statements:

- Amendment to IAS 1 – Classification of liabilities as Current or Non-Current
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1: Non-current Liabilities with Covenants

None of these have been adopted early and the Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

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

In the current year, the group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies
- Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

There are no new accounting policies applied in the year ended 30 June 2024 which have had a material effect on these accounts.

Going concern

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 finance facilities available to the Group, including the availability of any short term funding required through the use of the Revolving Credit Facility

The financial position of the Group, its cash flows and liquidity position are described in the Chief Financial Officer's Report.

The directors take comfort from the resilience of our business model. The level of customer churn across our business has remained low and cash collection has been in line with our typical profile. We do however remain vigilant to the economic impact the ongoing macro-economic environment may create, particularly on the SME segment of the market.

Note 16 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The directors are of the opinion that the Group can operate within their current levels of cash reserves including further financing facilities available. At the end of the financial year, the Group had net cash of £6.58m (2023: Net cash £4.41m) a level which the Board is comfortable with given the strong cash generation of the Group and low level of debt to EBITDA ratio. The Group has a diverse portfolio of customers and suppliers with long - term contracts across different geographic areas. As a consequence, the directors believe that the Group is well placed to manage its business risks.

The directors have considered the Group budgets and the cash flow forecasts to December 2025, and associated risks including the risk of climate change and the impact on our data centre estate, useful economic life of assets, and the availability of bank and leasing facilities. We have run appropriate scenario and stress tests applying reasonable downside sensitivities in respect of profitability and associated cash flow generation and are confident we have the resources to meet our liabilities as they fall due for a period of at least 12 months from the date of these financial statements.

After making enquiries, the directors have a reasonable expectation that the Group will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Accordingly, the Directors have adopted the going concern basis in preparing the Report for the year ended 30 June 2024.

Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary or a business is the fair values of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity interests issued to the Group.

The consideration transferred includes the fair values of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date.

Acquisition related costs are expensed as incurred. As each of the subsidiaries are 100% wholly owned the Group has full control over each of its investees. Intercompany transactions, unrealised gains and losses on intragroup transactions and balances between group companies are eliminated on consolidation.

Foreign currency transactions

In line with IAS 21 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 exchange gains and losses resulting from the retranslation of inter-company balances are recognised in profit or loss. Non-monetary assets are translated at the historical rate.

Foreign operations

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

Business Combinations

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

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

any such payment is based on its fair value. To estimate the fair value an assessment is made as to the amount of contingent consideration which is likely to be paid having regard to the criteria on which any sum due will be calculated and is probability based to reflect the likelihood of different amounts being paid.

Where a change is made to the fair value of contingent consideration within the initial measurement period as a result of additional information obtained on facts and circumstances that existed at the acquisition date then this is accounted for as a change in goodwill. Where changes are made to the fair value of contingent consideration as a result of events that occurred after the acquisition date then the adjustment is accounted for as a charge or credit to profit or loss.

The Group's accounting policy for common control transactions is to recognize and measure such transactions at carrying amounts, with no gain or loss recognized in the financial statements. This policy ensures consistency and comparability in the treatment of transactions within the Group.

Revenue recognition

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

- Identifying the contract with a customer
- Identifying the performance conditions
- Determining the transaction price
- Allocating the transaction price to the performance conditions
- Recognising revenue when/as performance obligation(s) are satisfied.

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

The below outlines all the Group's revenue streams and associated accounting policies:

Infrastructure as a Service (IaaS)

The group's core business provides managed Cloud computing infrastructure and connectivity. The Group considers the performance obligation to be the provision of access and use of servers to our clients. As the client receives and consumes the benefit of this use and access over time, the related revenue is recognised evenly over the life of the contract.

Monitoring software and maintenance services

The group also provides software products that analyse and monitor IT infrastructure. Revenue from the provision of software licences is split between the delivery of the software licence and the ongoing services associated with the support and maintenance. The supply of the software licence is recognised on a point in time basis when control of the goods has transferred, being the delivery of the item to the customer, whilst the ongoing support and maintenance service is recognised evenly over the period of the service being rendered on an over time basis. The group applies judgement to determine the percentage of split between the licence and maintenance portions, which includes an assessment of the expected cost plus margin that would be received in a standalone sale of the performance obligations.

Where an agreement includes a royalty fee as a result of future sales by a customer to third parties and there is a minimum amount guaranteed, this is recognised at point in time when the delivery of the item is complete.

Set up fees

Set up fees charged on contracts are reviewed to consider the material rights of the set-up fee. When a set-up fee is arranged, Beeks will consider the material rights of the set-up fee, if in substance it constitutes a payment in advance, the set-up fee will be deemed to be a material right. The accounting treatment for both material rights and non-material rights set-up fees is as follows:

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

Revenue in respect of installation or training, as part of the set-up, is recognised when delivery and installation of the equipment is completed on a point in time basis.

Hardware and software sales

Revenue from the supply of hardware is recognised when control of the goods has transferred. For hardware, this occurs upon delivery and installation of the item to the customer. For software, control is deemed to pass on provision of the licence key to the customer being the point in time the customer has the right to use the software.

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

Professional and consultancy services

Revenue from professional and consultancy services are recognised using the output method as these services are rendered and the performance obligation satisfied. Any unearned portion of revenue (i.e. amounts invoiced in advance of the service being provided) is included in payables as a contract liability.

Proximity and Exchange Cloud Services

Proximity and Exchange Cloud are a fully-managed and configurable compute, storage and analytics racks built with industry-leading low latency hardware that allow capital markets and financial services customers to run compute, storage and analytics on-premise.

Revenue from the sale of proximity and exchange cloud contracts has been assessed under IFRS 15 and using the five step process, the following performance obligations have been identified:

- Delivery and installation of the hardware, and provision of the software licence
- Delivery of maintenance and technical support over the contract
- Delivery of unspecified upgrades and future software releases
- Significant financing components

The delivery and installation of the hardware, and provision of the software licence are highly interrelated and considered to be one performance obligation. Management have assessed that the software is the predominant item within the performance obligation as it is the functionality and use of the developed software that provides benefit to the customer, furthermore the purpose of the contract is for provision of the software licence with the hardware being required to facilitate this. This is recognised on a point in time basis when the control of the goods have been transferred, being when delivery of the item is completed and the right to use the software is granted to the customer. This is further explained in significant judgements.

The maintenance and technical support, as well as the delivery of the unspecified upgrades and future software releases are recognised evenly on an over time basis over the period of the contract. The performance obligation for both is considered to be that of standing ready to provide technical product support and unspecified updates, optional upgrades and enhancements when made available over the period of service being rendered.

These contracts include multiple deliverables. The Group applies judgement to determine the transaction price to be allocated between a) the delivery and installation of the hardware and provision of the software licence, recognised on a point in time basis and b) the stand ready services (support, maintenance, unspecified upgrades) recognised over time. The Group applies the expected cost plus margin approach to the stand ready services and the delivery and installation of the hardware and provision of software licence is estimated using the residual approach, given this is a new product to market and standalone selling prices are not directly observable.

Where such contracts include a significant financing component, the group also adjusts the transaction price to reflect the time value of money. Finance income is recognised as other income in the statement of the comprehensive income.

Revenue recognised over time and at a point in time is disclosed at note 2 of the notes to the financial statements.

Government grant income

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

Rental Income

Rental income from the head office property leased out under operating leases is recognised in the statement of the comprehensive income as other income as these services are rendered, as the tenant occupies the space.

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 as relating to the Group's revenue generation, have been classified as cost of sales.

Where assets are purchased under a finance lease arrangement, they are recognised initially as Right of Use Assets and disclosed within the Property plant and equipment note 11. Assets that are subsequently sold as part of a Proximity or Exchange Cloud contract are transferred to profit and loss as cost of sales.

Interest

Interest revenue is recognised as part of the financing component within some Proximity Cloud and Software Licencing contracts. 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 flows through the expected life of the financial asset to the net carrying amount of the financial asset.

Other non-recurring costs

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

Taxation and deferred taxation

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

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another and is recognised when the Group becomes party to the contractual provisions of the instrument.

To protect elements of our cash flows against the level of exchange rate risk, the Group entered into forward exchange contracts to hedge foreign exchange USD exposures arising on the forecast receipts and payments during the year. As at 30 June the group had a forward exchange contract to sell \$1.3m USD (c£1m). This was rolled forward post year end. Had the amount been settled at the year-end spot rate it would have resulted in an exchange loss of \$25,212 (c£19,161). The Group does not use derivative instruments.

Financial assets and liabilities are recognised initially at fair value, and subsequently measured at amortised cost, with any directly attributable transaction costs adjusted against fair value at initial recognition and recognised immediately in the Consolidated income statement as a profit or loss.

Financial assets

Trade and other receivables

Trade and other receivables are initially recognised at transaction price, less allowances for impairment. These are subsequently measured at amortised costs using the effective interest method. An allowance for impairment of trade and other receivables is established when there is 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 allowance 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 profit or loss within 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 amount previously written off are credited against 'administrative expenses' in the Consolidated statement of comprehensive income.

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

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

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

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

Where a financing component is applicable, the Group has chosen to measure any loss allowance at an amount equal to lifetime expected credit losses.

Financial liabilities

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.

Inputs determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the “fair value hierarchy”):

- Level 1: Quoted prices in active markets for identical items (unadjusted).
- Level 2: Observable direct or indirect inputs other than Level 1 inputs.
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of inputs used that has a significant effect on the fair value of the item. The Group measures a number of items at fair value, including;

- Trade and other receivables (note 13)
- Trade and other payables (note 17)
- Borrowings (note 16)
- Share based payments (note 20)

For more detailed information in relation to the fair value of the items above please refer to the applicable notes.

Share based payments

The Group operates equity-settled share based remuneration plans for its employees. Options are measured at fair value at grant date using the Black Scholes model. Where options are redistributed, options are measured at fair value at the redistribution date using the Black Scholes Model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest. Fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability growth targets).

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

When share options are exercised, the company issues new shares. The nominal share value from the proceeds received are credited to share capital and proceeds received above nominal value, net of attributable transaction costs, are credited to the share premium when the options are exercised. When share options are forfeited, cancelled, or expire, the corresponding fair value is transferred to the retained earnings reserve. Amounts held in the share based payments reserve are transferred to Retained Earnings on exercise of the related options.

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

Where the Group entity incurs a share based payment charge relating to subsidiary employees, the charge is treated as a capital contribution in the subsidiary and an increase in investment in the Group entity.

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 IT infrastructure 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 property and improvements over the lease period
- Freehold property over 50 years
- Computer Equipment over 5 years and over the length of lease
- Office equipment and fixtures and fittings over 5-20 years

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.

Where assets are purchased under a finance lease arrangement, they are recognised as Right of Use Assets and disclosed within the Property plant and equipment note 11. Where these assets are subsequently sold as part of a Proximity or Exchange Cloud contract, they are transferred from PP&E to stock and thereafter to the profit and loss as cost of sales.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to bringing the asset to its current condition. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any directly attributable selling expenses.

Where inventories are purchased under a finance lease arrangement, they are recognised initially as Right of Use Assets and disclosed within the Property plant and equipment note 10.

Inventories that are subsequently sold as part of a Proximity or Exchange Cloud contract are transferred to profit and loss as cost of sales.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling prices less costs to complete and sell is recognised as an impairment loss in the income statement. Reversals of impairment losses are also recognised in profit or loss.

Assets held at Head Office are classified and disclosed as inventory until the point in which the assets purpose is identified. At the point, the asset will either be transferred to property, plant and equipment and sold under Infrastructure-as-a-Service (IaaS) or sold to a customer under a proximity or exchange cloud solution and transferred to Cost of Sales within the Income statement.

Leases

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group; the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and the Group has the right to direct the use of the identified asset throughout the period of use.

At the lease commencement date, the Group recognises a right-of-use asset and a corresponding lease liability on the Consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability measured at the present value of future lease payments, any initial direct costs incurred by the Group. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group assesses the right-of-use asset for impairment under IAS 36 'Impairment of Assets' where such indicators exist.

Lease liabilities are presented on two separate lines in the Consolidated statement of financial position for amounts due within one year and amounts due after more than one year. The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted

using the rate implicit in the lease. If this rate cannot readily be determined, the Group applies an incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the liability by payments made. The Group re-measures the lease liability (and adjusts the related right-of-use asset) whenever the lease term has changed, or a lease contract is modified, and the modification is not accounted for as a separate lease.

Lease payments included in the measurement of the lease liability can be made up of fixed payments and an element of variable charges depending on the estimated future price increases, whether these are contractual or based on management's estimate of potential increases. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. Where non-contractual payment discounts are subsequently received from suppliers, these are treated as a discharge of the lease liability with a credit recognised in the profit or loss statement.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients available under IFRS 16. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

Under IFRS 16, the Group recognises depreciation of the right-of-use asset and interest on lease liabilities in the Consolidated statement of comprehensive income over the period of the lease. On the Consolidated statement of financial position, right-of-use assets have been included in right of use assets and lease liabilities have been included in lease liabilities due within one year and after more than one year.

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. A bargain purchase is immediately released to the Consolidated statement of comprehensive income in the year of acquisition.

Customer relationships

Included within the value of intangible assets are customer relationships. These represent the purchase price of customer lists and contractual relationships purchased on the acquisition of the business and assets of Gallant VPS Inc. and Commercial Network Services as well as the purchase of Velocimetrics Ltd. These relationships are carried at cost less accumulated amortisation or impairment losses where applicable. Amortisation is calculated using the straight line method over periods of between five and ten years and is charged to cost of sales.

Development costs

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

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

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

Development costs not meeting the criteria for capitalisation are expensed as incurred. The costs which do meet the criteria range from new product development to the enhancement of existing services. The scope of the development team's work continues to evolve as the Group continues to deliver business critical solutions to a growing customer base. Development costs capitalised are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful life is deemed to be five years for all developments capitalised. Amortisation is charged at the point of a major product release or upgrade in which that asset is made available for sale or release to the customer. Charges are recognised through cost of sales in the Consolidated statement of comprehensive income in the period in which they are incurred.

Impairment

Goodwill and assets with an indefinite useful life 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 or where the asset is still in development and is not yet being amortised as it is not available for use. 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.

A previously recognised impairment loss is reversed only if there is an indication that an impairment loss recognised in prior periods for an asset or cash-generating unit may no longer exist or may have decreased. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would be determined, net of depreciation, had no impairment loss been recognised for the asset or cost-generating unit in prior years. Such a reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Equity

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

The share capital account represents the amount subscribed for shares at nominal value. Details on this can be found at note 21.

Amounts arising from the revaluation of non-monetary assets and liabilities held in foreign subsidiaries, and joint operations are held within the foreign currency reserve.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Value-added tax ('VAT') and other similar taxes

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

Trade receivables and trade 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 net 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.

Alternative performance measures

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

The alternative performance measures provide management's view of the Group's financial performance and are not necessarily comparable with other entities. These alternative measures exclude significant costs (such as Share Based Payments) and as such, should not be regarded as a complete picture of the Group's financial performance. These measures should not be viewed in isolation, but as supplementary information to the rest of the financial statements.

Underlying EBITDA

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

Underlying EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies, particularly in the sector that the Group operates.

The Group considers underlying EBITDA to be a useful measure of operating performance because it approximates the underlying operating cash flow by eliminating the charges mentioned above. It is not a direct measure of liquidity, which is shown in the Consolidated statement of cash flows, and needs to be considered in the context of the Group's financial commitments. Reference is also made to the right of use asset implication on depreciation in the year as a result of the Group taking additional space in data centres.

Underlying profit before tax

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

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

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

Underlying diluted earnings per share

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

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

Net cash/Net Debt

Net cash/net debt is a financial liquidity metric that measures the ability of a business to pay all its debts if they were to be called immediately. This is defined as current and non-current borrowing liabilities (debt and asset finance but excluding lease liabilities)– cash and cash equivalents.

Operational costs

Operational costs are defined as operating expenses less exceptional costs, share based payments and non-recurring costs. These costs are adjusted to reflect the true business operational trading costs.

Profit after Tax

Management believes that profitability measures after tax are not measures that would specifically require alternative performance measures as they do not constitute trading results. Tax legislation is out with the control of the Group. Whilst the group currently benefits from some tax relief such as R&D tax credits, the group does not rely on these in terms of trading results or provide consideration of the tax impact of

adjusted items for alternative performance measures. Further information on tax impact on profitability can be found on Note 9.

Annualised Committed Monthly Recurring Revenue

Annualised Committed Monthly Recurring Revenue (ACMRR) is committed recurring revenue. Management believes that ACMRR is a key measure as it provides investors with the total contracted committed revenue of the Group.

2. 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 executive directors.

In the current year there is one customer that account for more than 10% of Group revenue. The total revenue for this customer amounts to £11.2m (2023: £7.1m).

Performance is assessed by a focus on the change in revenue across public/private cloud and new sales relating to Proximity Cloud/Exchange Cloud. Cost is reviewed at a cost category level but not split by segment. Assets are used across all segments and are therefore not split between segments so management review profitability at a group level.

Revenues by Operating segment, further disaggregated are as follows:

	Year ended 30/06/24 (£'000)			Year ended 30/06/23 (£'000)		
	Public/ Private Cloud	Proximity/ Exchange Cloud	Total	Public/ Private Cloud	Proximity/ Exchange Cloud	Total
Over time						
Infrastructure/software as a service	22,723	-	22,723	19,162	-	19,162
Maintenance	388	-	388	537	-	537
Proximity Cloud	-	378	378	-	454	454
Exchange Cloud		53	53	-	-	-
Professional services	463	-	463	273	-	273
Over time total	23,574	431	24,005	19,972	454	20,426
Point in time						
Hardware/Software resale	826	-	826	529	-	529
Software licences	456	-	456	1,267	-	1,267
Set up fees	100	-	100	135	-	135
Software other	57	-	57	-	-	-
Proximity Cloud	-	1,626	1,626	-	-	-
Exchange Cloud	-	1,417	1,417	-	-	-
Point in time total	1,439	3,043	4,482	1,931	-	1,931
Total revenue	25,013	3,474	28,487	21,903	454	22,357

Revenues by operating segment, further disaggregated are as follows:

	2024	2023
	£'000	£'000
Revenues by geographic location are as follows:		
United Kingdom	7,140	5,660
Europe	2,861	3,119
US	11,140	9,193
Rest of World	7,346	4,385
Total	28,487	22,357

During the year £0.3m (2023: £0.3m) was recognised in other income for grant income received from Scottish Enterprise and £0.1m (2023: £0.1m) was recognised as rental income.

	2024	2023
	£'000	£'000
Non-Current Assets by geographic location are as follows:		
United Kingdom - Property, plant and equipment	8,343	9,235
Europe - Property, plant and equipment	1,416	1,610
Rest of World - Intangible assets	8,000	6,738
Rest of World – Goodwill	1,368	1,368
Rest of World - Property, plant and equipment	2,531	2,750
US – Property, plant and equipment	4,449	4,357
Total Non-Current Assets	26,107	26,058

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

The Group has taken advantage of the practical expedient permitted by IFRS 15 and has therefore not disclosed the amount of the transaction price allocated to unsatisfied performance obligations or when it expects to recognise that revenue. Longer term contracts continue to be paid on a monthly basis.

3. Operating Profit / (Loss)

Operating Profit / (Loss) is stated after charging:

	2024	2023
	£000	£000
Staff costs (note 7)	7,198	6,909
Depreciation on owned assets (note 11)	3,789	3,140
Depreciation right-of-use assets (note 11)	1,296	1,410
Amortisation of acquired intangibles (note 10)	318	489
Amortisation of other intangibles (note 10)	1,599	1,227
Other cost of sales and admin*	10,681	7,191
Foreign exchange losses	38	256
Share based payments (note 21)	2,326	2,291
Other non-recurring costs	29	136

*Included within other cost of sales and admin are the remainder of direct costs associated with the business including data centre connectivity, software licences, security, and other direct support costs.

Auditor's remuneration

	2024	2023
	£000	£000
Audit		
Fees payable for the audit of the consolidation and the parent company accounts	79	83
Fees payable for the audit of the subsidiary	70	75
Non Audit		
Fees payable for the interim review of the group	-	5
Assurance related services	-	20
	149	183

4. Finance Costs

	2024	2023
	£000	£000
Bank charges	126	115
Interest on loan liabilities	85	140
Interest expense	163	165
Total finance costs	374	420

5. Finance Income

	2024	2023
	£000	£000
Financing charge on Proximity Cloud contracts	147	101
Bank Interest received	103	-
Total finance income	250	101

6. Average number of employees and employee benefits expense

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

	2024	2023
	£000	£000
Management and administration	21	22
Support and development staff	84	81
Average numbers of employees	105	103

The employee benefits expense during the year was as follows:

	2024	2023
	£000	£000
Wages and salaries	6,153	5,969
Social security costs	666	669
Other pension costs	379	271
Total employee benefits expense	7,198	6,909
Share based payments (note 21)	2,326	2,291

Wages and salary costs directly attributable to the development of products are capitalised in intangible assets. The total additions capitalised in intangible assets relates to payroll costs and external third-party costs. Refer to Note 10 for capitalised development costs.

7. Directors' emoluments

	2024	2023
	£000	£000
Aggregate remuneration in respect of qualifying services	330	292
Aggregate amounts of contributions to pension schemes in respect of qualifying services	22	14
Other benefits in kind	4	2
Gain on exercise of options	388	-
Total Directors' emoluments	744	308
Highest paid director - aggregate remuneration (excluding share based payments)	125	126

There are two directors (2023: two) who are accruing

retirement benefits in respect of qualifying services.

8. Taxation expense

	2024	2023
	£000	£000
Current		
Foreign tax on overseas companies	222	65
R&D tax credit received	(121)	(95)
Total current tax	101	(30)
Origination and reversal of temporary differences	(835)	(531)
Total deferred tax	(835)	(531)
Tax on Profit / (Loss) on ordinary activities	(734)	(561)

The differences between the total tax credit 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:

	2024	% ETR	2023	% ETR
	£000	movement	£000	movement
Profit / (Loss) before tax	1,459		(650)	
Profit / (Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25% (2023: 25%)	354	24%	(124)	21%
Effects of:				
Impact of super deduction	14	0.96%	(215)	(33.18%)
Expenses not deductible for tax purposes	554	37.97%	481	(74.23%)
R&D tax credits relief	(451)	30.91%	(89)	13.73%
Share option deduction	(1,059)	72.58%	(404)	62.35%
Prior year deferred tax adjustments	(144)	9.87%	(88)	13.58%
Capital gains/losses	(37)	2.54%	-	-
Adjustment for tax rate differences	-	-	(37)	4.01%
Foreign tax suffered	156	10.69%	40	0.32%
R&D tax credit received	(121)	-	(125)	-
Total tax charge	(734)	(50.31%)	(561)	86.31%

The effective tax rate (ETR) for the year was 50.31% (2023: 86.31%).

9. Intangible assets

	Acquired customer relationships	Development costs	IP addresses	Trade name	Goodwill	Total
Cost						
As at 30 June 2022	2,530	6,148	-	137	2,336	11,151
Charge for year						
Additions	-	2,868	-	-	-	2,868
Grant funding received	-	(147)	-	-	-	(147)
Foreign exchange movements	(29)	-	-	-	-	(29)
As at 1 July 2023	2,501	8,869	-	137	2,336	13,843
Additions	-	2,796	104	-	-	2,900
Foreign exchange movements	(2)	-	-	-	-	(2)
As at 30 June 2024	2,499	11,665	104	137	2,336	16,741
Accumulated Amortisation						
As at 30 June 2022	(1,146)	(2,278)	-	(61)	(968)	(4,453)
Charge for the year	(345)	(1,343)	-	(27)	-	(1,715)
Foreign exchange movements	17	-	-	-	-	17
Grant funding received	-	414	-	-	-	414
As at 1 July 2023	(1,474)	(3,207)	-	(88)	(968)	(5,737)
Charge for the year	(263)	(1,627)	-	(27)	-	(1,917)
Foreign exchange movements	5	-	-	-	-	5
Grant income release	-	276	-	-	-	276
As at 30 June 2024	(1,732)	(4,558)	-	(115)	(968)	(7,373)
NBV as at 1st July 2023	1,027	5,662	-	49	1,368	8,106
NBV as at 30th June 2024	767	7,107	104	22	1,368	9,368

Development costs have been recognised in accordance with IAS 38 in relation to the Open Nebula project and development of the Proximity and Exchange Cloud products, including analytics and its integration into this product. Development costs in relation to Proximity and Exchange Cloud have a useful life of 5 years.

Brought forward development costs consist of £5.9m where £3.0m was capitalised in FY22 and £2.9m was capitalised in FY23. These assets now have a carrying value of £3.3m.

During the year, a total of £2.8m development costs relating to the development of Proximity Cloud/Exchange Cloud and £0.3m relating to the Open Nebula project were capitalised. These assets now have a carrying value of £2.9m.

As at 30 June 2024, £1.5m (2023: £1.6m) of development costs capitalised are currently being carried as work in progress not yet amortised. This relates to cost where projects have not yet been completed and made available to customers. All costs incurred during the preliminary stages of development projects are charged to profit or loss. Within the Proximity/Exchange Cloud segment in the current year, an impairment review was carried out solely on the projects within development costs for which amortisation is yet to begin as no revenue has yet been generated from these items not yet under sale. No impairment indicators were found.

During the year, Beeks purchased IP Addresses for £0.1m due to the finite supply of IP addresses. Beeks have taken the view not to amortise this intangible asset given their value is not expected to be reduced over time.

Impairment test for goodwill

For this review, goodwill was allocated to individual cash generating units (CGU) on the basis of the Group's operations as disclosed in the segmental analysis. As the Board reviews results on a segmental level, the Group monitors goodwill and annually assesses it on the same basis for impairment.

The carrying value of goodwill by each CGU is as follows:

	2024
	£'000
Private/public cloud	1,368
Proximity/Exchange Cloud	-
Total goodwill	1,368

Goodwill has been allocated to the public/private segment and management have reviewed and confirmed that there is no indication of impairment.

The recoverable amount of all CGUs has been determined by using value-in-use calculations, estimating future cash inflows and outflows from the use of the assets and applying an appropriate discount rates to those cash flows 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 prepare forecasts for future trading over a useful life period of up to five years.

These cash flow projections are based on financial budgets and market forecasts approved by management using a number of assumptions including;

- Historic and current trading
- Weighted sales pipeline
- Potential changes to cost base (including staff to support the CGU)
- External factors including competitive landscape and market growth potential

- Forecasts that go beyond the approved budgets are based on long term growth rates on a macro-economic level.

Management performed a full impairment assessment on the goodwill allocated to Public/Private Cloud. This included including modelling projected cash flows based on the current weighted sales pipeline, a discount rate based on the calculated pre-tax weighted average cost of capital (15%, 2023: 15%) and cost base assumptions that included contingency and investment to deliver against the weighted sales pipeline. Conservative mid-term rates of 20% and terminal growth rates of 2% (2023: 2%) were estimated, which were significantly less than both the Group's internal business plan, external market mid-term forecast as well as historic performance.

Sensitivity analysis has been performed to show the impact of reasonable or possible changes in key assumptions. An increase in discount rate from 15% to 20% was applied with sales growth assumptions reduced. This resulted in no resultant indication of impairment.

An impairment review was carried out on the three development projects, for which amortisation is yet to begin, in line with the testing on impairment of intangible assets as referenced within the Group's accounting policies in note 1. For Exchange Cloud and Analytics, the existing weighted sales pipeline was used as a typical pipeline profile for current and future years and cash flows on the business unit to which the goodwill relates were forecast. Discount rates and cost base assumptions were consistent to what has been detailed above in regards to the impairment testing on goodwill. For Open Integration, cost comparisons of the two platform were compared based on current pricing with discount rates again consistent with the impairment testing on goodwill.

Based on an analysis of the impairment calculation's sensitivities to changes in key parameters (growth rate, discount rate and pre-tax cash flow projections) there was no reasonably possible scenario where these recoverable amounts would fall below their carrying amounts therefore as at 30 June 2024, no change to the impairment provision against the carrying value of intangibles was required. The revaluation of these from prior year represents exchange adjustment only.

Note during the year the trade assets and liabilities of Velocimetric Inc were hived up to Velocimetrics Ltd and the subsequent trade assets and liabilities of Velocimetrics Ltd were hived across to Beeks Financial Cloud Ltd. This revenue stream was already considered as a CGU and therefore had no impact on the Group's impairment assessments.

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

	Computer Equipment	Office equipment and fixtures and fittings	Right of Use	Freehold property	Total
Cost	£'000	£'000	£'000	£'000	£'000
As at 30 June 2022	16,543	180	5,420	3,034	25,177
Additions	3,950	146	2,149	5	6,250
Exchange adjustments	(3)	-	172	-	169
As at 1 July 2023	20,490	326	7,741	3,039	31,596
Additions	3,550	68	950	1	4,569
Transfer to stock	(175)	-	(595)	-	(770)
Exchange adjustments	(3)	-	(58)	-	(61)
As at 30 June 2024	23,862	394	8,038	3,040	35,334
Depreciation					
As at 30 June 2022	(6,778)	(48)	(2,054)	(27)	(8,907)
Charge for the year	(3,020)	(49)	(1,410)	(71)	(4,550)
Exchange adjustments	(30)	-	(157)	-	(187)
As at 1 July 2023	(9,828)	(97)	(3,621)	(98)	(13,644)
Charge for the year	(3,435)	(63)	(1,516)	(71)	(5,085)
Transfer to stock	78	-	-	-	78
Exchange adjustments	6	-	50	-	56
As at 30 June 2024	(13,179)	(160)	(5,087)	(169)	(18,595)
NBV as at 30 June 2023	10,662	229	4,120	2,941	17,952
NBV as at 30 June 2024	10,683	234	2,951	2,871	16,739

All revenue generating depreciation charges are included within cost of sales. Non-revenue generating depreciation charges are included with administrative expenses.

The Group recognises rental income for the rental of units at their Head Office property in Renfrew. This asset is disclosed as Freehold Property. Units are leased to tenants under operating leases with rentals payable quarterly. Full details on operating leases as a lessor can be found on note 18.

Assets held at Head Office are classified and disclosed as inventory until the point in which the assets purpose is identified. Where an asset is sold to a customer under a proximity or exchange cloud solution, it is transferred to stock and subsequently transferred to Cost of Sales within the Income statement.

11. Non-current assets - Deferred tax

Deferred tax is recognised at the standard UK corporation tax of 25% for fixed assets in the UK (2023: 25%). Deferred tax in the US is recognised at an average rate of 21% for 2024 (2023: 21%). The deferred tax asset relates to the difference between the amortisation period of the US acquisitions for tax and reporting purposes as well as the impact of the share options exercised during the year and tax losses carried forward in both UK and overseas companies.

	2024	2023
	£000	£000
The split of the deferred tax asset and liabilities are summarised as follows:		
Deferred tax (liabilities)	(4,197)	(3,884)
Deferred tax asset	6,727	5,398
Total deferred tax	2,530	1,514
<u>Movements</u>		
Opening balance	1,514	1,232
Charge to profit or loss (note 9)	835	531
Charged to goodwill / equity	181	(252)
Other movement	-	3
Closing balance	2,530	1,514

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

	Share options	Tax losses c/fwd	Accelerated tax depreciation and other movement	Total deferred tax asset carried forward	Total deferred tax (liability) carried forward (temporary differences on assets)
	£000	£000	£000	£000	£000
As at 30 June 2022	671	3,377	153	4,201	(2,968)
Charge to income	387	1,036	24	1,447	(916)
Charge to equity	(251)	-	-	(251)	-
As at 30 June 2023	807	4,413	177	5,397	(3,884)
Charge to income	709	601	(161)	1,149	(312)
Charge to equity	181	-	-	181	-
As at 30 June 2024	1,697	5,014	16	6,727	(4,196)

12. Current assets - Inventories

	2024	2023
	£000	£000
Materials	1,084	1,315
Consumables	422	452
	1,506	1,767

With the launch of Proximity Cloud in the previous year, the Group holds hardware which can be used in the sale of Proximity or Exchange Cloud contracts. Subsequent to the year end, if they are not used as part of a Proximity or Exchange Cloud sale, they will be reclassified as PPE at the point in which they are delivered into one of the Group's data centres.

During the period, £0.7m (2023 - £nil) of inventories were recognised as an expense in the period through cost of sales. Of the £1.8m classified as inventories at 30 June 2023, £1.1m was subsequently transferred to PPE during the year at the point in which they were delivered into one of the Group's data centres.

13. Trade and other receivables

	2024	2023 (Restated)
	£000	£000
Trade receivables	1,334	2,186
Less: allowance for impairment of receivables	(124)	(47)
	1,210	2,139
Prepayments	1,153	1,040
Contract assets	1,490	826
Other taxation	60	111
Other receivables	258	384
Trade and other receivables - current	4,171	4,500

	2024	2023 (Restated)
	£000	£000
Contract assets	3,287	1,891
Trade and other receivables – non-current	3,287	1,891

Contract assets primarily relate to our rights to consideration for goods or services delivered but not invoiced at the reporting date. The associated performance will either be the delivery of the bundled

appliance for proximity/exchange cloud contracts or the delivery of the licence key for software contracts. The contract assets are transferred to receivables when invoiced. Contract liabilities relate to deferred revenue. At the end of each reporting period, these positions are netted on a contract basis and presented as either an asset or a liability in the Consolidated Statement of Financial Position. Consequently, a contract balance can change between periods from a net contract asset balance to a net contract liability balance in the statement of financial position.

Significant changes in the contract assets and the contract liability balances during the period are as follows:

	Contract assets	Contract liabilities
	£000	£000
Balance at 1 July 2023	2,717	1,153
Transferred to receivables from contract assets from the beginning of the period	(2,155)	-
Revenues recognised during the period to be invoiced	4,215	-
Revenue recognition that was included in the contract liability balance at the beginning of the period	-	(703)
Remaining performance obligations for which considerations have been received	-	501
Balance at 30 June 2024	4,777	951

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

	2024	2023
	£000	£000
Trade receivables	1,334	2,186
Less: allowance for impairment of receivables	(124)	(47)
	1,210	2,139

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

	2024	2023
	£000	£000
Opening balance	47	80
Movement in allowances	92	(24)
Receivables written off during the year as uncollectable	(15)	(9)
Closing balance	124	47

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The group has applied the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowance for all trade receivables. The expected credit loss allowance under IFRS 9 as at 30 June 2024 is £46k (2023 - £25k). The increase in expected credit loss allowance is in line with the revenue growth of the business.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different

customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

	2024	ECL rate	2024 ECL allowance	2023	ECL rate	2023 ECL allowance
Risk profiling category (ageing)	£'000	%	£'000	£'000	%	£'000
Current	438	-0.25%	-1	959	-10%	-1
0-30 days	582	-3.00%	-18	988	-1.00%	-10
30-60 days	161	-4.00%	-6	94	-2.00%	-2
60-90 days	5	-6.00%	-0	12	-5.00%	-1
Over 90 days	118	-18.00%	-21	88	-15.00%	-11
Total	1.304		-46	2.141		-25

The ECL rate in the current year has been reduced in line with the risk profile of trade receivables, historic trade losses and continued tight credit control procedures.

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

For contract asset ECL rates, Beeks have concluded that there is minimal credit risk, as it is significantly unlikely that the customers associated with these contract assets default on their contracts. To be prudent, the Group have considered a 0.001% provision which equates to approximately £2,000 and therefore wholly trivial. As such, no additional provision has been incorporated against the value currently sitting within contract assets relating to Proximity or Exchange cloud sales.

Past due but not impaired

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

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

	2024	2023
	£000	£000
Not yet due	437	965
Due 1 to 3 months	768	1,115
Due 3 to 6 months	116	30
More than 6 months due	13	76
	1,334	2,186

14. Current assets – Cash and cash equivalents

	2024	2023
	£000	£000
Cash and bank balances	7,701	7,829
	7,701	7,829

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

15. Current assets - Financial instruments and risk management

Financial risk management objectives and policies

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

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

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

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

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

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

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

Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the functional currency of the operations. The Group had potential exchange rate exposure within USD trade payable balances of £1,254,998 at 30 June 2024 (£1,255,542 at 30 June 2023) and potential exchange rate exposure within EUR trade payables balances of £61,880 (£59,768 at 30 June 2023). The Group had potential exchange rate exposure within USD trade receivables of £585,469 (£1,179,455 as at 30 June 2023) and potential exchange rate exposure within EUR trade receivables of £12,888 (£37,262 at 30 June 2023). The Group had potential exchange rate exposure within USD intercompany balances of £5,920,060 (£5,807,729 as at 30 June 2023) and within JPY intercompany balances of £188,311 (£189,028 as at 30 June 2023). The Group also has potential exchange rate exposure within USD bank balances of £7,127,773 (£3,644,955 as at 30 June 2023) and £110,650 within EUR bank balances (£607,023 as at 30 June 2023).

Cash flow and interest rate risk

The Group has relatively limited exposure to interest rate risk in respect of cash balances and long-term borrowings held with banks and other highly rated counterparties. Loans are at variable rates of interest based on the Bank of England's base rate therefore the Group is subject to changes in interest rates. Given the relatively low level of debt the Board do not consider this to be a significant risk. The Group has a total debt level of £1.1m all of which was held at a fixed rate under asset finance agreements.

Credit risk

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

	2024	2023 (Restated)
	£000	£000
Cash and cash equivalents	7,701	7,829
Trade receivables	1,334	2,186
Contract assets	1,490	826
Other receivables	259	384
	10,784	11,225

Credit risk is managed on a Group basis. Credit risks arise from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group provides standard credit terms (normally 30 days) to all of its customers which has resulted in trade receivables of £1.2m (2023: £2.1m) which are stated net of applicable allowances, and which represent the total amount exposed to credit risk.

The Group's credit risk is primarily attributable to its trade receivables and contract assets. The Group present the amounts in the statement of financial position 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, along with management's view of expected future events and market conditions.

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

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

Liquidity risk

The Group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet obligations of the Group as they fall due. The Group monitors its current debt facilities and complies both with its gross borrowings to adjusted EBITDA, minimum adjusted cash banking and LTV covenants. Judgement is required in assessing what items are allowable for the adjusted components.

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.

As at 30 June 2024, the Group's financial liabilities (excluding leases disclosed in Note 16) have contractual maturities (including interest payments where applicable) as summarised below:

	Current			Non-current	
	Within 1 month £'000	1–3 months £'000	3–12 months £'000	1–5 years £'000	After 5 years £'000
Trade and other payables	3,772	935	206	-	-

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

Trade and other payables includes trade payables, accruals, contract liabilities, other taxation and social security and other payables.

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.

	2024	2023
	£000	£000
Total equity	37,495	32,786
Cash and cash equivalents	7,701	7,829
Capital	45,196	40,615
Total equity	37,495	32,786
Other loans	-	1,814
Lease liabilities	2,894	4,006
Overall financing	40,389	38,606
Capital-to-overall financing ratio	1.12	1.05

Other risks

Rental income from the head office property leased out under operating leases is recognised in the statement of the comprehensive income as other income as these services are rendered, as the tenant occupies the space. Any associated risk of the underlying asset used to generate this rental income is believed to be minimal given the building is utilised as the head office and the majority of staff are based there.

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

	2024	2023
	£000	£000
Lease liabilities	1,283	2,047
	1,283	2,047
Other loans		
Under one year	-	1,814
	-	1,814

During the year the group fully repaid the £0.5m of the term loan facility taken out from Barclays Bank in December 2020 and £1.3m of the property loan facility. The group continues to retain a revolving credit facility of £3.5m which was unutilised as at 30 June 2024.

Barclays have been given security for the facility of the UK assets of the Group and an unlimited guarantee is afforded to Barclays.

During the year, the Group entered into one new asset financing arrangement of £0.2m. This asset financing agreement has been disclosed under lease liabilities (note 18).

Changes in liabilities arising from financing activities:

	Lease liabilities	Loans	Total
	£000	£000	£000
Balance at 1 July 2023	4,007	1,814	5,821
Lease liabilities additions IFRS 16	724	-	724
Proceeds from new leases under asset financing	229	-	229
Loan repayments	-	(1,814)	(1,814)
Lease repayments	(2,065)	-	(2,065)
Balance at 30 June 2024	2,895	-	2,895

Included within the lease liabilities balance of £2.9m is £1.1m of asset finance lease liabilities.

17. Trade and other payables

	2024	2023 (Restated)
	£000	£000
Trade payables	2,792	2,937
Accruals	512	375
Contract liabilities	815	622
Other taxation and social security	324	373
Other payables	334	114
Trade and other payables - current	4,777	4,421

18. Leases

	2024	2023 (Restated)
	£000	£000
Contract liabilities	136	531
Trade and other payables – non-current	136	531

Non-current contract liabilities in the year relates deferred income from support contracts that span over one year.

The Group leases assets including the space in data centres in order to provide infrastructure services to its customers and also hardware for data centres. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets

	Leasehold Property and improvement
	£000
Balance at 1 July 2023	4,120
Additions	950
Transfer to stock	(595)
Depreciation	(1,516)
Foreign exchange	(8)
Balance at 30 June 2024	2,951

The right-of-use assets are disclosed as non-current assets and are disclosed as property, plant and equipment (note 10).

Right-of-use lease liabilities

	2024	2023
	£000	£000
Maturity analysis:		
Within one year	(1,674)	(2,068)
Within two years	(1,044)	(1,574)
Within three years	(274)	(461)
Within four years	-	(12)
Add: unearned interest	98	108
Total lease liabilities	(2,894)	(4,007)
Analysed as:		
Non-current (Note 18)	(1,283)	(2,047)
Current (Note 19)	(1,611)	(1,960)
	(2,894)	(4,007)

The Group does not face a significant liquidity risk with regard to its lease liabilities. The interest expense on lease liabilities amounted to £0.2m for the year ended 30 June 2024 (2023: £0.2m). Lease liabilities are calculated at the present value of the lease payments that are not paid at the commencement date.

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis. During the year ended 30 June 2024, in relation to leases under IFRS 16, the Group recognised the following amounts in the Consolidated statement of comprehensive income:

	2024	2023
	£000	£000
Depreciation charge	1,516	1,410
Interest expense	163	165

Payments for short-term lease expenses in relation to data centre space have not been disclosed below and are instead reflected within other cost of sales under note 3.

Amounts recognised in the Consolidated statement of cash flows:

	2024	2023
	£000	£000
Amounts payable under leases:		
Short-term and low value lease expense	-	10
Repayment of lease liabilities within cash flows from financing activities	2,065	1,432

The Group recognises rental income for the rental of units at their Head Office property in Renfrew. Units are leased to tenants under operating leases with rentals payable quarterly. Lease income from operating

leases where the group is a lessor is recognised on a straight-line basis over the lease term. The total recognised in profit or loss during the period is as follows:

	2024	2023
	£000	£000
Rental income from operating leases	96	94

As part of this, The Group receives rental payments on a quarterly basis. The amounts due to be received over the next 5 years are as follows:

	2024	2023
	£000	£000
Within 1 year	96	96
Between 1 and 2 years	96	96
Between 2 and 3 years	96	96

19. Equity - issued capital

		2024	2023	2024	2023
		shares	shares	£000	£000
Ordinary shares - fully paid		66,541,009	65,571,434	83	82
Movements in ordinary share capital					
Details	Date	Shares	Shares	Issue price	£000
Balance	30 June 2018		50,043,100		62
EMI Share options exercised	31 August 2018		677,700	£0.00125	1
EMI Share options exercised	24 October 2018		32,200	£0.00125	-
EMI Share options exercised	20 June 2019		111,800	£0.00125	1
New share issue	14 April 2020		363,458	£0.00125	-
EMI Share options exercised	9 November 2020		44,118	£0.00125	-
New share issue	15 December 2020		430,946	£0.00125	1
New share issue	26 April 2021		4,347,827	£0.00125	5
EMI Share options exercised	15 November 2021		264,705	£0.00125	-
New share issue	25 April 2022		9,090,910	£0.00125	12
EMI Share options exercised	16 January 2023		21,946	£0.00125	-
EMI Share options exercised	5 April 2023		106,796	£0.00125	-
EMI Share options exercised	31 May 2023		35,928	£0.00125	-
Balance	30 June 2023		65,571,434		82
Share options exercised	13 November 2023		137,724	£0.00125	-
Share options exercised	16 January 2024		197,630	£0.00125	-
Share options exercised	28 March 2024		520,729	£0.00125	1
Share options exercised	26 April 2024		58,037	£0.00125	-
Share options exercised	13 May 2024		28,455	£0.00125	-
Balance	30 June 2024		66,514,009		83

Ordinary shares

During the year, 942,575 share options were exercised.

20. Share based payments

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

	2024	2023		
	Number of share options	Weighted Average Fair Value price per share (£)	Number of share options	Weighted Average Fair Value price per share (£)
Outstanding at the beginning of the year	6,233,043	1.35	4,925,668	1.20
Exercised during the year	(942,575)	0.97	(164,640)	1.24
Issued during the year	1,443,000	1.06	1,549,000	0.83
Forfeited during the year	-	-	(76,955)	1.43
Outstanding at the end of the year	6,733,468	1.26	6,233,043	1.35

The Group granted a total of 1,443,000 share options on 20th November 2023.

Shares were forfeited during the year where employees left the business, with their share options not being fully redistributed within the Group.

These share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Grant 4A	Grant 4B	Grant 5A	Grant 5B	Grant 5C	Grant 6A	Grant 6B	Grant 6C
Shares	1,022,500	597,150	604,000	462,500	462,500	395,000	524,000	524,000
Date of grant	26th November 2021	26th November 2021	2nd December 2022	2nd December 2022	2nd December 2022	20th November 2023	20th November 2023	20th November 2023
Exercise price	£0.00125	£0.00125	£0.00125	£0.00125	£0.00125	£0.00125	£0.00125	£0.00125
Unvested expiry date	26th November 2024	26th November 2024	2nd December 2025	2nd December 2025	2nd December 2024	20th November 2026	20th November 2026	20th November 2025

These share options vest under challenging performance conditions based on underlying profitability growth during the periods.

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

	Grant 1	Grant 2	Grant 3	Grant 4A	Grant 4B	Grant 4C	Grant 5A
Shares	264,706	1,574,850	1,042,063	1,022,500	597,150	632,150	604,000
Share price (£)	1.02	0.84	0.945	1.575	1.575	1.575	1.43
Volatility	5%	5%	5%	5%	5%	5%	5%
Annual risk free rate	4%	4%	4%	4%	4%	4%	4%
Exercise strike price (£)	0.00125	0.00125	0.00125	0.00125	0.00125	0.00125	0.00125
Time to maturity (yrs)	3	3	3	3	3	2	3

	Grant 5B	Grant 5C	Grant 6A	Grant 6B	Grant 6C	Total
Shares	462,500	462,500	395,000	632,150	604,000	6,662,419
Share price (£)	1.43	1.43	1.065	1.065	1.065	
Volatility	5%	5%	5%	5%	5%	
Annual risk free rate	4%	4%	4%	4%	4%	
Exercise strike price (£)	0.00125	0.00125	0.00125	0.00125	0.00125	
Time to maturity (yrs)	3	2	3	3	2	

The total expense recognised from share based payments transactions on the Group's profit for the year was £2.3m (2023: £2.3m).

Expected volatility was determined at the date of grant from historic volatility, adjusted for events that were not considered to be reflective of the volatility of the share price going forward.

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

21. 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 reserve initially arose on the share for share exchange reflecting the difference between the nominal value of the share capital in Beeks Financial Cloud Group PLC and the value of the Group being

acquired, Beeks Financial Cloud Limited. The merger reserve then increased upon acquisition of Velocimetrics Ltd in FY 2018, reflecting the difference between the nominal value of the share capital issued from Beeks Financial Cloud Group PLC and the value of the shares issued to the owners of Velocimetrics Ltd.

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings represents retained profits and losses.

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.

22. Related party transactions

Parent entity

Beeks Financial Cloud Group PLC is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 24.

Transactions with related parties

The following transactions occurred with related parties:

	2024	2023
	£000	£000
Withdrawals from the director, Gordon McArthur	10	53

During the financial year, Beeks Financial Cloud Limited received services in the normal course of its business and at arm's length from A&B Property and Rental Services Scotland Limited, a company owned by Gordon McArthur. During the year, Beeks Financial Cloud Limited paid for services of £6,145 (2023: £17,700) to A&B Property and Rental Services Scotland Limited and the amounts due at the year-end was £nil (2023: £nil).

The Group recognise that the total withdrawals from the director exceeded the limit as defined in the Companies Act 2006 requiring shareholder approval. To rectify this, the amounts due by the director will be repaid subsequent to the financial year end.

Key management personnel

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

	2024	2023
	£000	£000
Wages and salaries	330	292
Social security costs	36	37
Other pension costs	22	14
Other benefits in kind	4	2
Share based payments	155	188

23. Earnings per share

	2024	Restated 2023
	£000	£000
Profit/(Loss) after income tax attributable to the owners of Beeks Financial Cloud Group PLC	2,193	(89)
	Pence	Pence
Basic (loss)/earnings per share	3.33	(0.14)
Diluted earnings/(loss) per share	3.11	(0.13)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	65,905,797	65,446,755
Adjustments for calculation of diluted earnings per share:		
Dilutive impact of share options	4,023,763	4,7366,830
Options over ordinary shares	610,795	125,611
Weighted average number of ordinary shares used in calculating diluted earnings per share	70,540,354	70,309,196

	2024	Restated 2023
	£000	£000
Profit / (Loss) before tax for the year	1,459	(650)
Share Based payments	2,326	2,291
Amortisation on acquired intangibles	304	489
Exceptional non-recurring costs	29	136
Exchange rate losses/(gains) on intercompany translation and unrealised currencies	60	325
Grant income	(275)	(267)
Tax effect	720	494
Underlying profit for the year	4,623	2,818
Weighted average number of shares in issue - basic	65,905,797	65,446,755
Weighted average number of shares in issue - diluted	72,688,673	71,43,541
Underlying earnings per share - basic	7.01	4.31
Underlying earnings per share - diluted	6.36	3.96

Included in the weighted average number of shares for the calculation of underlying diluted EPS are share options outstanding but not exercisable. It is management's intention that the Group will meet the

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

24. Subsidiaries

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

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

Company name	Country of incorporation	Principal place of business/registered office	Activity
Beeks Financial Cloud Co Ltd	Japan	FARO 1F, 2-15-5, Minamiaoyama, Minato-Ku, Tokyo, Japan.	Non-trading
Beeks FX VPS USA Inc.	Delaware, USA	874 Walker Road, Suite C, Dover, Kent, Delaware, 19904, USA.	Non-trading Year end 31 st December
Beeks Financial Cloud Limited	Scotland	Riverside Building, 2 Kings Inch Way, Renfrew, Renfrewshire, PA4 8YU	Cloud Computing Services
Velocimetrics Limited	England	Birchin Court, 230 Park Avenue 20 Birchin Lane, Suite 300 West, London, England, EC3V 9DU	Software Services
Velocimetrics Inc.	New York, USA	230 Park Avenue, 10 th Floor, New York 10169, USA.	Software Services

In accordance with S479A of the Companies Act 2006, Velocimetrics Limited (06943398) have not prepared audited accounts. Beeks Financial Cloud Group plc guarantees all outstanding liabilities in this company at the year ended 30 June 2024, until they are satisfied in full.

25. Prior Period Adjustment

During the year, it was identified that the ageing of current and non-current contract assets and contract liabilities was not accurately disclosed within the prior year consolidated statement of financial position and

respective notes. This error has been corrected within the correct ageing profiles restated in the figures for 2023 and the total impact on the consolidated statement of financial position is shown below:

	Restated 2023
	£000
Increase in non-current assets	1,891
Decrease in current assets	(1,891)
Impact on total assets	-
Increase in non-current liabilities	531
Decrease in current liabilities	(531)
Impact on total liabilities	-
Impact on net current assets	(1,360)
Impact on net assets	-

The above prior year adjustment has a net impact of £nil on net assets. There is also no resulting impact on the consolidated statement of comprehensive income and therefore no impact to EPS and diluted EPS.

26. Ultimate controlling party

The Directors have assessed that there is no ultimate controlling party