

ANNUAL

BEEKS GROUP

REPORT

APPROVED BY
THE BEEKS
FINANCIAL CLOUD
GROUP PLC



'23

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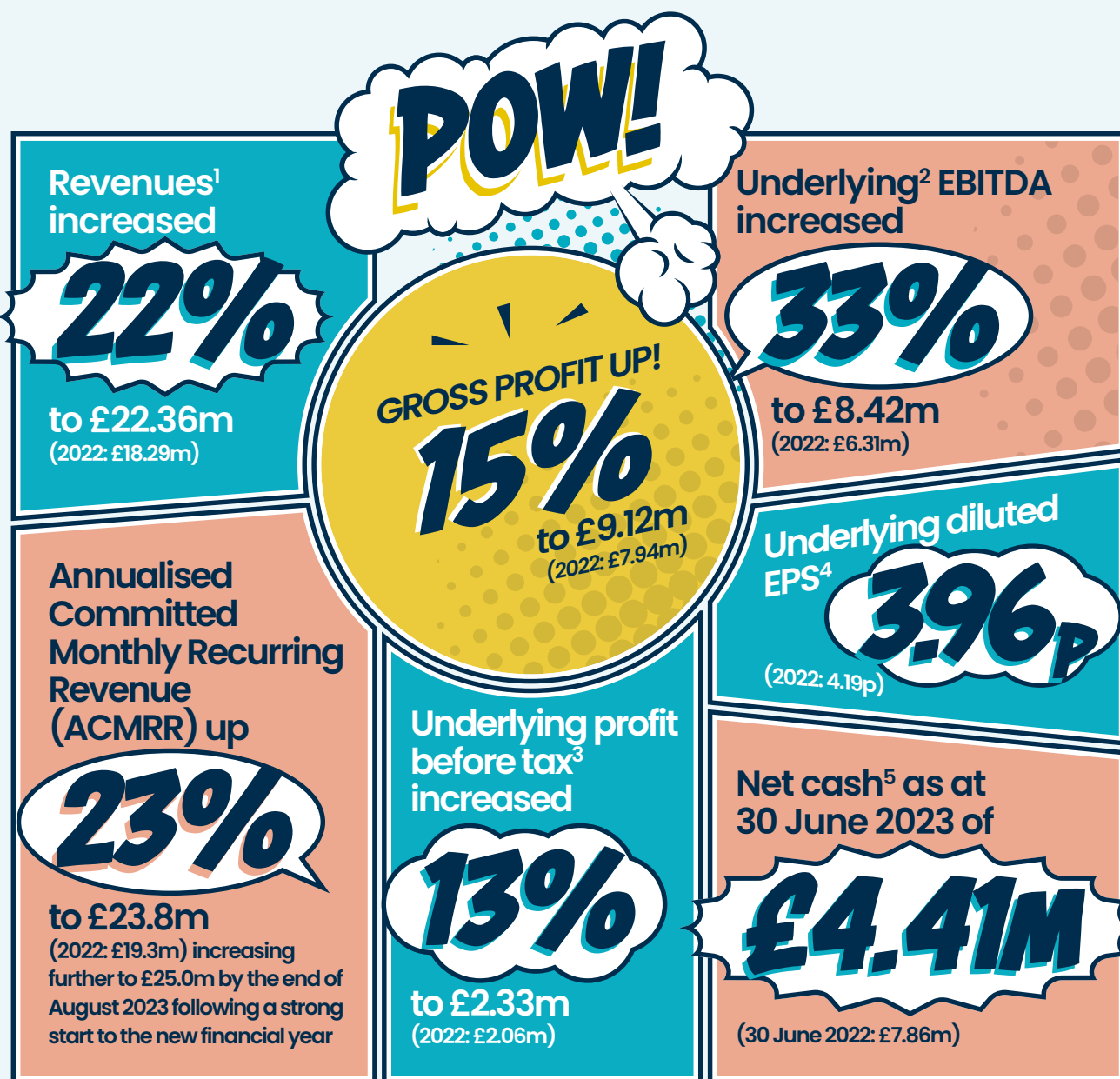
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A COMPREHENSIVE REPORT ON
BEEKS GROUP ACTIVITIES AND
FINANCIAL STANDINGS
THROUGH TO YEAR END 2023

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FINANCIAL AND OPERATIONAL HIGHLIGHTS



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:

- ◇ Loss before tax was £0.65m (2022: Profit before tax £0.07m)
- ◇ Basic (LPS)/EPS was (0.14p) (2022: EPS 1.43p)

OPERATIONAL HIGHLIGHTS

Continued customer base expansion and growing pipeline:

- ◇ Continued customer base expansion and growing pipeline. Johannesburg Stock Exchange (JSE) – the largest stock exchange in Africa, signed a multi-year contract for Exchange Cloud. The contract went live during September 2023 with capacity now sold to JSE customers and follow on opportunities advancing. The Exchange Cloud pipeline continues to build with advanced discussions taking place with major exchanges across the globe, including additional proof of concept implementations.

Continued product innovation:

- ◇ Major user interface refresh of the Beeks infrastructure automation portal, allowing clients to tailor the user experience for their own users.
- ◇ Re-architecture of the underlying server hosting platform to improve the efficiency of The Group, driving long-term cost benefits.

Investment in enhanced security:

- ◇ Completed stage 1 of industry-leading SOC 2 security accreditation with a view to being SOC 2 compliant by calendar year end.
- ◇ Launch of Beeks Security Operations, providing end-to-end security detection and response capabilities for our customers, through partnership with cybersecurity service provider BlueVoyant.

Investment in inventory, team and sales and marketing, to deliver on the growth opportunity:

- ◇ Investment into inventory, ensuring The Group is capable of delivering against all contracts either signed or in the immediate pipeline.
- ◇ Implementation of new inventory management system to streamline stock management and audit compliance.
- ◇ Increased average headcount to 103 (2022: 89) to support the product development roadmap.
- ◇ Increased brand awareness through attendance at international industry conferences in Bangkok, Chicago, Boca Raton and Paris.

OUTLOOK

- ◇ The Company continues to be supported by underlying market trends, with the ongoing shift of the financial services sector to cloud computing.
- ◇ Well positioned moving forward, with an established reputation and a track record of sustained growth.
- ◇ Core focus on converting the record pipeline of opportunities across The Group's product offerings, in particular the Exchange Cloud offering with a number of contracts at an advanced stage.
- ◇ Exchange Cloud remains a potentially transformational opportunity for Beeks, with significant traction with both existing and new customers, including additional proof of concept implementations, albeit contracts of this size take time to convert.
- ◇ The Board is confident in achieving growth acceleration and results for FY24 in line with its expectations. Confidence underpinned by high levels of contracted recurring revenue, a unique proposition and growing international profile.

WITH AN ESTABLISHED REPUTATION AND A TRACK RECORD OF SUSTAINED GROWTH, WE ARE WELL-POSITIONED TO CAPITALISE ON THE SHIFT OF THE FINANCIAL SERVICES SECTOR TO CLOUD COMPUTING AND CONTINUE ON OUR GROWTH TRAJECTORY. THE DEALS SIGNED TO DATE AND OUR EXIT ACMRR MEAN THE BOARD IS CONFIDENT IN ACHIEVING RESULTS FOR FY24 IN LINE WITH ITS EXPECTATIONS.

WE REMAIN FOCUSED ON CONVERTING OUR RECORD PIPELINE OF OPPORTUNITIES ACROSS OUR PRODUCT OFFERINGS, AND IN PARTICULAR THE RECENTLY LAUNCHED EXCHANGE CLOUD OFFERING. THE ADVANCED NATURE OF SEVERAL OF THESE DISCUSSIONS, INCLUDING ADDITIONAL PROOF OF CONCEPT IMPLEMENTATIONS, PROVIDES CONFIDENCE IN OUR ABILITY TO PROVIDE GROWTH ACCELERATION IN FY24.

WITH HIGH LEVELS OF CONTRACTED, RECURRING REVENUE, A UNIQUE PROPOSITION AND GROWING INTERNATIONAL PROFILE, WE LOOK TO THE FUTURE WITH CONTINUED CONFIDENCE.

Gordon McArthur, CEO

OUR COMPANY AT A GLANCE

WHAT WE DO

Beeks Financial Cloud Group plc trades as Beeks Group and has been the leading provider of managed cloud compute, connectivity, and analytics in the global financial sector since 2011. Beeks delivers low-latency, private cloud solutions optimised exclusively for capital markets and financial services.

The Group offers bare metal and virtual private servers, in addition to connectivity, colocation and on-premise solutions as well as comprehensive monitoring and performance analytics.

Our cloud-based Infrastructure-as-a-Service (IaaS) model gives organisations the flexibility and agility to deploy and connect to a variety of exchanges, trading venues and cloud service providers at a fraction of the cost of building their own networks and infrastructure.

With sub-millisecond latencies, the Beeks infrastructure greatly expedites the time taken from placing a trade to its execution – a critical factor given the time sensitivity demands of our customers. We have an established infrastructure footprint of over 200 pre-built connections to venues and exchanges across the globe.

Our IaaS services are entirely cloud based, with our customers self-provisioning infrastructure and connectivity in the key financial data centres with a minimum 30-day customer commitment. Where possible, we leverage automation to allow our clients the ability to reduce complexity in deploying and managing IT environments.

Based in the UK with an expanding network of global data centres, Beeks supports international customers at scale in leading financial hubs such as New York, London, Hong Kong, Tokyo, Singapore and Australia, supported by our 24/7 Network Operations Centre (NOC).

OFFICE LOCATIONS

- ◆ Renfrew, UK
- ◆ London, UK
- ◆ Tokyo, Japan
- ◆ Surabaya, Indonesia

DATA CENTRE LOCATIONS

- ◆ London, UK
- ◆ Frankfurt, Germany
- ◆ Amsterdam, Netherlands
- ◆ Paris, France
- ◆ Geneva, Switzerland
- ◆ Zurich, Switzerland
- ◆ Chicago, US
- ◆ New York, US
- ◆ Washington DC, US
- ◆ Hong Kong, China
- ◆ Tokyo, Japan
- ◆ Singapore
- ◆ Sydney, Australia
- ◆ Toronto, Canada

CHAIRMAN'S STATEMENT

It has been a year of further progress for Beeks, with The Group growing the sales pipeline for its transformational Exchange Cloud offering, while continuing to deliver services across the globe. Revenues increased by 22% to £22.4m, and underlying EBITDA by 33% to £8.4m. The Group delivered an exit ACMRR of £23.8m, up 23% in the year, providing a strong basis for continued growth in FY24.

The growth potential of the business is significant, typified by the scale of the first two customers now secured for Exchange Cloud, the largest stock exchange in Africa as well as a division of Intercontinental Exchange (ICE), the world's largest exchange group and owner of the New York Stock Exchange (NYSE). We remain in discussions with a number of further major global exchanges, including additional proof of concept implementations, with the market opportunity remaining transformational. However, that said, as previously flagged, deals of this magnitude with organisations such as these will take longer to progress through to signed contracts than Private and Proximity Cloud deals, which continue to provide a growing foundation for the business.

The funds raised early in 2022 have provided the ability to invest into resources, ensuring the business is appropriately configured to address the significant market opportunity. During the period strong progress has been made in the development of the Beeks offering, the expansion of the team and the purchase of inventory to deliver against all contracts either signed or in the immediate pipeline. With these investments having been made, and no immediate requirements to expand either the team or stock held, the potential to expand the profit margins of The Group upon delivery of further contracts is considerable.

While the macroenvironment has continued to present challenges to all businesses, particularly surrounding supply chain issues and general inflationary pressures, The Group has continued to trade resiliently amidst the challenging backdrop, these aspects have been well

managed within Beeks, as reflected by the businesses' continued healthy operating margins.

On behalf of the Board, I would like to express my gratitude to our staff for their commitment and work ethic. They have created offerings unique in the market while delivering excellent customer service. We are fortunate to have such a talented team and I have every confidence in their ability to capitalise on the opportunity ahead.

With a unique compelling proposition and a growing list of high profile customers, The Group is ideally positioned to benefit from long-term trends towards cloud-computing within the financial services sector. The Group's strong financial fundamentals: increasing Annualised Contracted Monthly Recurring Revenue (ACMRR), sufficient cash reserves for medium-term organic growth, low levels of debt, a highly scalable business model and a record sales pipeline, provide for high levels of optimism within the business moving forward. The team is keenly focused on the conversion of the sales pipeline, and the achievement of greater operational leverage as these deals flow through into revenues and profits.



Mark Cubitt, Chairman
29 September 2023

IN A WORLD WHERE FINANCE IS ENVELOPED IN A SHADOW OF TECHNOLOGY UNCERTAINTY...



HOW CAN WE BREAK FREE FROM THIS DARKNESS? THE OPPORTUNITIES ARE THERE, BUT THE TECHNOLOGY IS HOLDING US BACK



IN THE HEART OF THIS FINANCIAL TURMOIL, AN EXTREMELY INNOVATIVE TRADING COMMUNITY EMERGES, READY TO FACE THE CHALLENGES.



BUT BEHOLD! BEEKS, THE GUARDIAN OF CAPITAL MARKETS, RISES TO THE OCCASION!

THE TECHNOLOGY REQUIREMENTS GROW MORE COMPLEX EVERY DAY, HINDERING PROGRESS





FEAR NOT, FOR I BRING THE POWER OF MANAGED CLOUD SOLUTIONS TO ILLUMINATE THE PATH TO SUCCESS!



BEEKS' SOLUTIONS PROVIDE SCALABILITY, FLEXIBILITY, AND COST EFFICIENCY TO THE ONCE-TROUBLED FINANCIAL WORLD



UNLIKE THE GIANTS, BEEKS ADDRESSES THE VITAL CONCERNS - SECURITY, REGULATORY REQUIREMENTS, ULTRA-LOW LATENCY PERFORMANCE, & ROBUST SYSTEM MONITORING



WITH BEEKS LEADING THE CHARGE, CAPITAL MARKETS AND FINANCE BASK IN THE LIGHT OF MANAGED CLOUD SOLUTIONS



THE DAWN OF A NEW ERA HAS BEGUN - WHERE INNOVATION, SECURITY, AND EFFICIENCY REIGN SUPREME. THANKS TO BEEKS' MANAGED CLOUD SOLUTIONS, FINANCE HAS A NEW HERO!

TO BE CONTINUED...

STRATEGIC REPORT

MARKET OVERVIEW

“Organisations today view cloud as a highly strategic platform for digital transformation.”

Sid Nag, Research Vice President at Gartner

Growth in Cloud Adoption

We operate in a considerable, and growing, market. Cloud computing is driving the next phase of digital business, as organisations pursue disruption through emerging technologies like generative artificial intelligence (AI) and Web3.

The global cloud computing market size was valued at USD 337.76 billion in 2022. It is projected to reach USD 1412.39 billion by 2031, growing at a CAGR of 17.23% during the forecast period (2023–2031)¹. Infrastructure-as-a-service (IaaS) is forecast to experience the highest end-user spending growth in 2023 at 30.9%².

The finance industry has been increasingly adopting cloud solutions due to their scalability, cost-efficiency, and flexibility. Managed cloud providers have been a key enabler of this trend, as we offer expertise in managing complex financial systems on cloud infrastructure.

The finance sector faces strict regulatory requirements and Beeks has spent over 12 years developing solutions and services tailored to meet these requirements, which makes us attractive to financial institutions seeking to maintain compliance while leveraging the cloud. Data security and privacy are paramount in finance. Beeks has invested heavily in security measures and technologies to protect financial data. As financial institutions continue to migrate sensitive operations to the cloud, the demand for secure managed cloud services is expected to grow.

Cost management remains a critical concern for finance companies and Beeks offer tools and services to help organisations optimise their cloud spending, which is especially important as cloud costs can quickly spiral if not managed effectively.

Beeks has developed industry-specific solutions for finance, including trading platforms, asset management systems, and regulatory reporting tools and these specialised offerings are expected to drive demand in the financial sector.

Many financial organisations are adopting hybrid and multi-cloud strategies to balance the benefits of the public cloud with the need for on-premises infrastructure. Beeks primary Proximity Cloud and Exchange Cloud products were built to facilitate the management and integration of these complex environments. As financial institutions expand their global footprint, they require cloud solutions that can support operations in multiple

regions. With our global presence and pre-built rack solutions that can be deployed anywhere in the world, Beeks are well positioned to capture this market.

Selecting the right capital markets and financial services managed cloud provider involves careful consideration of an organisation’s specific requirements, including trading strategies, regulatory obligations, and data management needs. Beeks continues to play a crucial role in enabling financial organisations to leverage the benefits of cloud technology while navigating the complex landscape of the financial industry.

Our addressable market is extensive with up to 21,000 banks and hundreds of global exchanges, a large percentage of which maintain their own IT infrastructure and are yet to move to the Cloud computing model.

Cloud’s scale, resiliency and continuous innovation mean it will likely form a critical part of every future business and technology roadmap. The Independent Software Vendors (ISVs) market has witnessed significant growth due to the adoption of cloud computing in addition to the surge in automation and visualisation for business process.

With further predicted annual growth of 13.6%³ and a faster lead to sale timescale, the financial ISV space is another area of focus for the sales team in the next financial year.

Our innovations, enhanced product range, growing number of Tier 1 customers, breadth of asset classes and a clear focus in the rapidly growing independent software vendor (ISV) space, position us well to benefit from the increased appetite in the market for automated trading and the evolution of Cloud adoption by financial services organisations.

¹ Source: Straits Research (August 2023)

² Source: Gartner (April 2023)

³ Source: Market Research Future (September 2020)

BUSINESS MODEL

#PoweredbyBeeks

For over 12 years Beeks has honed its infrastructure provision and cloud compute approach in direct response to its customers’ needs and requirements.

Beeks’ mission is to deliver cloud-based low-latency compute power; ensure maximum security; and optimise performance in the exceedingly fast-moving capital markets and finance sector. Beeks provide cloud deployment for capital markets and financial enterprises within our global backbone of key financial data centres as well as on-premise, helping them formulate a cloud strategy and replicate that in different regions.

The Group's on-demand offering continues to operate successfully in an ambitious, time-sensitive industry and is uniquely positioned to take advantage of the rapid acceleration of Cloud deployment in the finance sector as well as the growing need for analytics around those infrastructure environments. These latency-sensitive environments need to be built, connected, and analysed, and Beeks is one of the few companies in the world that can fulfil those requirements.

Our latest iteration of Proximity Cloud, a fully configured and pre-installed physical trading environment was derived from an identified demand from global exchanges for a secure, multi-client private cloud environment.

Explicitly designed for global financial exchanges and electronic communication networks (ECNs), Exchange Cloud is a multi-home version of Proximity Cloud. While Proximity Cloud makes it easier to quickly deploy on premise, Exchange Cloud takes it one step further by introducing multi-home capabilities, essentially enabling exchanges and ECNs to become the cloud.

Building on the successful launch of Exchange Cloud, further improvements have been made to the offering in the areas of network automation, reporting and reduced installation times, further increasing Beeks' lead over other providers in offering an integrated infrastructure solution for capital markets.

The continued development of our trading analytics division complements our product offering to include the required analytics around those cloud infrastructure environments. Two major releases of the Beeks Analytics product provide significant benefits to our clients including a new flexible dashboard user experience with the introduction of Grafana as our graphical user interface (GUI) of choice. These releases also enabled easier integration points for clients to use the power of Beeks Analytics within their own applications.

The setup experience for Beeks Analytics has been reimagined from the ground up, allowing the product to reach new users who don't have the time or resources for more complicated configuration tasks.

Beeks provides:

- ◇ Dedicated bare metal and virtual servers that host capital markets and financial services organisations in key financial data centres around the world
- ◇ Ultra-low latency connectivity between customers and key financial venues and exchanges
- ◇ Colocation for customers to position their own computing power in our space, benefitting from our proximity to financial hubs
- ◇ In-house security software to protect client infrastructure from cyber attacks
- ◇ The management of hybrid cloud deployments for customers wishing to combine the Beeks IaaS with the public cloud hyperscalers
- ◇ Our model focuses on efficiency and flexibility, offering our customers the ability to scale up and scale down as needed. Due to market fluctuations and the inherent risk involved in algorithmic trading, this makes our services highly desirable
- ◇ Beeks has a unique self-service customer portal that facilitates the same-day deployment of a host of services allowing customers to manage their own servers
- ◇ Beeks Analytics offers comprehensive monitoring and performance analysis to allow users to independently track and analyse real-time performance of every single price, quote or trade traversing business critical processes.

STRATEGY

Our purpose is to provide a global rapid deployment service using secure and scalable environments, both public and private, which are easy to consume for small, medium and large financial enterprises.

Our vision is to empower our clients to work with speed and agility.

Our main strategic priority is to continue to grow our customer base both for public, private and secure cloud deployment as well as complementary analytics solutions.

To satisfy existing demand and attract new customers, we will continue along our product development roadmap to develop and improve innovative new products such as Proximity and Exchange Cloud. We also continue to plan to selectively expand into new asset classes and geographies, encouraged by the significant opportunities we have identified.

STRATEGIC REPORT - CHIEF EXECUTIVE'S REVIEW

CHIEF EXECUTIVE'S REVIEW

FY23 was another year of progress, in which we secured landmark customers across our Exchange Cloud and private cloud offerings while raising our profile across the global financial services industry. While the timing of contract signatures and delivery means the financial performance was at the lower end of our original expectations, we are continuing to grow at pace, reporting significantly increased metrics against the prior period. The size of deals within our sales pipelines and our position as sole vendor within these negotiations places us in a position of strength. Following the launches of Proximity and Exchange Cloud, we have now an expanded product set, serving a wider pool of potential customers, including the world's largest exchanges. Exchange Cloud, launched in June 2022, is explicitly designed for global financial exchanges and electronic communication networks. The response by the market has been extremely positive and we believe it has the potential to be transformative for Beeks, with no comparable offering on the market.

We have received notable early endorsements of Exchange Cloud, securing our first two customers, ICE Global Network, a division of Intercontinental Exchange, the world's largest exchange group, and Johannesburg Stock Exchange (JSE), the largest stock exchange in Africa. We were delighted to take the JSE live in September 2023, and highlighting the speed with which these significant implementations can launch once contracts are signed, underpinning our FY24 performance. Feedback received from Exchange Cloud customers has been extremely positive, and both contracts signed to date have the ability for considerable expansion moving forwards.

We remain in talks with a number of major exchanges globally, including additional proof of concept implementations, and while the lead times on deals can take time, as previously disclosed, we remain confident in our ability to convert them. The prior investments we have made into fixed inventory means we have the capability to deliver deals rapidly, once secured.

We similarly have a strong pipeline across our Proximity Cloud offering, launched in August 2021. We secured notable private cloud and Exchange Cloud wins and this has continued post period end into FY24. Our Proximity Cloud and Exchange Cloud pipeline are at record levels and there are multiple contracts in final stages of negotiations. We are encouraged by a building number of leads and are providing confidence in securing further deals in FY24.

Confidence levels are high moving into FY24, with the size of deals within our sales pipelines as well as our position as a sole vendor within negotiations underpinning optimism and placing us in a position of strength during

the current period, such that the Board is confident in achieving results for FY24 in line with its expectations.

Financial performance

Revenue in the period grew by 22% to £22.4m (2022: £18.3m), resulting in an increase in underlying EBITDA of 33% to £8.4m (2022: £6.3m). Beeks continues to have a strong recurring revenue profile, with 91% of revenue in the year recurring (2022: 76%) and customer retention remained within target. Our percentage of recurring revenue can change year-on-year depending on the mix of private/public and Proximity/Exchange Cloud sales, given the upfront revenue recognition associated with Proximity and Exchange Cloud contracts. Our ACMRR grew 23% to £23.8m at 30 June 2023 (2022: £19.3m).

Revenue growth in FY23 was largely due to continued momentum across our private cloud offering. Whilst we have not recognised any new revenue from Exchange Cloud during the year, the recently deployed JSE contract has given us a strong start into FY24, which we expect to be further enhanced by our strong Proximity and Exchange Cloud pipeline. Operating margins have reduced in the year due to prior year investment but these are expected to increase as we move into FY24 and convert the considerable pipeline of opportunities ahead.

Operational Expansion

We invested in the expansion of our team during the year, in order to capitalise on the considerable market opportunity ahead. The main priority when expanding the team was to build out the software development team division, to support the roll out and evolution of Exchange Cloud. Investment in this area was largely complete in H1, with the average headcount during the year increasing to 103 from 89 as at 30 June 2023.

Investment made into inventory during FY23 ensures we are appropriately configured to deliver against all contracts, including those which are signed already and those which are in the immediate pipeline. It is pleasing to have the capability to deliver deals quickly once secured, with significant investment into inventory serving as a sign of confidence in the conversion of our pipeline. The implementation of a new inventory management system to streamline our stock management and audit compliance was introduced in FY23, driving internal efficiencies.

In May, we were delighted that OneChronos, a U.S. equities Alternative Trading System (ATS), selected Beeks to power high performance compute and private environment of their new ATS, standing out as the strongest provider over Beeks' direct competitors. The collaboration is an endorsement of Beeks' value in delivering global, rapid deployment solutions using secure and scalable

environments, with the flexibility of no long-term contracts or commitments. Off the back of a volatile year for equities in 2022, OneChronos have seen substantial success on their value proposition delivery since selecting Beeks to enhance their Smart Market Technology, in particular by meeting the ever-growing need for on-demand compute. Adjustments to Beeks' infrastructure automation portal have been made in FY23, which will drive improved efficiencies across The Group as a result of long-term cost benefits. The changes have been well-received, with the major user interface refresh allowing Proximity and Exchange Cloud customers to tailor the user experience for their own users.

The business has continued to show resilience in the face of inflationary pressures and supply chain disruption during the year. Appropriate price increases have been passed on to customers and we are pleased to see an improving picture with regards to supply chain disruption.

We have continued to increase our data centre presence in the year with a focus on existing locations. We will continue with our approach of expanding into areas where we already have customer demand. The Beeks brand continues to grow its presence globally, and we were pleased to attend international industry conferences in Bangkok, Chicago, Boca Raton and Paris during the year, showcasing the value of our offering to new audiences.

Product roadmap

We have continued to streamline our products and enhance them including a focus on the investment into the security of our products during the year.

Throughout the year we focused on security automation where possible, this included the deployment of vulnerability scanning, patch management, malware protection and secure configuration technology. The enhancements have strengthened the security of our Proximity/Exchange Cloud offering to provide customers with the confidence and assurance that their infrastructure is secure. Furthermore, the investments we continue to make show the commitment to align our products to industry leading information security certifications and standards including (but not limited to) GDPR, ISO/IEC 27001, NIST CSF, and CIS.

We have a fully funded product roadmap that extends out for the next few years and see significant opportunity through investing resources in our two major product lines: our Private Cloud and our Proximity/Exchange Cloud offerings.

We have continued to streamline our products and enhance them, with a focus on the investment into the security of our products during the year. The most

significant being a new strategic partnership with 'BlueVoyant', a Managed Security Services Provider (MSSP). BlueVoyant provide Beeks with Managed Extended Detection & Response (MXDR) services underpinned by their 24x7 Security Operations Centre (SOC) based in New York. The MXDR service has been fully integrated into our Proximity/Exchange Cloud offering which provides end-to-end security detection and response capabilities for our customers.

Sales and Marketing

Our central marketing strategy continues to revolve around inbound marketing, with our ongoing efforts to expand global brand awareness serving as a driving force behind our sales and marketing initiatives this year.

After the pandemic, our emphasis shifted towards in-person events and investing in prominent industry event booths, specifically targeting the global institutional market at JSE Trade Connect, FIA Boca and TradeTech Paris, as well as the retail market at iFX Expo Bangkok.

Furthermore, senior managers and representatives from our sales team participated in key industry events, including AWS Re-Invent, Security Traders Association Chicago, FIA London Tech and FIA IDX London.

We extended our STAC membership and successfully secured professional memberships with both the FIA and FISD, bolstering our industry presence and reputation. STAC plays a crucial role in supporting our product team by facilitating a deeper comprehension of customer preferences, competitive landscape, collaborative opportunities, and the assessment of our company's offerings.

FIA stands as the foremost global trade organization for futures, options, and centrally cleared derivatives markets, with a significant focus on the Americas market. Meanwhile, FISD serves as the preferred global forum for essential stakeholders in the value chain, encompassing consumer firms, third-party entities, and data providers.

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

We are witnessing substantial growth in the range of customers we serve, as Beeks now provides support to 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)

Significant new customers secured in the year include:

- ◇ Two Exchange Cloud customers, described above (JSE and ICE), both with further expansion potential.
- ◇ The JSE contract went live in September 2023, with all units pre-sold to JSE customers with contract extension discussions underway.
- ◇ Two multi-year Private Cloud contracts with global Asset Management firms, worth \$2 million in aggregate over three years, for deployments across US, APAC and EMEA.

Post year-end we have seen further momentum, securing Private Cloud contracts in July with a total contract value of over \$4 million, including a significant win via a partner with one of the UK's largest banks.

Future Growth and Outlook

With an established reputation and a track record of sustained growth, we are well-positioned to capitalise on the shift of the financial services sector to cloud computing and continue on our growth trajectory.

The deals signed to date and our exit ACMRR mean the Board is confident in achieving results for FY24 in line with its expectations.

We remain focused on converting the pipeline of opportunities across all of our product offerings, and in particular the recently launched Exchange Cloud offering. The advanced nature of several of these discussions provides confidence in our ability to would provide growth acceleration in FY24.

With high levels of contracted, recurring revenue, a unique proposition and growing international profile, we look to the future with continued confidence.



Gordon McArthur

CEO

29 September 2023

STRATEGIC REPORT - FINANCIAL REVIEW

KEY PERFORMANCE INDICATOR REVIEW

	FY23	FY22	GROWTH
Revenue ¹ (£m)	£22.36	£18.29	22%
ACMRR (£m)	£23.80	£19.30	23%
Gross Profit (£m)	£9.12	£7.94	15%
Gross Profit margin ²	40.8%	43.4%	(2.6%)
Underlying EBITDA ³ (£m)	£8.42	£6.31	33%
Underlying EBITDA margin ⁴	37.7%	34.5%	9.3%
Underlying Profit before tax ⁵ (£m)	£2.32	£2.06	13%
Underlying Profit before tax margin ⁶	10.4%	11.3%	(0.9%)
(Loss)/Profit before tax (£m)	(£0.65)	£0.07	(1,029%)
Underlying EPS ⁷ (pence)	£4.31	£4.49	(4%)

¹Revenue excludes grant income and rental income

²Gross profit margin is statutory gross profit divided by revenue

³Underlying 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

⁴Underlying EBITDA margin is defined as underlying EBITDA divided by revenue

⁵Underlying 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

⁶Underlying profit before tax margin is defined as Underlying Profit before tax divided by Revenue

⁷Underlying 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

REVENUE

FY23 was another good year in terms of revenue growth. Group revenues grew by 22% to £22.36m (2021: £18.29m) driven mainly by our core private cloud offering across both existing and new customers. Refer to note 3 for a further breakdown of The Group's revenues. 91% of revenues (2022: 76%) were recurring with Tier 1 customers now representing 45% of delivered revenue (2022: 35%). 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 good year of growth in contracted recurring revenue as represented by our ACMRR growth of 23% to £23.8m which increased further to £25.0m by the end of August following a strong start to the year.

GROSS PROFIT

Statutory gross profit earned increased 15% to £9.12m (2022: £7.94m), with gross margin reduced due to increased depreciation and amortisation charges following the investment made during FY23 into both Exchange Cloud and across our global asset base. The investment in both Proximity Cloud and Exchange Cloud including Analytics during the year has incurred internal gross capitalised development costs of £2.87m (2022: £2.59m) in line with the additions to the software development team made during the year.

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.

UNDERLYING ADMINISTRATIVE EXPENSES

Underlying administrative expenses, which are defined as administrative expenses less share-based payments and non-recurring costs, have increased by £1.08m from £5.94m to £7.02m primarily as a result of headcount increases within our software development and engineering functions. We had an average headcount of 103 throughout the year (2022: 89) therefore gross staff costs have increased by 23%, from £5.64m to £6.91m. Given a high proportion of recruitment has been to support our Proximity and Exchange Cloud development, some of these costs are capitalised. Net staff costs, which is defined as total staff costs less capitalised development


costs, has increased by 33%. Most of our headcount increase has been to support future product and sales growth with a relatively small increase in support staff given our automation and self-service strategy. We have largely completed our recruitment drive and anticipate incremental headcount increases moving forward as deals are converted and we look to deliver better operating margins.

UNDERLYING EBITDA

Earnings before interest, tax, depreciation, amortisation and exceptional non-recurring costs ("Underlying EBITDA") increased by 33% to £8.42m (2022: £6.31m). 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 £2.32m (2021: £2.06m) as a result of the changes in the key financial metrics discussed above.

Statutory Profit before tax decreased to a loss of £0.65m (2022: profit of £0.07m). The other reconciling differences are shown on the table opposite 

	YEAR ENDED 30 JUNE 2023	YEAR ENDED 30 JUNE 2022
	£'000	£'000
Statutory (Loss) / Profit Before Tax	(650)	66
Add back:		
Share-based payments	2,291	1,661
Other non-recurring costs*	136	28
Amortisation of acquired intangibles	489	802
Exchange rate losses on intercompany translation and unrealised currencies	325	-
Deduct:		
Grant income	(267)	(419)
Exchange rate gains on intercompany translation	-	(81)
Underlying Profit before tax for the year	2,324	2,057

	YEAR ENDED 30 JUNE 2023	YEAR ENDED 30 JUNE 2022
	£'000	£'000
EBITDA**	8,362	6,811
Deduct:		
Grant Income	(267)	(419)
Exchange rate losses/(gains) on intercompany translation	325	(81)
Underlying EBITDA	8,420	6,311

*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, acquisition transition costs and Covid-19 related expenditure. All of these costs are not expected to recur and are therefore disclosed separately to trading results.

**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 (73.46%), (2022: -1,151.51%).

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 decreased 4.00% to 4.31p (2022: 4.49p). Underlying diluted earnings per share decreased to 3.96p (2022: 4.19p). The decrease in underlying EPS is largely as a result of the increased group share capital following the equity raise in April-22 given the increased underlying profitability and higher tax credit in FY23. See note 24 for further details.

Basic loss per share decreased to 0.14p (2022: earnings per share of 1.43p). The decrease in basic EPS is as a result of the statutory loss in the period as well as the additional share capital in FY23 following last year's equity raise. Diluted loss per share has also decreased to 0.13p (2022: earnings per share 1.35p).

STATEMENT OF FINANCIAL POSITION AND CASH FLOWS

The statement of financial position shows an increase in total assets to £47.44m (2022: £44.75m) with operating cash flows during the year increased by 34% to £9.01m (2022: £6.70m). The equity raise in FY22 provided us with the ability to further enhance our core products, most notably in Proximity and Exchange Cloud whilst also funding additional working capital including advanced purchases of IT rack capacity, computer servers and other associated hardware. Our strategy is always to 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 to satisfy the growing pipeline demand for the year ahead. Investment in property, plant and equipment, hardware and infrastructure was again significant with £4.1m (2022: £5.2m) 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 almost £2m in IT infrastructure which will cover a significant amount of FY24 sales pipeline. As global supply chain issues ease, we will not require these levels of stock which should assist working capital requirements going forward.

During the year we took on additional borrowings via asset finance of £2.0m in order to preserve cash. We repaid debt of £0.5m against our borrowing facilities. Our net cash at the end of the year is £4.4m (30 June 2022: net cash £7.9m) and gross borrowings at £3.4m remain at 0.4x Underlying EBITDA of £8.4m 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 2023 net assets were £32.8m compared to net assets of £30.8m at 30 June 2022.



**Fraser
McDonald**
Chief Financial
Officer

29 September
2023

STRATEGIC REPORT - PRINCIPAL RISKS AND UNCERTAINTIES

BOARD

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

AUDIT COMMITTEE

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

RISKS RELATING TO BEEKS AND ITS BUSINESS

The below risks have been identified by the Board as the principal risks that The Group face. These risks are reviewed on an ongoing basis and updated at each reporting period. Upon review of principal risks in the current financial year, The Group determined that whilst the following areas remained risks to the business, they were no longer classed as principal risks –volatility in energy prices and supply chain.

a. Cyber Risk

- ◇ An information security breach or cyber-attack resulting in loss or theft of data, content or intellectual property could affect service to our clients and cause reputational damage. Due to the nature of our services for clients in financial services, the most significant threats come from supply chain attacks, ransomware, and Distributed Denial of Service (DDoS). As a result, the board have appointed a Chief Information Security Officer (CISO), accountable for key controls and mitigating factors. These include a new strategic partnership with BlueVoyant to provide 24x7 Managed Extended Detection and Response (MXDR) and incident response services underpinned by their Security Operations Centre (SOC).
- ◇ Investment and implementation of new layered security defences including; Identity and access management, cloud access security broker (CASB), email security, vulnerability scanning, automated patching, and next generation endpoint detection and response (EDR) software.
- ◇ Secure software development lifecycle (SDLC) improvements through static code and software

composition analysis identifying insecure code and vulnerable open-source libraries.

- ◇ Continued enhancements to DDoS protection infrastructure, mitigating against larger traffic volumes and identification of new attack techniques.
- ◇ Extensive penetration testing of our infrastructure and products carried out by a trusted 3rd party provider.
- ◇ Security culture and awareness enhancements through training and phishing simulations.
- ◇ Maintained our certifications and alignment to GDPR, ISO/IEC 27001, NIST CSF and CIS. Furthermore, enhancing our security assurance by progressing towards the SOC2 attestation.

b. Key systems failure, disruption and interruption

Any degradation or interruption to Beeks systems and services exposes The Group to risk in its position as a Cloud hosting provider to the financial sector. This could result in a lack of confidence in The Group's products, with a consequential material adverse effect on The Group's business, financial condition, prospects and operations. Many of the vulnerabilities are not in Beeks' control, such as:

- ◇ Loss of data centre facilities such as power
- ◇ Interruption to telecommunication or other third party services
- ◇ Natural disasters
- ◇ Operating system issues, software failures or viruses
- ◇ Acts of war or terrorism

The technical teams and management at Beeks make operational stability and performance the highest priority and as a result, regular continuous improvement to systems and process are made. Examples that assist in mitigation of the risks are:

- ◇ Program of work to standardise operating systems on network and server infrastructure
- ◇ Introduction of improved monitoring tailored to our systems, services and client base
- ◇ Upgrade and enhancement of network infrastructure to improve stability and resilience
- ◇ Consultation for a deep dive review of IT Infrastructure and Security
- ◇ Board Level focus on these risks and mitigations with follow-up actions identified and reported against

c. Actions of third parties and suppliers

Any disruption to Beeks relationship with third-party suppliers such as Datacentres, internet providers and trading venues could be detrimental to the future business, operating results and/or profitability of The Group. This risk is being mitigated by:

- ◇ Implementing a thorough supplier onboarding procedure to ensure suppliers are fit for purpose and have in place appropriate practices and accreditations to mitigate risk
- ◇ Engaging with our suppliers on a regular basis to ensure healthy ongoing relationship and to identify and resolve any potential issues
- ◇ Cybersecurity monitoring of key supply chain and own external network
- ◇ Larger suppliers have been replaced with smaller more dynamic vendors better suited to our business model. This reduces the risk of supply chain and service affecting issues by forging closer relationships and better understanding of our requirements and working practices
- ◇ The Group relies on, inter alia the internet and broadband internet access and the development and maintenance of internet and telecommunications infrastructure by third parties

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

This risk is being mitigated by:

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

d. Other Operational risks

- ◇ Management of unexpected peaks or troughs in client demand for delivery of Beeks systems services and

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

SECTION 172(1) STATEMENT

The Directors consider, both individually and collectively, that they have taken decisions in a manner they consider, in good faith, would be most likely to promote the success of The Group for the benefit of its shareholders, having regard to the matters set out in s172(1)(a-f) of the Companies Act 2006. This is detailed in the Corporate Governance Report on pages 32 to 40 and below:

- a. The likely consequences of any decision in the long-term: the long-term success of The Group is always a key factor when making strategic decisions.
- b. The interests of The Group's employees: Our employees are at the core of our success and we continue our ongoing commitment to enhance their wellbeing and development, which remains at the heart of our strategy for success. Within the past year, we have launched a number of additional benefits for our employees' health and wellbeing such as providing access to the head office gymnasium including free personal training, sport or relaxation massages and yoga classes. We have also significantly improved our Group Pension Scheme as well as increasing the level of private medical cover to all staff to include dental care. As part of our commitment to both our employee experience and sustainability, we recently introduced our own Electric Vehicle (EV) Scheme where our employees can benefit from saving up to 60% on a new electric car along with free charging facilities at our Head office. Share ownership remains at the heart of our reward strategy with all employees eligible to participate in our Long-term Incentive Programme (LTIP) following a period of continuous employment. This not only aids employee retention but also enables us to attract the best local talent.
- c. The need to foster business relationships with suppliers, customers, innovators and others; The Group regularly meets with key suppliers and customers to

review operations and explore mutually beneficial future actions. During the year The Group participated in an FX Expo event in Bangkok as well as institutional industry events; FIA Chicago, AWS Las Vegas, Security Traders Association in Chicago, JSE Trade Connect in Johannesburg, FISD London Tech Forum, FIA Boca in Florida and Trade Tech Paris. Senior staff from Product Development, Operations and Sales met with key industry thought leaders, customers and prospective customers to help engage in conversations on their cloud computing strategies and future developments. The CEO and COO continue to engage with a number of key strategic partners to ensure we monitor the quality of our suppliers to optimise operational efficiency, ensure we receive the best level of service and continue to contract on favourable terms to support the business. For more details on how The Group engages with suppliers, see the Directors' Report on page 26.

- d. The impact of The Group's operations on the community and the environment: the impact on both the community and the environment is factored into The Group's decision making process. During the year The Group helped both local and international projects in sponsoring a local and African football team.
- e. The Board engages with shareholders throughout the year through the annual and half year results, trading updates, regulatory news service announcements, the Annual General Meeting, the investor roadshows and the investor pages on the Beeks Group website. The Board receives detailed feedback reports via our various advisors, on views of shareholders and covering analysts. Throughout the year the Board have maintained open and effective engagement with shareholders and investors on key topics such as strategy, environmental, social and governance ("ESG") and business performance. During the year management met with existing and prospective shareholders at half year and full year results.
- f. The Group's reputation for high standards of business conduct: integrity, both personally and professionally, is embedded in The Group's culture and is led by example by the Directors. The need to act fairly between members of The Group: no single set of stakeholders is prioritised over other stakeholders and all decisions are made trying to be equitable to all members.

The Board held 11 board meetings in the year to address and meet its obligations under Section 172 of the Companies Act 2006. The following table covers the key decisions made during the year and the stakeholder group(s) impacted by these decisions.

The strategic report on pages 10 to 22 has been approved by the board and signed on its behalf by:



Gordon McArthur, CEO
29 September 2023

KEY IMPACT	KEY DECISION MADE	KEY STAKEHOLDER GROUP'S IMPACTED
<p>Long-term Strategy and Acquisitions</p>	<p>Each year, the Board approves the budget of The Group and reviews The Group's strategy and growth plans. The Board considers mergers and acquisitions as part of the long-term growth strategy and continually reviews the market for opportunities.</p> <p>The Board discussed the significant opportunity within the Exchange Cloud pipeline whilst acknowledging the elongated sales cycle due to the size and complexity of these organisations.</p>	<p>Shareholders, Employees, Customers, Suppliers</p>
<p>Performance of The Group including Financial Performance</p>	<p>On a monthly basis, the Board reviews the trading performance of The Group with detailed Board reports provided by the CFO covering trading in the month and year to date, with performance monitored against internal budget, external market forecast and the previous financial year.</p> <p>At each Board meeting, the Board also receives detailed Board reports covering commercial, operational, security, product development and HR matters prepared by senior managers of the business. These reports cover sales and forecast pipeline, customers and suppliers, data centre activity and various aspects of operational performance and key employee activities.</p> <p>The Board reviewed The Group's cash position and working capital requirements during the year before proceeding with additional asset financing in order to preserve cash. The Board acknowledged the need to focus on profitability and cash growth in the coming year.</p> <p>The Board discussed the implications of the revenue recognition of Exchange Cloud when discussing contract nuances such as hardware ownership term and break clauses.</p>	<p>Shareholders, Employees, Customers, Suppliers, Environment</p>
<p>Governance, Regulatory Requirements and Risk</p>	<p>The Board reviews and approves the results announcements and trading updates, the half year report and annual report and the AGM statement. The Board receives regular briefings from the Chief Executive Officer and Chief Financial Officer and the Operations board members.</p> <p>The Board takes regulatory responsibilities seriously and is committed to ensuring that it is open and transparent with regulators. In the current year, the Board met with our nominated adviser to obtain an update on changes to AIM rules and market abuse regulations to ensure Beeks' compliance with requirements.</p> <p>In the current year, the Board has received updates on the internal control framework and The Group risk register and the continued compliance with the ISO27001 accreditation.</p> <p>Risk control documents are presented at Board meetings on The Group's key risks which include an updated assessment of controls and improvement actions required in respect of each major risk.</p> <p>During the year the board discussed at length the cyber security threats and the associated risk mitigation strategies. The board agreed to invest into establishing a 24/7 Security Operations Centre (SOC) in New York.</p> <p>As noted in the Chief Executive Officer's review on page 12, Principal Risks and Uncertainties on page 19 and the Corporate Governance Report on page 32, the Board has formally considered the risk mitigating measures as a result of global supply chain issues through the use of alternative suppliers and third party carriers to minimise potential impact.</p>	<p>Shareholders, Employees, Customers, Suppliers, Environment</p>

BOARD OF DIRECTORS

**MARK
CUBITT**

**NON-EXECUTIVE
CHAIRMAN
AGE 60**

Mark has extensive multinational experience gained over the last 35 years, including 24 years in the plc environment and eight years as Chief Financial Officer at Wolfson Microelectronics plc until its sale to Cirrus Logic in August 2014. Mark is currently Non-executive Chairman of AIM listed Concurrent Technologies plc and a Non-executive Director of private company RHA Technologies Ltd based in Glasgow. Previously Mark was Non-executive Chairman of Superglass Holdings plc and was part of the team that turned around the business before its sale in 2016. He also served as VP of finance at Jacobs Engineering and was Finance Director of Babbie Group until the sale of the company to Jacobs Engineering in 2004. During his time at Jacobs, he also sat on the board of highways maintenance firm BEAR Scotland and was its chairman in 2006. Mark has also worked at Denholm Oilfield Services Limited, Dawson International plc, Christian Salvesen plc and its then subsidiary Aggreko. Mark is a chartered accountant and a member of the Association of Corporate Treasurers, and has a degree in Accountancy and Computer Science from Heriot-Watt University.

**GORDON
MCARTHUR**

**CHIEF EXECUTIVE
OFFICER
AGE 47**

Gordon McArthur founded Beeks in 2010 having become increasingly frustrated by the lack of low latency trading infrastructure available. He has since grown the business from a three man start-up to its current, profitable form. Gordon's career in software and IT solutions businesses spans 20 years during which time he has held commercial and managerial roles at IBM and Versko, an IT specialist for IBM software platforms. During his time at IBM Gordon worked in both financial services and the industrial sector and initially on SME businesses but latterly covering IBM's largest globally integrated accounts in the Oil and Gas sector. Gordon has a BA (Hons) in Risk Management and a Master's in Business Information Management from Glasgow Caledonian University.

FRASER MCDONALD

**CHIEF FINANCIAL
OFFICER
AGE 49**

Fraser McDonald has over 20 years' experience in finance, management and consulting roles. Having commenced his finance career and management accountancy training (CIMA) with National Australia Group, Fraser has gained experience working for global organisations such as Royal BAM Group, Lactalis McLelland, and Serco Group plc across different industries including Banking, Manufacturing and Construction. Fraser has been in the Technology sector since 2009, where he has held senior roles including Commercial Manager and Head of Finance at ACCESS LLP (subsidiary of Serco Group plc). Fraser joined Beeks on a consultancy basis in March 2016 to support the company through the AIM admission process, before being appointed on a permanent basis as Group Financial Controller in March 2017, and then Chief Financial Officer in October 2018. Fraser has a BA (Hons) in Finance from the University of Strathclyde, and a PgDip in Information Technology from the University of Paisley.

WILLIAM MELDRUM

**NON-EXECUTIVE
DIRECTOR
AGE 55**

Will is a partner at Longview Innovation, a US based venture capital firm, and a management consultant. Previously he was Senior Vice President, employee experience and chief of staff at IHS Markit, a world leader in critical information and data analytics. Prior to joining Markit in 2005, Will worked at Deutsche Bank managing the bank's interests across a portfolio of investments with a key focus on industry consortia, electronic trading systems and data. Will holds an MA from the University of Edinburgh and an MBA from London Business School.

KEVIN COVINGTON

**NON-EXECUTIVE
DIRECTOR
AGE 64**

Kevin has had more than 30 years' experience working internationally in the financial services industry for both vendors and banks, with a particular focus on M&A and advisory. Kevin currently runs a boutique advisory firm, Change Alley, which helps develop and grow organisations in the FinTech sector. Kevin also acts as an adviser and mentor to a number of companies in the sector, including Adaptive Financial Consulting, KA2, Enyx and, prior to its acquisition by Beeks, Velocimetrics. Previous positions include CEO of a VC backed Australian technology company, Metamako, which was acquired by Silicon Valley based Arista Networks in late 2018 and CEO at technology company ITRS Group Limited. For a number of years Kevin has been ranked in the top 40 most influential people in Trading Technology by the Institutional Investor Magazine.

DIRECTOR'S REPORT

RESULTS

The Group's audited financial statements for the year ended 30 June 2023 are set out on pages 41 to 94. The Group's loss for the year after tax amounted to £0.10m (2022: profit after tax £0.83m).

RESEARCH AND DEVELOPMENT

The Group develops cloud computing products including public, private and proximity solutions.

FUTURE DEVELOPMENTS

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 10 to 22.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on pages 24 and 25 and the Directors who served during the year are listed on page 30. Details of Directors' interests in The Group's shares are set out below.

The directors' interest in the Company's £0.00125 ordinary share capital are detailed in the table below:

INSURANCE FOR DIRECTORS AND OFFICERS

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group uses various financial instruments which include cash, leases, asset financing, bank loans and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for The Group's operations. The main risks arising from The Group's financial instruments are credit risk, exchange rate risk and interest rate risk. The Directors review these risks on an ongoing basis. This policy has remained unchanged from previous years. Further information on financial risk management is disclosed in note 16 of The Group accounts.

	2023		2022	
	SHARES	OPTIONS	SHARES	OPTIONS
Gordon McArthur	24,593,440	-	24,593,440	-
Mark Cubitt	70,707	-	70,707	-
William Meldrum	41,450	-	41,450	-
Fraser McDonald	44,118	909,742	44,118	839,742

CREDIT RISK

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

The Group's credit risk is primarily attributable to its trade receivables. It is the policy of The Group to present the amounts in the Consolidated 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. 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.

EXCHANGE RATE RISK

The Group monitors its exposure to exchange rate risk on an ongoing basis. The Group has limited exposure to foreign exchange risk as a result of natural hedges arising between sales and cost transactions. Details of exchange rate exposure balances are disclosed in note 16 of The Group accounts.

INTEREST RATE RISK

The Group has limited exposure to interest rate risk in respect of cash balances and long-term borrowings held with banks and other highly rated counterparties. All loans and leases are charged at a fixed rate, other than the term loan which is charged at the base rate of interest plus margin. Therefore, The Group has limited exposure to interest rate risk.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 10 to 22 including the potential impact of the macro-economic climate. The financial position of The Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Report on pages 15 to 18.

We take great 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 climate 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.

The Directors are of the opinion that The Group can operate within its current debt facilities and comply with its banking covenants. At the end of the financial year, The Group had net cash of £4.41m (2022: £7.86m). The Group has a diverse portfolio of customers with relatively low customer concentration split across different geographic areas. As a consequence, the directors believe that The Group is well placed to manage its business risks.

The Directors have considered The Group budgets and the cash flow forecasts to December 2024, and associated risks, including the potential impact of the current economic climate. We have run appropriate scenarios applying reasonable downside sensitivities and are confident we have the resources to meet our liabilities as they fall due including the base case assumption of our existing loan facilities not being made available at the end of current terms (December 2024). The budgets and cash flow forecasts have assumed all loan facilities being repaid in full. We have also run reverse stress test scenarios in order to identify circumstances where cash reserves would be depleted. The circumstances that would lead into such scenarios (such as moving from revenue growth to revenue attrition) are not considered plausible given the historic track record and trading prospects of the group.

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

AIM RULE COMPLIANCE REPORT

Beeks Financial Cloud Group plc is quoted on AIM and the Company has complied with AIM Rule 31. Further information on AIM compliance is explained in the Corporate Governance Report on pages 32 to 40.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

As the Company does not meet the large sized threshold, the Directors are not required to disclose the reporting requirements of SECR.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the financial statements in accordance with UK-adopted international accounting standards and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- ◇ select suitable accounting policies and then apply them consistently;
- ◇ make judgements and accounting estimates that are reasonable and prudent;
- ◇ state whether applicable UK-adopted international accounting standards have been followed for The Group financial statements and whether applicable UK Accounting Standards have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- ◇ prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business.

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

prevention and detection of fraud and other irregularities.

The directors confirm that:

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

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

INDEPENDENT AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

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

AUDITOR

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

By order of the Board.



Fraser McDonald
Chief Financial Officer
29 September 2023

REPORT ON REMUNERATION

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2023

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2023 which sets out our Directors' Remuneration policy and provides details of amounts earned by Directors in respect of the year ended 30 June 2023.

As the Company is listed on the Alternative Investment Market it is not required to comply with the provisions of the UK Corporate Governance Code 2018 ("Code") issued by the Financial Reporting Council, however, we continue to provide disclosures in addition to that which is required by AIM Rule 19 on a voluntary basis to enable shareholders to understand and consider our remuneration arrangements. If this was prepared under the Companies Act 2006, additional disclosures would be required in order to meet the requirement.

REMUNERATION COMMITTEE

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

REMUNERATION COMMITTEE REPORT

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

	BASIC SALARY	BENEFIT IN KIND	TOTAL	PENSION
	£'000	£'000	£'000	£'000
2023				
Executive Directors				
Gordon McArthur	63	1	64	5
Fraser McDonald	125	1	126	9
Non-executive Directors				
Mark Cubitt	35	-	35	-
William Meldrum	35	-	35	-
Kevin Covington	35	-	35	-
TOTAL	293	2	295	14
2022				
Executive Directors				
Gordon McArthur	25	-	25	1
Fraser McDonald	109	-	109	3
Non-executive Directors				
Mark Cubitt	35	-	35	-
William Meldrum	35	-	35	-
Kevin Covington	35	-	35	-
TOTAL	239	-	239	4

NON-EXECUTIVE DIRECTORS

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

SERVICE CONTRACTS

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

SHARE OPTIONS

Share options were awarded to staff (including a director) during the year in accordance with the Company's LTIP (Long Term Incentive Plan). The details of these are disclosed in Note 21.

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

DIRECTOR	DATE OF GRANT	SHARE OPTIONS	VESTING DATE	LAPSE DATE	EXERCISE PRICE (£)
Fraser McDonald	17 Oct 19	538,922	17 Oct 22	17 Oct 29	0.00125
Fraser McDonald	19 Oct 20	105,820	19 Oct 23	19 Oct 30	0.00125
Fraser McDonald	26 Nov 21	195,000	26 Nov 24	26 Nov 31	0.00125
Fraser McDonald	2 Dec 22	70,000	2 Dec 25	2 Dec 32	0.00125

During the year ended 30 June 2023, no share options were exercised by directors.

The aggregate amount of gains realised by Directors, who served during the year, on the exercise of share options during the year was £nil (2022: £133,051).

For the year ended 30 June 2023, share options awards have been proposed to the Remuneration Committee as part of the LTIP. These options will have a three year vesting period for senior executives and between two and three years for other staff. As with the previous LTIP arrangements they will be based on challenging performance conditions in line with the existing plan and are expected to be approved during October 2023.

DIRECTORS' SHARE INTERESTS

The Directors' shareholdings in the Company are shown in the Directors' Report on page 26.



Mark Cubitt
Chairman of the Remuneration Committee
29 September 2023

CORPORATE GOVERNANCE

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

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

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

The QCA Code is constructed around 10 broad principles and a set of disclosures. The Group has considered how it applied each principle to the extent that the Board judges these to be appropriate in the circumstances, and below there is an explanation of the approach taken in relation to each. The Board considers that it does not depart from any of the principles of the QCA Code.

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

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

PRINCIPLE 1: ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTES LONG-TERM VALUE FOR SHAREHOLDERS

Beeks Financial Cloud Group plc is a leading managed cloud computing, connectivity and analytics provider exclusively for capital markets and financial services,

offering Infrastructure-as-a-Service (IaaS) to global companies across multiple asset classes.

Beeks' strategy is to ensure maximum security, optimise performance and deliver ultra-low latency compute power in the exceedingly fast-moving capital markets sector.

Beeks provides:

- ◇ Dedicated bare metal and virtual servers that host capital markets and financial services organisations in key financial data centres around the world
- ◇ Ultra-low latency connectivity between customers and key financial venues and exchanges
- ◇ Colocation for customers to position their own computing power in our space, benefitting from our proximity to financial hubs
- ◇ In-house security software to protect client infrastructure from cyber attacks
- ◇ The management of hybrid cloud deployments for customers wishing to combine the Beeks IaaS with the public cloud hyperscalers
- ◇ Our model focuses on efficiency and flexibility, offering our customers the ability to scale up and scale down as needed. Due to market fluctuations and the inherent risk involved in algorithmic trading, this makes our services highly desirable
- ◇ Beeks has a unique self-service customer portal that facilitates the same-day deployment of a host of services allowing customers to manage their own servers
- ◇ Beeks Analytics offers comprehensive monitoring and performance analysis to allow users to independently track and analyse real-time performance of every single price, quote or trade traversing business critical processes.

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

The Group's strategy can be viewed on pages 10-11.

PRINCIPLE 2: SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

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

Institutional shareholders

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

Private shareholders

Communication with private shareholders is done via investor events during the year such as Mello, IMC and Sharesoc where the CEO and CFO present and are available to speak to private investors on a one to one basis. This is in addition to the Annual General Meeting, where attendance by shareholders is encouraged and where the Board is available to answer questions. The Notice of AGM is sent to shareholders at least 21 days before the meeting. The Chairman of the Board and the committees, together with all other directors attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Company's corporate website.

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

The news and investor relations sections of the Beeks website are regularly updated and provide the market with

the latest business news and shareholder updates. Following major periods of communications, our advisers consolidate feedback, on an anonymised basis, from the relevant parties which then forms the basis of a briefing pack for the Board to ensure awareness of shareholder opinions.

PRINCIPLE 3: TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

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

The Group believes recruiting and maintaining highly talented and motivated staff is key to its success. As referenced within the Section 172(1) statement on page 20, The Group has taken a number of actions to enhance the wellbeing and development of its employees. All staff have objectives and regular communication with management is encouraged as part of The Group's culture. Staff are also encouraged to develop their skills and budget is always identified for staff training and development. The Group has low levels of staff attrition and fosters a culture of continuous improvement and innovation.

PRINCIPLE 4: EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

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

The Board takes responsibility for establishing and maintaining reliable systems of control in all areas of operation. These systems of control, especially of financial control, can only provide reasonable but not absolute assurance against material misstatement or loss. The key

matters relating to the system of internal control are set out below:

- ◇ Beeks has established an operational management structure with clearly defined responsibilities and regular performance reviews
- ◇ The Group operates a comprehensive system for reporting financial and non-financial information to the Board, including review of strategy plans and annual budgets
- ◇ Financial results are monitored against budgets, forecasts and other performance indicators with action dictated accordingly at each meeting
- ◇ A structured approval process based on assessment of risk and value delivered
- ◇ Operational updates highlighting any risks and/or issues are communicated to the Board at Board Meetings by the CEO and the COO

Sufficient resource is focused to maintain and develop internal control procedures and information systems, especially in financial management. The Board considers that there have been no substantial weaknesses in internal financial controls that have resulted in any material losses, contingencies or uncertainties that need to be disclosed in the accounts

Beeks has implemented an operational risk framework to evaluate how we operate our business. This enables Beeks to measure outcomes and understand the input to business processes and assess risks before making any significant decision based on risk appetite. This will reduce the likelihood of future potential damages as a result of operational impact. The operational framework has developed during the year to enhance The Group's cyber security function as referenced throughout this report.

More information on The Group's principal risks and internal control procedures are set out on pages 19 to 23.

PRINCIPLE 5: MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

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

success of The Group.

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

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

For the year ended 30 June 2023, the plc Board comprises the independent Non-Executive Chairman, the CEO, the CFO and the two independent Non-Executive Directors. The Board is highly committed and experienced and is supported by qualified executive and senior management teams. The Chairman, Mark Cubitt holds 70,707 ordinary shares, William Meldrum holds 41,450 ordinary shares. The Company considers the three Non-Executive Directors to be independent. The board believes the current composition enables the board to perform its duties effectively and there is a clear division of responsibilities between the running of the Board and the Executives responsible for the Company's business, to ensure that no one person has unrestricted powers of decision.

The Executive Directors of the Company are full time and do not serve as non-executive directors in any other organisation. The Non-Executive Chairman is also currently Non-executive Chairman of AIM listed Concurrent Technologies plc and a non-executive director of private company, RHA Technologies Ltd based in Glasgow. Non-Executive Directors devote as much time as is necessary for the proper performance of their duties. The non-executive directors typically spend one to two days a month on company-related matters.

The Board met 11 times in the year ended 30 June 2023. The attendance of each director is shown on page 37.

Role of Chairman and Chief Executive Officer

The Code requires that there should be a clear division of responsibilities between the running of the Board and the executive responsible for The Group's business, so as to ensure that no one person has unrestricted powers of decision. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have

been agreed by the Board, it is the CEO's responsibility to ensure they are delivered upon. To facilitate this, the CEO regularly meets the Executive Management Team (EMT) which comprises representatives from Operations, Technical Delivery, Finance and Sales. The day to day operations of The Group are managed by the EMT.

Composition of and appointments to the Board

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

For the year ended 30 June 2023 the plc Board comprises the Non-Executive Chairman, the CEO, the CFO and the Non-Executive Directors. Short biographies of the Directors are given on pages 24 and 25. The Board is satisfied with the balance between Executive and Non-Executive Directors. The Board considers that its composition is appropriate in view of the size and requirements of The Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

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

The Board recognises that to remain effective it must ensure that it has the right balance of skills, experience, knowledge and independence to enable it to discharge its duties and responsibilities. The Company has a highly committed and experienced Board, which is supported by a senior management team, with the qualification and experience necessary to run the Company.

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

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

Board committees

The Board has established two committees to deal with specific aspects of the Board's responsibilities: the Audit Committee and the Nomination and Remuneration Committee. The Report of the Audit Committee can be found on pages 41 and 42. The Audit Committee is chaired by Mark Cubitt and includes William Meldrum and Kevin Covington.

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

The Audit Committee met two times during the year and the Nominations and Remuneration Committee met once during the year.

Re-election

Under the Code, Directors should offer themselves for re-election at regular intervals. It is proposed that at least one of the directors will be put forward for re-election at The Group's AGM which will be scheduled during November 2023.

PRINCIPLE 6: ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES

Biographies of the Board of Directors can be found on pages 23 and 24.

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

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

- ◇ Leading the development and execution of The Group's vision and strategy
- ◇ Senior human resource management: Recruit, retain and motivate an appropriately skilled Executive Management Team

- ◇ Representing The Group: The CEO will be required to consistently present The Group and its objectives to key stakeholders and the market in general
- ◇ Lead and drive overall Merger and Acquisition strategy

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

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

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

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

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

PRINCIPLE 7: EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

The Company was admitted to trading on AIM on 27 November 2017. The Board was appointed in advance of admission with the exception of the CFO who was appointed at the Company's AGM on 24 October 2018. Since Admission, evaluation of the performance of the Company's Board has historically been implemented in an informal manner. The Chairman regularly

communicates with Board Members outside of Board meetings to ensure that each director is satisfied with the performance of the Board and has the opportunity to raise any issues of concern. Similarly, the Chairman uses his substantial experience of plc boards to evaluate the Board effectiveness on an ongoing basis.

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

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

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

PRINCIPLE 8: PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

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

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

PRINCIPLE 9: MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION MAKING BY THE BOARD

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

Board programme

The Board is scheduled to meet 10 times each year in accordance with its scheduled meeting calendar, with additional meetings scheduled where necessary. The Group has a highly committed and experienced Board and is supported by qualified executive and senior management teams.

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

	BOARD MEETINGS		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	Possible	Attended	Possible	Attended	Possible	Attended
Executive Directors						
Gordon McArthur	11	11	2	0	1	1
Fraser McDonald	11	11	2	2	1	1
Independent Non-executive Directors						
Mark Cubitt	11	11	2	2	1	1
William Meldrum	11	10	2	2	1	1
Kevin Covington	11	11	2	2	1	1

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

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

The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that its accounting policies, in particular in relation to income recognition and research and development, are appropriate. During the financial year ended 30 June 2023, the business reviewed matters including revenue recognition and capitalisation of R&D activities. Similar to the prior year, technical accounting papers were prepared, reviewed and assessed by the Company's auditor.

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

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

Board committees

The Board is supported by the Audit, and Remuneration and Nominations committees. These committees are represented by the chairman and the other two Non-executive Directors. Board members not part of the

Audit, Remuneration and Nominations Committee are invited to join where it is considered to be appropriate. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duty. Attendance at these committees is referenced in the Board Programme table above.

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

PRINCIPLE 10: COMMUNICATE HOW THE COMPANY IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

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

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

Environmental, Social and Governance (ESG)

People/Social

Our people are at the very core of who we are, why we are successful and why we continue to attract some of the best talent around! We are committed to providing a unique, non-corporate environment surrounded by smart interesting people doing smart interesting work, while having some fun in the process. This applies to our teams working in Glasgow, London, the US and our remote workers around the world.

Positive Workplace Culture

The Beeks Group has had something of a transformation in the last year, which has been driven by development of our state of the art Headquarters based in Renfrew, Glasgow. As we continue to grow, it is important that we maintain our unique culture, which continues to attract and retain the best talent. This begins with a competency based recruitment process and continues long after onboarding by ensuring all our teams know that they are an integral part of the Beeks team.

We continue to develop and improve our on-site benefits for our teams, which includes access to the fully equipped gym and facilities with our own personal trainer who visits weekly as does our in-house yoga instructor and on-site relaxation or sports therapist, not to mention the Beeks pool table and various comfortable break-out areas.

Employee Benefits and Reward

As we continue to expand, so too does our benefits and rewards strategy. We continue to add to our suite of benefits and this year have enhanced our private healthcare offerings for all employees to expand the level of cover as well as including dental care.

In addition, and as part of commitment to creating the best employee experience for our team, we rolled out our Electric Car Scheme where our employees can benefit from saving up to 60% on a new electric car while supporting our company's sustainability journey. We have charging facilities available to all staff for zero cost.

As well as our wellbeing initiatives, we also have the ability to enable employees to benefit from the success of The Group through share ownership. An HMRC approved Share Incentive Plan was introduced to encourage employee share ownership after admission to AIM, with applications exceeding expectations. This scheme also acts as a substantial incentive for attracting potential candidates.

Recruitment, Tenure and Vacancies

The Company had another busy year increasing our headcount with particular investment in our technical teams including hiring new Network Engineer Graduates from Glasgow Caledonian University and ending the year with a headcount of 103 employees.

There has also been a focus on supporting and encouraging internal moves with various internal promotions during the year with 6 so far and others on-track to promotions through comprehensive training plans.

This year there has been a real push on 'upskilling' our teams and a group training planned was rolled out with many external training courses being booked throughout the year to strengthen our teams knowledge.

The targeted focus on increasing engagement, benefits and rewards, encouraging training, boosting moral and being seen as an employer of choice has gone a long way to attracting and retaining staff in an extremely buoyant labour market seeing us close the year on an below market average attrition rate of 9.6%.

Diversity and Equal Opportunities

At the heart of the Company's approach to people is the provision of an environment where everyone can fulfil their potential and where colleagues from all backgrounds can feel confident in their ability to achieve their best. The Company has a Diversity Policy in place and is fully committed to the elimination of unlawful and unfair discrimination.

The Company recognises and values highly the benefits of diversity in the workplace (of which gender is one important aspect) and maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background, and is committed to fair and equal treatment. We are also delighted to have one of our Network Engineers currently as a shortlisted nominee for the Scottish Women in Tech (SWiT) Awards 'Technology Rising Star' category.

Suppliers, Customers and Lenders

The Beeks Group believes strong business relationships with suppliers, lenders and customers are crucial to our success. Our in-house teams are focussed on regular and open communication with customers to ensure we meet their requirements and deliver quality customer service. Senior management have regular meetings with key customers to maintain visibility over their technology roadmaps in order that The Group's development plans remain aligned to our customers' future strategies.

Beeks recognise that a shared commitment to the values of ESG is compelling market players to establish partnerships to deliver workable and sustainable financial systems with one example being our partnership with trade comms leaders IPC to deliver accessible, cloud-based solutions that turbo-charge market participants' business. We are constantly seeking infrastructure partners with high ESG capability in line with our customers' requirements; and as we collaborate with others, our own ESG preparedness expands and benefits from shared approaches.

Environment

Beeks' most recent dedicated server hosting solution, Proximity Cloud, features high density compute racks accommodating up to 80 servers within a data centre. By fitting up to 8 times more servers in a rack than other providers, we help organisations reduce their data

centre footprint and achieve natural efficiencies in power consumption, cost and cooling.

Co-locating in data centres such as the ones owned by Equinix, Beeks and our customers also benefit from Equinix' Corporate Sustainability Programme, ensuring reduced power consumption and heightened energy efficiency for cooling and lighting across the whole site.

Every ESG sensitive operation would favour monitoring, fine-tuning and improving their existing infrastructure over acquiring new kit. This is also where Beeks' technology steps in as we offer cloud-based Analytics-as-a-Service (AaaS) enabling businesses to get more granular insight into how their networks are performing, and how to optimise the existing stack.

Beeks' business model will now enable firms to enter into shorter commitments than the typical demand from on-premise data centres.

Beeks' Infrastructure-as-a-Service (IaaS) also removes the necessity for additional hardware, resulting in reduced capital expenditures, more environmentally friendly co-location options, and faster, cost-efficient expansion into global, diverse, and inclusive markets. Beeks is now equipped to assist our customers with their ESG audits, providing clients such as Form3 with energy footprint calculations and support on fuel consumption for generator testing.

With the introduction of the employee Electric Car Scheme, Beeks is integrating a workforce that is more environmentally conscious. By educating employees of the financial benefits such as saving on National Insurance and Income Tax, and environmental benefits, Beeks can actively contribute to a reduction in our carbon footprint, resulting in fewer emissions, reduced noise pollution, and improved air quality.

Local Community

We remain committed to hiring locally, and have hired locally throughout the last 12 months. We are also proud to partner with Glasgow Caledonian University and the University of Strathclyde to develop our graduate programmes which will flourish in the coming years as we have also had several interns from Strathclyde and Glasgow University supporting our teams to support their studies.

Throughout the year we were also pleased to have obtained our company A-rated sponsorship licence enabling us to provide fantastic opportunities to eligible migrant workers.

In addition, we have increased our charitable activities in the year by providing sponsorship of an arts/culture theatre group, 'Bampots', at the Edinburgh fringe Festival

as well as expanding our sponsorship of local football teams includes Bridge of Weir United, Cumbernauld Colts FC and Kilsyth Athletic as well as Inverclyde Amateur Swimming Club.

On an international level, Beeks and IPC are also beginning an initiative to donate to local charities in the geographical location of any new data centre region we expand into.

By order of the Board.



Mark Cubitt
Chairman

29 September 2023

REPORT OF THE AUDIT COMMITTEE

COMMITTEE ACTIVITIES IN THE FINANCIAL YEAR ENDING 30 JUNE 2023

The Audit Committee is chaired by Mark Cubitt. The other members are William Meldrum and Kevin Covington. Attendance during the year can be seen within the Board programme on page 37. Board members not part of these committees are invited to attend meetings as and when it is deemed appropriate.

The Committee met two times in relation to the financial year ended 30 June 2023, one meeting was post year end, with the second meeting to approve the annual accounts. In addition to standing items on the agenda, the Committee:

- ◇ Received and considered, as part of the review of interim and annual financial statements, reports from the Auditor in respect of the Auditor's review of the

interim results, the audit plan for the year and the results of the annual audit. These reports included the scope of the interim review and annual audit, the approach to be adopted by the Auditor to address and conclude upon key estimates and other key audit areas, the basis on which the Auditor assesses materiality, the terms of engagement for the Auditor and an on-going assessment of the impact of future accounting developments for The Group;

- ◇ Considered the Annual Report and Accounts in the context of being fair, balanced and understandable;
- ◇ Considered the effectiveness and independence of the external audit; and
- ◇ Review the enhanced audit report.

Significant areas considered by the Audit Committee in relation to the 2023 financial statements are set out below:

AREAS OF ESTIMATES	MATTER CONSIDERED AND ROLE OF THE COMMITTEE
Revenue recognition	<p>The committee considered the risk associated with revenue recognition and considered new contracts awarded during the year.</p> <p>The committee considered management's assessment of revenue recognition in relation to the newly launched Exchange Cloud and critically assessed the principles, assumptions, judgements and estimates applied by management to identify and allocate amounts to each performance obligation.</p>
Capitalisation of intangibles	<p>As the evolution and development of Proximity/Exchange Cloud and analytics products continued in the year to 30th June 2023, the committee assessed the capitalisation of these intangibles in line with how the relevant criteria have been met and how management have applied judgement given these capitalised costs are subsequent to the initial project having been completed. The committee critically assessed the inputs and resultant costs capitalised in line with the relevant accounting standard.</p>

INDEPENDENCE AND OBJECTIVITY OF THE AUDITOR

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

NON-AUDIT FEES

The Committee approves all non-audit work commissioned from the external auditors. During the year the fees payable for the current year audit to the Auditor were £158,620 for Group and subsidiary audit, £5,150 for the interim audit services and £20,250 for assurance related services being SOC2 initial work.

OTHER MATTERS

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

REPORTING RESPONSIBILITIES

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



Mark Cubitt
Chairman

29 September 2023

INDEPENDENT AUDITOR'S REPORT

OPINION

Our opinion on the financial statements is unmodified

We have audited the financial statements of Beeks Financial Cloud Group plc (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Cash Flow Statement, the Consolidated and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of The Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- ◇ the financial statements give a true and fair view of the state of The Group's and of the Parent company's affairs as at 30 June 2023 and of The Group's loss for the year then ended;
- ◇ The Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- ◇ the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◇ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Group's and the Parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause The Group or the Parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of The Group's and the Parent company's ability to continue to adopt the going concern basis of accounting included:

- ◇ Obtaining and assessing management's evaluation of going concern assumptions and supporting information, including budgets and cash flow forecasts, for a period up to December 2024, as well as sensitivity analyses covering downside and reverse stress test scenarios;
- ◇ Challenging the key assumptions in the forecasts, sensitivities, mathematical accuracy of the forecasts and the scope of scenario planning undertaken given current social and economic conditions in the UK and globally;
- ◇ Obtaining an understanding of financing arrangements in place, management's assessment of their adequacy and plans to manage these, challenging them on the impact of potential non-renewal of certain arrangements;
- ◇ Challenging management's assessment of what reasonably possible assumptions would cause the business to run out of headroom and testing and

assessing management's mitigations to be applied if the assumptions materialised;

- ◇ Assessing the historical accuracy of the forecasts prepared by management by comparing forecasts from prior years to actual results and understanding the reasons for any significant variances to inform sensitivities to be completed by the engagement team;
- ◇ Engaging internal specialists to consider the conclusions drawn from testing performed and the appropriateness of the going concern assumption; and
- ◇ Examining the disclosures concerning the basis of preparation of the financial statements and assessing the appropriateness of the use of the going concern basis in preparing the financial statements.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with The Group's and the Parent company's business model including effects arising from macro-economic uncertainties such as high inflation rates, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect The Group's and the Parent company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on The Group's and the Parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OUR APPROACH TO THE AUDIT



Grant Thornton



OVERVIEW OF OUR AUDIT APPROACH

Overall materiality:

Group: £345,970 which represents 1.5% of The Group's total expected revenues at the planning phase of the audit.

Parent company: £310,152, which represents 1% of the Parent company's expected total assets at the planning phase of the audit.

Key audit matters were identified as:

- ◇ Revenue recognition (same as previous year); and
- ◇ Capitalisation of development costs in intangible fixed assets (same as previous year).

Our auditor's reports for the year ended 30 June 2022 included one Group and one Parent company key audit matter that have not been reported as a key audit matter in our current year's report. These related to impairment of goodwill related to Velocimetrics Limited cash-generating unit ("CGU") (at Group level) and impairment of the investment in Velocimetrics Limited (at Parent company level). This Group level risk is not considered to be a key audit matter in the current year as the CGUs in the prior year were reassessed as a result of the integration of the Velocimetrics business into the wider Group. We determined that the relevant CGU where this Goodwill was allocated has substantial headroom and was therefore considered less risky this year. The Parent company level risk was also not considered to be a key audit matter in the current year due to there being no specific indicators of impairment of the investment.

We performed full scope audit procedures to component materiality on the financial information of Beeks Financial Cloud Group plc (the Parent company) and Beeks Financial Cloud Limited, the largest UK trading company within The Group. We performed an audit of one or more account balances, classes of transactions or disclosures on the financial information of Velocimetrics Limited. We performed specific audit procedures on Beeks FX VPS USA Inc. We performed analytical procedures on the financial information of the Japanese component, Beeks Financial Cloud Co Limited and Velocimetrics Inc. There was one change to the scope of The Group audit from the prior year, namely the Parent company being the subject of full scope audit procedures using component materiality, due to it being considered individually financially significant to The Group in the current year.

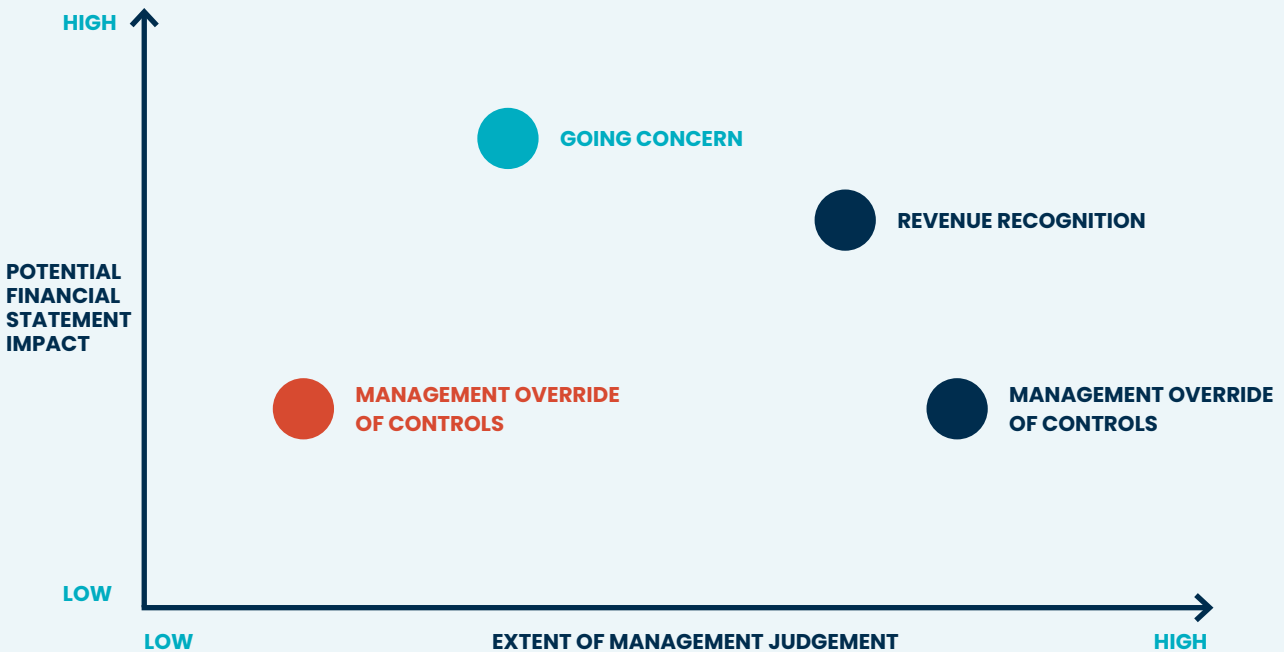
Procedures were performed through a combination of remote and on site audit from The Group's headquarters in Glasgow, United Kingdom as that is where The Group's accounting records are kept.

In total, our audit procedures covered 100% of Group revenue and 86% of total assets.

KEY AUDIT MATTERS

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

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



● KEY AUDIT MATTER	● SIGNIFICANT RISK	● OTHER RISK
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KEY AUDIT MATTER - GROUP

Revenue recognition (applicable to Beeks Financial Cloud Limited and Velocimetrics Limited ("VMX"))

We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud.

Group revenue recognised in the year has grown from £18.3m in the prior year to £22.4m for the year ended 30 June 2023.

We pinpointed the significant risk of fraud in revenue recognition to fall into three areas:

- ◇ manual adjustments to revenue that were outside the normal pattern of journal entries expected, based on our understanding of The Group's pattern of revenue recognition;
- ◇ management judgements and estimates made in relation to new or modified contracts within the Proximity Cloud or Exchange Cloud revenue streams which involve significant judgement and estimation by management in the application of IFRS 15 'Revenue from contracts with customers' (IFRS 15); and
- ◇ new revenue contracts within VMX given the management judgement and estimates involved related to the identification of performance obligations and allocation of the purchase price to these obligations.

Proximity and Exchange Cloud contracts

The Group enters into Proximity Cloud contracts that span a period of four to five years. Determining the performance obligations along with the amount of revenue to be allocated to these performance obligations requires management to make key judgements and estimates. The most significant of these judgements is the recognition of the main performance obligation at a point in time rather than over time, with the key estimate related to the costs expected to be incurred for future maintenance and upgrades when calculating the cost-plus markup approach. These areas are susceptible to error and management bias given their subjectivity and can have a significant impact on the revenue recognised in the financial period.

HOW OUR SCOPE ADDRESSED THE MATTER - GROUP

In responding to the key audit matter, we performed the following audit procedures:

- ◇ We obtained an understanding of the relevant business processes and controls relating to revenue recognition and assessed their design and implementation;
- ◇ We utilised revenue data analytics on private and wholesale revenue streams to identify any anomalies, being transactions that fall outside of the standard posting cycle;
- ◇ We inspected all new contracts within VMX and assessed whether revenue recognition was in accordance with The Group's accounting policies, and assessed management's assumptions and estimates in the allocation of revenue across performance obligations for reasonableness and consistency;
- ◇ For the Exchange Cloud revenue stream and any new Proximity Cloud contracts, we assessed the technical paper provided by management outlining the accounting policies adopted for this stream, challenging management where required to check all areas of IFRS 15 had been considered and corroborating any assertions made within the paper to relevant supporting documentation and discussions with relevant individuals outside of the finance team. We noted that there were no new or modified Proximity Cloud contracts in the year and no revenue recognised through Exchange Cloud contracts; and
- ◇ We assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15, and whether management applied them consistently and appropriately to revenue transactions.

KEY AUDIT MATTER - GROUP

Relevant disclosures in the Annual Report and Accounts 2023

- ◇ Financial statements: Note 1 – Summary of significant accounting policies, Revenue recognition and Note 2 – Critical accounting judgements and key sources of estimation uncertainty, Revenue;
- ◇ Strategic Report: Pages 10 to 22: Financial Review, Revenue;
- ◇ Report of the Audit Committee, Page 41: Significant areas of estimates considered by the Audit Committee.

Capitalisation of development costs in intangible fixed assets (applicable to Beeks Financial Cloud Limited and VMX)

We identified that the capitalisation of development costs, specifically related to subsequent expenditure on additional phases of already existing assets, was one of the most significant assessed risks of material misstatement due to error.

We are aware that development costs have been capitalised relating to subsequent expenditure which involves more complex judgements to differentiate between what is maintenance of the existing asset and what is an improvement that is eligible for capitalisation per IAS 38 'Intangible Assets'.

We identified that £2.87m of development costs were capitalised in the year.

IAS 38 sets out the criteria for recognising and measuring intangible assets and requires disclosures about them. The process for assessing whether development costs incurred are capitalised when all the relevant conditions have been met can be judgemental and is therefore susceptible to both error and management bias.

HOW OUR SCOPE ADDRESSED THE MATTER - GROUP

Our results

Overall, our audit testing did not identify evidence of material misstatement in respect of Group revenue recognition.

In responding to the key audit matter, we performed the following audit procedures:

- ◇ We obtained an understanding of the relevant business processes and controls relating to capitalisation of development costs and assessed their design and implementation;
- ◇ We obtained a breakdown of the development costs incurred in the current period and management's technical paper setting out their rationale for the capitalisation of such costs with reference to applicable accounting standards;
- ◇ We challenged management's assessment setting out the relevant projects for which costs have been capitalised, and assessed whether these have been accounted for in line with IAS 38, specifically on how the relevant criteria have been met, including where the capitalised costs relate to newer versions of an already completed asset;
- ◇ We selected a sample of capitalised costs during the period, agreeing each item to supporting documentation, such as timesheet and payroll records, discussions with individual employees and third-party invoices. This was to obtain evidence that the costs represented a valid transaction and that the associated amounts were appropriately capitalised per the requirements of IAS 38;
- ◇ We challenged management as to the key differences between the initial version of an asset, and the more up to date version, to assess whether subsequent expenditure was maintenance in nature or whether the costs related to substantially improving the original asset through additional functionality or features; and
- ◇ We assessed the point at which assets were available for use by reference to when the additional features became effective for the customer, corroborating this with the development team.

KEY AUDIT MATTER - GROUP**Relevant disclosures in the Annual Report and Accounts 2023**

- ◇ Financial statements: Note 1 – Summary of significant accounting policies, Intangible assets and amortisation and Impairment.
- ◇ Financial statements: Note 2 – Critical accounting judgements and key sources of estimation uncertainty, Development costs.
- ◇ Financial statements: Note 10 – Intangible assets; and
- ◇ Report of the Audit Committee: Areas of estimates.

HOW OUR SCOPE ADDRESSED THE MATTER - GROUP**Our results**

Overall, our audit testing did not identify any evidence of material misstatement in respect of The Group's capitalisation of development costs.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

MATERIALITY MEASURE	GROUP	PARENT COMPANY
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£345,970, which represents 1.5% of The Group's total expected revenues at the planning stage of the audit.	£310,152, which represents 1% of the Parent company's expected total assets at the planning stage of the audit.
Significant judgements made by auditor in determining materiality	<p>In determining materiality, we made the following significant judgements.</p> <p>We considered revenue to be the most appropriate benchmark given The Group's focus on driving revenue growth by increasing its investment in its people, products, and network to capture more customers in its growing markets.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 30 June 2022 to reflect an increase in revenue across The Group as a whole.</p>	<p>In determining materiality, we made the following significant judgements.</p> <p>We considered total assets to be the most appropriate benchmark given that the Parent company does not trade and its primary purpose is that of holding investments for The Group.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 30 June 2022 due to the prior year materiality requiring to be capped so as not to exceed The Group materiality. Due to the growth in Group materiality, no such cap was required to be applied in the current year.</p>

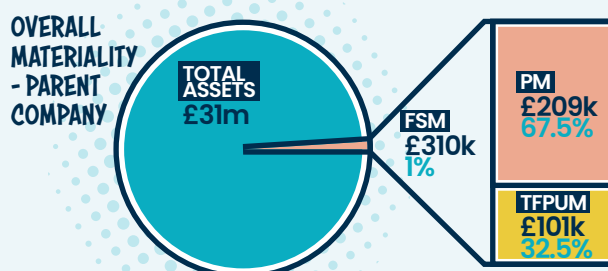
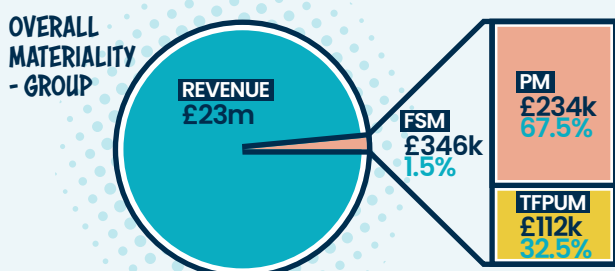
MATERIALITY MEASURE	GROUP	PARENT COMPANY
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£233,530, which is 67.5% of financial statement materiality.	£209,353, which is 67.5% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements. We have determined 67.5% of materiality as performance materiality across The Group. This was considered appropriate as a result of the volume and individual amounts of audit adjustments in the prior period.	In determining performance materiality, we made the following significant judgements. We have determined 67.5% of materiality as performance materiality across The Group. This was considered appropriate as a result of the volume and individual amounts of audit adjustments in the prior period.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: Directors' remuneration and transactions with directors.	We determined a lower level of specific materiality for the following areas: Directors' remuneration and transactions with directors.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£17,300 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£15,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

FSM: Financial statements materiality

PM: Performance materiality

TFPUM: Tolerance for potential uncorrected misstatements



AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed a risk-based audit that requires an understanding of The Group's and the Parent company's business and in particular matters related to:

Understanding The Group, its components, and their environments, including group-wide controls

- ◇ Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines the scope of our audit work for each component within The Group, which when taken together, enables us to form an audit opinion on The Group and Parent company financial statements. We consider size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed on each component.
- ◇ We obtained an understanding of the component-level and group-wide controls of The Group, which assisted us in identifying and assessing the risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.

Identifying significant components

- ◇ Of all components, three were determined to be significant to The Group: Beeks Financial Cloud Group plc (the Parent entity), Beeks Financial Cloud Limited and Velocimetrics Limited. Full scope audit procedures were completed on the first two components with audit of one or more classes of transactions being performed on Velocimetrics Limited.
- ◇ Significant Group components were determined by calculating benchmark percentages, with anything identified above 15% considered a significant component. Benchmarks reviewed included revenue and profit before tax (excluding balances which are eliminated on consolidation). Further, any components that we considered likely to contain Group significant risks were considered significant.

Type of work to be performed on financial information of Parent and other components (including how it addressed the key audit matters)

- ◇ Audit of the financial information of the component using component materiality (full-scope audit) for Beeks Financial Cloud Group plc and Beeks Financial Cloud Limited;
- ◇ Audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) for Velocimetrics Limited;
- ◇ Specific audit procedures on Beeks FX VPS USA Inc;

- ◇ Analytical procedures at Group level (analytical procedures) for Beeks Financial Cloud Co. Ltd and Velocimetrics Inc;
- ◇ We identified revenue recognition and capitalisation of development costs as key audit matters and the procedures performed in respect of those areas has been included in the key audit matters section of our report

Performance of our audit

- ◇ In total, our full scope audit procedures covered 92% of The Group's total revenue and 71% of The Group's total assets. Audit of one or more account balances covered 8% of The Group's total revenue and 9% of The Group's total assets. Specific audit procedures covered 7% of The Group's total assets; and
- ◇ The audit was performed by a combination of on site and remote procedures.

Communications with component auditors

- ◇ No component auditors were utilised throughout this audit; all work was performed by The Group engagement team.

Changes in approach from previous period

- ◇ The only significant change from the approach taken in the prior year is that the Parent company is now considered individually financially significant. The scope of our procedures has remained unchanged.

Other information

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

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

We have nothing to report in this regard.

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

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

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

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

In the light of the knowledge and understanding of The Group and the Parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine

is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- ◇ We obtained an understanding of the legal and regulatory frameworks applicable to The Group and Parent company and the industry in which they operate through our general commercial and sector experience. We determined the following laws and regulations were most significant: UK-adopted international accounting standards, the Companies Act 2006, the AIM Rules for Companies, the Quoted Companies Alliance (QCA) Corporate Governance Code and the relevant tax compliance regulations in the jurisdictions in which The Group and Parent company operate;
- ◇ We obtained an understanding of how The Group and Parent company are complying with these legal and regulatory frameworks by making enquiries of management, the Audit Committee and reviewing legal correspondence. We corroborated our enquiries through a review of board minute papers;
- ◇ We assessed the susceptibility of The Group and Parent company's financial statements to material misstatement, including how fraud might occur,

by evaluating management's incentives and opportunities for manipulation of the financial statements. The procedures included:

- › Evaluation of the design effectiveness and implementation of controls that management has in place to prevent and detect fraud;
 - › Journal entry testing, with a focus on manual journals with an impact on revenue outside of expectation, journals with unusual account combinations and journals processed by users where such entries were considered higher risk; and
 - › Challenging assumptions and judgements made by management in areas of estimation.
- ◇ In assessing the potential risk of material misstatement, we obtained an understanding of:
- › the operations of The Group and Parent company, including the different revenue streams, products and services offered and the objectives and strategies of The Group and Parent Company, in order to understand the classes of transactions, account balances, expected disclosures and risk areas; and
 - › The Group and Parent company's control environment, including the policies and procedures implemented to comply with regulatory requirements, including the adequacy of the training to inform staff of changes in legislation, internal review procedures and resources available to ensure that possible breaches of requirements are appropriately investigated and reported;
- ◇ We completed audit procedures to conclude on the compliance of disclosures in the annual report and financial statements with applicable financial reporting requirements;
- ◇ These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- ◇ The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the team's:
- › understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
 - › knowledge of the industry in which The Group and Parent company operate; and
 - › understanding the legal and regulatory requirements specific to The Group and Parent company.
- ◇ The communications within the engagement team in respect of non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manual journal entries and also through areas of key estimation or where management judgement is required.

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

This description forms part of our auditor's report.

Use of our report

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

Grant Thornton UK LLP

James Andersen
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
29 September 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		2023	2022
		£000	£000
	Note		
Revenue	3	22,357	18,289
Other Income	3	361	512
Cost of sales		(13,602)	(10,862)
Gross profit		9,116	7,939
Administrative expenses		(9,447)	(7,554)
Operating (loss) / profit	4	(331)	385
Analysed as			
Earnings before depreciation, amortisation, acquisition costs, share-based payments and non-recurring costs:		8,362	6,811
Depreciation	11	(4,550)	(3,213)
Amortisation – acquired intangible assets	10	(489)	(802)
Amortisation – other intangible assets	10	(1,227)	(726)
Share-based payments	21	(2,291)	(1,661)
Other non-recurring costs	4	(136)	(24)
Operating (loss) / profit		(331)	385
Finance income	6	101	21
Finance costs	5	(420)	(340)
(Loss) / Profit before taxation		(650)	66
Taxation	9	561	760
(Loss)/Profit after taxation for the year attributable to the owners of Beeks Financial Cloud Group plc		(89)	826
Other comprehensive income			
Amounts which may be reclassified to profit and loss			
Currency translation differences		77	5
Total comprehensive income for the year attributable to the owners of Beeks Financial Cloud Group plc		(12)	831
		Pence	Pence As Restated
Basic (loss)/earnings per share	24	(0.14)	1.43
Diluted (loss)/earnings per share	24	(0.13)	1.35

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2023	2022
	Note	£000	£000
Non-current assets			
Intangible assets	10	8,106	6,698
Property, plant and equipment	11	17,952	16,270
Deferred tax	12	5,398	4,201
		31,456	27,169
Current assets			
Trade and other receivables	14	6,391	5,600
Inventories	13	1,767	1,818
Cash and cash equivalents	15	7,829	10,160
		15,987	17,578
Total assets		47,443	44,747
Liabilities			
Non-current liabilities			
Borrowings	17	-	1,320
Lease liabilities	17	2,047	2,303
Deferred tax	12	3,884	2,968
Total non-current liabilities		5,931	6,591
Current liabilities			
Trade and other payables	18	4,952	5,139
Lease liabilities	18	1,960	1,280
Borrowings	17	1,814	978
Total current liabilities		8,726	7,397
Total liabilities		14,657	13,988
Net assets		32,786	30,759
Equity			
Issued capital	20	82	82
Share premium	22	23,775	23,775
Reserves	22	4,879	2,657
Retained earnings		4,050	4,245
Total equity		32,786	30,759

These financial statements were approved by the Board of Directors on 29th September 2023 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 2021	70	(12)	705	(315)	883	9,452	2,982	13,765
Profit after income tax expense for the year	-	-	-	-	-	-	826	826
Currency translation difference	-	5	-	-	-	-	-	5
Total comprehensive income	-	5	-	-	-	-	826	831
Deferred tax	-	-	-	-	-	-	167	167
Issue of share capital	12	-	-	-	-	14,323	-	14,335
Share-based payments	-	-	-	-	1,661	-	-	1,661
Exercise of share options	-	-	-	-	(270)	-	270	-
Total transaction with owners	12	-	-	-	1,391	14,323	437	16,163
Balance at 30 June 2022	82	(7)	705	(315)	2,274	23,775	4,245	30,759
Loss 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

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

CONSOLIDATED CASH FLOW STATEMENT

		2023	2022
	Note	£'000	£'000
Cash flows from operating activities			
(Loss)/Profit for the year before tax		(650)	66
Adjustments for:			
Depreciation and amortisation	10/11	6,435	4,741
Foreign exchange		-	(71)
Gain on disposal of property, plant and equipment		-	(24)
Loan interest	5	140	129
Lease liability interest	5	165	115
Share options	7	2,291	1,661
Proceeds from grant income		609	-
Operating cash flows		8,990	6,617
Increase in receivables	14	(1,667)	(3,014)
Increase/(Decrease) in inventory	13	311	(988)
(Decrease)/Increase in payables		(696)	1,765
Operational cash flows after movement in working capital		6,938	4,380
Corporation tax received		(6)	44
Net cash generated from operating activities		6,932	4,424
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(4,329)	(9,562)
Proceeds from disposal of property, plant and equipment		-	60
Capitalised development costs	10	(2,822)	(2,590)
Net cash used in investing activities		(7,151)	(12,092)
Cash flows from financing activities			
Repayment of existing loan borrowings		(618)	(2,900)
Repayment of lease liabilities		(1,267)	(936)
Interest on lease liabilities	19	(165)	(131)
Issue of loans	17	-	3,670

Interest payable on bank loans	5	(140)	(242)
Proceeds from the issue of new share capital		-	14,989
Net cash generated from financing activities		(2,190)	14,450
Net (decrease)/increase in cash and cash equivalents		(2,409)	6,782
Effects of exchange rates on cash and cash equivalents		78	5
Cash and cash equivalents at beginning of year		10,160	3,372
Cash and cash equivalents at end of year	15	7,829	10,160

The above statement of changes in equity 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. The registered number of the Company is SC521839. The financial statements are prepared in pounds sterling and rounded to the nearest thousand. In certain cases, amounts in the report have been rounded to the nearest pound.

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 Accounting Standards and with the requirements of the Companies Act 2006.

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.

International Financial Reporting Standards (IFRS) and Interpretations issued but not yet effective

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

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

- ◇ IFRS 17 (including the June 2020 Amendments to IFRS 17) – Insurance Contracts
- ◇ Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- ◇ Amendments to IAS 1 and IFRS Practice Statement 2

– Disclosure of Accounting Policies

- ◇ Amendments to IAS 8 – Definition of Accounting Estimates
- ◇ IFRS16 – Lease Liability in a Sale and Leaseback transaction
- ◇ IFRS 4 – Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9
- ◇ Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a single transaction

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

There are no new accounting policies applied in the year ended 30 June 2023 which have had a material effect on these accounts. In addition, the Directors do not consider that the adoption of new and revised standards and interpretations issued by the IASB in 2021 has had any material impact on the financial statements of The Group.

Going concern

The Directors have assessed the current financial position of Beeks Financial Cloud Group plc, taking account of its business activities, together with the factors likely to affect its future development, performance and position as set out in the Strategic Report on pages 10 to 22.

The key factors considered by the Directors were:

- ◇ Historic and current trading and profitability of The Group
- ◇ The rate of growth in sales both historically and forecast
- ◇ The competitive environment in which The Group operates
- ◇ The current level of cash reserves
- ◇ Current level of debt obligations
- ◇ Ability to comply with existing covenants
- ◇ 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, liquidity position and borrowing facilities are described in the Chief Financial Officer's Report on pages 15 to 18.

We take great 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 debt facilities and comply with its banking covenants. At the end of the financial year, The Group had net cash of £4.41m (2022: Net cash £7.86m) a level which the Board is comfortable with given the strong cash generation of The Group and low level of debt to EBITDA ratio. The Group has a diverse portfolio of customers with relatively low customer concentration which are split across different geographic areas. As a consequence, the directors believe that The Group is well placed to manage its business risks.

The directors have considered The Group budgets and the cash flow forecasts to December 2024, and associated risks, including the potential impact of the current economic climate. We have run appropriate scenarios applying reasonable downside sensitivities and are confident we have the resources to meet our liabilities as they fall due including the base case assumption of our existing loan facilities not being made available at the end of current terms (December 2024). The budgets and cash flow forecasts have assumed all loan facilities being repaid in full. We have also run reverse stress test scenarios in order to identify circumstances where cash reserves would be depleted. The circumstances that would lead into such scenarios (such as moving from revenue growth to revenue attrition) are not considered plausible given the historic track record and trading prospects of the group.

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 ending 30th June 2023.

Principles of consolidation

Subsidiaries are all entities over which The Group has control. The Group controls an entity when The Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to The Group. They are deconsolidated from the date that control ceases. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary or a business is the fair values of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity interests issued to The Group.

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

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

Foreign currency transactions

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

Revenue recognition

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

- ◇ 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, if applicable.

Infrastructure services

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 pricing model and comparison to industry standards.

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. Where such contracts include a 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

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 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 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. Refer to note 2 for more detail on these considerations.

Professional and consultancy services

Revenue from professional and consultancy services are recognised 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 5-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

The delivery and installation of the hardware, and provision of the software licence are highly interrelated and considered to be one performance obligation. 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.

The maintenance and technical support over the contract, 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 on a when-and-if-available basis 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. Further detail is provided within key judgement and estimations on page 69.

Where such contracts include a 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 3 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, have been classified 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.

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 'administrative expenses'. When a trade or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against '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 asset that is subject to the expected credit loss model is trade receivables, which consist of billed receivables arising from contracts.

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

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.

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.

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 five 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.

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.

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.

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. 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 5 and 10 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 22.

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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Key judgements

The key judgments in preparation of the financial statements are below:

Revenue

The Group applies judgment for elements of revenue recognition. The key areas of assessment include whether The Group acts as a Principal vs an Agent for the sale of hardware, where third parties are utilised. The Group also applied several areas of judgement within the revenue recognition of Proximity Cloud contracts as outlined below.

Full details of The Group's revenue recognition policy can be found on page 61.

Principal v agent

Management is required to exercise its judgement in the classification of revenue recognition on either an Agent or Principal basis. Management have considered the primary indicators used to assess the Agent/Principal classification and has concluded that The Group acts as a Principal in each sales transaction. This judgement has been reached on the basis that The Group holds the inventory risk, has control over the pricing over a particular service, takes the credit risk, and bears the responsibility to service the promise of the agreements. If management concluded that The Group acted as Agent, then this would result in revenue being recognised on a net basis where margin earned would be recognised as revenue with nil costs being recognised.

Proximity and Exchange Cloud

The Proximity and Exchange Cloud contracts include multiple deliverables. The Group applies judgement to identify the performance obligations which ultimately feeds into the estimation of the transaction price to be allocated between them. The Group has identified the performance obligations as:

- a. the delivery and installation of the hardware and provision of the software licence (the appliance), recognised on a point-in-time basis; and
- b. the stand-ready services (support, maintenance, unspecified upgrades) recognised over time.

Management considers that the delivery and installation of the hardware and provision of the software licence are

highly interrelated as The Group could not fulfil its promise to deliver the software licence without delivery and installation of the hardware. As such, The Group consider this to be one performance obligation, recognised at a point-in-time basis, once the delivery of the appliance to the Customer is complete and the relevant licence key has been provided.

Management considers that the stand-ready services do not affect the Customers' ability to use and benefit from the software licence and the software can function on its own without this support. As such, the provision of stand-ready services is considered to be a separate performance obligation, recognised over time as the services are rendered.

Please refer to key estimations below for further information.

Software Licences

Management have applied judgement in determining the performance obligations of the delivery of software licenses and maintenances. Management have concluded that delivery of the software license key is one performance obligation, recognised upfront at a point-in-time when control of the goods has transferred, being the delivery of the software licence keys to the customer. The ongoing support and maintenance service is deemed a separate performance obligation and is recognised evenly over the period as the service is rendered.

Operating Segments/Cash Generating Units

The Group applies judgement over the operating segments to be reported in the financial statements. The key concept applied is to provide information used by management that will allow users to understand the entity's main activities, where these are located and how these are performing. In doing so, management exercise judgement over who the Chief Operating Decision Makers (CODMs) are, consider the discrete financial information available and determine what information is regularly reviewed by the CODMs. During FY22, The Group was re-organised into two main business segments for revenue purposes - public/private cloud and Proximity Cloud/Exchange Cloud given the growth strategy and changing opportunities of the business.

Also given the heavily integrated nature of the business, the CGU associated with analytics is now classed at operating segment level and as a result of this change, goodwill is allocated and tested against these new segments. Refer to Note 10 for further information on this.

Development costs

The Group reviews half yearly whether the recognition criteria for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. In addition, all internal activities related to the development of new products which are not finalised by the period end are continuously monitored by the Directors and assessed for any indications of impairment. Any non-development costs are recognised in the statement of comprehensive income. See note 10 for further information.

Key estimations

The key assumptions concerning the future, and other key sources of estimation uncertainty at the year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Software licences and maintenance

Management have used observable evidence from maintenance support time, pricing models and industry practice comparisons to estimate the percentage of split between licence and maintenance for the sale of software licences that have an attached maintenance performance obligation.

3. SEGMENT INFORMATION

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

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

In the current year there is one customer that accounts for more than 10% of Group revenue. The total revenue for this customer amounts to £7.10m (2022 - £4.58m). £0.3m

of this revenue has occurred within the Proximity Cloud operating segment, with the other £6.80m of revenue included within public/private cloud revenue.

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 30/06/23 (£'000)			Year ended 30/06/22 (£'000)		
	PUBLIC/ PRIVATE CLOUD	PROXIMITY/ EXCHANGE CLOUD	TOTAL	PUBLIC/ PRIVATE CLOUD	PROXIMITY/ EXCHANGE CLOUD	TOTAL
Over time						
Infrastructure/software as a service	19,162	-	19,162	13,057	-	13,057
Maintenance	537	-	537	518	-	518
Proximity/Exchange Cloud	-	454	454	-	57	57
Professional services	273	-	273	234	-	234
Over time total	19,972	454	20,426	13,809	57	13,866
Point in time						
Proximity/Exchange Cloud	-	-	-	-	2,222	2,222
Hardware/Software resale	529	-	529	1,601	-	1,601
Software licences	1,267	-	1,267	520	-	520
Set up fees	135	-	135	80	-	80
Point in time total	1,931	-	1,931	2,201	2,222	4,423
Total revenue	21,903	454	22,357	16,010	2,279	18,289

Revenues by Operating Segment, further disaggregated are as follows:

	2023	2022
	£'000	£'000
Revenues by geographic location are as follows:		
United Kingdom	5,660	5,849
Europe	3,119	2,508
US	9,193	5,556
Rest of World	4,385	4,376
Total	22,357	18,289

During the year £267k (2022: £419k) was recognised in other income for grant income received from Scottish Enterprise and £94k (2022: £93k) was recognised as rental income.

	2023	2022
	£'000	£'000
Non-current Assets by geographic location are as follows:		
United Kingdom – Property, plant and equipment	9,235	8,132
Europe – Property, plant and equipment	1,610	1,717
Rest of World – Intangible assets	6,738	5,330
Rest of World – Goodwill	1,368	1,368
Rest of World – Property, plant and equipment	2,750	2,509
US – Property, plant and equipment	4,357	3,912
Total Non-Current Assets	26,058	22,968

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.

4. OPERATING (LOSS)/PROFIT

Operating (Loss)/Profit is stated after charging:

	2023	2022
	£000	£000
Staff costs (note 7)	6,909	5,637
Depreciation on owned assets (note 11)	3,140	2,189
Depreciation right-of-use assets (note 11)	1,410	1,024
Amortisation of acquired intangibles (note 10)	489	802
Amortisation of other intangibles (note 10)	1,227	726
Other cost of sales and admin*	7,191	6,452
Foreign exchange losses / (gains)	256	(98)
Share-based payments (note 21)	2,291	1,661
Other non-recurring costs	136	24

*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

	2023	2022
	£000	£000
Audit		
Fees payable for the audit of the consolidation and the parent company accounts	83	63
Fees payable for the audit of the subsidiaries	75	59
Non Audit		
Fees payable for the interim review of the group	5	4
Assurance related services	20	-
	183	126

5. FINANCE COSTS

	2023	2022
	£000	£000
Bank charges	115	95
Interest on loan liabilities	140	129
Interest on lease liabilities	165	115
Total finance costs	420	340

6. FINANCE INCOME

	2023	2022
	£000	£000
Financing charge on Proximity Cloud contracts	101	21
Total finance income	101	21

7. 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:

	2023	2022
	£000	£000
Management and administration	22	21
Support and development staff	81	68
Average number of employees	103	89

The employee benefits expense during the year was as follows:

	2023	2022
	£000	£000
Wages and salaries	5,969	4,925
Social security costs	669	591
Other pension costs	271	121
Total employee benefits expense	6,909	5,637
Share-based payments (note 21)	2,291	1,661

Wages and salary costs directly attributable to the development of products are capitalised in intangible assets (note 10). The total additions capitalised in intangible assets relates to payroll costs and external third party costs.

8. DIRECTORS' EMOLUMENTS

	2023	2022
	£000	£000
Aggregate remuneration in respect of qualifying services	292	239
Aggregate amounts of contributions to pension schemes in respect of qualifying services	14	4
Other benefits in kind	2	2
Gain on exercise of options	-	133
Total Directors' emoluments	308	378
Highest paid director - aggregate remuneration (excluding share-based payments)	126	109

There are two directors (2022: two) who are accruing retirement benefits in respect of qualifying services.

9. TAXATION EXPENSE

	2023	2022
	£000	£000
Current		
Foreign tax on overseas companies	65	33
R&D tax credit received	(95)	-
Total current tax	(30)	33
Origination and reversal of temporary differences	(531)	(435)
Prior year deferred tax adjustments	-	(358)
Total deferred tax	(531)	(793)
Tax on (loss)/profit on ordinary activities	(561)	(760)

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:

	2023	% ETR	2022	% ETR
	£000	movement	£000	movement
(Loss)/profit before tax	(650)		66	
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	(124)	21%	13	19%
Effects of:				
Impact of super deduction	(215)	33.18%	(170)	(257.81%)
Expenses not deductible for tax purposes	481	(74.23%)	243	368.13%
R&D tax credits relief	(89)	13.73%	(140)	(212.12%)
Share option deduction	(404)	62.35%	(173)	(262.12%)
Prior year deferred tax adjustments	(88)	13.58%	(358)	(542.42%)
Adjustment for tax rate differences	(37)	4.01%	(175)	(265.15%)
Foreign tax suffered	40	0.32%	-	-
R&D tax credit received	(125)	-	-	-
Total tax charge	(561)	86.31%	(760)	(1,151.51%)

The effective tax rate (ETR) for the year was 86.31% (2022: -1,151.51%).

10. INTANGIBLE ASSETS

	ACQUIRED CUSTOMER RELATIONSHIPS	DEVELOPMENT COSTS	TRADE NAME	GOODWILL	TOTAL
Cost	£000	£000	£000	£000	£000
As at 30 June 2021	2,383	3,990	137	2,336	8,846
Charge for year					
Additions	-	2,590	-	-	2,590
Grant funding received	-	(432)	-	-	(432)
Foreign exchange movements	147	-	-	-	147
As at 1 July 2022	2,530	6,148	137	2,336	11,151
Additions	-	2,868	-	-	2,868
Grant Funding received	-	(147)	-	-	(147)
Foreign exchange movements	(29)	-	-	-	(29)
As at 30 June 2023	2,501	8,869	137	2,336	13,843
Accumulated Amortisation					
As at 30 June 2021	(773)	(1,064)	(34)	(968)	(2,839)
Charge for the year	(287)	(1,214)	(27)	-	(1,528)
Foreign exchange movements	(86)	-	-	-	(86)
As at 1 July 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 income release	-	414	-	-	414
As at 30 June 2023	(1,474)	(3,207)	(88)	(968)	(5,737)
NBV as at 1st July 2022	1,384	3,870	76	1,368	6,698
NBV as at 30th June 2023	1,027	5,662	49	1,368	8,106

Development costs have been recognised in accordance with IAS 38 in relation to the network automation 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 £2.5m which was originally capitalised in July 2021. These assets now have a carrying value of £1.5m and a remaining useful life of 3 years.

During the year, a total of £2.9m of development costs relating to the development of Proximity Cloud/Exchange Cloud were capitalised. Included within this was the release of Exchange Cloud which launched in July 2022. £1.7m was capitalised in relation to this which now has a carrying value of £1.4m at June 2023. The remaining amortisation period on this asset is 4 years. In addition, £1.7m was capitalised in relation to further releases of the product. This has also been amortised over a useful life of 5 years. All costs incurred during the preliminary stages of development projects are charged to profit or loss.

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.

	2023
	£'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. 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.

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%) 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% were estimated, which were significantly less than both The Group's internal business plan and external market mid-term forecasts.

An impairment review was carried out on the two 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, the existing weighted sales pipeline was used as a typical pipeline profile for current and future years. 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 2023, 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.

11. 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 2021	12,311	71	3,908	-	16,290
Additions	5,055	163	1,997	3,034	10,249
Stock transfers	(830)	-	-	-	(830)
Disposals	-	(54)	(485)	-	(539)
Exchange adjustments	7	-	-	-	7
As at 1 July 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 30 June 2023	20,490	326	7,741	3,039	31,596
Depreciation					
As at 30 June 2021	(4,647)	(38)	(1,215)	-	(5,900)
Charge for the year	(2,134)	(28)	(1,024)	(27)	(3,213)
Exchange adjustments	3	-	-	-	3
Depreciation on disposals	-	18	185	0	203
As at 1 July 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 30 June 2023	(9,828)	(97)	(3,621)	(98)	(13,644)
NBV as at 30 June 2022	9,765	132	3,366	3,007	16,270
NBV as at 30 June 2023	10,662	229	4,120	2,941	17,952

Of the total additions in the year of £6.2m, £2.1m relates to right-of-use assets held under IFRS16 (2022 – £2.0m).

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 19.

12. NON-CURRENT ASSETS - DEFERRED TAX

Deferred tax is recognised at the standard UK corporation tax of 25% for fixed assets in the UK (2022: 25%). Deferred tax in the US is recognised at an average rate of 21% for 2022 (2022: 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.

Deferred tax assets and liabilities on statement of financial position prepared after the substantive enactment of the new tax rate are calculated using a tax rate of 25% to the extent that the temporary differences will reverse after 2023.

	2023	2022
	£000	£000
The split of the deferred tax asset and liabilities are summarised as follows:		
Deferred tax (liabilities)	(3,884)	(2,968)
Deferred tax asset	5,398	4,201
Total deferred tax	1,514	1,233
Movements		
Opening balance	1,232	279
Charge to profit or loss (note 9)	531	793
Charged to goodwill / equity	(252)	167
Other movement	3	(6)
Closing balance	1,514	1,233

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
	£000	£000	£000	£000	£000
At 1 July 2021	223	630	43	896	(617)
Charge to income	281	2,747	110	3,138	(2,351)
Charge to equity	167	-	-	167	-
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)

13. CURRENT ASSETS – INVENTORIES

	2023	2022
	£000	£000
Materials	1,315	1,566
Consumables	452	252
	1,767	1,818

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, £nil (2022 – £0.99m) of inventories were recognised as an expense in the period.

14. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2023	2022
	£000	£000
Trade receivables	2,186	1,036
Less: allowance for impairment of receivables	(47)	(80)
	2,139	956
Prepayments	1,040	2,083
Contract asset	2,717	2,329
Other taxation	111	107
Other receivables	384	125
	6,391	5,600

The contract assets primarily relate to our rights to a consideration for goods or services delivered but not invoiced at the reporting date. 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 2022	2,329	961
Transferred to receivables from contract assets from the beginning of the period	(901)	-
Revenues recognised during the period to be invoiced	1,289	-
Revenue recognition that was included in the contract liability balance at the beginning of the period	-	(817)
Remaining performance obligations for which considerations have been received	-	1,009
Balance at 30 June 2023	2,717	1,153

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

	2023	2022
	£000	£000
Trade receivables	2,186	1,036
Less: allowance for impairment of receivables	(47)	(80)
	2,139	956

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

	2023	2022
	£000	£000
Opening balance	80	19
Movement in allowances	(24)	91
Receivables written off during the year as uncollectable	(9)	(30)
Closing balance	47	80

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 2023 is £25k (2022 - £74k). The decrease in expected credit loss allowance is in line with the change in the lower risk profile of trade receivables during the year.

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.

	2023	ECL RATE	2023 ECL ALLOWANCE	2022	ECL RATE	2022 ECL ALLOWANCE
Risk profiling category (ageing)	£'000	%	£'000	£'000	%	£'000
Current	959	-0.10%	-1	923	-1.5%	-14
0-30 days	988	-1.00%	-10	20	-2%	-0
30-60 days	94	-2.00%	-2	8	-15%	-1
60-90 days	12	-5.00%	-1	40	-45%	-18
Over 90 days	88	-15.00%	-11	45	-90%	-41
Total			-25			-74

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.

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:

	2023	2022
	£000	£000
Not yet due	965	923
Due 1 to 3 months	1,115	68
Due 3 to 6 months	30	45
More than 6 months due	76	-
	2,186	1,036

15. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2023	2022
	£000	£000
Cash and bank balances	7,829	10,160
	7,829	10,160

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.

16. 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 following:

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 £1,255,542 at 30 June 2023 (£1,512,444 at 30 June 2022) and potential exchange rate exposure within EUR trade payables balances of £59,768 (£26,500 at 30 June 2022). The Group had potential exchange rate exposure within USD trade receivables of £1,179,455 (£403,700 at 30 June 2022) and potential exchange rate exposure within EUR trade receivables of £37,262 (£9,300 at 30 June 2022). The Group had potential exchange rate exposure within USD intercompany balances of £5,807,729 (£1,157,893 as at 30 June 2022) and within JPY intercompany balances of £189,028 (£236,780 as at 30 June 2022). The Group also has potential exchange rate exposure within USD bank balances of £3,644,955 (£159,534 as at 30 June 2022) and £607,023 within EUR bank balances (£164,421 as at 30 June 2022).

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. At a total debt level of £3.4m, with £1.8m contracted on a variable rate and is the remainder under a fixed interest rate, 1% increase in interest rates would give rise to an additional annual interest rate charge of £18,140.

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:

	2023	2022
	£000	£000
Cash and cash equivalents	7,829	10,160
Trade receivables	2,186	1,036
Contract asset	2,717	2,329
Other receivables	384	125
	13,116	13,650

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 £2,139,000 (2022: £956,000) 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 2023, The Group's financial liabilities (excluding leases disclosed in Note 17) 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	3,483	1,052	417	-	-
Borrowings	-	1,445	369	-	-

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.

	2023	2022
	£000	£000
Total equity	32,786	30,759
Cash and cash equivalents	7,829	10,160
Capital	40,615	40,919
Total equity	32,786	30,759
Other loans	1,814	2,297
Lease liabilities	4,006	3,583
Overall financing	38,606	36,639
Capital-to-overall financing ratio	1.05	1.12

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.

17. NON-CURRENT LIABILITIES – BORROWINGS AND OTHER FINANCIAL LIABILITIES

	2023	2022
	£000	£000
Other loans	-	1,320
Lease liabilities	2,047	2,303
	2,047	3,623
Other loans		
Under one year	1,814	978
Between one to five years	-	1,320
	1,814	2,298

The bank loan derives from a £1.8m term loan facility taken out from Barclays Bank in December 2020 and a £1.47m property loan facility taken out from Barclays Bank in December 2021. The term loan was renewed during the financial year leaving 6 quarterly instalments of £0.125m due from March 2023. The property loan is repayable in 8 quarterly instalments of £0.03m which commenced in December 2021 along with a bullet balance which was repaid at Maturity in September 2023. This, along with The Group's revolving credit facility available of £3.5m, is used to fund The Group's working capital requirements when required. The available revolving credit facility balance of £3.5m was unutilised as at 30 June 2023.

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

Costs of £21,500 have been amortised over the life of the term loan and aged in line with the capital repayments.

During the year, The Group entered into two new asset financing arrangements. These asset financing agreements have been disclosed under lease liabilities (note 19).

Changes in liabilities arising from financing activities:

	LEASE LIABILITIES	LOANS	TOTAL
	£000	£000	£000
Balance at 1 July 2022	3,327	2,297	5,624
Lease liabilities additions IFRS 16	149	-	149
Proceeds from new leases under asset financing	1,963	-	1,963
Loan repayments	-	(483)	(483)
Lease repayments	(1,432)	-	(1,432)
Balance at 30 June 2023	4,007	1,814	5,821

Included within the lease liabilities balance of £4.01m is £1.61m of asset finance lease liabilities.

18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2023	2022
	£000	£000
Trade payables	2,937	3,378
Other loans	1,814	978
Lease liability	1,960	1,280
Accruals	375	575
Contract liabilities	1,153	961
Other taxation and social security	373	192
Other payables	114	33
	8,726	7,397

19. LEASES

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 2022	3,366
Additions	2,101
Depreciation	(1,410)
Foreign exchange	16
Balance at 30 June 2023	4,073

The right-of-use assets are disclosed as non-current assets and are disclosed as property, plant and equipment (note 11).

Right-of-use lease liabilities

	2023	2022
	£000	£000
Maturity analysis:		
Within one year	(2,068)	(1,407)
Within two years	(1,574)	(1,639)
Within three years	(461)	(769)
Within four years	(12)	-
Add: unearned interest	108	232
Total lease liabilities	(4,007)	(3,583)
Analysed as:		
Non-current (Note 18)	(2,047)	(2,303)
Current (Note 19)	(1,960)	(1,280)
	(4,007)	(3,583)

The Group does not face a significant liquidity risk with regard to its lease liabilities. The interest expense on lease liabilities amounted to £165k for the year ended 30 June 2023 (2022: £131k). 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 2023, in relation to leases under IFRS 16, The Group recognised the following amounts in the Consolidated statement of comprehensive income:

	2023	2022
	£000	£000
Depreciation charge	1,410	1,024
Interest expense	165	131

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 4.

Amounts recognised in the Consolidated statement of cash flows:

	2023	2022
	£000	£000
Amounts payable under leases:		
Short-term and low value lease expense	10	25
Repayment of lease liabilities within cash flows from financing activities	1,432	1,067

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:

	2023	2022
	£000	£000
Rental income from operating leases	94	93

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:

	2023	2022
	£000	£000
Within 1 year	96	94
Between 1 and 2 years	96	94
Between 2 and 3 years	96	94

20. EQUITY – ISSUED CAPITAL

		2023	2022	2023	2022
		shares	shares	£000	£000
Ordinary shares – fully paid		65,571,434	65,406,764	82	82
Movements in ordinary share capital					
Details	Date		Shares	Issue price	£000
Balance	30 June 2018		50,043,100		62
EMI Share options exercised	31 August 2018		677,700	£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
Balance	30 June 2022		65,406,764		82
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

Ordinary shares

During the year, 164,670 share options were exercised.

21. SHARE-BASED PAYMENTS

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

	2023		2022	
	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	4,925,668	1.20	2,916,973	0.89
Exercised during the year	(164,670)	1.24	(264,705)	1.02
Issued during the year	1,549,000	0.83	2,273,400	1.58
Forfeited during the year	(76,955)	1.43	-	-
Outstanding at the end of the year	6,233,043	1.35	4,925,668	1.20
Exercisable at the end of the year	1,410,180	0.83	-	-

The Group granted a total of 1,549,000 share options to members of its management team on 2nd December 2022.

During the year 1,574,850 shares from Grant 2 vested, with 164,670 shares being exercised in the year. The remaining balance remain as exercisable at the end of the year.

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 3	GRANT 4A	GRANT 4B	GRANT 4C	GRANT 5A	GRANT 5B	GRANT 5C	TOTAL
Shares	1,042,063	1,022,500	597,150	632,150	604,000	462,500	462,500	4,822,863
Date of grant	9th October 2020	26th November 2021	26th November 2021	26th November 2021	2nd December 2022	2nd December 2022	2nd December 2022	
Exercise price	£0.00125	£0.00125	£0.00125	£0.00125	£0.00125	£0.00125	£0.00125	
Vesting date	9th October 2023	26th November 2024	26th November 2024	26th November 2023	2nd December 2025	2nd December 2025	2nd December 2024	

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
Shares	264,706	1,574,850	1,042,063	1,022,500	597,150
Share price (£)	1.02	0.84	0.945	1.575	1.575
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	3	3	3	3

The total expense recognised from share-based payments transactions on The Group's profit for the year was £2,291,120 (2022: £1,661,273).

	GRANT 4C	GRANT 5A	GRANT 5B	GRANT 5C	TOTAL
Shares	632,150	604,000	462,500	462,500	6,662,419
Share price (£)	1.575	1.43	1.43	1.43	
Volatility	5%	5%	5%	5%	
Annual risk free rate	4%	4%	4%	4%	
Exercise strike price (£)	0.00125	0.00125	0.00125	0.00125	
Time to maturity (yrs)	2	3	3	2	

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 24.

22. 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 Ltd. 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.

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 £17,700 (2022: £nil) to A&B Property and Rental Services Scotland Limited and the amounts due at the year end was £nil (2022: £nil).

The Group recognise that the total withdrawals from the director exceeded the limit as defined in the Companies Act 2006 requiring shareholder approval. In order 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:

	2023	2022
	£000	£000
Wages and salaries	292	239
Social security costs	37	27
Other pension costs	14	4
Other benefits in kind	2	2
Share-based payments	188	316

23. RELATED PARTY TRANSACTIONS

Parent entity

Beeks Financial Cloud Group plc is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 25.

Transactions with related parties

The following transactions occurred with related parties:

	2023	2022
	£000	£000
Withdrawals from the director, Gordon McArthur	53	41

24. EARNINGS PER SHARE

	2023	Restated 2022
	£000	£000
(Loss)/Profit after income tax attributable to the owners of Beeks Financial Cloud Group plc	(89)	826
	Pence	Pence
Basic (loss)/earnings per share	(0.14)	1.43
Diluted (loss)/earnings per share	(0.13)	1.42
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	65,446,755	57,885,241
Adjustments for calculation of diluted earnings per share:		
Dilutive impact of share options	4,736,830	3,325,122
Options over ordinary shares	125,611	96,454
Weighted average number of ordinary shares used in calculating diluted earnings per share	70,309,196	61,306,817
(Loss)/Profit before tax for the year	(650)	66
Share-based payments	2,291	1,661
Amortisation on acquired intangibles	489	802
Exceptional non-recurring costs	136	28
Exchange rate losses/(gains) on intercompany translation and unrealised currencies	325	(81)
Grant income	(267)	(419)
Tax effect	494	542
Underlying profit for the year	2,818	2,599
Weighted average number of shares in issue - basic	65,446,755	57,885,241
Weighted average number of shares in issue - diluted	71,143,541	61,985,547
Underlying earnings per share - basic	4.31	4.49
Underlying earnings per share - diluted	3.96	4.19

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.

25. 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 31st 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, 10th 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 2023, until they are satisfied in full.

26. PRIOR PERIOD ADJUSTMENT

During the year, it was identified that share options which contained conditions relating to future years' performance targets were not included in the diluted EPS figure, despite the options having already achieved their performance conditions related to EBITDA in the current period.

IAS 33 'Earnings per share' considers the conditions at the period end as if these were the conditions at the end of the contingent period (i.e the future performance period) and as such, these options should then be included in

the diluted EPS figure even though the vesting date and associated future profit metric has not yet been achieved.

The error has been corrected. The number of shares included in the diluted earnings per share calculation has increased to include options of 3.33m that meet the above conditions taking the total number of shares within the diluted earnings per share calculation from 57.98m to 61.31m. As a result, the diluted earnings per share has been restated from 1.42p to 1.35p as disclosed in note 24.

27. ULTIMATE CONTROLLING PARTY

The Directors have assessed that there is no ultimate controlling party.

COMPANY STATEMENT OF FINANCIAL POSITION

		2023	2022
	Note	£000	£000
Non-current assets			
Investments	4	5,906	4,727
Property, plant and equipment	5	4,443	3,106
Deferred tax	6	506	590
		10,855	8,423
Current assets			
Trade and other receivables	7	22,259	22,028
Cash and cash equivalents		171	163
		22,430	22,191
Total assets		33,285	30,614
Current liabilities			
Trade and other payables	8	681	620
Lease liabilities	8	19	-
Borrowings	8	453	-
		1,153	620
Non-current liabilities			
Lease liabilities	9	31	-
Borrowings	9	566	-
		597	-
Total liabilities		1,750	620
Net assets		31,535	29,994
Equity			
Issued capital	11	82	82
Share premium	12	23,775	23,775
Reserves		5,124	2,979
Retained earnings		2,554	3,158
Total equity		31,535	29,994

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss after tax for the year was £594,736 (2022: profit £714,819).

These financial statements were approved by the Board of Directors and were authorised for issue on 29th September 2023 and are signed on its behalf by:



Gordon McArthur
Chief Executive Officer

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

COMPANY STATEMENT OF CHANGES IN EQUITY

	CALLED UP SHARE CAPITAL	MERGER RESERVE	SHARE- BASED PAYMENTS	SHARE PREMIUM	PROFIT AND LOSS ACCOUNT	TOTAL EQUITY
	£000	£000	£000	£000	£000	£000
Balance at 1 July 2021	70	705	883	9,452	2,070	13,180
Profit after income tax expense for the year	-	-	-	-	715	715
Total comprehensive income	-	-	-	-	715	715
Deferred tax	-	-	-	-	103	103
Issue of share capital	12	-	-	14,323	-	14,335
Share-based payments	-	-	1,661	-	-	1,661
Exercise of share options	-	-	(270)	-	270	-
Total transaction with owners	12	-	1,391	14,323	373	16,099
Balance at 30 June 2022	82	705	2,274	23,775	3,158	29,994
Loss after income tax expense for the year	-	-	-	-	(595)	(595)
Total comprehensive income	-	-	-	-	(595)	(595)
Deferred tax	-	-	-	-	(155)	(155)
Share-based payments	-	-	2,291	-	-	2,291
Exercise of share options	-	-	(146)	-	146	-
Total transaction with owners	-	-	2,145	-	(9)	2,136
Balance at 30 June 2023	82	705	4,419	23,775	2,554	31,535

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. COMPANY INFORMATION

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

The address of the registered office is Riverside Building, 2 Kings Inch Way, Renfrew, Renfrewshire, PA4 8YU. Beeks Financial Cloud Group plc was incorporated on 4 December 2015 and has subsequently been converted to a public limited company "plc" on 8 November 2017.

The principal activity of The Company is a holding company that holds investments in subsidiaries and holds various central overheads and salary costs. The company number is SC521839.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – The Reduced Framework (FRS 101). The principal accounting policies adopted in preparation of the financial statements are set out on pages 59 to 92. These policies have been applied consistently throughout the year unless otherwise stated.

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

The financial statements are presented in pounds sterling.

Disclosure exemptions adopted

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

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

Going concern

The Company has net current assets of £31.53m at 30th June 2023 (2022: £29.99m).

After making enquiries, the directors have a reasonable expectation that the Company will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future (being a period extending to December 24). For this reason they continue to adopt the going concern basis in preparing the financial statements. Further information can be seen in the Going Concern note within the Directors' Report in The Group accounts.

Revenue

Revenue arises from intercompany management charges, stated net of VAT. Such charges are recognised in the period they are earned.

Investments

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

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 property, plant and equipment 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:

- ◇ Freehold property over 50 years
- ◇ Leasehold property over the lease term
- ◇ 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.

Critical accounting estimates and key sources of estimation uncertainty

The key estimates in preparation of the financial statements are below:

Carrying value of investments

The Company carries out an impairment review whenever events or changes in circumstance indicates that the carrying value of an investment is possible. In addition, The Company carries out an impairment review where there are indicators of impairment. An impairment is recognised when the recoverable amount is less than the carrying amount. The impairment tests reflect the latest projections from the subsidiary.

Management have concluded that there are no judgements or estimates in the current year.

3. STAFF COSTS

Average monthly number of employees (including directors) by activity:

	2023	2022
	£000	£000
Management and administration	21	21
Support and development	9	7
Total employees	30	28

Cost of employment (including directors):

	2023	2022
	£000	£000
Wages and salaries	1,891	1,472
Social security costs	228	241
Other pension costs	99	45
Total employee benefits expense	2,218	1,758

4. INVESTMENTS

	2023	2022
	£000	£000
Shares in Group undertakings	5,906	4,727

During the year, The Group charged share-based payments of £1,179,535 (2022: £681,456) to employees of the subsidiary companies. As a result, the investment in subsidiaries has increased during the year to reflect this.

5. PROPERTY, PLANT AND EQUIPMENT (PPE)

During the year, The Group charged share-based payments of £1,179,535 (2022: £681,456) to employees of the subsidiary companies. As a result, the investment in subsidiaries has increased during the year to reflect this.

	FREEHOLD PROPERTY	FIXTURES AND FITTINGS	RIGHT OF USE	TOTAL
Cost	£000	£000	£000	£000
As at 1 July 2021	-	-	416	416
Additions	3,034	104	-	3,138
Disposals	-	-	(416)	(416)
As at 1 July 2022	3,034	104	-	3,138
Additions	5	95	1,407	1,506
As at 30 June 2023	3,039	199	1,407	4,644
Depreciation				
As at 1 July 2021	-	-	69	69
Charge for the year	27	5	-	32
Eliminated on disposal	-	-	(69)	(69)
As at 1 July 2022	27	5	-	32
Charge for the year	71	21	77	169
As at 30 June 2023	98	26	77	201
NBV as at 30 June 2022	3,007	99	-	3,106
NBV as at 30 June 2023	2,941	173	1,330	4,443

A security is held against the property in respect of the subsidiary's debt to the lender.

Of the total additions in the year of £1.5m, £1.4m relates to right-of-use assets held under IFRS16 (2022 - £nil).

6. DEFERRED TAX

	2023	2022
	£000	£000
Tax losses carried forward	590	313
Credit to profit or loss	70	174
Share-based payments, recognised in equity	(155)	103
Deferred tax asset	506	590

7. DEBTORS

	2023	2022
	£000	£000
Prepayments	133	151
Amounts due from Group undertakings	22,099	21,857
Trade debtors	1	1
Other receivables	26	19
	22,259	22,028

Management have assessed recoverability of intercompany balances and deem no issues in terms of credit losses. The Group has adequate net assets to assist in recovery of intercompany balances.

8. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2023	2022
	£000	£000
Trade payables	259	160
Accruals	229	263
Other taxation and social security	155	187
Other payables	20	10
Lease payables	472	-
	1,134	620

9. NON-CURRENT LIABILITIES

	2023	2022
	£000	£000
Lease payables	597	-
	597	-

10. LEASES

The Company has a lease for a data centre space in Slough, England. The Company also holds a right of use lease by virtue of an asset finance lease with the liability contracted to Beeks Financial Cloud Group plc. Information about leases for which The Company is a lessee is presented below:

	LEASEHOLD PROPERTY
Right-of-use-assets	£000
Balance at 1 July 2022	-
Additions	1,407
Depreciation	(77)
Balance at 30 June 2023	1,330

The right-of-use assets in relation to leasehold property are disclosed as PPE (note 5).

Right-of-use lease liabilities

	2023	2022
	£'000	£'000
Maturity analysis:		
Analysed as:		
Non-current (Note 8)	472	-
Current (Note 9)	597	-
	1,069	-

The interest expense on lease liabilities amounted to £453 for the year ended 30th June 2023 (30th June 2022 £12,559). Lease liabilities are calculated at the present value of the lease payments that are not paid at the commencement date.

11. EQUITY – ISSUED CAPITAL

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

12. EQUITY – RESERVES

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

The share capital amount represents the amount subscribed for shares at nominal value. Any transactional costs associated with the issuing of share are deducted from the share premium, net of any related taxation benefits.

The merger reserve 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.

13. RELATED PARTY TRANSACTIONS

As permitted by FRS 101, related party transactions by wholly owned members of The Group have not been disclosed. Related party transactions regarding remuneration and dividends paid to key management of the company have been disclosed in note 23 of The Group financial statements.

14. CAPITAL COMMITMENTS

The Company had no material capital commitments at 30 June 2023.

15. CONTINGENT LIABILITIES

The Company had no material contingent liabilities at 30 June 2023.

16. ULTIMATE CONTROLLING PARTY

The Directors have assessed that there is no ultimate controlling party.

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