

Beeks Financial Cloud Group plc
("Beeks" or the "Company")
Interim Results

21 March 2022 - [Beeks Financial Cloud Group Plc \(AIM: BKS\)](#), a cloud computing and connectivity provider for financial markets, is pleased to announce its unaudited results for the six months ended 31 December 2021.

Financial Highlights

- Revenues increased by 46% to £7.72m (H1 2021: £5.29m), of which 89% is recurring
- Annualised Committed Monthly Recurring Revenue (ACMRR) up 32% to £15.80m (H1 2021: £12.00m)
- Underlying gross profit up 21% to £3.14m (H1 2021: £2.59m)
- Underlying EBITDA* increased by 41% to £2.43m (H1 2021: £1.72m)
- Underlying profit before tax** down 18% to £0.45m (H1 2021: £0.55m) following increased investment into the business as previously announced
- Underlying basic EPS** 0.90 pence (H1 2021: 0.94 pence)

Operational Highlights

- Increased investment into people, operations and product offering to capitalise on the growing financial services cloud opportunity and further grow our addressable market and market share
- Launch of Proximity Cloud in August 2021, targeting the world's largest financial services organisations and exchanges
- Growing contract momentum, with over \$5.2m total initial value of new contracts secured for Proximity Cloud since launch
- New iteration of Proximity Cloud, Exchange Cloud, expected to be launched in H2 - developed in response to an identified demand from global exchanges

Outlook

- Continued sales momentum has seen record third quarter trading, with over \$8.3m to date in Total Contracted Value
- ACMRR increase to £17.7m as at end of February 2022
- Substantial sales pipeline, including further Tier 1 opportunities in Private Cloud and Proximity Cloud
- In final negotiations with a number of world-leading global exchanges (with one at POC stage) Even excluding contribution from Exchange Cloud, the board are confident in achieving results for the year in line with market expectations, having already upgraded FY22 revenue expectations three times in the last six months.

Statutory Equivalents

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

- Loss before tax of £0.27m (H1 2021: profit of £0.50m)
- Basic earnings per share of a loss of 0.42p (H1 2021: profit of 0.85p)
- Statutory gross profit of £2.97m (H1 2021: £2.36m)

* Underlying EBITDA is defined as earnings before taxation, share based payment charges, amortisation, depreciation, finance costs, grant income and non-recurring costs

** Underlying profit before tax and underlying EPS excludes share based payment charges, amortisation on acquired intangibles, grant income and non-recurring costs

*** Underlying gross profit excludes amortisation on acquired intangibles and grant income

****Underlying basic EPS is defined as underlying profit after underlying tax divided by the weighted average number of ordinary shares.

Gordon McArthur, CEO of Beeks Financial Cloud commented:

"The prospects for Beeks have never been more promising. Our position as an established technology provider to financial markets, provides us with a strong foundation to drive our business forward. Most financial institutions now see the cloud as a fundamental pillar of their business strategy and cloud adoption is already well underway for financial services. We will continue to invest into the development of our offering and increased sales and marketing activities to capitalise on our early successes in this significant market. We have a considerable and growing pipeline and look to the future with confidence."

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

ABOUT BEEKS FINANCIAL CLOUD

Beeks Financial Cloud is a leading cloud computing, connectivity and analytics provider for financial services. Our cloud-based Infrastructure-as-a-Service (IaaS) model allows financial organisations the flexibility and agility to deploy and connect to a variety of exchanges, trading venues and cloud service providers at a fraction of the cost of building their own networks and infrastructure. Based in the UK with an international network of 22 datacentres, Beeks supports its global customers at scale in the leading financial centres.

For more information, visit: www.beeksfinancialcloud.com

Chief Executive Officer's Review

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

I am delighted to report on what has been a record trading period for Beeks, delivering significant levels of revenue, underlying EBITDA and Annualised Committed Monthly Recurring Revenues (ACMRR). The prospects for Beeks have never been more promising. We are continuing to see an increase in the number of financial services organisations taking advantage of the benefits of cloud infrastructure, which provides continued significant long-term opportunity for the Company.

Our investments in R&D have considerably increased the addressable opportunity for Beeks. In August 2021 we launched Proximity Cloud, the industry's first private cloud environment for financial markets. This high-performance, dedicated and client-owned trading environment, fully optimised for low latency trading conditions and built with security and compliance at the forefront is targeted at the world's largest financial services organisations and we have already experienced considerable interest in the offering, securing three multi-year contracts with a total initial value of over \$5.2m. The strong uptake is indicative of the momentum we are experiencing, with a substantial pipeline continuing to build across the business, notably in Proximity Cloud and Private Cloud.

These initial wins provide the Group with the additional funds to accelerate our product roadmap. In H2 we expect to announce the launch of Exchange Cloud - a new iteration of Proximity Cloud but with a multi-client cloud environment in response to demand from top global exchanges. We will continue to further refine the offering in order to both continue meeting and stimulate additional customer demand, thereby continuing to accelerate our addressable market and market share.

Financial performance

Revenue in the period grew by 46% to £7.72m (H1 2021: £5.29m), resulting in an increase in underlying EBITDA of 41% to £2.43m (H1 2021: £1.72m). Beeks has 89% recurring revenue, and customer retention remained within target. Our ACMRR grew 32% to £15.80m at 31 December 2021, increasing from £12.00m at 31 December 2020. Our ACMRR has since further increased to £17.70m as at 28 February 2022.

Operating margins have reduced in the period, in line with the Board's expectations, given the level of investment into product and capacity. We expect these to increase in the second half of the year as we deliver on the contracts recently signed.

Strategy

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

Our main strategic priority is to continue to grow our institutional customer base both for public, private and secure cloud deployment as well as complementary analytics solutions, while maintaining our core low latency offering.

In order to satisfy existing demand and attract new customers, we will continue to develop innovative new products like Proximity Cloud which enables us to expand into new asset classes and geographies, and we have been encouraged by the significant opportunities we have identified.

Following the expansion of our products, we have enhanced our competitive positioning and increased the size of our addressable market. The launch of Beeks Proximity Cloud, our most comprehensive offering to date, has been transformative for the business. Proximity Cloud has enabled us to address a significant part of the Financial Services market for whom the public cloud is not sufficiently secure.

We will continue to develop our cloud services in the second half of the year and we are confident in our ability to remain at the forefront of the market and further grow our market share.

Operational Expansion

This was a significant period of investment across the business, in which we looked to expand our offering and team in order to strengthen our position in the rapidly growing cloud computing market.

Headcount increased to 87 in the period, up from 71 as at 30 June 2021, with a further nine added post period end. The hires have predominantly been in the area of product development to support the roll out and evolution of Proximity Cloud. We have also instigated our first graduate recruitment programme, as part of our commitment to support the local community. This will involve working in partnership with two local Universities to onboard software developer graduates, network engineer graduates and back-office graduates. We will also be supporting Strathclyde University's summer intern scheme by welcoming several interns to our Software Development team to support with their workplace learning with a view to welcoming them to Beeks once they have graduated.

In September 2021, we acquired a new premises for the Group headquarters and moved in during February 2022. With roughly three times the square footage, the larger premises is suitable to provide the necessary space to fulfil the Group's further growth potential.

Our growing partnership with IPC has enabled us to expand our geographical data centre footprint in Toronto and Sydney. In March 2022 we will be launching services in Zurich and Geneva, with Amsterdam to follow in Q4 as well as Washington DC and Mexico later in the year.

Product Roadmap

We were delighted to announce the launch of Proximity Cloud during the period. Considerable time and resources were invested into the offering, with funding partly coming from the fund raise which took place in April 2021. Proximity Cloud continues to be a key area of focus for the Company, with cash generated from the strong first half's performance being further invested onto the platform to support a strong pipeline of opportunities.

We continue to invest in its evolution, adding functionality to the in-built analytics using Grafana-based front-end, including enhanced alerting functionality.

As a result of interest in Proximity Cloud from top global exchanges, a new iteration of Proximity Cloud named Exchange Cloud will launch in H2. We are already undergoing proof of concept for Exchange Cloud with a major global exchange and in [up to?] final negotiations with a number of other world leading exchanges. While Proximity Cloud is a single-user solution, Exchange Cloud has evolved in response to an identified need from global exchanges for a secure, multi-client cloud environment. Specifically targeted at global exchanges and Electronic Communication Networks (ECNs), Exchange Cloud is a multi-homed private cloud environment where clients can offer both end user cloud compute to their own customers as well as maintain space for their own internal use, if required.

Clients manage their Exchange Cloud via a master portal and the end users access their own sub portal within this environment to manage their own resources and monitor analytics. Its inbuilt analytics can monitor the performance of the exchange and includes market data replay functionality.

Customers

Institutional revenue, including analytics, which continues to be our focus, represents 94% (H1 2021: 89%) of total revenue, and we expect to see this figure increase in the second half of the year as we recognise a greater proportion of the revenue from further Tier 1 customer engagements, and continue to add to our institutional client base.

We continue to see considerable expansion of the types of customer we support, with Beeks now catering for banks, brokers, hedge funds, crypto traders and exchanges, insurance organisations, financial markets technology providers and payments providers.

Land and Expand

We have been successful at reaching new Tier 1 customers through the execution of our Land and Expand strategy, currently with 11 Tier 1 customers at various stages of deployment.

Land

This focuses on growing our Tier 1 customer base, with organisations of varying sizes, ranging from Proof of Concepts to large scale, phase 2 roll-outs - with expansion opportunities across the majority. There have been a number of Proximity Cloud wins since the start of the financial year, signalling the success we have had with our 'Land' strategy: a \$1m multi-year deal with a leading technology and service provider to global financial markets, as well as the two post-period wins in February - a \$2.2m contract over 4 years with one of the world's largest Foreign Exchange brokers and a \$2m initial contract over 5 years with a North American bank also signed in February, secured via a partner.

Expand

We have also had success at 'expanding' our contracts during the period: with additional revenue coming from deals that have grown in size since being signed: an initial \$1m contract for global private Cloud solution increased to \$5.9m in February 2022: an increased initial contract for an open banking provider that is now 5 times its initial monthly commitment with further expansion opportunities ahead across our client base.

Future Growth and Outlook

The prospects for Beeks have never been more promising, as demonstrated by the record third quarter trading, with over \$8.3m to date in Total Contracted Value, resulting in ACMRR increasing to £17.7m as at end of February 2022.

Even excluding the potential contribution from Exchange Cloud, the Board are confident in achieving results for the year in line with market expectations, having already upgraded FY22 revenue expectations three times in the last six months.

Our position as an established technology provider to financial markets, provides us with a strong foundation to drive our business forward. Most financial institutions now see the cloud as a fundamental pillar of their business strategy and cloud adoption is already well underway for financial services. We will continue to invest into the development of our offering and increased sales and marketing activities to capitalise on our early successes in this significant market. We have a considerable and growing pipeline and look to the future with confidence.

Gordon McArthur
CEO

21 March 2022

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Chief Financial Officer's Review

Financial Review

We are pleased to report on another strong set of financial results for the first half of the year where we have made considerable investment but also significantly grown the top line during a record period of sales growth.

Group revenues grew by 46% to £7.72m (H1 2021: £5.29m) primarily driven by the expansion of our Tier 1 customer base as we execute on our land and expand strategy. During the period we have both grown our existing Tier 1 contract values and signed additional Tier 1 customers which now represent 30% (H1 2021: 13%) of our total revenue. During the period we also recognised our first revenues from Proximity Cloud as we signed our first contract and thereafter made our first deployment following the launch in August. Proximity Cloud has a different ownership model and revenue recognition policy to our traditional public and private cloud offerings. Due to the performance obligations associated with delivering the Proximity Cloud into the customers data centre, a significant percentage of revenue is recognised up front as "Point in time" rather than "over time" as with the traditional public cloud offering. As we move forward and Proximity Cloud becomes a larger part of our overall business, this will change our recurring revenue profile but this will be fully disclosed within the year end financial statements. Further information can be seen in Note 3. Operating Segments.

Underlying gross profit in the period, which is calculated by deducting amortisation on acquired assets and grant income increased by 21% to £3.14m (H1 2021: £2.59m) with gross margin down at 41% (H1 2021: 49%), in line with expectations. The expansion of our asset base across our growing data centre estate has led to an increase in depreciation and data centre costs at a faster rate than our revenue growth during the period. The gross margin percentage has also been impacted by a higher proportion of hardware sales during the period which are at a lower gross margin than our typical infrastructure sales. As we deliver the material signed contracts over the second half of the year, we expect gross margins to increase in percentage terms as the cost of the infrastructure investment has already been made.

Underlying EBITDA increased by 41% to £2.43m (H1 2021: £1.72m) with underlying EBITDA margins at 31% (H1 2021: 33%).

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.

Key performance indicator review

	H1 2022	H1 2021	Growth
Revenue	£7.72m	£5.29m	46%
ACMRR	£15.8m	£12.00	32%
Underlying Gross profit	£3.14m	£2.59m	21%
Underlying Gross margin	40.5%	49.0%	
Underlying EBITDA	£2.43m	£1.72m	41%
Underlying EBITDA margin	31.4%	32.6%	
Underlying profit before tax	£0.45m	£0.55m	(18%)
tax			

Underlying basic EPS 0.90p 0.94p (4%)

*All references to margins are as a percentage of revenue.

As referenced below, dividend per share has been removed as a KPI as the company has decided to stop paying dividends in the medium term given the investment profile.

(Loss)/Profit before Tax

	Period ended 31 Dec 2021 £000	Period ended 31 Dec 2020 £000
(Loss)/profit before tax for the period	(266)	500
Deduct:		
Grant Income	(229)	(155)
Gain on revaluation of contingent consideration	-	(604)
Add back:		
Acquisition costs/post acquisition integration costs	-	126
Non-recurring costs	132	64
Amortisation of acquired intangibles	399	385
Share based payments	414	229
Underlying profit for the period	450	545

Beeks achieved a reported loss before tax of £0.27m (H1 2021: profit of £0.50m) with underlying profit before tax decreasing to £0.45m (H1 2021: £0.55m) following increased investment into the business as discussed elsewhere in this report.

Cost of sales (excluding amortisation on acquired assets) increased by 71% to £4.62m (H1 2021: £2.70m, largely driven by both an increase of depreciation of £0.60m on our larger infrastructure asset base and an increase of the direct cost of sales across our global data centre sites. This is as a result of further capacity increases across our 22 data centres during the period.

There has been an increase in administrative expenses when compared to the prior year (excluding share based payments, acquisition and non-recurring costs) of 35% to £2.52m (H1 2021: £1.86m) largely driven by an increase in staff costs of 14% (excluding share based payments and net of capitalisation) to £1.42m in the period (H1 2021: £1.24m). During the period we have further increased our headcount to 87, up from 80 as at June 2021 and from 71 as at H1 2021, primarily in the areas of product development and network engineering.

We have continued to invest in product, most significantly in enhancements to Proximity Cloud and in Exchange Cloud which we expect to launch in the second half of the year. As such, capitalised development costs in the period were £1.28m (H1 2021: £0.87m). Most of this cost is internally generated as we use our in-house teams to develop the bespoke technology we require.

Taxation

The effective tax rate ('ETR') for the period is 9%, (H1 2021: 12%). The lower ETR has benefitted from HMRC's "Super-deduction" announced in the UK's 2021 budget where companies can claim 130% capital allowances on qualifying plant and machinery investments. As with previous years, we also benefit from the impact of R&D tax credits.

Earnings per Share and Dividends

Reflecting our strategic investments in the business to support future growth, underlying earnings per share has decreased to 0.90 pence (H1 2021: 0.94 pence). Underlying diluted earnings per share has decreased to 0.85 pence (H1 2021: 0.89 pence). The calculation of both underlying basic and diluted earnings per share is included in note 6.

Following shareholder consultation over the course of last year we decided to stop paying dividends in the medium term, given our investment profile. This was subsequently approved by shareholders at the AGM in December 2021.

Balance Sheet and Cash Flows

The Group generated cash from operations in the period of £2.29m (H1 2021: £1.48m) with an EBITDA conversion to cash ratio in the period of 94% (H1 2021: 86%). Expenditure on investing activities was again significant as we invested £6.28m (H1 2021: £1.18m) in property, plant and equipment across our infrastructure estate and including our new head office property. This investment will support Tier 1 expansion and deployments and includes up front stock capacity as we de-risk longer lead times in recognition of global kit shortages. As noted above we have seen an increase in capitalised development costs of £1.28m (H1 2021: £0.87m) as our larger in-house development teams add further feature functionality in Proximity Cloud, Exchange Cloud and Beeks Analytics which we see as a key strategic component of Exchange Cloud.

During the period we financed our investment and growth with an additional drawdown on our RCF facility with Barclays to £2.20m (H1 2021: £1.00m) as well as taking on a new mortgage facility of £1.47m against the £2.10m purchase of our new Head Office at Riverside. Cash and cash equivalents totalled £1.1m at 31 December 2021 (H1 2021: £0.75m) with trade and other receivables of £2.8m (H1 2021: £1.5m) and we continue to evaluate Beeks' working capital and investment profile in support of our growth objectives and strong pipeline. Net debt remains at comfortable levels at 1 times annualised underlying EBITDA.

At 31 December 2021 net assets were £14.00m compared to net assets of £7.60m at 31 December 2020 and net assets of £13.80m at 30 June 2021.

Fraser McDonald
CFO
21 March 2022

Beeks Financial Cloud Group PLC Consolidated statement of comprehensive income For the period ended 31 December 2021

	Note	December 2021 (unaudited) £'000	6 months to December 2020 (unaudited) £'000	Year to June 2021 (audited) £'000
Revenue	3	7,724	5,288	11,615
Other Income		258	155	309
Cost of sales		(5,016)	(3,084)	(6,591)
Gross profit		2,966	2,359	5,333
Administrative expenses		(3,070)	(2,281)	(5,783)

Operating (loss)/profit	4	(104)	78	(450)
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Presented as:				
Earnings before depreciation, amortisation, acquisition costs, share based payments and non-recurring costs		2,657	1,878	4,452
Share based payments	4	(414)	(229)	(546)
Non-recurring acquisition integration costs		-	(126)	(140)
Other non-recurring costs		(132)	(64)	(165)
Depreciation	4	(1,483)	(885)	(2,020)
Amortisation - acquired intangible assets		(399)	(395)	(806)
Amortisation - other intangible assets		(333)	(101)	(231)
Impairment of intangible assets		-	-	(994)
Operating (loss)/profit		(104)	78	(450)

Gain on revaluation of contingent consideration	9	-	604	1,989
Finance income		2	1	5
Finance costs		(164)	(183)	(289)

(Loss)/profit before taxation for the period		(266)	500	1,255
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Taxation	5	33	(62)	349
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(Loss)/profit after taxation for the period		(233)	438	1,604
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Other comprehensive income

Items that may be reclassified to Statement of Comprehensive income				
Currency translation differences		14	(131)	(157)

Total comprehensive income for the period		(219)	307	1,447
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Basic (loss)/earnings per share	6	(0.42)	0.85	3.07
Diluted (loss)/earnings per share	6	(0.41)	0.85	3.07

Beeks Financial Cloud Group PLC
Consolidated statement of financial position
For the period ended 31 December 2021

	Notes	December 2021 (unaudited)	December 2020 (unaudited)	June 2021 (audited)
		£'000	£'000	£'000
Assets				
Non-current assets				
Intangibles assets	7	6,313	6,747	6,008
Property, plant and equipment	8	15,184	7,067	10,390
Deferred tax		946	380	896
Total non-current assets		22,443	14,194	17,294
Current assets				
Trade and other receivables		2,851	1,508	2,210
Cash and cash equivalents		1,109	750	3,372
Total current assets		3,960	2,258	5,582
Total assets		26,403	16,452	22,876
Liabilities				
Non-current liabilities				
Borrowings		1,360	1,200	896
Lease liabilities		2,671	1,846	2,210
Deferred tax		617	590	617
Total non-current liabilities		4,648	3,636	3,723
Current liabilities				
Trade and other payables		3,272	3,459	4,143
Contingent consideration		-	1,356	-
Lease liabilities		1,049	451	656
Borrowings		3,474	-	589
Total current liabilities		7,795	5,266	5,388

Total liabilities	12,443	8,902	9,111
Net assets	13,960	7,550	13,765
Equity			
Issued capital	70	65	70
Share premium	9,452	4,682	9,452
Reserves	1,461	970	1,261
Retained earnings	2,977	1,833	2,982
Total equity	13,960	7,550	13,765

Beeks Financial Cloud Group PLC
Consolidated statement of changes in equity
For the period ended 31 December 2021

	Issued capital £'000	Foreign currency retranslation reserve £'000	Merger reserve £'000	Other reserve £'000	Share based payment reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2020	64	145	705	(315)	374	4,309	1,434	6,716
Profit after tax for the period	-	-	-	-	-	-	438	438
Total comprehensive income for the period	-	-	-	-	-	-	438	438
Currency translation difference	-	(131)	-	-	-	-	-	(131)
Exercise of share options	-	-	-	-	(37)	-	37	-
Issue of share capital	1	-	-	-	-	373	-	374
Share based payments	-	-	-	-	229	-	-	229
Dividends paid	-	-	-	-	-	-	(76)	(76)
Balance at 31 December 2020	65	14	705	(315)	566	4,682	1,833	7,550
Balance at 31 December 2020 (unaudited)	65	14	705	(315)	566	4,682	1,833	7,550
Profit after tax for the period	-	-	-	-	-	-	1,166	1,116
Total comprehensive income for the period	-	-	-	-	-	-	1,166	1,116
Currency translation difference	-	(26)	-	-	-	-	-	(26)
Share based payments	-	-	-	-	318	-	-	318
Exercise of share options	-	-	-	-	(1)	-	1	-
Issue of share capital	5	-	-	-	-	4,770	-	4,775
Deferred tax	-	-	-	-	-	-	86	86
Dividends paid	-	-	-	-	-	-	(104)	(104)
Balance at 30 June 2021 (audited)	70	(12)	705	(315)	883	9,452	2,982	13,765
Balance at 1 July 2021	70	(12)	705	(315)	883	9,452	2,982	13,765
Loss after tax for the period	-	-	-	-	-	-	(233)	(233)
Total comprehensive income for the period	-	-	-	-	-	-	(233)	(233)
Currency translation difference	-	14	-	-	-	-	-	14
Share based payments	-	-	-	-	414	-	-	414
Exercise of share options	-	-	-	-	(228)	-	228	-
Balance at 31 December 2021 (unaudited)	70	2	705	(315)	1,069	9,452	2,977	13,960

Beeks Financial Cloud Group PLC
Consolidated cash flow statement
For the period ended 31 December 2021

		6 months to December 2021 (unaudited) £'000	December 2020 (unaudited) £'000	Year to June 2021 (audited) £'000
Cash flows from operating activities				
(Loss)/profit before taxation for the period		(266)	500	1,255
Adjustments for:				
	4	2,215	1,381	3,059
Share options		414	229	546
Gain on revaluation of contingent consideration		-	(604)	(1,989)
Impairment		-	-	994
Foreign Exchange		(2)	(3)	(6)
Interest received		(2)		
Finance fees and interest		162	134	185
Operating cash flows before movements in working capital		2,521	1,637	4,044
(Increase)/Decrease in trade and other receivables		(398)	17	(874)
(Decrease) / increase in trade and other payables		(923)	(166)	2,336
Cash generated from operating activities before tax		1,200	1,488	5,506
Corporation tax received/(paid)		48	(12)	(33)
Net cash from operating activities		1,1248	1,476	5,473
Cash flows from investing activities				
Purchase of property, plant and equipment		(5,038)	(1,177)	(4,746)
Capitalisation of development costs		(1,277)	(868)	(2,005)
Proceeds from grant income		-	366	669
Payment for prior period acquisition		-	(1,015)	(555)
Net cash used in investing activities		(6,315)	(2,694)	(6,637)
Cash flows from financing activities				
Drawdown of bank loans		3,670	2,800	3,050
Repayment of bank loans		(321)	(2,186)	(3,736)
Finance lease repayments		-	(25)	-
Right-of-use lease repayments		(327)	(121)	(485)
Right-of-use lease interest		(58)	(94)	(99)
Finance fees and interest		(162)	(135)	(190)
Deferred consideration		-	-	(460)
Interest received		2	1	5
Dividends paid		-	(76)	(180)
Proceeds from the issue of share capital		-	371	5,198
Net cash from financing activities		2,804	535	3,103
Net (decrease)/increase in cash and cash equivalents		(2,263)	(683)	1,939
Cash and cash equivalents at the beginning of the financial period		3,372	1,433	1,433
Cash and cash equivalents at the end of the financial period		1,109	750	3,372

The financial information covers the consolidated entity, Beeks Financial Cloud Group PLC and the entities it controlled at the end of, or during, the interim period to 31 December 2021.

Registered office

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2 Kings Inch Way
Unit A
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Braehead
PA4 8YU

The financial information for the period ended 31 December 2021 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and is unaudited. The figures for the year ended 30 June 2021 have been extracted from the Group financial statements for that year. Those have been filed with the Registrar of Companies. The auditor's report on those financial statements was unmodified and did not contain statements under Section 493 of the Companies Act 2006.

The interim financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements for the year ending 30 June 2022. The group financial statements for the year ended 30 June 2021 were prepared under international accounting standards in conformity with the requirements of Companies Act 2006. These interim financial statements have been prepared on a consistent basis and format with the Group financial statements for the year ended 30 June 2021, and have not been audited or reviewed by the auditors.

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement.

Over the past two years since the response to the Covid-19 pandemic was initiated in the UK, there has been a limited impact on Beeks' trading as referenced in previous reports. Global supply chain issues continue to be challenging however Beeks are mitigating this risk through advanced ordering of infrastructure and through the use of alternative suppliers.

The directors are of the opinion that the Group can operate within their current debt facilities and comply with its new banking covenants which are being realigned in conjunction with the bank and updated forecasts. Given the accelerated investment profile over the past period, there was a cash covenant breach in December but this was discussed and agreed beforehand with the bank who were kept fully informed and supported the business by providing a waiver. At the end of the financial year, the Group had net debt of £3.73m (H1 2021: £2.05m) a level which the Board is comfortable with given the strong cash generation of the Group and relatively 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 for the next eighteen months, and associated risks along with the availability of bank, leasing facilities as well as potential further equity raises. We have run appropriate scenario and stress tests applying reasonable downside sensitivities and are confident we have the resources to meet our liabilities as they fall due including mitigating actions to take should some loan facilities not be made available at the end of current terms, which is December 2022. 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.

Identification of reportable operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of operating segments, have been identified as the Executive Board.

During the period ended 31 December 2021, the Group was organised into three main business segments for revenue purposes. The group does not place reliance on any specific customer and has no individual customer that generates 14% or more of its total group revenue. Performance is assessed by a focus on the change in revenue across institutional, retail and analytics revenue. Cost is reviewed at a cost category level but not split by segment. Assets are used across all segments and are therefore not split between segments so management review profitability at a group level. With the launch of Proximity Cloud, the Group plans to assess this revenue stream at the year end reporting date, in line with IAS8 operating segment requirements.

[illegible]

Proximity Cloud Infrastructure/Software as a service	395	-	9	404								
Hardware/Software resale	421	-	214	634	217	-	38	255	299	-	38	337
Software licences	-	-	307	307	-	-	-	-	-	-	556	556
Set up fees	122	-	-	122	31	-	-	31	69	-	-	69
Point in time total	938	-	530	1,467	248	-	38	286	368	-	594	962
Total revenue	6,487	438	799	7,724	4,405	576	307	5,288	9,215	1,080	1,321	1,615

	6 months to December 2021 (unaudited)	6 months to December 2020 (unaudited)	Year to June 2021 (audited)
	£'000	£'000	£'000
Revenues by geographic location are as follows:			
United Kingdom	1,674	1,600	3,214
Europe	1,236	766	2,282
US	1,464	990	2,003
Rest of World	3,350	1,932	4,116
Total	7,724	5,288	11,615

Note 4. Operating (loss)/profit

	6 months to December 2021 (unaudited)	6 months to December 2020 (unaudited)	Year to June 2021 (audited)
	£'000	£'000	£'000
Operating (loss)/profit is stated after charging:			
Depreciation	1,483	885	2,022
Staff costs	2,695	2,087	4,408
Amortisation of intangibles	732	496	1,037
Currency translation (loss)/gain	(15)	(23)	47
Acquisition integration costs	-	126	140
Other cost of sales *	2,615	1,750	3,319
Impairment of intangible	-	-	994
Share based payments	414	229	546
Non-recurring costs	132	64	165

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

Note 5. Taxation

	6 months to December 2021 (unaudited)	6 months to December 2020 (unaudited)	Year to June 2021 (audited)
	£'000	£'000	£'000
Current Tax			
Corporation tax on (losses)/profits for the period	-	-	(32)
Adjustment relating to prior periods	(9)	-	-
Foreign tax on overseas companies	26	3	28
Total current tax	17	3	(4)
Deferred tax			
Origination and reversal of temporary differences	(50)	59	(345)
Total Deferred tax	(50)	59	(345)
Total tax (credit)/charge	(33)	62	(349)

The effective tax rate for the six months to 31 December 2021, based on the taxation charge for the period as a percentage of the profit before tax is 9% (H1 2021: (12%)). The ETR is lower than expected due to the impact of the super deduction.

Note 6. Earnings per share

As at 31 December 2021, the company had 56,315,854 shares (H1 2021: 51,703,322).

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

	6 months to		Year to
	December 2021 (unaudited)	December 2020 (unaudited)	June 2021 (audited)
	£'000	£'000	£'000
(Loss)/Profit after taxation attributable to the owners of Beeks Financial Cloud Group PLC	(233)	438	1,604
Basic (loss)/earnings per share	Pence (0.42)	Pence 0.85	Pence 3.07
Diluted (loss)/earnings per share	(0.41)	0.85	3.07
Weighted average number of ordinary shares used in calculated basic earnings per share	56,118,764	51,280,782	52,276,498
Adjustments for calculation of diluted earnings per share: Options over ordinary shares	191,336	31,650	15,351
Weighted average number of ordinary shares used in calculated diluted earnings per share	56,310,100	51,312,432	52,291,848

	6 months to		Year to
	December 2021 (unaudited)	December 2020 (unaudited)	June 2021 (audited)
	£'000	£'000	£'000
Underlying earnings per share			
Underlying profit after taxation attributable to the owners of Beeks Financial Cloud Group PLC	507	480	1,642
Underlying earnings per share - basic	Pence 0.90	Pence 0.94	Pence 3.14
Underlying earnings per share - diluted	0.85	0.89	2.99

Weighted average number of ordinary shares used in calculated basic earnings per share	56,118,764	51,280,782	52,276,498
Adjustments for calculation of diluted earnings per share: Options over ordinary shares	191,336	31,650	15,351
Weighted average number of ordinary shares used in calculated diluted earnings per share	56,310,100	51,312,432	52,291,848

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, the share options have been included in the underlying diluted EPS.

Note 7. Intangible Assets

	Acquired Customer lists £000	Development Costs £000	Trade name £000	Goodwill £000	Total £000
Cost					
As at 1 July 2020	2,533	2,573	137	2,365	7,608
Additions	-	807	-	28	835
Grant funding received	-	(213)	-	-	(213)
Foreign exchange movements	(136)	-	-	(51)	(187)
As at 31 Dec 2020	2,397	3,167	137	2,342	8,043
Additions	-	1,170	-	-	1,170
Grant funding received	-	(347)	-	-	(347)
Foreign exchange movements	(14)	-	-	(6)	(20)

As at 30 June 2021	2,383	3,990	137	2,336	8,846
Additions	-	1,277	-	-	1,277
Grant funding received	-	(255)	-	-	(255)
Foreign exchange movements	(6)	-	-	-	(6)
As at 31 Dec 2021	2,377	5,012	137	2,336	9,862
Accumulated Amortisation					
Balance at 1 July 2020	(552)	(331)	(7)	23	(867)
Charge for the period	(120)	(362)	(14)	-	(496)
Foreign exchange movements	65	-	-	3	68
As at 31 Dec 2020	(607)	(693)	(21)	26	(1,295)
Charge for the period	(157)	(371)	(13)	-	(541)
Impairment				(994)	(994)
Foreign exchange movements	(9)	-	-	-	(9)
As at 30 June 2021	(773)	(1,064)	(34)	(968)	(2,839)
Charge for the period	(135)	(583)	(14)	-	(732)
Foreign exchange movements	22	-	-	-	22
As at 31 Dec 2021	(887)	(1,647)	(48)	(968)	(3,549)
N.B.V. 31 Dec 2021	1,491	3,365	89	1,368	6,313
N.B.V. 30 June 2021	1,611	2,926	103	1,368	6,008
N.B.V. 31 Dec 2020	1,790	2,473	116	2,368	6,747

Note 8. Non-current assets - Property, plant and equipment

	Computer equipment	Office equipment	Leasehold Property and improvement	Freehold Property	Total
	£000	£000	£000	£000	£000
Cost					
As at 1 July 2020	7,590	58	2,993	-	10,641
Additions	1,240	5	-	-	1,245
Foreign exchange movement	(5)	-	-	-	(5)
Grant funding received	(36)	-	-	-	(36)
As at 31 December 2020	8,789	63	2,993	-	11,845
Additions	3,529	8	915	-	4,452
Foreign exchange movement	(7)	-	-	-	(7)
As at 30 June 2021	12,311	71	3,908	-	16,290
Additions	2,672	26	1,255	2,324	6,277
As at 31 December 2021	14,983	97	5,163	2,324	22,567
Depreciation					
As at 1 July 2020	(3,274)	(23)	(589)	-	(3,886)
Charge for the period	(626)	(11)	(257)	-	(894)
Disposals	2	-	-	-	2
As at 31 December 2020	(3,898)	(34)	(846)	-	(4,778)
Charge for the period	(755)	(4)	(369)	-	(1,128)
Disposals	6	-	-	-	6
As at 30 June 2021	(4,647)	(38)	(1,215)	-	(5,900)
Charge for the period	(966)	(20)	(483)	(14)	(1,483)
Foreign exchange movement	-	-	-	-	-
As at 31 December				(14)	

2021	(5,613)	(58)	(1,698)	(7,383)
N.B.V. 31 December 2021	9,370	39	3,465	2,310
				15,184
N.B.V. 30 June 2021	7,664	33	2,693	10,390
N.B.V. 31 December 2020	4,891	29	2,147	7,067

Of the total additions in the period of £6.28m, £1.26m relates to right-of-use assets, which have a carrying value of £2.38m (H1 2021: £2.70m)

Note 9. Analysis of change in net debt

	Cash and cash equivalents £000	Bank loans £000	Lease liabilities £000	Total net debt £000
At 30 June 2020	1,433	(2,158)	(2,535)	(3,260)
Cash and cash equivalents cash outflow	(683)	-	-	(683)
Proceeds from new loans	-	(2,800)	3	(2,797)
Repayment of old loans	-	2,158	-	2,158
Lease additions	-	-	(915)	(915)
Repayment of leases	-	-	240	240
At 31 December 2020	750	(2,800)	(3,207)	(5,257)
Cash and cash equivalents cash outflow	2,622	-	-	2,622
Proceeds from new loans	-	(222)	-	(222)
Repayment of old loans	-	1,537	-	1,537
Repayment of leases	-	-	341	341
At 30 June 2021	3,372	(1,485)	(2,866)	(979)
Cash and cash equivalents cash outflow	(2,263)	-	-	(2,263)
Proceeds from new loans	-	(3,670)	-	(3,670)
Repayment of old loans	-	321	-	321
Lease additions	-	-	(1,239)	(1,239)
Repayment of leases	-	-	385	385
At 31 December 2021	1,109	(4,834)	(3,720)	(7,445)

Note 10. Borrowings

	31-Dec-21 £000	31-Dec-20 £000	30-Jun-21 £000
Current:			
Lease liabilities	1,049	451	656
Bank loans	3,474	1,600*	589
Total current borrowings	4,523	2,051	1,245
Non-current:			
Lease liabilities	2,671	1,846	2,210
Bank loans	1,360	1,200	896
Total non-current borrowings	4,031	3,046	3,106
Total borrowings	8,554	5,097	4,351

*This was included within trade and other payables in the prior year interim statement and has now been corrected.

Note 11. Events after the reporting period

On 7 February 2022 the Company fully assigned the lease at their previous head office at Lumina Building, 40 Ainslie Road, Hillington, Glasgow, G52 4RU to NHS Scotland. The value of the Lease liability and right of use asset at the balance sheet date were both £0.40m. These were disposed of after the period end. The Company Head Office is now Riverside Building, 2 Kings Inch Way, Renfrewshire, PA4 8YU.

Note 12. Availability of announcement and Half Yearly Financial Report

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

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