

Beeks Financial Cloud Group plc

("Beeks" or the "Company")

Interim Results

5th March 2024 - [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 2023.

Financial Highlights

- Revenues increased by 25% to £12.96m (H1 2023: £10.40m)
- Annualised Committed Monthly Recurring Revenue (ACMRR) up 25% to £26.60m (H1 2023: £21.30m)
- Gross profit up by 15% to £4.99m (H1 2023: £4.35m)
- Underlying EBITDA* increased by 28% to £4.61m (H1 2023: £3.59m)
- Underlying profit before tax** up 113% to £1.38m (H1 2023: £0.65m)
- Statutory profit before tax up 121% to £0.16m (H1 2023: Loss (£0.76m))
- Underlying diluted EPS*** up 42% to 1.77 pence (H1 2023: 1.25 pence)
- Cash flow from operations (before movement in working capital) up 27% to £4.69m (H1 2023: £3.68m)
- Net cash**** of £5.44m (H1 2023: net cash £3.35m; 30 June 2023: net cash £4.41m)

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

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

****Underlying diluted EPS is defined as underlying profit after underlying tax divided by the weighted average number of ordinary shares including share options outstanding but not exercisable.*

***** Net cash is defined as cash less total bank loans and asset financing liabilities*

Operational Highlights

- Another period of significant double-digit growth.
- Growth of Tier 1 customer base following notable new customer wins, conditionally including a third Global exchange for the Exchange Cloud offering post period end with completion of the contract subject to regulatory approval.
- Continued significant expansion with existing customers, including a Proximity Cloud contract which more than doubled in value to \$3.6m post period-end.
- £5m Proximity Cloud contract win and preferred cloud computing and connectivity vendor status for one of the world's largest banking groups, secured post period end.
- Further expansion potential remains across the vast majority of existing customers.
- Collaboration with BlueVoyant, to enhance security protection with its award-winning Managed Extended Detection and Response offering and further investment into the Beeks Security Operations Centre.

Outlook

- Exchange Cloud is a transformational opportunity, with significant early successes to date.
- Confident in achieving results for FY24 in line with Board expectations.
- As previously announced, FY25 trading anticipated to be significantly ahead of prior Board expectations.
- Confidence underpinned by high levels of contracted, multi-year, recurring revenue, a unique proposition, and growing Tier 1 customer base.

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:

- Profit before tax of £0.16m (H1 2023: loss of £0.76m)
- Basic earnings per share profit of 0.12p (H1 2023: loss of 0.73p)

The largest reconciling item is the consistent add back of the non-cash share-based payment charge.

Gordon McArthur, CEO of Beeks Financial Cloud commented:

"The consistent growth we continue to demonstrate, combined with our confident outlook for this and next year, underline the size of the opportunity we are addressing. Financial markets are still only at the start of the journey to the cloud. With our proven offering and growing tier 1 customer base, which includes some of the largest financial organisations in the world, as well as our increasing profit margins and cash generation, we have never been better placed to seize the opportunity. Our focus for the second half remains the conversion of our significant pipeline."

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About Beeks:

Cloud computing is crucial to Capital Markets and finance.

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

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

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

Find out more at www.beeksgroup.com

Chief Executive Officer's Review:

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

It has been another period of financial and strategic progress for Beeks. We have achieved significant growth across revenue, EBITDA and ACMRR, while improving operating profit margins and delivering a positive H1 operational cash flow. Our high proportion of recurring revenue provides confidence in FY24 results being in line with the Board's expectations, and as previously announced, our positive contract momentum means we anticipate FY25 trading to be significantly ahead of prior Board expectations.

Since becoming a listed business, we have consistently delivered annual growth rates of 20-30%, and this period is no exception. This has been driven by the successful expansion of our offering to address the cloud computing needs of the largest financial services organisation in the world. Our top-line growth means we have now moved into a more profitable and operationally cash-generative position, providing a strong basis for continued progress.

We are now consistently targeting and securing the biggest financial organisations as customers. Our most recently launched Exchange Cloud, a multi-home, fully configured and pre-installed physical trading environment fully optimised for global exchanges to offer cloud solutions to their end users, is a transformational opportunity for Beeks. With three customers already signed, we have proven our ability to win deals with the world's largest exchanges. While, as previously announced, lead times on

ability to win deals with the world's largest exchanges. While, as previously announced, lead times on deals of this magnitude can take time, we see a substantial opportunity for growth and expansion once chosen as a preferred vendor. Each of these customers presents a considerable expansion opportunity. With a substantial addressable market opportunity, a growing reputation and a blue-chip customer base, we are well-placed to continue achieving growth acceleration as the financial markets are increasingly adopting cloud solutions.

Financial Performance

Revenue in the period grew by 25% to £12.96m (H1 2023: £10.40m), resulting in an increase in underlying EBITDA of 28% to £4.61m (H1 2023: £3.59m). We were pleased to have delivered a positive operational cash flow position in the first half, as well as benefiting from improved operating profit margins driven by both Proximity and Exchange Cloud new wins and a stable overhead cost base against increased revenues. Beeks continues to have a strong recurring revenue profile, with customer retention remaining high and with ACMRR growing 25% to £26.6m at 31 December 2023 (H1 2023: £21.30m).

In line with strategy, Beeks has achieved a positive operational free cash flow position in the period, with unaudited net cash increasing to £5.44m at 31 December 2023 (June 2023: net cash of £4.41m).

Operational Expansion

We have largely maintained a similar-sized team during the first half following headcount expansion in the prior year. Headcount has increased marginally to 105, up from 103 as at 30 June 2023 and in the second half of the year we are planning some senior sales and technical hires to capitalise on our pipeline of opportunities.

In January we were delighted to announce our collaboration with BlueVoyant, a cybersecurity company, to enhance our security with their award-winning Managed Extended Detection and Response offering. The partnership enhances Beeks' cybersecurity defences, offering customers improved protection while also demonstrating the company's commitment to proactive security measures.

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

Product Roadmap

We remain focused on building out the functionality of Exchange and Proximity Cloud. Areas of development in the period included;

- Continuation of the build out of the functionality of Exchange and Proximity Cloud. We are focusing on features that will appeal to Tier 1 bank customers and large exchanges. These have included investments in areas like multi-factor authentication support, further network automation and single sign-on.
- Deepening of the multitenant experience allowing exchanges to subdivide an Exchange Cloud rack between multiple individual clients and have further improved the usability of the self-service infrastructure portal.
- Completion of significant engineering work and customer migration work on our virtualisation platform to improve performance and reduce the cost of operating this platform across our current client base.
- Our Analytics product continues to receive investment, with further work to improve the client documentation and marketing messages associated with the product and technical work to further develop the high capacity, open architecture that we have identified a significant market demand for.

Looking ahead, we plan to increase our investment in artificial intelligence. We believe that the latency and client experience insights that our analytics product provides can become an essential part of the capital markets front-office trading workflow. The open architecture and transparent commercial model of Beeks Analytics offers us a unique position to exploit this opportunity.

We also plan to be more platform-based with our technology investment. We will be looking to leverage common components across our different product offerings in order to reduce our costs, and to unlock further market opportunities. These market opportunities will be unlocked by a combined infrastructure

and analytics platform which has a flexible architecture that allows clients to integrate our offerings more fully into their workflows.

We see significant opportunity in our two major product lines: our Private/Public and our Proximity/Exchange Cloud offerings.

Land and Expand

We have been successful at reaching new Tier 1 customers through the execution of our Land and Expand strategy with a number of 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.

Significant new customers were secured in the first half, including the signing of a conditional contract with one of the largest exchanges globally, marking the third international exchange to sign up to Exchange Cloud. The deal marks the initial phase of an intended multi-year partnership between Beeks and the Exchange and is subject to regulatory approval.

Post period-end we won a significant £5 million Proximity Cloud contract with one of the world's largest banks. Beeks achieved preferred cloud computing and connectivity vendor status in a competitive RFP. Revenue from the contract, which has the ability for further expansion, is expected to commence in H1 FY25.

Expand - we have made great progress at generating additional revenue coming from deals that have grown in size since being signed. Of particular note has been the expansion of an initial \$1.3 million Proximity Cloud contract which was signed with a Tier 1 investment manager in November 2023, to a value of \$3.6 million in aggregate over a five-year period.

We see expansion potential across the vast majority of existing customers and we are focused on the continued execution of our land and expand strategy.

Future Growth and Outlook

Our high proportion of recurring revenue means we are confident in delivering results for FY24 in line with Board expectations and as previously announced, FY25 trading is anticipated to be significantly ahead of prior Board expectations.

Our core focus for the second half remains the conversion of our significant pipeline. We find ourselves with a firm financial footing as a profitable and cash-generative business, and we are well-placed to continue seeking to achieve growth acceleration in the current year and beyond.

Gordon McArthur
CEO
5 March 2024

Chief Financial Officer's Review:

Financial Review

We are pleased to report on our first half of the year where we have grown revenue by 25% and delivered a significant increase in profitability when compared to H1 2023.

Group revenues grew by 25% to £12.96m (H1 2023: £10.40m) driven by organic growth in both our core Public/Private Cloud offering as well as new wins in Exchange and Proximity Cloud. Refer to note 3 for a breakdown of the Group's revenues.

Our core Public and Private Cloud revenues grew by 14% to £11.66m (H1 2023: £10.20m).

Our overall contractual revenue (ACMRR) grew 25% to £26.60m (H1 2023: £21.30m). We still have a high proportion of recurring revenue which gives us good visibility for forecasting and a steady operating cash collection profile. Recurring revenue represented 87% (H1 2023: 93%) of H1 2024 revenues with the remainder being represented by the upfront element of Proximity and Exchange Cloud plus hardware and software licence sales.

We maintain an established customer base with low attrition rates at 0.5% (H1 2023: 0.8%) of monthly revenue. We have continued to grow our Tier 1 customer base as we execute on our land and expand strategy by both adding new Tier 1 customers and growing our existing Tier 1 customer base. Tier 1 customers now represent over half of our total revenue, with some of these contracted via partners.

Non-recurring revenue - growth relating to Exchange and Proximity.

During the period we delivered growth in both our Proximity and Exchange Cloud products via two new

During the period we delivered growth in both our Proximity and Exchange Cloud products via two new customers, recognising additional revenues of £1.1m relating to these two new contract wins. In November 2023 we announced a new Proximity Cloud contract with a Tier 1 investment manager. The first location was successfully delivered in December 2023, just four weeks after contract signature, with the second location delivered in February 2024. September 2023 saw the successful go-live of the Johannesburg Stock Exchange's (JSE) Colo 2.0 and it is pleasing to see how quickly we are able as an institution to deploy these solutions following contract signature. Proximity and Exchange Cloud contracts fall under different revenue recognition principles where a significant proportion of revenue is required to be recognised upfront at the time when the fully configured appliance is delivered to the client's data centre.

Gross profit in the period increased by 15% to £4.99m (H1 2023: £4.35m) with gross margin reducing to 39% (H1 2023: 41%). The reduction in gross margin is largely as a result of increased capacity in infrastructure and hosting costs. We expect gross margins to improve in the second half of the year as we deliver on our sales pipeline with a lower cost of investment given current capacity levels. It is also worth noting that Proximity and Exchange Cloud solutions do not always require third party data centre hosting costs when they reside in the client's own data centre and given our expectation that these types of contracts will represent a higher overall proportion of our business going forward, there is further potential upside in gross margin to be realised.

Underlying EBITDA increased by 28% to £4.61m (H1 2023: £3.59m) with underlying EBITDA margins slightly ahead of this time last year at 35.6% (H1 2023: 34.5%). Underlying profit before tax is defined as profit before tax excluding amortisation on acquired intangibles, share-based payments, exchange rate gains/losses on statement of financial position translation and exceptional non-recurring costs. This increased by 113% to £1.38m (H1 2023: £0.65m). Underlying profit before tax margins have increased to 10.6% (H1 2023: 6.3%) largely as a result of stable overhead costs against growing revenues.

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 2024	H1 2023	Growth
Revenue	£12.96m	£10.40m	25%
ACMRR	£26.60m	£21.30m	25%
Gross profit	£4.99m	£4.35m	15%
Gross margin	38.5%	41.8%	
Underlying EBITDA	£4.61m	£3.59m	28%
Underlying EBITDA margin	35.6%	34.5%	
Underlying profit before tax	£1.38m	£0.65m	113%
Underlying profit before tax margin	10.6%	6.3%	
Profit/(Loss) before tax (£m)	£0.16m	(£0.76m)	44%
Underlying basic EPS	1.95p	1.35p	

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

Profit/(Loss) before Tax	Period ended 31 Dec 2023 £000	Period ended 31 Dec 2022 £000
Profit/(loss) before tax for the period	158	(762)
Deduct:		
Grant Income	(137)	(130)
Add back:		
Non-recurring costs	22	81
Amortisation of acquired intangibles	156	301
Share-based payments	1,129	1,155
Exchange rate loss on intercompany translation	49	-
Underlying profit for the period	1,377	645

Beeks reported a Statutory profit before tax of £0.16m (H1 2023: loss of £0.76m) with underlying profit before tax increasing to £1.38m (H1 2023: £0.65m).

Cost of sales (excluding amortisation on acquired assets) increased by 35% to £8.00m (H1 2023: £5.94m), largely in line with sales growth under gross profit margins as referenced earlier. There is always a relatively fixed direct cost associated with revenue growth resulting in higher data centre hosting costs and the cost of infrastructure. As is typical in our growth, we again added capacity across our global data centre estate during the period.

There has been a decrease in administrative expenses (excluding share-based payments and non-recurring costs) when compared to the prior year of 3% to £3.55m (H1 2023: £3.67m). As a business, we had previously invested significantly in headcount but are now largely in a position where we have the right number of people in the right roles to support both the current and near-term business growth. We are considering some strategic hires to capitalise on our sales and product development opportunities, but engineering and support staff growth will not change significantly. This is part of our overarching strategy to deliver improved margins to shareholders. Staff costs have only increased by 3% (excluding share-based payments and net of capitalisation) to £2.25m in the period (H1 2023: £2.17m). During the period our headcount has been relatively flat at 105, up from 103 as at 30 June 2023 and down from 106 as at 31 December 2022.

We have continued to invest in product, most significantly in product enhancements to Exchange Cloud. We will continue to invest in this given our product roadmap and where we are seeing a significant opportunity in the niche market we operate in. As such, capitalised development costs in the period were £1.33m (H1 2023: £1.43m). Most of this cost is internally generated as we use our in-house teams to develop the bespoke technology. We intend to fund this level of investment through operational cash generation.

Taxation

The effective tax rate ('ETR') for the period is -27%, (H1 2023: -37%). There are some timing reasons for our tax provision being higher than the prevailing tax rate in the UK of 25%. We expect this to normalise to nearer 20% for the full year. As with previous years, we benefit from the impact of R&D tax credits and there was a receipt of £0.1m received relating to a prior period.

Earnings per Share and Dividends

Underlying basic earnings per share has increased 44% to 1.95 pence (H1 2023: 1.35 pence). Underlying diluted earnings per share has increased 42% to 1.77 pence (H1 2023: 1.25 pence). The calculation of both underlying basic and diluted earnings per share is included in note 6.

Balance Sheet and Cash Flows

The Group generated an increase of cash from operations (before movement in working capital) in the period of 27%, up to £4.69m (H1 2023: £3.68m). Expenditure on investing activities was lower than the prior year as we utilised capacity of existing stock. We invested £1.65m (H1 2023: £4.17m) in property, plant and equipment across our infrastructure estate, of which £0.23m was funded via a new asset finance facility.

Our current stock levels remain healthy, having stock capacity of £1.88m as represented by £1.41m owned and £0.47m that has been asset financed. As supply chain lead times for many inventory items have reduced, we will look to utilise existing stock capacity where possible and not hold the levels we have had over the last few reporting periods. Our existing stock capacity will help reduce some of H2 2024 investment although some Proximity and Exchange Cloud deployments can require bespoke infrastructure solutions requiring new investment.

Our capitalised development costs have remained stable at £1.40m (H1 2023: £1.43m) as our in-house development teams add further feature functionality in Proximity Cloud, Exchange Cloud and Beeks Analytics which is a key strategic component of Exchange Cloud. As stated earlier in the report, our staff levels, including our software development team, have been largely fixed throughout the period.

During the period we have reduced our borrowings. In September 2023, the mortgage on our Head Office property became due, rather than re-finance this, we elected to fully repay the loan of £1.57m. Furthermore, we also repaid term loan facilities of £0.25m and during the period we also took advantage of a reduced rate asset finance loan of £0.23m. Period end debt has been reduced to £1.73m (H1 2023: £3.34m). Cash and cash equivalents totalled £7.17m at 31 December 2023 (H1 2023: £6.70m) with trade and other receivables of £6.79m (H1 2023: £6.20m) as well as inventories of £1.41m (H1 2023: £2.35m). Gross debt has reduced to 0.2x underlying annualised EBITDA (H1 2023: 0.5x). Gross debt is defined as borrowings excluding IFRS16 lease liabilities divided by the annualised underlying EBITDA.

At the end of the period, the Group had net cash of £5.44m (H1 2023: net cash £3.35m).

At 31 December 2023 net assets were £34.12m compared to net assets of £31.54m at 31 December 2022 and net assets of £32.79m at 30 June 2023.

Fraser McDonald
CFO

5 March 2024

Beeks Financial Cloud Group PLC Consolidated statement of comprehensive income For the period ended 31 December 2023

	Note	6 months to December 2023 (unaudited)	6 months to December 2022 (unaudited)	Year to June 2023 (audited)
		£'000	£'000	£'000
Revenue	3	12,957	10,398	22,357
Other Income	3	185	191	361
Cost of sales		(8,153)	(6,241)	(13,602)
Gross profit		4,989	4,348	9,116
Administrative expenses		(4,703)	(4,910)	(9,447)
Operating profit/(loss)	4	286	(562)	(331)
Analysed as:				
Earnings before depreciation, amortisation, share based payments and non-recurring costs		4,695	3,723	8,362
Share based payments	4	(1,129)	(1,155)	(2,291)
Other non-recurring costs		(22)	(81)	(136)
Depreciation	4	(2,373)	(2,149)	(4,550)
Amortisation - acquired intangible assets		(152)	(301)	(480)

Amortisation - acquired intangible assets		(1,121)	(501)	(1,622)
Amortisation - other intangible assets		(733)	(599)	(1,227)
Operating profit/(loss)		286	(562)	(331)
Finance income		84	-	101
Finance costs		(212)	(200)	(420)
Profit/(loss) before taxation for the period		158	(762)	(650)
Taxation	5	43	284	561
Profit/(loss) after taxation for the period		201	(478)	(89)
Other comprehensive income				
Amounts that may be reclassified to profit and loss				
Currency translation differences		4	104	77
Total comprehensive income/(loss) for the period		205	(374)	(12)
		Pence	Pence	Pence
Basic earnings/(loss) per share	6	0.12	(0.73)	(0.14)
Diluted earnings/(loss) per share	6	0.12	(0.73)	(0.13)

Beeks Financial Cloud Group PLC
Consolidated statement of financial position
For the period ended 31 December 2023

		December 2023 (unaudited)	December 2022 (unaudited)	June 2023 (audited)
Assets	Note	£'000	£'000	£'000
Non-current assets				
Intangible assets	7	8,793	7,347	8,106
Property, plant and equipment	8	17,262	17,835	17,952
Deferred tax		5,410	4,413	5,398
Total non-current assets		31,465	29,595	31,456
Current assets				
Trade and other receivables		6,794	6,203	6,391
Inventories		1,408	2,351	1,767
Cash and cash equivalents		7,169	6,696	7,829
Total current assets		15,371	15,250	15,987
Total assets		46,836	44,845	47,443
Liabilities				
Non-current liabilities				
Borrowings		-	247	-
Lease liabilities	10	1,269	2,428	2,047
Deferred tax		3,884	2,968	3,884
Total non-current liabilities		5,153	5,643	5,931
Current liabilities				
Trade and other payables		5,251	4,040	4,952
Lease liabilities	10	2,068	1,778	1,960
Borrowings	10	244	1,844	1,814
Total current liabilities		7,563	7,662	8,726
Total liabilities		12,716	13,305	14,657
Net assets		34,120	31,540	32,786
Equity				

Equity			
Issued capital	82	82	82
Share premium	23,775	23,775	23,775
Reserves	5,896	3,898	4,879
Retained earnings	4,367	3,785	4,050
Total equity	34,120	31,540	32,786

Beeks Financial Cloud Group PLC
Consolidated statement of changes in equity
For the period ended 31 December 2023

	Issued capital	Foreign currency retranslation reserve	Merger reserve	Other reserve	Share based payment reserve	Share premium	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2022	82	(7)	705	(315)	2,274	23,775	4,245	30,759
Loss after tax for the period	-	-	-	-	-	-	(478)	(478)
Total comprehensive loss for the period	-	-	-	-	-	-	(478)	(478)
Currency translation difference	-	104	-	-	-	-	-	104
Share based payments	-	-	-	-	1,155	-	-	1,155
Exercise of share options	-	-	-	-	(17)	-	17	-
Balance at 31 December 2022 (unaudited)	82	97	705	(315)	3,412	23,775	3,784	31,540
Profit after tax for the period	-	-	-	-	-	-	389	389
Total comprehensive income for the period	-	-	-	-	-	-	389	389
Currency translation difference	-	(27)	-	-	-	-	-	(27)
Share based payments	-	-	-	-	1,136	-	-	1,136
Exercise of share options	-	-	-	-	(129)	-	129	-
Deferred tax	-	-	-	-	-	-	(252)	(252)
Balance at 30 June 2023 (audited)	82	70	705	(315)	4,419	23,775	4,050	32,786
Balance at 1 July 2023	82	70	705	(315)	4,419	23,775	4,050	32,786
Profit after tax for the period	-	-	-	-	-	-	201	201
Total comprehensive income for the period	-	-	-	-	-	-	201	201
Currency translation difference	-	4	-	-	-	-	-	4
Share based payments	-	-	-	-	1,129	-	-	1,129
Exercise of share options	-	-	-	-	(116)	-	116	-
Balance at 31 December 2023	82	74	705	(315)	5,432	23,775	4,367	34,120

Beeks Financial Cloud Group PLC
Consolidated cash flow statement
For the period ended 31 December 2023

	6 months to	Year to	
	December	December	June
	2023	2022	2023
	(unaudited)	(unaudited)	(audited)
	£'000	£'000	£'000
Cash flows from operating activities			
Profit/(loss) before taxation for the period	158	(762)	(650)
Adjustments for:			
Depreciation and amortisation	3,217	3,049	6,435
Share based payment charge	1,129	1,155	2,291
Bank charges	70	53	115
Loan interest	59	67	140
Bank interest received	(26)	-	-
Lease liability interest	82	80	165
Proceeds from grant income	-	-	609
Operating cash flows before movements in working capital	4,689	3,642	9,105
Increase in trade and other receivables	(541)	(733)	(1,667)
Decrease/(increase) in Inventory	359	(485)	311
Increase/(decrease) in trade and other payables	468	(1,456)	(696)
Cash generated from operating activities before tax	4,975	968	7,053
Corporation tax received	117	125	(6)
Net cash generated from operating activities	5,092	1,093	7,047
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,480)	(3,382)	(4,329)
Capitalisation of development costs	(1,404)	(1,433)	(2,822)
Net cash used in investing activities	(2,884)	(4,815)	(7,151)
Cash flows from financing activities			
Bank charges	(70)	(52)	(115)
Repayment of existing bank loans	(1,570)	(207)	(618)
Repayment of asset financing	(346)	(113)	-
Repayment of right of use leases	(770)	(542)	(1,267)
Interest on lease liabilities	(82)	(80)	(165)
Interest payable on bank loans	(59)	(147)	(140)
Bank interest received	26	-	-
Issue of loans	-	1,358	-
Net cash generated from financing activities	(2,871)	217	(2,305)
Net cash generated from operating activities	5,092	1,093	7,047
Net cash used in investing activities	(2,884)	(4,815)	(7,151)
Net cash generated from financing activities	(2,871)	217	(2,305)

Net (decrease)/increase in cash and cash equivalents	(663)	(3,505)	(2,409)
Cash and cash equivalents at the beginning of the financial period	7,829	10,160	10,160
Exchange effect on cash and cash equivalents	3	41	78
Cash and cash equivalents at the end of the financial period	7,169	6,696	7,829

Beeks Financial Cloud Group PLC
Notes to the financial statements
For the period ended 31 December 2023

Note 1. General information

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 2023.

The company is a public limited company which is quoted on the Alternative Investment Market and is incorporated and domiciled in United Kingdom. Its registered office and principal place of business is:

Registered office

Riverside Building
2 Kings Inch Way
Unit A
Riverside
Braehead
PA4 8YU

Note 2. Basis of preparation

The financial information for the period ended 31 December 2023 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 2023 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 2024. The group financial statements for the year ended 30 June 2023 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 2023, and have not been audited or reviewed by the auditors.

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

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 Chief Executive's Statement.

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 period, the Group had net cash of £5.44m (H1 2023: net cash £3.35m) a level which the Board is comfortable with given the strong cash generation of the Group. 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 2025, 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 (June 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.

Note 3. Operating Segments

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 2023, the Group was organised into two main business segments for revenue purposes. The group does not place reliance on any specific customer and has no individual customer that generates 33% (H1 2023: 34%) or more of its total group 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:

	Period ended 31/12/23 (£'000) (Unaudited)			Period ended 31/12/22 (£'000) (Unaudited)			Year ended 30/06/23 (£'000) (Audited)		
	Public/ Private Cloud	Proximity /Exchange Cloud	Total	Public/ Private Cloud	Proximity /Exchange Cloud	Total	Public/ Private Cloud	Proximity /Exchange Cloud	Total
Over time									
Infrastructure/software as a service	10,674	-	10,674	9,078	-	9,078	19,162	-	19,162
Maintenance	199	-	199	270	-	270	537	-	537
Proximity/Exchange Cloud	-	199	199	-	201	201	-	454	454
Professional services	214	-	214	138	-	138	273	-	273
Over time total	11,087	199	11,286	9,486	201	9,687	19,972	454	20,426
Point in time									
Proximity/Exchange Cloud	-	1,103	1,103	-	-	-	-	-	-
Hardware/Software resale	381	-	381	474	-	474	529	-	529
Software licences	143	-	143	186	-	186	1,267	-	1,267
Set up fees	44	-	44	51	-	51	135	-	135
Point in time total	568	1,103	1,671	711	-	711	1,931	-	1,931
Total revenue	11,655	1,302	12,957	10,197	201	10,398	21,903	454	22,357

	December 2023 (unaudited) £'000	6 months to December 2022 (unaudited) £'000	Year to June 2023 (audited) £'000
Revenues by geographic location are as follows:			
United Kingdom	3,458	2,385	5,660
Europe	1,570	1,454	3,119
US	4,771	3,711	9,193
Rest of World	3,158	2,848	4,385
Total	12,957	10,398	22,357

During the period, £137k (H1 2023: £130k) was recognised in other income for grant income received from Scottish Enterprise and £48k (H1 2023: £61k) was recognised as rental income.

Note 4. Operating profit/(loss)

	December 2023 (unaudited) £'000	6 months to December 2022 (unaudited) £'000	Year to June 2023 (audited) £'000
Operating profit/(loss) is stated after charging:			
Depreciation on owned assets	1,670	1,487	3,140
Staff costs	3,530	3,586	6,909
Depreciation of right-of-use asset	703	662	1,410
Amortisation of intangibles	875	900	1,716
Currency translation gain	4	104	256
Other cost of sales *	4,923	3,102	7,101

Other cost of sales	7,723	5,132	7,121
Share based payments	1,129	1,155	2,291

* 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 2023 (unaudited)	6 months to December 2022 (unaudited)	Year to June 2023 (audited)
	£'000	£'000	£'000
Current Tax			
R&D tax receipt	(121)	(125)	(95)
Foreign tax on overseas companies		53	65
	90		
Total current tax credit	(31)	(72)	(30)
Deferred tax			
Origination and reversal of temporary differences	(12)	(212)	(531)
Total deferred tax credit	(12)	(212)	(531)
Total tax credit	(43)	(284)	(561)

The effective tax rate for the six months to 31 December 2023, based on the taxation credit for the period as a percentage of the profit before tax is (27%) (H1 2023: 37%).

The tax charge in the period has been more than offset by the receipt of the R&D tax receipt relating to 2022.

Note 6. Earnings per share

As at 31 December 2023, the company had 65,709,158 shares (H1 2023: 65,428,710).

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 December 2023 (unaudited)	6 months to December 2022 (unaudited)	Year to June 2023 (audited)
	£'000	£'000	£'000
Profit/(Loss) after taxation attributable to the owners of Beeks Financial Cloud Group PLC	201	(478)	(89)
	Pence*	Pence	Pence
Basic earnings/(loss) per share	0.12	(0.73) (0.73)	(0.14)
Diluted earnings/(loss) per share	0.12		(0.13)
Weighted average number of ordinary shares used in calculated basic earnings per share	65,610,356	65,407,957	65,446,755
Dilutive impact of share options	4,736,830	5,177,149	4,736,830
Adjustments for calculation of diluted earnings per share:	99,551	-	125,611
Options over ordinary shares			
Weighted average number of ordinary shares used in calculated diluted earnings per share	70,446,737	70,585,106	70,309,196

*The above is calculated on profit after tax excluding the £121k R&D tax credit received during the period.

	6 months to December 2023 (unaudited)	6 months to December 2022 (unaudited)	Year to June 2023 (audited)
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	£'000	£'000	£'000
Underlying earnings per share			
Underlying profit after taxation attributable to the owners of Beeks Financial Cloud Group PLC	1,278	881	2,818
	Pence	Pence	Pence
Underlying earnings per share - basic	1.95	1.35	4.31
Underlying earnings per share - diluted	1.77	1.25	3.96
Weighted average number of ordinary shares used in calculated basic earnings per share	65,610,356	65,407,957	65,446,755
Adjustments for calculation of diluted earnings per share:	4,836,380	5,177,149	5,696,786
Options over ordinary shares			
Weighted average number of ordinary shares used in calculated diluted earnings per share	70,446,736	70,585,106	71,143,541

Included in the weighted average number of shares for the calculation of underlying diluted EPS are share options that have vested and that are not yet exercised and share options that have still to meet vesting criteria. It is management's intention that the vested shares will be exercised and that the Group will meet the challenging growth targets for the unvested shares to vest. As such, both these types of share options have been included in the underlying diluted EPS calculation.

Note 7. Intangible Assets

	Acquired Customer relationships	Development Costs	Trade name/IP addresses	Goodwill	Total
	£000	£000	£000	£000	£000
Cost					
As at 1 July 2022	2,530	6,148	137	2,336	11,151
Additions	-	1,433	-	-	1,433
Grant funding received	-	130	-	-	130
Foreign exchange movements	(9)	-	-	-	(9)
As at 31 Dec 2022	2,521	7,711	137	2,336	12,705
Additions	-	1,435	-	-	1,435
Grant funding received	-	(277)	-	-	(277)
Foreign exchange movements	(20)	-	-	-	(20)
As at 30 June 2023	2,501	8,869	137	2,336	13,843
Additions	-	1,333	103	-	1,436
Foreign exchange movements	(11)	-	-	-	(11)
As at 31 Dec 2023	2,490	10,202	240	2,336	15,268
Accumulated Amortisation					
Balance at 1 July 2022	(1,146)	(2,278)	(61)	(968)	(4,453)
Charge for the period	(148)	(738)	(14)	-	(900)
Foreign exchange movements	(5)	-	-	-	(5)
As at 31 Dec 2022	(1,299)	(3,016)	(75)	(968)	(5,358)
Charge for the period	(197)	(605)	(13)	-	(815)
Foreign exchange movements	22	-	-	-	22
Grant income release		414	-	-	414
As at 30 June 2023	(1,474)	(3,207)	(88)	(968)	(5,737)
Charge for the	(129)	(722)	(14)	-	(865)

Charge for the period	(150)	(155)	(14)	-	(003)
Foreign exchange movements	9	-	-	-	9
Grant funding	-	138	-	-	138
As at 31 Dec 2023	(1,603)	(3,802)	(102)	(968)	(6,475)
N.B.V. 31 Dec 2023	887	6,401	138	1,368	8,793
N.B.V. 30 June 2023	1,027	5,662	49	1,368	8,106
N.B.V. 31 Dec 2022	1,222	4,695	62	1,368	7,347

During the period, IP addresses of £0.1m (H1 2023: £nil) were purchased and held a carrying value of £0.1m (H1 2023: £nil) at the end of the period.

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

	Computer equipment	Office Equipment and fixtures & fittings	Right of use	Freehold Property	Total
	£000	£000	£000	£000	£000
Cost					
As at 1 July 2022	16,543	180	5,420	3,034	25,177
Additions	3,654	32	-	-	3,686
Foreign exchange movement	-	-	(169)	-	(169)
Stock transfers	(48)	-	-	-	(48)
As at 31 December 2022	20,149	212	5,251	3,034	28,646
Additions	296	114	2,149	5	2,564
Foreign exchange movement	45	-	341	-	386
As at 30 June 2023	20,490	326	7,741	3,039	31,596
Additions	1,921	28	335	2	2,286
Disposals	(12)	-	(608)	-	(620)
Foreign exchange movements	-	-	(15)	-	(15)
As at 31 December 2023	22,399	354	7,453	3,041	33,247
Depreciation					
As at 1 July 2022	(6,778)	(48)	(2,054)	(27)	(8,907)
Charge for the period	(1,429)	(23)	(662)	(35)	(2,149)
Foreign exchange movement	29	-	218	-	247
As at 31 December 2022	(8,178)	(71)	(2,498)	(62)	(10,809)
Charge for the period	(1,591)	(26)	(748)	(36)	(2,401)
Foreign exchange movement	(59)	-	(374)	-	(433)
As at 30 June 2023	(9,828)	(97)	(3,620)	(98)	(13,643)
Charge for the period	(1,619)	(16)	(703)	(35)	(2,373)
Foreign exchange movement	-	-	31	-	31
As at 31 December 2023	(11,447)	(113)	(4,292)	(133)	(15,985)
N.B.V. 31 December 2023	10,952	241	3,161	2,908	17,262
N.B.V. 30 June 2023	10,662	229	4,120	2,941	17,952
N.B.V. 31 December 2022	11,970	141	2,752	2,972	17,835

Of the total additions in the period of £2.29m, £0.1m (H1 2023: £3.69m) relates to right-of-use assets held under IFRS16, which have a carrying value of £1.70m (H1 2023: £2.75m). The remaining £0.2m of right of use additions relates to assets purchased under asset financing agreements.

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 2022	10,160		(3,583)	4,280
		(2,297)		
Cash and cash equivalents cash outflow	(3,464)	-	-	(3,464)
Proceeds from new leases under asset financing	-	-	(1,358)	(1,358)
Repayment of loans	-	207		207
Lease repayments	-		848	848
	-	-		
At 31 December 2022	6,696	(2,090)	(4,093)	513
Cash and cash equivalents cash outflow	1,133	-	-	1,133
Repayment of loans	-	276	-	276
	-		-	
Proceeds from new leases under asset financing	-		(605)	(605)
Lease additions	-	-	(6)	(6)
Lease repayments	-	-	697	697
	-	-		
At 30 June 2023	7,829	(1,814)	(4,007)	2,008
Cash and cash equivalents cash outflow	(660)	-	-	(660)
Lease additions	-	-	(100)	(100)
	-			
Proceeds from new leases under asset financing	-		(229)	(229)
Repayment of loans	-	1,570	-	1,570
Lease repayments	-		997	997
	-	-		
At 31 December 2023	7,169	(244)	(3,339)	3,586

During the period, the property loan was repaid in full with a repayment of £1.57m.

Included within right of use lease liabilities is an asset financing facility of £0.2m entered into during the period and £0.1m of leases held under IFRS16 as right of use liabilities. The carrying value of asset financed leases at the period end is £1.49m (H1 2023: £1.24m)

Note 10. Borrowings

	31-Dec-23 £000	31-Dec-22 £000	30-Jun-23 £000
Current:			
Right of Use Lease liabilities	2,068	1,778	1,960
Bank loans	244	1,844	1,814
Total current borrowings	2,312	3,622	3,774

	<u>2,312</u>	<u>3,622</u>	<u>3,774</u>
Non-current:			
Right of Use Lease liabilities			
	1,269	2,428	2,047
Bank loans	-	247	-
Total non-current borrowings	<u>1,269</u>	<u>2,675</u>	<u>2,047</u>
Total borrowings	<u>3,581</u>	<u>6,297</u>	<u>5,821</u>

Note 11. Availability of announcement and Half Yearly Financial Report

Copies of this announcement are available on the Company's website, www.beeksgroup.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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