

# Canonical UK Limited

Report and Financial Statements

Year Ended

31 March 2016

Company Number 05055134

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# Canonical UK Limited

## Report and financial statements for the year ended 31 March 2016

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#### Director

J E Silber

#### Secretary

Standard Bank Offshore Trust Company Jersey Limited

#### Registered office

5<sup>th</sup> Floor, Blue Fin Building, 110 Southwark Street, London, SE1 0SU

#### Company number

05055134

#### Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

# Canonical UK Limited

## Strategic report for the year ended 31 March 2016

The director presents her strategic report together with the audited financial statements for the year ended 31 March 2016.

### Principal activities and business review

Canonical UK Limited is a wholly owned subsidiary of Canonical Group Limited, the leading provider of support services for Ubuntu deployments in the market. Ubuntu is a free, open-source platform for client, server and cloud computing. Since its launch in 2004, Ubuntu has become a natural choice for users of all kinds, from Fortune 500 companies to hardware-makers, content providers, software developers and individual technologists.

During the year Canonical UK continued to provide UK based engineering and support operations and worked with other group companies to provide services and support for the Ubuntu product group. No change in the nature of the company's operations is expected in the foreseeable future.

### Key performance indicators

Canonical UK Limited measures its performance through the use of key performance indicators ('KPIs'). These KPIs are focussed on revenue and operating income. Given the nature of operations the Board considers these most relevant and the KPIs form the basis of operational reports provided to the Board and management.

KPIs	2016	2015
Revenue (\$m)	23.6	23.7
Operating profit (\$m)	0.5	-

### Financial risk management objectives and policies

The company uses various financial instruments including loans and cash. Canonical UK Limited is principally funded by inter-company loans from group companies. It has no external debtors and all its trade is through the provision of support and development services to other Canonical companies.

The existence of these financial instruments exposes the company to a number of financial risks which are described in more detail below. The risk arising from the group's financial instruments are currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

**Currency risk** - The group has minimal exposure to currency translation risk. The majority of the group is denominated in USD, which is in line with inter-company sales that are also denominated in USD.

**Credit risk** - As Canonical UK Limited has no external clients, credit risk is managed through its parent Canonical Group Limited.

**Liquidity risk** - Current and projected working capital demand is assessed on a monthly basis and parent company loans are drawn down as required.

### Approval

This strategic report was approved by order of the Board on 20-12-2016

J E Silber

Director

# Canonical UK Limited

## Report of the director for the year ended 31 March 2016

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The director presents her report together with the audited financial statements for the year ended 31 March 2016.

### Results and dividends

The income statement is set out on page 6 and shows the profit for the year.

During the year, no dividends were paid. The director does not recommend the payment of a final dividend (2015 - \$Nil).

### Director

The director of the company during the year was:

J E Silber

### Director's responsibilities

The director is responsible for preparing the strategic report, the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless she is satisfied that they give a true and fair view of the state of affairs of the company and of the profit of the company for that period.

In preparing these financial statements, the director is 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 Accounting Standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. She is 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.

# Canonical UK Limited

## Report of the director for the year ended 31 March 2016 (*continued*)

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### Auditors

The director has taken all the steps that she ought to have taken to make herself aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The director is not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### On behalf of the Board

J E Silber

Director

Date 20-12-2016

# Canonical UK Limited

## Independent auditor's report

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### TO THE MEMBERS OF CANONICAL UK LIMITED

We have audited the financial statements of Canonical UK Limited for the year ended 31 March 2016 which comprise the income statement, the balance sheet, the statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

### Respective responsibilities of the director and auditors

As explained more fully in the statement of director's responsibilities, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Canonical UK Limited

## Independent auditor's report (*continued*)

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### Matters on which we are required to report by exception

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

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

*Julian Frost*

Julian Frost (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

Date *23 December 2016*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Canonical UK Limited

## Income statement for the year ended 31 March 2016

	Note	2016 US\$'000	2015 US\$'000
Turnover	2	23,589	23,664
Administrative expenses		(23,077)	(23,658)
<b>Operating profit</b>	4	<b>512</b>	<b>6</b>
Interest receivable and similar income	5	1,732	3,198
Interest payable and similar charges	6	(9)	(1)
<b>Profit on ordinary activities before taxation</b>		<b>2,235</b>	<b>3,203</b>
Taxation	7	-	-
<b>Profit for the financial year and total comprehensive income</b>		<b>2,235</b>	<b>3,203</b>

All amounts relate to continuing activities.

The notes on pages 9 to 15 form part of these financial statements.




# Canonical UK Limited

## Balance sheet at 31 March 2016

<b>Company number 05055134</b>	<b>Note</b>	<b>2016 US\$'000</b>	<b>2016 US\$'000</b>	<b>2015 US\$'000</b>	<b>2015 US\$'000</b>
<b>Fixed assets</b>					
Tangible assets	8				3
<b>Current assets</b>					
Debtors	9	90,320		66,895	
Cash at bank and in hand		58		279	
		<u>90,378</u>		<u>67,174</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(81,536)</u>		<u>(59,929)</u>	
<b>Net current assets</b>			8,842		7,245
<b>Total assets less current liabilities</b>			8,842		7,248
<b>Creditors: amounts falling due after more than one year</b>	11				(641)
			8,842		6,607
<b>Capital and reserves</b>					
Share capital	12		8,842		6,607
Profit and loss account					
<b>Shareholder's funds</b>			8,842		6,607

The financial statements were approved by the Board of Directors and authorised for issue on 20-12-2016

J E Silber  
Director



The notes on pages 9 to 15 form part of these financial statements.

# Canonical UK Limited

## Statement of changes in equity for the year ended 31 March 2016

	Share capital US\$'000	Profit and loss account US\$'000	Total equity US\$'000
1 April 2015	-	6,607	6,607
Profit for the year	-	2,235	2,235
Total comprehensive income for the year	-	2,235	2,235
31 March 2016	-	8,842	8,842

## Statement of changes in equity for the year ended 31 March 2015

	Share capital US\$'000	Profit and loss account US\$'000	Total equity US\$'000
1 April 2014	-	3,404	3,404
Profit for the year	-	3,203	3,203
Total comprehensive income for the year	-	3,203	3,203
31 March 2015	-	6,607	6,607

The notes on pages 9 to 15 form part of these financial statements.

# Canonical UK Limited

## Notes forming part of the financial statements for the year ended 31 March 2016

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### 1 Accounting policies

#### *Basis of preparation of financial statements*

Canonical UK Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 16.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The director does not believe the financial statements to contain any critical accounting estimates.

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The financial statements have been prepared using the US Dollar as the presentational currency on the basis that the directors believe the US Dollar to be the functional currency of the company. The year-end exchange rate between US dollar and Sterling was 1.4374.

#### *Reduced disclosure exemptions*

The company has taken advantage of the following disclosure exemptions in preparing these financial statements as permitted by the FRS102 "Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a) (iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17 (d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraphs 33.7.

This information is included in the consolidated financial statements of Canonical Group Limited as at 31 March 2016 and these financial statements may be obtained from Companies House.

The following principal accounting policies have been applied:

#### *Going concern*

The financial statements are prepared on a going concern basis. The directors have produced cash flow forecasts that indicate that the company is reliant on continued support from the company's ultimate parent undertaking, Canonical Holdings Limited, who in turn is reliant on continued support from the Group's sole beneficial owner to continue to trade and meet its obligations as they fall due. The Group's sole beneficial owner has been providing support as required by the Group and Company during the year and since the year end, and has confirmed that he will continue to make such support as the Group and Company needs over the forecast period. The ultimate controlling party has also provided assurance of financial support to enable the Company to continue its operations for at least one year from the date of signing these financial statements.

# Canonical UK Limited

## Notes forming part of the financial statements for the year ended 31 March 2016 *(continued)*

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### 1 Accounting policies *(continued)*

#### *Going concern (continued)*

Both the Group's sole beneficial owner and all related undertakings have confirmed to the directors that it is their intention not to seek repayment of the amounts due at the balance sheet date for the foreseeable future and in any case for a period of at least 12 months from the approval of these financial statements.

#### *Turnover*

Turnover represents the amount receivable from fellow group companies, in respect of charges for outsourced business services. Fees are recognised as the work is performed.

#### *Depreciation*

Depreciation is calculated to write down the cost, with nil residual value, of all tangible fixed assets over their expected useful lives. It is calculated at the following rates:

Computer equipment	-	over 30 months straight line
Fixtures and fittings	-	over 30 months straight line

#### *Leased assets*

All leases are treated as operating leases. Their annual rentals are charged to the income statement on a straight line basis over the term of the lease.

#### *Contributions to pension funds*

The company makes contributions to individual's personal pension plans. Pension costs are charged against profits in respect of the accounting year in which they are paid.

#### *Foreign currency*

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at a rate of exchange ruling at the balance sheet date. Any differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction.

#### *Taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

# Canonical UK Limited

## Notes forming part of the financial statements for the year ended 31 March 2016 (continued)

### 1 Accounting policies (continued)

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

### 2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

### 3 Employees

	2016 US\$'000	2015 US\$'000
Staff costs consist of:		
Wages and salaries	14,951	14,372
Social security costs	1,748	1,655
Pension	316	277
	<hr/>	<hr/>
	17,015	16,304
	<hr/>	<hr/>

The average number of employees, including directors during the year was 122 (2015 - 115).

The key management of the company is Jane Silber and Mark Shuttleworth who are remunerated via other group companies.

# Canonical UK Limited

## Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

### 4 Operating profit

	2016 US\$'000	2015 US\$'000
This has been arrived at after charging:		
Depreciation	3	58
Operating lease - land and buildings	1,249	1,239
Fees payable to the company's auditor for the audit	19	18
	<u>          </u>	<u>          </u>

### 5 Interest receivable and similar income

	2016 US\$'000	2015 US\$'000
Bank interest receivable	2	2
Realised foreign exchange gain	-	134
Unrealised foreign exchange gain	1,730	3,062
	<u>          </u>	<u>          </u>
	1,732	3,198
	<u>          </u>	<u>          </u>

### 6 Interest payable and similar charges

	2016 US\$'000	2015 US\$'000
Bank and finance charges	1	1
Realised foreign exchange loss	8	-
	<u>          </u>	<u>          </u>
	9	1
	<u>          </u>	<u>          </u>

# Canonical UK Limited

## Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

### 7 Taxation

	2016 US\$'000	2015 US\$'000
<i>Current tax</i>		
UK corporation tax	-	-

The tax assessment for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2016 US\$'000	2015 US\$'000
Profit on ordinary activities before tax	2,235	3,203
UK corporation tax rate of 20% (2015 - 21%)	447	673
Expenses not deductible for taxation purposes	2	10
Depreciation in excess of capital allowances	-	12
Group relief utilised	(437)	(695)
Adjustments to deferred tax rates	(12)	-
Current tax for the year	-	-

### 8 Tangible assets

	Computer equipment US \$'000	Fixtures and fittings US \$'000	Total US \$'000
At 1 April 2015 and 31 March 2016	21	174	195
<i>Depreciation</i>			
At 1 April 2015	21	171	192
Charged for the year	-	3	3
At 31 March 2016	21	174	195
<i>Net book value</i>			
At 31 March 2016	-	-	-
At 31 March 2015	-	3	3

# Canonical UK Limited

## Notes forming part of the financial statements for the year ended 31 March 2016 (continued)

### 9 Debtors

	2016 US \$'000	2015 US \$'000
Amounts owed by related undertakings	90,042	66,176
Other debtors	43	103
Prepayments	235	616
	<u>90,320</u>	<u>66,895</u>

All debtors are due within one year.

### 10 Creditors: amounts falling due within one year

	2016 US\$'000	2015 US\$'000
Trade creditors	-	415
Accruals	2,032	1,648
Loan payable	680	-
Amounts owed to related undertakings	78,824	57,866
	<u>81,536</u>	<u>59,929</u>

### 11 Creditors: amounts falling due after more than one year

	2016 US\$'000	2015 US\$'000
Loan payable	-	641
	<u>-</u>	<u>641</u>

The loan is due to Mark Shuttleworth, the sole beneficial shareholder of the company. The loan is denominated in Euros, totals €596,861 (2015 - €596,861), is unsecured, interest free and has no specified repayment date.

### 12 Share capital

	2016 Number	2015 Number	Allotted, called up and fully paid 2016 £	2015 £
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
			\$	\$
Converted to USD			<u>2</u>	<u>2</u>



# Canonical UK Limited

## Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

### 14 Commitments under operating leases

As at 31 March 2016, the company had minimum lease payments under non-cancellable operating leases as set out below:

	2016 Land and buildings US\$'000	2016 Other US\$'000	2015 Land and buildings US\$'000	2015 Other US\$'000
Operating leases which expire:				
Within one year	565	684	619	610
In two to five years	-	110	619	583
	<u>565</u>	<u>794</u>	<u>1,238</u>	<u>1,193</u>

During the prior year the lease for land and buildings held by Canonical UK Limited expired. The new UK property lease is held by Canonical Group Limited.

### 14 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that 100% of the voting rights in the company are controlled by the group headed by Canonical Holdings Limited.

Further disclosure of loans with related parties is included within note 11.

### 15 Ultimate controlling party

At 31 March 2016 the company's immediate parent company was Canonical Group Limited. The company's ultimate controlling party is Mark Shuttleworth, being the sole shareholder of the company's ultimate parent undertaking, Canonical Holdings Limited.

### 16 First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit.