

Canonical UK Limited

Report and Financial Statements

Year Ended

31 March 2014

Company Number 05055134

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Canonical UK Limited

Report and financial statements for the year ended 31 March 2014

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Director

J E Silber

Secretary

Standard Bank Trust Company (Isle of Man) Limited,

Registered office

5th 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 2014

The director presents her strategic report together with the audited financial statements for the year ended 31 March 2014.

Principal activities

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.

Canonical UK Limited provides the Canonical Group with UK based support, sales and engineering resources that are required to support the deployment of the Ubuntu product. In addition Canonical UK Limited provides Canonical Limited with brand and product development services based on the strategic guidance given by Canonical Limited.

Review of the development, performance and position of the business

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 measure 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	Year ended March 2014	Year ended March 2013
Revenue (\$m)	23	20
Operating profit (\$m)	0.4	0.1

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. It has external trade creditors directly arising from its operations.

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 cash flow interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Canonical UK Limited

Strategic report for the year ended 31 March 2014 (*continued*)

Principal risks and uncertainties

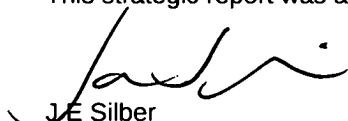
Currency risk - The group has minimal exposure to currency translation risk. The majority of the group is denominated in USD, which is in line with inter-company sales that are also denominated in USD.

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 15/12/2014



J.E Silber

Director

Canonical UK Limited

Report of the director for the year ended 31 March 2014

The director presents her report together with the audited financial statements for the year ended 31 March 2014.

Results and dividends

The profit and loss account is set out on page 7 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 (2013 - \$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 2014 (*continued*)

Auditors

The current 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 15 December 2014

Canonical UK Limited

Independent auditor's report

TO THE MEMBERS OF CANONICAL UK LIMITED

We have audited the financial statements of Canonical UK Limited for the year ended 31 March 2014 which comprise the profit and loss account, the balance sheet 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).

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.

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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 2014 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*)

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.

BDO LLP

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

Date *18 December 2014*

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

Canonical UK Limited

Profit and loss account for the year ended 31 March 2014

	Note	2014 US\$'000	2013 US\$'000
Turnover	2	22,722	20,252
Administrative expenses		(22,359)	(20,202)
Operating profit	4	363	50
Interest receivable and similar income	5	1	32
Interest payable and similar charges	6	(57)	(1)
Profit on ordinary activities before taxation		307	81
Taxation	7	-	-
Profit for the financial year	13	307	81

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 9 to 14 form part of these financial statements.

Canonical UK Limited

Balance sheet at 31 March 2014

<i>Company number 05055134</i>	Note	2014 US\$'000	2014 US\$'000	2013 US\$'000	2013 US\$'000
Fixed assets					
Tangible assets	8		61		138
Current assets					
Debtors - due within one year	9	56,467		31,196	
Cash at bank and in hand		634		390	
		<u>57,101</u>		<u>31,586</u>	
Creditors: amounts falling due within one year	10	<u>(52,935)</u>		<u>(27,861)</u>	
Net current assets			<u>4,166</u>		<u>3,725</u>
Total assets less current liabilities			<u>4,227</u>		<u>3,863</u>
Creditors: amounts falling due after more than one year	11		<u>(823)</u>		<u>(766)</u>
			<u>3,404</u>		<u>3,097</u>
Capital and reserves					
Share capital	12		-		-
Profit and loss account	13		3,404		3,097
Shareholder's funds			<u>3,404</u>		<u>3,097</u>

The financial statements were approved by the Board of Directors and authorised for issue on 15/12/2014

J E Silber 
Director

The notes on pages 9 to 14 form part of these financial statements.

Canonical UK Limited

Notes forming part of the financial statements for the year ended 31 March 2014

1 Accounting policies

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 1.66368.

The following principal accounting policies have been applied:

Going concern

The financial statements are produced 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, Futuristic 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.

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. 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
Leasehold improvements	-	over the term of the lease

Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account 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 profit and loss account. 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.

Canonical UK Limited

Notes forming part of the financial statements for the year ended 31 March 2014 (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing can be deducted. The deferred tax balance has not been discounted.

2 Turnover

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

3 Employees

	2014 US\$'000	2013 US\$'000
Staff costs consist of:		
Wages and salaries	12,806	11,767
Social security costs	1,457	1,441
Pension	63	262
	<u>14,326</u>	<u>13,470</u>

The average number of employees, including directors during the year was 114 (2013 - 109).

4 Operating profit

	2014 US\$'000	2013 US\$'000
This has been arrived at after charging:		
Depreciation	86	121
Operating lease - land and buildings	693	575
Exchange differences	437	173
Fees payable to the company's auditor for the audit	8	10
	<u></u>	<u></u>

Canonical UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (*continued*)

5 Interest receivable and similar income

	2014 US\$'000	2013 US\$'000
Bank interest receivable	1	1
Unrealised foreign exchange gain	-	31
	<u>1</u>	<u>32</u>

6 Interest payable and similar charges

	2014 US\$'000	2013 US\$'000
Bank and finance charges	57	1
	<u>57</u>	<u>1</u>

7 Taxation

	2014 US\$'000	2013 US\$'000
<i>Current tax</i>		
UK corporation tax credit	-	-
	<u>-</u>	<u>-</u>

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

	2014 US\$'000	2013 US\$'000
Profit on ordinary activities before tax	307	81
UK corporation tax rate of 23% (2013 - 24%)	71	19
Expenses not deductible for taxation purposes	5	67
Utilisation of losses brought forward	-	-
Depreciation in excess of capital allowances	14	6
Short term timing differences	-	(8)
Group relief utilised	(90)	(84)
	<u>-</u>	<u>-</u>
Current tax credit for the year	-	-
	<u>-</u>	<u>-</u>

Canonical UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (*continued*)

8 Tangible assets

	Leasehold improvements US \$'000	Computer equipment US \$'000	Fixtures and fittings US \$'000	Total US \$'000
<i>Cost</i>				
At 1 April 2013	137	12	260	409
Additions	-	9	-	9
Disposals	(137)	-	(86)	(223)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	-	21	174	195
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 April 2013	128	12	131	271
Charged for the year	9	8	69	86
Disposals	(137)	-	(86)	(223)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	-	20	114	134
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2014	-	1	60	61
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	9	-	129	138
	<hr/>	<hr/>	<hr/>	<hr/>

9 Debtors

	2014 USD \$'000	2013 USD \$'000
Amounts owed by related undertaking	55,780	30,931
Other debtors	6	5
Prepayments	681	237
Other taxation and social security	-	23
	<hr/>	<hr/>
	56,467	31,196
	<hr/>	<hr/>

Canonical UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (continued)

10 Creditors: amounts falling due within one year

	2014 US\$'000	2013 US\$'000
Trade creditors	150	231
Other taxation and social security	13	-
Accruals	930	779
Amounts owed to related undertakings	51,842	26,551
Other creditors	-	300
	<u>52,935</u>	<u>27,861</u>

11 Creditors: amounts falling due after more than one year

	2014 US\$'000	2013 US\$'000
Loan payable	823	766
	<u>823</u>	<u>766</u>

The loan is due to Mark Shuttleworth, the sole beneficial shareholder of the company. The loan is denominated in Euros, totals €596,861 (2013 - €596,861), is unsecured, interest free and has no specified repayment date.

12 Share capital

	2014 Number	Allotted, called up and fully paid 2013 Number	2014 £	2013 £
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>

13 Reconciliation of movement in shareholder's funds

	2014 US\$'000	2013 US\$'000
Profit for the year	307	81
Increase in shareholder's funds	307	81
Opening shareholder's funds	3,097	3,016
	<u>3,404</u>	<u>3,097</u>
Closing shareholder's funds	<u>3,404</u>	<u>3,097</u>

Canonical UK Limited

Notes forming part of the financial statements for the year ended 31 March 2014 (continued)

14 Commitments under operating leases

As at 31 March 2014, the company had annual commitments under non-cancellable operating leases as set out below:

	2014 Land and buildings US\$'000	2014 Other US\$'000	2013 Land and buildings US\$'000	2013 Other US\$'000
Operating leases which expire:				
Within one year	-	27	693	-
In two to five years	-	570	-	-
	<u>-</u>	<u>597</u>	<u>693</u>	<u>-</u>
	-	597	693	-

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.

15 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related Party Disclosures" on the ground that 100% of the voting rights of the company are controlled by the company's ultimate parent company and the company is included in those consolidated financial statements.

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

16 Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 "Cash Flow statements", not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate parent company.

17 Ultimate controlling party

At 31 March 2014 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, Futuristic Limited.