

## **Canonical Group Limited**

Report and Financial Statements

Year Ended

31 December 2020

Company Number 06870835

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# Canonical Group Limited

## Report and financial statements for the year ended 31 December 2020

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### Director

N French

### Secretary

K Ollerhead

### Registered office

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

### Company number

06870835

### Auditors

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

# Canonical Group Limited

## Strategic report for the year ended 31 December 2020

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The director presents the strategic report together with the audited financial statements for the year ended 31 December 2020.

### Principal activities

Canonical Group Limited is part of the Canonical group of companies, headed by Canonical Holdings Limited. The Canonical group is the leading provider of 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, public cloud providers and individual technologists. The Canonical group is uniquely positioned to help customers make the most of Ubuntu.

Canonical Group Limited provides the operational management resources and assistance for the sales, engineering and support of Ubuntu services provided by the companies within the group. In addition to this, under the strategic guidance and direction of Canonical Holdings Limited, Canonical Group Limited provides operational management for the development of the Ubuntu brand and products.

### Review of development, performance and position of the business

Ubuntu is the platform of choice for multi-cloud. Most public cloud workloads are running on Ubuntu. Most public and private cloud container deployment on Kubernetes use Ubuntu. Most large-scale private cloud built with OpenStack are on Ubuntu, using both Kernel-based Virtual Machine ("KVM") and the LXD pure-container hypervisor for the world's fastest private clouds. The majority of new smart gateways, self-driving cars and advanced humanoid robots are running Ubuntu as well. Canonical Group Limited provides enterprise support and services for commercial users of Ubuntu.

In addition to producing Ubuntu, Canonical leads the development of key differentiating technologies which allow customers to operate efficiently at scale. Canonical leads the development of Juju, the model-driven operations system, and MAAS (Metal-as-a-Service), which creates a physical server cloud and IP Address Management ("IPAM") for amazing data centre operational efficiency. Further, Canonical leads the development of the snap universal Linux packaging system for secure, transactional device updates and app stores. Ubuntu Core is an all-snap instantiation of Ubuntu, perfect for devices and appliances.

Building on these technologies, Canonical offers Canonical OpenStack and the Charmed Distribution of Kubernetes. Both offer enterprise, telecom providers and OEMs mechanisms to build multi-cloud infrastructure that's cost efficient to build and operate. Canonical consulting, training and managed services offering means companies can get started with their multi-cloud infrastructure in weeks.

To support the technology and go-to-market strategies, Canonical Group Limited continues to build world class global engineering, support and managed service operational teams. The combination of these highly skilled individuals and Canonical Group Limited's class leading management tools, positions the group to be a leading player in the markets where it operates.

# Canonical Group Limited

## Strategic report for the year ended 31 December 2020 (continued)

### Key performance indicators

As Canonical Group Limited carries out services on behalf of the Canonical group, this commentary reflects that of the combined group headed by Canonical Holdings Limited (the 'CHL Group').

In the year to 31 December 2020 turnover increased by \$19m to \$138m. The CHL Group continued to invest with average headcount moving from 473 to 505 in the period. Growth in revenue and improvements in efficiency led to operating loss improving from \$2m to \$ 20m profit.

The Canonical group measures its performance through the use of key performance indicators ('KPIs'). These KPIs are focussed on revenue, operating profit, cash flow and average headcount. 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 – Canonical Holdings Limited

	2020	2019
Revenue (\$m)	138	119
Operating profit/loss (\$m)	20	(2)
Cash generated from/(used in) operations (\$m)	38	(3)
Average headcount	505	473

The Board is satisfied with the overall performance as indicated by these metrics. The increase in revenue year on year reflects the increase in staffing levels in the CHL Group and thus the service levels offered to other group companies. Consequently, the CHL Group has generated an operating profit for the current year compared to a loss incurred in the prior year.

#### KPIs – Canonical Group Limited

	2020	2019
Revenue (\$m)	141	121
Operating profit (\$m)	5.3	0.4
Cash generated by/used in operations (\$m)	37.3	(2.3)
Average headcount	441	415

The Board is satisfied with the overall performance as indicated by these metrics. The increase in revenue year on year reflects the increase in staffing levels in the group and thus the service levels offered to other group companies. The group's operating profit has decreased year on year due to the realignment of the CHL Group's transfer pricing policies such that they reflect the current group operating model.

### Financial risk management objectives and policies

The group uses various financial instruments including loans and cash. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial assets and liabilities such as trade debtors and creditors that arise directly from its operations.

The existence of these financial instruments exposes the group to a number of financial risks which are described in more detail below. The risks 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.

## Canonical Group Limited

### Strategic report for the year ended 31 December 2020 (*continued*)

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#### 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 the majority of sales and costs which are also denominated in USD.

*Credit risk* - The group's principal credit risk relates to recovery of amounts owed by trade debtors. This risk is limited by determining a limit for customers based on third party credit references, payment history and other factors. This risk is reviewed regularly in conjunction with debtor ageing and payment history.

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

#### Future developments

The group's principal strategic initiatives during the year included ongoing improvement of the product offerings via the group's software roadmap, and continued development of the various global channel-led sales routes. In addition, the capital funding structure of the group is continuously monitored via a set of detailed financial forecasts. External funding has not been necessary given the group's rapid success in most markets. Going forward, both software and market initiatives will continue, and management will also continue to assess whether the group would benefit from financial partnering to boost growth, whilst ensuring that increased costs are limited to increased revenue earned.

#### Going concern

The Directors are confident of building on the successes of 2020 and expect to further improve financial performance in 2021. However, despite the successful 2020, with high levels of recurring revenues and cash levels in the business as at April 2021, the Directors have considered their response to the likely effects of the continued Covid-19 pandemic conditions.

Canonical, as a remote-based software development and services provider, was, and remains, naturally well placed to deal with the challenges that Covid-19 have given rise to. The vast majority of staff were already home based, and with the exception of some customer-centric physical delivery requirements, most customer service operations are remotely delivered. Thus, the impact of global lockdown on our operations has been minimal and is predicted to continue as such.

The base case budget for the year ended 2021, involves a plan for the status of the group to reach an underlying (ie, after temporary travel cost savings) break-even position (in terms of EBITDA and operating cash), despite increasing annualised costs by approximately 25%. The Group has not received any cash funding since mid-2018, owing to the ability of the Directors to closely match cost growth with sales growth.

The rapid emergence of the coronavirus pandemic has already, and will continue to cause, disruption to many of our customers. This in turn may lead to lower new sales, or a lower level of renewal of existing customer value. Given the high level of planned, but unexecuted investment in people in the 2021 plan, there is a high level of immediate control available to the directors in order to meet the forecast break-even status. Furthermore, the level of committed, non-cancellable costs in the business is very low, being relatively small offices and annual software licenses.

## Canonical Group Limited

### Strategic report for the year ended 31 December 2020 (*continued*)

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#### **Going concern (*continued*)**

In assessing the risks posed to the going concern assumptions, a set of detailed forecasts for 12 months post signing these financial statements have been prepared that show the effects of various scenarios on the group. In particular the directors' have considered the potential impacts that COVID-19 may have on the ability to achieve adequate levels of sales.

The forecasts prepared by the Directors include scenarios where the group's sales and renewal plan is significantly impacted, by an approximate 50% reduction in sales which can be comfortably sustained before enacting cost-cutting measures. This level of reduction is not expected by management due to the nature of the services provided and due to the fact that a large proportion of the income throughout the going concern period has already been contracted with large companies that are expected to succeed in these economic conditions (e.g. public cloud operators).

Based on the forecasts noted above, the various scenarios considered and the sensitivities applied thereto, and having given consideration to the confirmation that the ultimate parent company, Canonical Holdings Limited will not recall the 'Amounts owed to parent undertaking within 12 months of the date of sign off of these financial statements, the director considers it appropriate to prepare the financial statements on a going concern basis.

## Canonical Group Limited

### Strategic report for the year ended 31 December 2020 *(continued)*

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#### Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions.

In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain here how the Board engages with stakeholders. The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

To ensure the Company was operating in line with good corporate practice, all Directors reflect on how the Company engages with its stakeholders and opportunities for enhancement. As required, the Senior Legal Counsel and Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f). The Board regularly reviews the Company's principal stakeholders and how it engages with them.

In addition to the above, during 2020 the Board initiated the following specific activities, limited here to matters of strategic importance only:

- The board has developed a hiring plan consummate with achievement of a break even EBITDA status for the year. This was to ensure the long term growth, stability and security of the company for all internal and external stakeholders in the absence of a desire to receive external funding for the short term.
- The business continued to enhance Ubuntu Pro, a new product designed to further enhance the accessibility of the security benefits of Ubuntu, particularly on the public clouds. This launch was in response to growing customer stakeholder demand for extended security maintenance.

#### Approval

This strategic report was approved on behalf of the Board on 07 June 2021.

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N French

**Director**

## Canonical Group Limited

### Director's report for the year ended 31 December 2020

The director presents his report together with the audited financial statements for the year ended 31 December 2020.

#### Results and dividends

The consolidated income statement is set out on page 12 and shows the profit for the year.

During the year, no dividends were paid (2019 - \$Nil). The director does not recommend the payment of a final dividend (2019 - \$Nil).

#### Director

The director of the company during the year was:

N French

#### Going concern

Details regarding going concern can be found in the Strategic Report and form part of this report by cross-reference.

#### Employee policies

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

#### Employee involvement

The company maintains an HR intranet site that provides employees with information on matters of concern to them as employees, including the financial and economic factors affecting the performance of the company. The intranet site includes functionality that enables employees to express views on matters that affect them anonymously and the company also undertakes staff surveys to canvas views on significant matters.

#### Auditors

The current director has taken all the steps that he ought to have taken to make himself 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 reappoint them will be proposed at the annual general meeting.

#### On behalf of the Board

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N French

#### Director

Date 07 June 2021 | 2:51 PM BST



## **Canonical Group Limited**

### **Director's responsibilities statement for the year ended 31 December 2020**

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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 group and company 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 he is satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group 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, subject to any material departures disclosed and explained in the financial statements; and
- 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. The director 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 Group Limited

## Independent auditor's report

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANONICAL GROUP LIMITED

#### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2020 and of the Group's 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.

We have audited the financial statements of Canonical Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the consolidated income statement, consolidated and company balance sheets, consolidated and company statements of changes in equity, consolidated statement of cash flows and and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

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

**Canonical Group Limited**

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

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**Other information**

The director is responsible for the other information. The other information comprises the information included in Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Other Companies Act 2006 reporting**

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

- 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; and
- the Strategic report and Director's report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Director's report.

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

- adequate accounting records have not been kept, 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.

**Canonical Group Limited**

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

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**Responsibilities of the Director**

As explained more fully in the Director's Responsibilities Statement, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

*Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the Parent Company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, the Companies Act 2006 and relevant tax compliance regulations;
- We understood how the Group and the Parent Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee;
- We assessed the susceptibility of the Group's and the Parent Company's financial statements to material misstatement, including how fraud might occur, by meeting with management from across the Group and the Parent Company to understand where they considered there was a susceptibility to fraud;
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect recognition of revenue. We obtained an understanding of the processes and controls that the Group and the Parent Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls; and

**Canonical Group Limited**

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

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- With regards to the fraud risk in management override, our procedures included journal transaction testing, with a focus on large or unusual transactions based on our knowledge of the business. We also performed an assessment on the appropriateness of key judgements and estimates, which are subject to managements' judgement and estimation, and could be subject to potential bias.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Parent 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.

DocuSigned by:

**BDO LLP**

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Leighton Thomas (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London

Date 08 June 2021

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

# Canonical Group Limited

## Consolidated income statement for the year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
<b>Turnover</b>	3	<b>141,124</b>	121,326
Cost of sales		(1,798)	(1,642)
<b>Gross profit</b>		<b>139,326</b>	119,684
Administrative expenses		(134,009)	(119,300)
<b>Operating profit</b>	6	<b>5,317</b>	384
Interest receivable and similar income	7	2	13
Interest payable and similar charges	8	(1)	(3)
<b>Profit on ordinary activities before tax</b>		<b>5,318</b>	394
Taxation	9	(869)	(568)
<b>Profit/(Loss) for the financial year/period and total comprehensive profit/(loss)</b>		<b>4,449</b>	(174)

All amounts relate to continuing activities.

There was no other comprehensive income in the current or prior year.

The notes on pages 19 to 32 form part of these financial statements.

# Canonical Group Limited

## Consolidated balance sheet at 31 December 2020

<b>Company number 06870835</b>	<b>Note</b>	<b>2020 \$'000</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>	<b>2019 \$'000</b>
<b>Fixed assets</b>					
Tangible assets	10		3,647		3,066
<b>Current assets</b>					
Stock	12	-		88	
Debtors	13	37,218		387,344	
Cash at bank		45,076		10,419	
		<u>82,294</u>		<u>397,851</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(139,102)</u>		<u>(458,302)</u>	
<b>Net current liabilities</b>			<b>(56,808)</b>		<b>(60,451)</b>
<b>Provisions for liabilities</b>	15		-		(225)
<b>Net liabilities</b>			<u><b>(53,161)</b></u>		<u><b>(57,610)</b></u>
<b>Capital and reserves</b>					
Share capital	17		-		-
Accumulated deficit			<b>(53,161)</b>		<b>(57,610)</b>
<b>Shareholder's deficit</b>			<u><b>(53,161)</b></u>		<u><b>(57,610)</b></u>

The financial statements were approved by the Board of Directors and authorised for issue on 07 June 2021.

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 Director

The notes on pages 19 to 32 form part of these financial statements.

## Canonical Group Limited

### Consolidated statement of changes in equity for the year ended 31 December 2020

	Share capital US\$'000	Accumulated deficit US\$'000	Total equity US\$'000
<b>1 January 2020</b>	-	(57,610)	(57,610)
<b>Profit for the year</b>	-	4,449	4,449
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive profit for the year</b>	-	4,449	4,449
	<hr/>	<hr/>	<hr/>
<b>31 December 2020</b>	-	(53,161)	(53,161)
	<hr/>	<hr/>	<hr/>
	Share capital US\$'000	Accumulated deficit US\$'000	Total equity US\$'000
<b>1 January 2019</b>	-	(57,436)	(57,436)
<b>Loss for the year</b>	-	(174)	(174)
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive loss for the year</b>	-	(174)	(174)
	<hr/>	<hr/>	<hr/>
<b>31 December 2019</b>	-	(57,610)	(57,610)
	<hr/>	<hr/>	<hr/>

The notes on pages 19 to 32 form part of these financial statements.



# Canonical Group Limited

## Consolidated statement of cash flows for the year ended 31 December 2020

	2020 US\$'000	2019 US\$'000
<b>Cash flows from operating activities</b>		
<b>Profit/(loss) for the financial year</b>	<b>4,449</b>	<b>(174)</b>
Adjustments for:		
Depreciation of fixed assets	1,610	1,207
Disposal of assets	-	-
Net interest payable	1	3
Net interest receivable	(2)	(13)
Taxation expense	869	568
(Increase)/decrease in trade and other debtors	349,711	(16,735)
Decrease in stocks	88	69
Increase/(decrease) in trade and other creditors	(319,198)	12,815
Decrease in provisions	(225)	-
<b>Cash generated/(used) in operations</b>	<b>37,303</b>	<b>(2,260)</b>
Taxation paid	(455)	(474)
<b>Net cash generated/(used) in operating activities</b>	<b>36,848</b>	<b>(2,734)</b>
<b>Cash flows from investing activities</b>		
Purchases of tangible fixed assets	(2,191)	(2,925)
<b>Net cash used in investing activities</b>	<b>(2,191)</b>	<b>(2,925)</b>
<b>Cash flows from financing activities</b>		
Increase in loans payable	-	-
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>34,657</b>	<b>(5,659)</b>
Cash and cash equivalents at beginning of year	10,419	16,078
<b>Cash and cash equivalents at end of year</b>	<b>45,076</b>	<b>10,419</b>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank and in hand	45,076	10,419

The notes on pages 19 to 32 form part of these financial statements.

# Canonical Group Limited

## Company balance sheet at 31 December 2020

<b>Company number 06870835</b>	<b>Note</b>	<b>2020 \$'000</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>	<b>2019 \$'000</b>
<b>Fixed assets</b>					
Tangible assets	10		2,319		1,003
Investments	11		710		864
			<u>3,029</u>		<u>1,867</u>
<b>Current assets</b>					
Stock	12	-		88	
Debtors	13	36,168		363,412	
Cash at bank		43,580		9,620	
		<u>79,748</u>		<u>373,120</u>	
<b>Creditors: amounts falling due within one year</b>	14	(161,585)		(453,302)	
<b>Net current liabilities</b>			<u>(81,837)</u>		<u>(80,182)</u>
<b>Net liabilities</b>			<u>(78,808)</u>		<u>(78,315)</u>
<b>Capital and reserves</b>					
Share capital	17	-		-	
Accumulated Deficit			<u>(78,808)</u>		<u>(78,315)</u>
<b>Shareholder's deficit</b>			<u>(78,808)</u>		<u>(78,315)</u>

As permitted by Section 408 of the Companies Act 2006, the company has elected not to present its own income statement for the year. The company reported a loss after taxation for the financial year ended 31 December 2020 of \$493,000 (2019 profit - \$1,396,000).

The financial statements were approved by the Board of Directors and authorised for issue on 07 June 2021.

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 N French  
 Director

The notes on pages 19 to 32 form part of these financial statements.

## Canonical Group Limited

### Company statement of changes in equity for the year ended 31 December 2020

	Share capital US\$'000	Accumulated deficit US\$'000	Total equity US\$'000
<b>1 January 2020</b>	-	(78,315)	(78,315)
<b>Loss for the year</b>	-	(493)	(493)
	<hr/>	<hr/>	<hr/>
<b>Loss and total comprehensive loss for the year</b>	-	(493)	(493)
	<hr/>	<hr/>	<hr/>
<b>31 December 2020</b>	-	(78,808)	(78,808)
	<hr/>	<hr/>	<hr/>
	Share capital US\$'000	Accumulated deficit US\$'000	Total equity US\$'000
<b>1 January 2019</b>	-	(79,711)	(79,711)
<b>Profit for the year</b>	-	1,396	1,396
	<hr/>	<hr/>	<hr/>
<b>Profit and total comprehensive income for the year</b>	-	1,396	1,396
	<hr/>	<hr/>	<hr/>
<b>31 December 2019</b>	-	(78,315)	(78,315)
	<hr/>	<hr/>	<hr/>

The notes on pages 19 to 32 form part of these financial statements.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020

### 1 Accounting policies

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

Canonical Group Limited is a company limited by shares, 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.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

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, due to the fact that the US Dollar is the functional currency of the company. The year-end exchange rate between US Dollar and Sterling was 1.3652. (2019: 1.319).

During the prior year, Canonical Group Limited was acquired by Canonical Limited for nil consideration. Prior to the acquisition both companies shared a common immediate and ultimate shareholder. The substance of the transaction was not the acquisition of a business but a group reconstruction.

#### *Parent company disclosure exemptions*

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

#### *Basis of consolidation*

The group financial statements consolidate the financial statements of Canonical Group Limited and all its subsidiary undertakings as at 31 December 2020. The Group uses the acquisition method of accounting to consolidate the results of the subsidiary undertakings unless otherwise stated. All inter-company transactions and balances between group enterprises are eliminated on consolidation.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

### 1 Accounting policies (*continued*)

#### *Going concern*

The financial statements have been prepared using the going concern basis of accounting. The directors have reviewed the company's and group's going concern position taking into account its current business activities, budgeted performance and factors likely to affect its future development. Based on the information contained within the accounts and including specific consideration with the risks associated with the COVID-19 situation, the director has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

As at 31 December 2020, the Canonical Group had cash resources of \$45.1 m (2019: \$10.4m), current assets of \$82m (2019: \$397m) and had net current liabilities of \$53m (2019: \$57m). The company and group have no external loans or borrowings outside of the Canonical group. In the year to 31 December 2020 the Group made a profit before tax of \$5.3m (2019: \$0.4m) and net cash generated from operations was \$37.3 m (2019: \$2.2m used in operations). Whilst the group continues to invest heavily in R&D in order to preserve the products market-leading nature, contractual revenues are rising to the point that they are forecast to overtake costs in 2020 and beyond.

The director has considered the potential impact COVID-19 may have on the ability to achieve budgeted sales. Whereas a large proportion of the income throughout the going concern period has already been contracted with large companies that are expected to succeed the economic conditions (e.g. public cloud operators), the rapid emergence of the COVID-19 pandemic has caused significant disruption to some of the group's customers and thus may lead to lower new sales, or a lower level of renewals from existing customers.

The results of the group's stress test show that owing to the group's strong cash position on entering the crisis, high level of contracted sales and low level of fixed costs the business can comfortably sustain an approximate 50% reduction in sales before enacting cost-cutting measures. Furthermore, in the most extreme case, the business could sustain the removal of sales to the contracted minimum, if necessary, with an appropriate reduction in variable cost that would not impede short to medium term mandatory customer and internal operations.

After making enquiries of the shareholders and having given consideration to the confirmation that the ultimate parent company, Canonical Holdings Limited will not recall the 'Amounts owed to parent undertaking within 12 months of the date of sign off of these financial statements, the directors consider it appropriate to prepare the financial statements on a going concern basis.

#### *Revenue recognition*

Turnover comprises of revenues from third parties and fees from other group companies in respect of charges for outsourced business services, exclusive of sales taxes.

Revenue from third parties is generated from the provision of custom software engineering, the provision of support, maintenance and training services, the sale of merchandise and from advertising fees.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

### 1 Accounting policies (continued)

#### *Revenue recognition (continued)*

Each sales contract is designed to meet the specific requirements of each customer. Where agreements involve multiple elements, the entire fee from such arrangements is allocated to each of the individual elements based on each element's fair value. The revenue in respect of each element is recognised in accordance with the following:

- Software Engineering - revenue is measured with reference to the stage of completion of the contract. The stage of completion is determined by the level of services performed to date as a percentage of total services expected to be performed. Where the stage of completion cannot be reliably measured in this way, reference is made to the completion of project milestones;
- Maintenance and Support - revenue is deferred and recognised on a straight line basis over the year to which the support relates;
- Merchandise Sales - revenue is recognised once the sale has taken place and the risks and rewards have been transferred to a third party; and
- Advertising Fees - revenue is recognised when earned based on the click-through activity of an internet user on a third party web-site advertisement.

Where the company is contractually committed to future revenues from a third party, revenue will be accrued in accordance with the terms of the agreement.

#### *Foreign currency*

Transactions denominated in currencies other than USD are recorded at the rate of exchange ruling at the dates of transactions. Assets and liabilities expressed in currencies other than USD are translated into USD at rates of exchange ruling at the end of the financial year. All foreign exchange differences are taken to the income statement in the year in which they arise.

#### *Valuation of investments*

Investments held as fixed assets are stated at cost less any provision for impairment.

#### *Fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated to write down the cost, with nil residual value, of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Leasehold improvements	- over the term of the lease
Computer equipment	- over 30 months straight line
Fixtures and fittings	- over 30 months straight line

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

### 1 Accounting policies (continued)

#### *Financial Instruments*

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors, and creditors, loans from related parties and accrued expenses.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors or creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### *Share-based payments*

Where share options are awarded to staff members, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition. The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme). Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period. Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

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#### **1 Accounting policies (*continued*)**

##### *Share capital*

Financial instruments issued by the group are classified as equity only to the extent that they not meet the definition of a financial liability or financial asset. The group's ordinary shares are classified as equity instruments.

##### *Taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a charge 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.

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.



# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

### 1 Accounting policies (*continued*)

#### *Research and development tax credit*

Companies within the group may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits), using the above the line ('ATL') R&D tax credit scheme. The group accounts for such allowances as tax credits, which means that they are recognised when it is probable that the benefit will flow to the group and that benefit can be reliably measured. R&D tax credits are recognised within administrative expenses reducing the expenditure incurred on the R&D project to which the credit relates. To the extent the amounts due in respect of them are not settled by the balance sheet date, they reduce current tax payable or are held as a receivable.

#### *Stock*

Stock is valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

#### *Contribution to pension funds*

The group makes contributions to individuals personal pension plans. Pension costs are charged against profits in respect of the accounting year in which they are paid.

#### *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.

### 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine the stage of completion in respect of ongoing services. Factors considered include milestone achievements, fair value of contractual components and level of staff time incurred per project as a proportion of the total expected time.

In preparing these financial statements, the directors have made the following estimates:

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.
- Recoverability of amounts owed by group undertakings – determine whether provisions are required against amounts owed by group undertakings based on the ability of the fellow subsidiary to generate profits and cash.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

### 3 Turnover

The turnover for the year is derived from the group's principal activity.

	2020 \$'000	2019 \$'000
Analysis by geographical market:		
United Kingdom	7,190	6,530
Europe	12,221	8,943
Rest of the World	121,713	105,853
	<u>141,124</u>	<u>121,326</u>

### 4 Employees

	2020 \$'000	2019 \$'000
Staff costs consist of:		
Wages and salaries	57,530	57,048
Social security costs	4,643	3,981
Pension costs	3,799	3,865
	<u>65,972</u>	<u>64,894</u>

The average number of employees, including directors, during the year was 441 (2019 - 415).

### 5 Directors' remuneration

	2020 \$'000	2019 \$'000
Directors' emoluments	<u>267</u>	<u>266</u>

The director was paid \$267,140 (2019 - \$265,517) in the year by the Company. The key management of the group and company is the director and the directors of Canonical Holdings Limited, who are remunerated via other group and non-group companies.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

### 6 Operating profit

	2020 \$'000	2019 \$'000
This has been arrived at after charging/(crediting):		
Depreciation	1,610	1,207
Operating leases:		
- Land and buildings	3,753	3,783
- Other	785	622
Fees payable to the company's auditor for:		
- the audit of the group	94	108
- the audit of the subsidiaries	34	32
Research and development tax credit	(1,487)	(916)
	<u>          </u>	<u>          </u>

### 7 Interest receivable and similar income

	2020 \$'000	2019 \$'000
Realised foreign exchange gain	-	-
Unrealised foreign exchange gain	2	13
	<u>          </u>	<u>          </u>

### 8 Interest payable and similar charges

	2020 \$'000	2019 \$'000
Unrealised foreign exchange loss	-	-
Realised foreign exchange loss	1	3
	<u>          </u>	<u>          </u>

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

### 9 Taxation

	2020 \$'000	2019 \$'000
<i>Corporation tax</i>		
Current tax on overseas income for the year	700	439
Adjustment to tax charge in respect of prior periods	169	129
	<u>869</u>	<u>568</u>

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

	2020 \$'000	2019 \$'000
Profit on ordinary activities before tax	<u>5,318</u>	<u>394</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK 19% (2019 - 19%)	1,010	75
Expenses not deductible for tax purpose	62	3
Adjustment to tax charge in respect of previous periods	169	129
Differences in overseas tax rate	254	143
Brought forward losses utilised	-	-
Deferred tax not recognised	(449)	145
R&D tax charge	-	73
Offset of current year research and development credits	(177)	-
Offset of other utilised research and development credits	-	-
Total tax charge for the year	<u>869</u>	<u>568</u>

The adjustment in respect of prior periods relates to the claiming of a research and development tax credit under the 'above the line' scheme.

A deferred tax asset has not been recognised in respect of timing differences relating to losses and accelerated capital allowances as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is \$ 12.4 m (2019 - \$12.7m). The asset would be recovered if sufficient future taxable profits were to arise against which the asset could be offset.

# Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2020 (continued)

## 10 Tangible assets

Group	Leasehold improvements \$'000	Computer equipment \$'000	Fixtures and fittings \$'000	Total \$'000
<i>Cost</i>				
At 1 January 2020	2,113	9,236	1,526	12,875
Additions	88	2,092	11	2,191
Disposals	(290)	(1,529)	-	(1,819)
At 31 December 2020	<b>1,911</b>	<b>9,799</b>	<b>1,537</b>	<b>13,247</b>
<i>Depreciation</i>				
At 1 January 2020	742	8,266	801	9,809
Charge for the year	466	763	381	1,610
Disposals	(290)	(1,529)	-	(1,819)
At 31 December 2020	<b>918</b>	<b>7,500</b>	<b>1,182</b>	<b>9,600</b>
<i>Net book value</i>				
At 31 December 2020	<b>993</b>	<b>2,299</b>	<b>355</b>	<b>3,647</b>
At 31 December 2019	1,371	970	725	3,066
<b>Company</b>				
<i>Cost</i>				
At 1 January 2020	946	4,867	58	5,871
Additions	84	2,013	194	2,291
At 31 December 2020	<b>1,030</b>	<b>6,880</b>	<b>252</b>	<b>8,162</b>
<i>Depreciation</i>				
At 1 January 2020	659	4,189	20	4,868
Charge for the year	198	611	166	975
At 31 December 2020	<b>857</b>	<b>4,800</b>	<b>186</b>	<b>5,843</b>
<i>Net book value</i>				
At 31 December 2020	<b>173</b>	<b>2,080</b>	<b>66</b>	<b>2,319</b>
At 31 December 2019	287	678	38	1,003

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

<b>11 Investments</b>	<b>2020</b>
	<b>\$'000</b>
Cost	
At 1 January 2020	864
At 31 December 2020	710

The company had the following subsidiary undertakings at the end of the year, all of which have been included in the consolidated accounts.

Name of undertaking	Country of incorporation	Class of share	Voting rights held (%)	Nature of business
Canonical USA Inc	USA	Ordinary	100%	Software development
Canonical Canada Limited	Canada	Ordinary	100%	Software development
Canonical UK Limited	UK	Ordinary	100%	Services provider
Canonical China Ltd	China	Ordinary	100%	Software development
Canonical Japan K.K Limited	Japan	Ordinary	100%	Software development

Registered offices:

Canonical USA Inc  
C32 W.Loockerman Street, Suite 201, Dover, Delaware 19904 USA

Canonical Canada Limited  
1000 De la Gauchetiere Street West, Suite 2500, Montreal, Quebec H3B 0A2

Canonical Group Limited and Canonical UK Limited  
5<sup>th</sup> Floor Blue Fin Building, 110 Southwark Street, London, SE1 0SU

Canonical China Ltd  
Room 1246, 12F, No. 331 North Caoxi Road, Shanghai, China, 200040

Canonical Group Limited (Taiwan Branch)  
Room D, 46F, No.7, Xin Yi Rd., Sec. 5. Taipei City

Canonical Japan K.K Limited  
ATT New Tower 11F, 2-11-7 Akasaka, Minatu-ku, Tokyo 107-0052, Japan

<b>12 Stock</b>	<b>Group and company</b>	<b>Group and company</b>
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Merchandise stock	-	88

There is no material difference between the replacement cost of stocks and the amounts stated above.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

### 13 Debtors

	Group 2020 \$'000	Group 2019 \$'000	Company 2020 \$'000	Company 2019 \$'000
Due within one year:				
Trade debtors	21,807	26,403	21,807	26,373
Prepayments and accrued income	8,389	8,943	7,997	8,579
Other debtors	3,485	3,716	3,119	3,099
Amounts owed by fellow subsidiary undertakings	2,599	347,599	2,599	325,119
Corporation tax	938	683	646	242
	<b>37,218</b>	<b>387,344</b>	<b>36,168</b>	<b>363,412</b>

Amounts owed by fellow subsidiaries are interest free, unsecured and repayable on demand.

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

	Group 2020 \$'000	Group 2019 \$'000	Company 2020 \$'000	Company 2019 \$'000
Trade creditors	575	1,496	434	1,019
Accruals and deferred income	46,199	34,584	41,965	30,060
Amounts owed to parent undertaking	89,486	412,704	89,486	412,704
Amounts owed to fellow subsidiary undertakings	1,927	8,592	28,693	8,593
Other creditors	915	926	1,007	926
	<b>139,102</b>	<b>458,302</b>	<b>161,585</b>	<b>453,302</b>

Amounts owed to parent undertaking is the amount due to Canonical Limited. This loan is payable on demand, interest free and unsecured: \$89,486,053 (2019 - \$402,331,630 is denominated in US Dollars and £1,593,875 in Pounds Sterling). The parent company has agreed to not recall these balance for at least 12 months from the date of signing these financial statements.

Included in accruals and deferred income is \$[] (2019: \$[]) of deferred income [all] of which will be recognised in twelve months or less.

### 15 Provisions

	Total \$'000
At 1 January 2020	225
At 31 December 2020	-

The provision related to VAT potentially payable on funds provided to one of the group's subsidiaries.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

### 16 Financial instruments

The Group's financial instruments may be analysed as follows:

	Group 2020 \$'000	Group 2019 \$'000
<b>Financial assets</b>		
Financial assets measured at amortised cost	77,501	384,552
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	98,639	421,318

Financial assets measured at amortised cost comprise cash, trade debtors, stock, other debtors, accrued income and amounts owed by fellow subsidiary undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, provisions, other creditors, accruals, amounts owed to fellow subsidiary undertakings and loans payable to the parent undertaking.

### 17 Share capital and reserves

	2020 Number	Allotted, called up and fully paid 2019 Number	2020 £	2019 £
Ordinary shares of £1 each	1	1	1	1
			\$	\$
Converted to USD			2	2

The accumulated deficit reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

### 18 Commitments under operating leases

As at 31 December 2020, the group had minimum lease payments under non-cancellable operating leases as set out below:

	2020 Land and buildings \$'000	2020 Other \$'000	2019 Land and buildings \$'000	2019 Other \$'000
Operating leases which expire:				
Within one year	3,096	805	3,783	622
In two to five years	3,053	995	2,836	264
	6,149	1,800	6,619	886



# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

### 18 Commitments under operating leases (continued)

As at 31 December 2020, the company had minimum lease payments under non-cancellable operating leases as set out below:

	2020 Land and buildings \$'000	2019 Land and buildings \$'000
Operating leases which expire:		
Within one year	1,775	1,336
In two to five years	855	1,559
	<u>2,630</u>	<u>2,895</u>

### 19 Related parties

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.

### 20 Share based payment

During the year the canonical group operated two equity-settled share based remuneration schemes for staff over shares in Canonical Holdings Limited.

The first scheme is open to all global staff members who are eligible to participate in the scheme, the only vesting condition being that the individual remains contracted with the group over the vesting period. The options vest 25% immediately upon grant, and subsequently in equal tranches over the three year remaining vesting period.

The second scheme is limited to senior management, and differs in that the vesting period is 4 years from grant and the exercise price is £nil.

Under both schemes shares become exercisable, once fully vested, upon certain realisation events. The directors deem that the certainty of these events, and the timing associated with them, is not readily predictable as at the reporting date is not probable, and therefore the fair value of the instruments and the number of instruments that will eventually vest cannot be determined. As such no charge has been reflected in the accounts for the share options outstanding.

Both schemes have an ultimate termination date of 10 years from grant.

### 21 Ultimate controlling party

At 31 December 2020, the company's immediate parent undertaking was Canonical Limited, a company incorporated in the Isle of Man.

The ultimate parent company and head of the smallest and largest group into which this company is consolidated, was Canonical Holdings Limited, a company incorporated in the Isle of Man.

The ultimate controlling party is Mark Shuttleworth.