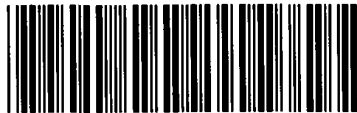


Company Registration No. 07304156 (England and Wales)

**TURBONOMIC (UK) LIMITED**  
**(FORMERLY VMTURBO (UK) LIMITED)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

FRIDAY



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COMPANIES HOUSE

**TURBONOMIC (UK) LIMITED  
(FORMERLY VMTURBO (UK) LIMITED)  
COMPANY INFORMATION**

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<b>Directors</b>	J Newton Davis M M Garad S Kliger B H Nye
<b>Secretary</b>	Taylor Wessing Secretaries Limited
<b>Company number</b>	07304156
<b>Registered office</b>	5 New Street Square London EC4A 3TW
<b>Auditor</b>	Mercer & Hole Batchworth House Batchworth Place Church Street Rickmansworth Hertfordshire WD3 1JE
<b>Business address</b>	5 New Street Square London EC4A 3TW

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**TURBONOMIC (UK) LIMITED  
(FORMERLY VMTURBO (UK) LIMITED)  
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**TURBONOMIC (UK) LIMITED  
(FORMERLY VMTURBO (UK) LIMITED)  
DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present their annual report and financial statements for the year ended 31 December 2016.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Newton Davis

M M Garad

S Kliger

A D Mallaband

(Resigned 1 January 2017)

B H Nye

**Auditor**

The auditor, Mercer & Hole, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

**Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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. They are 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.

**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

**Change of name**

The directors of the company passed a special resolution on 22 March 2017 to change the name of the company from VMTurbo (UK) Limited to Turbonomic (UK) Limited.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

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**TURBONOMIC (UK) LIMITED  
(FORMERLY VMTURBO (UK) LIMITED)  
DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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On behalf of the board



.....  
M M Garad

Director

Date: .....

27 September 2017

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**TURBONOMIC (UK) LIMITED  
(FORMERLY VMTURBO (UK) LIMITED)  
INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBER OF TURBONOMIC (UK) LIMITED**

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We have audited the financial statements of Turbonomic (UK) Limited for the year ended 31 December 2016 set out on pages 5 to 15. 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are 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 Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**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 December 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, based on the work undertaken in the course of our audit, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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**TURBONOMIC (UK) LIMITED  
(FORMERLY VMTURBO (UK) LIMITED)  
INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE MEMBER OF TURBONOMIC (UK) LIMITED**

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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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

**Mark Cassidy FCA (Senior Statutory Auditor)**  
for and on behalf of Mercer & Hole

27/9/17.

**Chartered Accountants  
Statutory Auditor**

Batchworth House  
Batchworth Place  
Church Street  
Rickmansworth  
Hertfordshire  
WD3 1JE

**TURBONOMIC (UK) LIMITED**  
**(FORMERLY VMTURBO (UK) LIMITED)**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Turnover</b>	6,230,032	4,245,826
Cost of sales	(4,060,904)	(2,497,421)
	<hr/>	<hr/>
<b>Gross profit</b>	2,169,128	1,748,405
Administrative expenses	(1,876,502)	(1,546,224)
	<hr/>	<hr/>
<b>Operating profit</b>	292,626	202,181
Interest payable and similar expenses	32	-
	<hr/>	<hr/>
<b>Profit before taxation</b>	292,658	202,181
Tax on profit	(65,922)	(30,231)
	<hr/>	<hr/>
<b>Profit for the financial year</b>	<u><u>226,736</u></u>	<u><u>171,950</u></u>

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**TURBONOMIC (UK) LIMITED  
(FORMERLY VMTURBO (UK) LIMITED)  
BALANCE SHEET**

**AS AT 31 DECEMBER 2016**

	Notes	2016 £	£	2015 £	£
<b>Fixed assets</b>					
Tangible assets	4		182,053		203,409
<b>Current assets</b>					
Debtors	5	1,023,018		473,959	
Cash at bank and in hand		51,402		-	
		<u>1,074,420</u>		<u>473,959</u>	
<b>Creditors: amounts falling due within one year</b>	6	<u>(696,266)</u>		<u>(347,940)</u>	
<b>Net current assets</b>			<u>378,154</u>		<u>126,019</u>
<b>Total assets less current liabilities</b>			<u>560,207</u>		<u>329,428</u>
<b>Capital and reserves</b>					
Called up share capital	8		1,000		1,000
Other reserves			4,043		-
Profit and loss reserves			<u>555,164</u>		<u>328,428</u>
<b>Total equity</b>			<u>560,207</u>		<u>329,428</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 27 September 2017 and are signed on its behalf by:

  
.....  
M M Garad  
Director

**Company Registration No. 07304156**

**TURBONOMIC (UK) LIMITED  
(FORMERLY VMTURBO (UK) LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

---

**1 Accounting policies**

**Company information**

Turbonomic (UK) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 5 New Street Square, London, EC4A 3TW.

**1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

- The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

- The financial statements have been prepared under the historical cost convention modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2016 are the first financial statements of Turbonomic (UK) Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2015. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

**1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**1.3 Turnover**

Turnover is recognised at the fair value of commission receivable for virtual IT services provided in the normal course of business.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

**1.4 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	33.3% on cost/straight line over lease period
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

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**TURBONOMIC (UK) LIMITED  
(FORMERLY VMTURBO (UK) LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

---

**1 Accounting policies**

**(Continued)**

**1.5 Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

- If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.
- An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**1.6 Cash at bank and in hand**

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

**1.7 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

**Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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**TURBONOMIC (UK) LIMITED  
(FORMERLY VMTURBO (UK) LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**1 Accounting policies**

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**1.2 Going concern**

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**1.3 Turnover**

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Fixtures, fittings & equipment	33.3% on cost/straight line over lease period
--------------------------------	---

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**TURBONOMIC (UK) LIMITED**  
**(FORMERLY VMTURBO (UK) LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**1 Accounting policies**

**(Continued)**

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

**1.13 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

**1.14 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

**2 Auditor's remuneration**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	11,720	9,484
	<u>          </u>	<u>          </u>

**3 Employees**

The average monthly number of persons (including directors) employed by the company during the year was 49 (2015 - 34).

**TURBONOMIC (UK) LIMITED**  
**(FORMERLY VMTURBO (UK) LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**4 Tangible fixed assets**

**Plant and machinery etc**  
**£**

**Cost**

At 1 January 2016 239,324

Additions 27,715

At 31 December 2016 267,039

**Depreciation and impairment**

At 1 January 2016 35,915

Depreciation charged in the year 49,071

At 31 December 2016 84,986

**Carrying amount**

At 31 December 2016 182,053

At 31 December 2015 203,409

**5 Debtors**

**2016** **2015**

**Amounts falling due within one year:** **£** **£**

Other debtors 1,023,018 473,959

**6 Creditors: amounts falling due within one year**

**2016** **2015**

**£** **£**

Trade creditors 52,949 115,275

Corporation tax 60,657 30,231

Other taxation and social security 146,243 -

Other creditors 436,417 202,434

696,266 347,940

**TURBONOMIC (UK) LIMITED**  
**(FORMERLY VMTURBO (UK) LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**7 Share-based payment transactions**

The company participates in a group share based payment plan and has a share option plan available to key management personnel and all schemes have similar terms. Each option is equal to one share of the company's Common Stock. The exercise price is equal to the fair market value of the company's Common Stock at the date of grant, as determined by an independent valuation advisor.

The options vest over the following periods:

- 25% vest after 1 year, monthly thereafter for 36 months
- Monthly over 4 years

The company took advantage of the reduced disclosure exemption as permitted by FRS 102 Section 35: Transition to this FRS to only provide for share options granted in the first reporting period that complies with FRS 102, on the basis that the company did not previously apply FRS 20.

The company recognised £4,043 of compensation costs related to vested share based payments in the year ended 31 December 2016.

	Number of share options		Weighted average exercise price	
	2016 Number	2015 Number	2016 \$	2015 \$
Outstanding at 1 January 2016	-	-	-	-
Granted	231,500	-	1.04	-
Forfeited	(11,000)	-	1.00	-
Outstanding at 31 December 2016	220,500	-	1.00	-
Exercisable at 31 December 2016	10,634	-	1.00	-

The options outstanding at 31 December 2016 had an exercise price ranging from \$1.00 to \$1.06, and a remaining contractual life of 9 years.

No options were exercised during the year.

**TURBONOMIC (UK) LIMITED**  
**(FORMERLY VMTURBO (UK) LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**7 Share-based payment transactions**

**(Continued)**

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

Inputs were as follows:

	<b>2016</b>	<b>2015</b>
Weighted average share price	1.04	-
Weighted average exercise price	1.04	-
Expected volatility	54.96	-
Expected life	6.05	-
Risk free rate	1.58	-

**8 Called up share capital**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

**9 Operating lease commitments**

**Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
	1,140,780	1,238,560

**10 Related party transactions**

**Transactions with related parties**



**TURBONOMIC (UK) LIMITED  
(FORMERLY VMTURBO (UK) LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**10 Related party transactions**

**(Continued)**

The company is a wholly owned subsidiary Turbonomic Inc. and as such has taken advantage of the exemption permitted by FRS102 Section 33 Related Party Disclosures, not to provide disclosures of transactions entered into with other wholly owned members of the group.

**11 Parent company**

During the current and prior year, the company was controlled by Turbonomic Inc. (formally VMTurbo Inc.), a company registered in the United States of America, by virtue of their 100% shareholding.

The registered office address of Turbonomic Inc. is 500 Boylston Street, Boston, MA 02116 and the consolidated financial statements for the group can be obtained from this address.

The ultimate controlling party was B H Nye, the president and CEO of Turbonomic Inc.

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