

Company Registration Number 07619797

SKYSCAPE CLOUD SERVICES LIMITED

Financial Statements

Year Ended 31 March 2013

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SKYSCAPE CLOUD SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

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SKYSCAPE CLOUD SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J R Sanders
S Hansford
P Dawson

SECRETARY

J R Sanders

REGISTERED OFFICE

Hartham Park
Hartham
Corsham
Wiltshire
SN13 0RP

AUDITORS

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

SKYSCAPE CLOUD SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 March 2013

DIRECTORS OF THE COMPANY

The directors who held office during the period were as follows

J R Sanders
S Hansford
P Dawson

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of assured IT cloud computing services to the UK Public Sector exclusively from sovereign facilities

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The annual market for IT services in the UK Public Sector is estimated to be between £15bn and £20bn, which includes c£5bn relating to IT infrastructure. Historically, IT Services have been contracted through protracted procurement processes, which have favoured larger organisations, leading to a highly concentrated supplier base with long-term contracts dominating government IT provision. Today, these contracts not only represent poor value for money, they inherently do not take advantage of the continuing innovation in technology - delivering greener, smarter, agile and cost efficient services. However, against a backdrop of austerity and a drive for a "Digital by Default" delivery of services, the UK government has been determined to change this environment by encouraging new entrants, including SMEs, to develop a market place around cloud services. Key to the UK government's actions for change have been the introduction of the G-Cloud framework, establishment of Pan Government Accreditation (PGA) standards, convergence of the Public Services Network (PSN) services and development of a "Cloud First" mandate across central government policy.

Skyscape Cloud Services Limited ("Skyscape") was established to align with the UK government's ICT and Digital Strategies and to deliver a portfolio of assured, agile, highly automated cloud services that offer improved performance and better value for money, and hence make a real difference to the delivery of IT services in the public sector. Cloud services deliver significant cost benefits through the combination of economies of scale on the supply side (large scale data centres, storage, compute and network platforms and protective monitoring services), improved asset utilisation through aggregation of multiple tenants demand patterns and above all, automation. Through an aligned supply chain of world-class companies (QinetiQ, VMware, Cisco, EMC, and Ark Data Centres), Skyscape Cloud Services brings an agnostic, transparent approach to the delivery of utility cloud services that are *easy to adopt, easy to use and easy to leave* where customers and partners only pay for what they consume. Key to Skyscape's differentiation is Information Assurance (including PGA and PSN) compliance delivered from UK sovereign, accredited data centres.

With a current G-Cloud market share of circa 50%, Skyscape is the leading supplier of Infrastructure as a Service (IaaS) on the UK government's G-Cloud framework and delivers services directly to an increasing range of government departments including the Government Digital Services (gov.uk hosting), HMRC (FAPS storage), Home Office (Disclosure and Barring Service), Ministry of Defence (GEMS Innovation) amongst many others. In addition and a more significant channel to market, Skyscape provides IaaS to support numerous other services, including the BBC, numerous government departments (BIS, DEFRA, DVLA, EA, RPA and others) as well as local authorities, police services and healthcare through channel partners, including Capgemini, Capita, Lockheed Martin and Steria, and a range of managed service providers, strategic advisers and independent software vendors.

SKYSCAPE CLOUD SERVICES LIMITED

DIRECTORS' REPORT (continued)

BUSINESS REPORT AND FUTURE DEVELOPMENTS (continued)

Focused exclusively on the UK Public Sector and structured around assurance, process compliance and service delivery, Skyscape has an experienced team with the capability and capacity to grow the business well beyond its current scale. Corporate and social responsibility is an integral part of the Skyscape strategy, culture and operations and the Directors are committed to a range of policies to ensure that the Company maintains the highest standards of governance, and active management of social and environmental issues. Independent certifications include ISO9001, ISO20000 and ISO27001 together with a range of IL3 and IL2 Pan Government Accreditations for Compute and Storage IaaS and Email and, most recently, a Public Services Network (PSN) Accreditation. Skyscape is a CarbonNeutral company and is committed to a program of resource reduction and energy efficiency.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company, are considered by the Directors as

- Securing and maintaining sufficient demand to support the incumbent technology investments and on-going overhead. Key to this will be the extent and speed with which the UK Public Sector transitions from a traditional procurement approach to sourcing assured cloud solutions. We believe that the benefits of cloud computing are sufficiently compelling and the G-Cloud procurement framework increasingly understood, that this trend will continue unabated and on a scale that will enable Skyscape to meet its business plan targets.
- The risk that one or more aspects of our technology platform fails to deliver to the service levels that we are committing to our customers. The company has mitigated this risk not only through the use of proven technologies from world class technology vendors, who are committed to supporting our new model of operation, but also by developing a robust management, compliance and assurance regime accredited by recognised bodies (Lloyds Registry and CESG).
- Bidding and winning large scale contracts requires appropriate risk management in order to ensure that onerous contract terms and services, which do not fit our technology or service model and could lead to the loss of a material contract or potential contractual penalties, are avoided. Robust risk management, a formal bid review process and certified service delivery processes are in place to mitigate these risks along with the adoption of simple terms and conditions aligned to the G-Cloud programme.
- Our ability to continue to recruit and retain appropriate technical, operational, commercial and leadership talent to build Skyscape into the leading provider of assured cloud services to the UK Public Sector. Skyscape has a comprehensive recruitment and human resource management program to identify, recruit, develop, motivate and retain talent. Employees participate in an approved Enterprise Management Incentive share option scheme.

In addition, we continuously monitor and refine our cost base against our service model to ensure that this remains aligned and optimised at all times. Our reporting processes and internal systems are managed by experienced, qualified professionals who ensure that we contract, deliver and administer each service correctly.

SKYSCAPE CLOUD SERVICES LIMITED

DIRECTORS' REPORT (continued)

GOING CONCERN

Following the balance sheet date, the Company raised a further £2,280,000 pursuant to the terms of the Secured Loan Note instrument dated 07 November 2012. This took the total raised under the instrument to £11,230,000.

Subsequent to this, and under the terms of a warrant instrument issued by the company's parent, Virtual Infrastructure Group Limited (VIG), and dated contemporaneously with the Secured Loan Note instrument, certain loan note investors exercised the follow-on investment rights to convert their investment in the Company's loan notes to equity in VIG. Additionally, a proportion of the accrued interest on the Loan Note instrument was also converted to equity in VIG.

In addition to these conversions of the loan notes in the Company, VIG also raised £5,750,000 of additional equity from investors in order further to invest in the growth of the Company.

The effect of these conversions and additional equity investment was that the Company redeemed the Loan Note instrument, and the accrued interest thereon, in full and the Company is now funded by an intra-group loan from its immediate and ultimate parent, VIG, which in turn is provided out of VIG's equity. This intra-group loan as at the date of signing of the financial statements is £13,752,945. The additional cash resources held by VIG (as a result of the additional equity raised) will be made available to the Company as its working capital needs require.

CHARITABLE DONATIONS

No charitable donations were made during this period.

RESEARCH AND DEVELOPMENT

Our markets have a unique set of requirements and are rapidly evolving. Skyscape continues to invest in the use of new technology and service development to enhance the quality of its products and in order to remain competitive and respond to the changing needs of customers the company makes significant investments in talented people and research and development. The company is working collaboratively with partners to develop new products processes and assured service levels.

The company will continue to invest in people and emerging standards, and is working collaboratively with partners to develop new pioneering products and assured service levels.

DIVIDEND

The directors cannot recommend a dividend.

SKYSCAPE CLOUD SERVICES LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

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 period. 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, and
- 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

AUDITOR

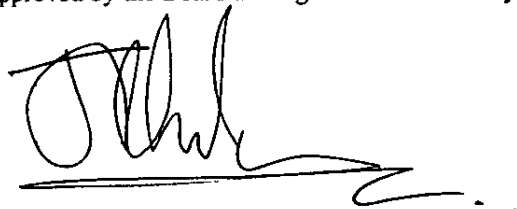
Grant Thornton UK LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Approved by the Board and signed on its behalf by

A handwritten signature in black ink, appearing to read 'J. Sanders', with a long horizontal flourish extending to the right.

Jeremy Sanders
Director
23 December 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKYSCAPE CLOUD SERVICES LIMITED

We have audited the financial statements of Skyscape Cloud Services Limited for the year ended 31 March 2013, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditor

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. 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

A description of the scope of an audit is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Grant Thornton UK LLP

Mark L Aldridge (Senior statutory auditor)
for and on behalf of Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

23 DECEMBER 2013

SKYSCAPE CLOUD SERVICES LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2013

	Note	Year ended 31 March 2013 £	11 months ended 31 March 2012 £
TURNOVER	1	970,073	44,416
Cost of sales		(1,466,450)	(327,320)
GROSS LOSS		(496,377)	(282,904)
Administrative expenses		(4,053,261)	(956,965)
OPERATING LOSS		(4,549,638)	(1,239,869)
Interest receivable	2	908	-
Interest payable and similar charges	3	(576,040)	(514)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(5,124,770)	(1,240,383)
Tax on loss on ordinary activities	5	-	-
LOSS FOR THE FINANCIAL YEAR	11	(5,124,770)	(1,240,383)

The above results relate entirely to continuing activities

There were no gains or losses in the current period other than the loss for the period. Accordingly, no separate statement of total recognised gains and losses is presented.

SKYSCAPE CLOUD SERVICES LIMITED

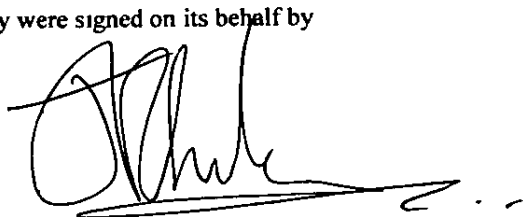
BALANCE SHEET At 31 March 2013

	Note	2013	2012
		£	£
FIXED ASSETS			
Tangible assets	6	6,756,669	797,452
CURRENT ASSETS			
Debtors	7	649,952	151,204
Cash at bank and in hand		587,823	60,181
		<u>1,237,775</u>	<u>211,385</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(14,101,752)</u>	<u>(2,249,218)</u>
NET CURRENT LIABILITIES		<u>(12,863,977)</u>	<u>(2,037,833)</u>
TOTAL LIABILITIES		<u>(6,107,308)</u>	<u>(1,240,381)</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,000	2
Capital Contribution Reserve	16	256,845	-
Profit and loss account	11	<u>(6,365,153)</u>	<u>(1,240,383)</u>
SHAREHOLDERS' DEFICIT		<u>(6,107,308)</u>	<u>(1,240,381)</u>

These financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime and the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements of Skyscape Cloud Services Limited (registered number 07619797) were approved by the board of directors and authorised for issue on 23 December 2013

They were signed on its behalf by



Jeremy Sanders
Director

SKYSCAPE CLOUD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 March 2013**

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and prior financial periods are described below.

Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) under the historical cost convention.

Turnover

Turnover represents the net invoiced sales of goods, excluding value added tax. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life. The rates of depreciation are as follows:

Computer equipment	20% per annum on straight line basis
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Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Taxation

Current taxation, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

In accordance with FRS 19 deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

SKYSCAPE CLOUD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 March 2013**

1. ACCOUNTING POLICIES (continued)

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases

Cash flow statement

The company has not prepared a cash flow statement as it takes advantage of exemptions available to small companies

Pensions

Payments to defined contribution retirement benefit schemes are charged to the income statement as they fall due. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Share-Based Payment

The Company applies FRS20 "Share-Based Payment" in relation to the accounting for share-based payments. Under FRS20, the share-based compensation is measured at the grant date, based on the estimated fair value of the award, and is recognised as an expense over the employee's service period. The fair value of options granted is measured by the use of a Black-Scholes model, taking into account the terms and conditions under which the options were granted. The expected life used in the model has been adjusted, based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural conditions. The volatility used in the model is based on comparable companies as the shares of the Company's parent (over which the options are granted) are not publicly traded.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest

Going concern

The directors have prepared cash flow forecasts for a period exceeding 12 months from the date of approval of these financial statements, and additionally the directors have applied sensitivity analysis to these forecasts. These projections, taking account of reasonable adverse fluctuations in expected trading performance, show that the company should reach its cash-flow break-even point within the next twelve months.

Given the funding available via its parent, Virtual Infrastructure Group Limited, the directors have a reasonable expectation that the company has sufficient resources to continue to trade for at least 12 months from the date of signing this report. The directors have therefore adopted the going concern basis in preparing the financial statements.

SKYSCAPE CLOUD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 March 2013**

2. INTEREST RECEIVABLE	Year ended 31 March 2013 £	11 months ended 31 March 2012 £
Bank interest received	<u>908</u>	<u>-</u>
3. INTEREST PAYABLE AND SIMILAR CHARGES	Year ended 31 March 2013 £	11 months ended 31 March 2012 £
Bank charges	48,582	514
Loan interest	446,666	-
Amortisation of Loan issue costs	80,792	-
	<u>576,040</u>	<u>514</u>
4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	Year ended 31 March 2013 £	11 months ended 31 March 2012 £
Loss on ordinary activities before taxation is after charging.		
Rentals under operating leases	386,176	13,244
Depreciation	610,950	39,092
Auditors remuneration	<u>11,200</u>	<u>3,000</u>

Note 12 shows Directors' remuneration during the period.

SKYSCAPE CLOUD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2013

5. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge for the period differs from the standard rate of corporation tax in the UK of 24% (2012 26%)

The differences are explained below

	Year ended 31 March 2013 £	11 months ended 31 March 2012 £
Loss on ordinary activities before tax	5,124,770	1,240,383
Tax on loss at standard rate of tax of 24% (2012 26%)	(1,229,945)	(322,500)
Effects of		
Expenses not deductible for tax purposes	78,738	-
Capital Allowances for period in excess of depreciation	147,322	(17,835)
Movement in short term timing differences	125,767	-
Current year tax losses carried forward	878,118	340,335
Current tax charge for period	-	-

Deferred Taxation

A deferred tax asset of £1,388,416 (2012. £322,500) has not been recognised because in the opinion of the directors there is an element of uncertainty of suitable taxable profits available in the short term

SKYSCAPE CLOUD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2013

6. TANGIBLE FIXED ASSETS

	Computer equipment £
Cost	
At 1 April 2012	836,544
Additions	6,570,167
At 31 March 2013	<u>7,406,711</u>
Accumulated depreciation	
At 1 April 2012	39,092
Charge in period	610,950
At 31 March 2013	<u>650,042</u>
Net book value	
At 31 March 2013	<u>6,756,669</u>
At 1 April 2012	<u>797,452</u>

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended 31 March 2013 £	11 months ended 31 March 2012 £
Trade debtors	145,631	62,256
Other debtors	337,322	2
Prepayments and accrued income	92,015	9,215
VAT	74,984	79,731
	<u>649,952</u>	<u>151,204</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended 31 March 2013 £	11 months ended 31 March 2012 £
Trade creditors	2,397,909	1,194,184
Taxation and social security	68,241	30,456
Deferred income	-	327,934
Accruals	2,479,810	603,311
Short-term loan	120,000	93,333
Intercompany creditors	250,000	-
15% secured loan notes (note 9)	8,785,792	-
	<u>14,101,752</u>	<u>2,249,218</u>

SKYSCAPE CLOUD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

9. SECURED LOAN NOTES

The Company has granted a fixed and floating charge on its assets to secure loan notes of £8,950,000 (2012: £nil). The loan notes were issued on various dates between 7 November 2012 and 28 March 2013 and had a maturity date of 7 November 2013. Interest of 15% was accrued annually until the settlement date.

Issue costs of £245,000 were incurred in connection with the issue of the loan notes. These issue costs have been amortised over the period from issue until the maturity date. A total of £80,792 has been amortised in the year.

10. SHARE CAPITAL	Year ended 31 March 2013 £	11 months ended 31 March 2012 £
Allotted and fully paid		
Ordinary shares of £1	-	2
Ordinary shares of 1p	1,000	-
	<u>1,000</u>	<u>2</u>

On 19 April 2012 the share capital of 1000 shares of £1 was subdivided into 100,000 shares of 1p.

11. STATEMENT OF MOVEMENTS ON RESERVES	Year ended 31 March 2013 £	11 months ended 31 March 2012 £
At the beginning of the period	(1,240,383)	-
Movement on Capital Contribution Reserve	256,845	-
Loss for the period	(5,124,770)	(1,240,383)
At the end of the year	<u>(6,108,308)</u>	<u>(1,240,383)</u>

SKYSCAPE CLOUD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2013

12. DIRECTORS REMUNERATION

	Year ended 31 March 2013 £	11 months ended 31 March 2012 £
Directors' remuneration		
Emoluments	431,444	-
Company contributions to money purchase pension schemes	24,000	-
	<u>455,444</u>	<u>-</u>
Remuneration of the highest paid director:		
Emoluments	240,809	-
Company contributions to money purchase schemes	15,600	-
	<u>256,409</u>	<u>-</u>

Company contributions to money purchase schemes were made on behalf of two directors during the year

13. PENSIONS

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of Trustees. The total cost recorded in the income statement of £54,834 (2012: £Nil) represents contributions payable to this scheme by the Company at rates specified in the plan and employee contractual arrangements. As at 31 March 2013, contributions of £13,356 (2012: £Nil) due in respect of the current reporting period had not been paid over to the scheme.

14. FINANCIAL COMMITMENTS

Financial commitments under non-cancellable operating leases are as follows

	At 31 March 2013		At 31 March 2012	
	With Related Parties £	Other £	With Related Parties £	Other £
Financial Commitments falling due				
- within one year	1,260,457	285,000	-	-
- between two and five years	5,008,900	576,000	-	-
- after five years	5,925,938	-	-	-
	<u>12,195,295</u>	<u>861,000</u>	<u>-</u>	<u>-</u>

SKYSCAPE CLOUD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 March 2013**

15. RELATED PARTY TRANSACTIONS

Trading Transactions

The Company incurred £807,884 (2012 £Nil) of charges during the year relating to technical and consultancy services provided by MDS Technologies Limited, a company controlled by one of the Company's Directors. The total amount relating to such services payable at the balance sheet date is £322,788 (2012 £Nil).

The Company incurred £390,022 during the year (2012: £553,311) relating to technical and consultancy services provided by Hadston Limited, a company controlled by one of the Company's Directors. The total amount relating to such services payable at the balance sheet date is £943,333 (2012: £553,311).

During the year the Company redeemed a loan of £93,333 from Jeremy Sanders, a director of the Company, which had existed at the opening balance sheet date.

Loan Relationships

The Company has a non-interest-bearing intra-group loan of £250,000 from its parent, Virtual Infrastructure Group Limited, at the balance sheet date. This amount is shown within Intercompany Creditors in Note 8.

Shares and Share Options

The entire issued share capital of the Company was acquired during the period by Virtual Infrastructure Group Limited, via a share for share exchange.

16. SHARE OPTIONS

Options to subscribe for B Ordinary Shares in the Company's parent, Virtual Infrastructure Group Limited, have been granted to employees of the Company in the period, pursuant to the Virtual Infrastructure Group Enterprise Management Incentive Scheme. A total of 12,650 options were so granted to a total of 16 employees, at a subscription price per share of 1p.

The options are exercisable on an exit event (which includes a sale or listing of the Company's parent) and vest in equal tranches across the 5 years from the grant date, subject to performance criteria. The options are equity settled once exercised.

The inputs to the Black Scholes model include an expected life of 5 years, a share price of £346 per share, a risk free rate of 3% and a volatility based on the average of comparator companies of 50%.

The Company recognised a total expense of £256,845 during the period, an amount which is stated within the Capital Contribution Reserve on the balance sheet.

17. ULTIMATE CONTROLLING PARTY

The parent company and ultimate controlling party is Virtual Infrastructure Group Limited, a company incorporated in England and Wales with the registered number 08099285, whose registered office is at Hartham Park, Corsham, Wiltshire, SN13 0RP.

SKYSCAPE CLOUD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

18. POST BALANCE SHEET EVENTS

Following the balance sheet date, the Company raised a further £2,280,000 pursuant to the terms of the Secured Loan Note instrument dated 07 November 2012. This took the total raised under the instrument to £11,230,000.

Subsequent to this, and under the terms of a warrant instrument issued by the company's parent, Virtual Infrastructure Group Limited (VIG), and dated contemporaneously with the Secured Loan Note instrument, certain loan note investors exercised the follow-on investment rights to convert their investment in the Company's loan notes to equity in VIG. Additionally, a proportion of the accrued interest on the Loan Note instrument was also converted to equity in VIG.

In addition to these conversions of the loan notes in the Company, VIG also raised £5,750,000 of additional equity from investors in order further to invest in the growth of the Company.

The effect of these conversions and additional equity investment was that the Company redeemed the Loan Note instrument, and the accrued interest thereon, in full and the Company is now funded by an intra-group loan from its immediate and ultimate parent, VIG, which in turn is provided out of VIG's equity. This intra-group loan as at the date of signing of the financial statements is £13,752,945. The additional cash resources held by VIG (as a result of the additional equity raised) will be made available to the Company as its working capital needs require. The Company is the only subsidiary of VIG as at the date of signing of the financial statements.