

Company Registration Number 07619797

**UKCloud Ltd**

**Financial Statements**

**For the year ended 31 March 2020**



## **UKCLOUD LTD**

### **REPORT AND FINANCIAL STATEMENTS 2020**

#### **CONTENTS**

	<b>Page</b>
Officers and professional advisers	3
Strategic report	4 - 6
Directors' report	7 - 10
Independent auditor's report	11-13
Income Statement and Statement of Comprehensive Income	14
Balance sheet	15
Statement of Changes in Equity	16
Notes to the financial statements	17 - 32

**UKCLOUD LTD**

**Officers and professional advisors**

**Directors**

J R Sanders  
S J Hansford  
S Brittan (resigned 6 November 2020)  
W T Ginn

**Registered Office**

Hartham Park  
Corsham  
Wiltshire  
SN13 0RP

**Independent Auditors**

Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

## UKCLOUD LTD

### Strategic Report for the year ended 31 March 2020

The directors present their Strategic Report for the year ended 31 March 2020.

#### Business Review and future developments

The Company's principal activity is the supply of sovereign, public, multi-cloud platforms that are dedicated for the use of the UK public sector. These have distinct characteristics of reducing technology lock-in and the costs and risk of migrating applications to the cloud, data sovereignty, higher assurance and connectivity to secure government networks.

As a key cloud supplier to government agencies and their major system integrators and ICT suppliers, UKCloud currently serves central government departments, health, defence, police and local authorities on a large number of active revenue generating cloud projects and has a leading position at the heart of a very rapidly growing UK public sector Public Cloud market. This is achieved through three distinct go-to-market brands – UKCloud (Central & Local Government, Police & Education), UKCloud Health (central health bodies such as NHS England, NHS Digital, and NHS Trusts), and UKCloudX (Defence and National Security). Each of the three brands has also developed a large vibrant partner ecosystem of System Integrators, Managed Service Providers and Independent Software Vendors that use our cloud platforms to deliver their products & services into these markets.

Our credible track record with UK public sector customers, government-grade security and direct government network connectivity, which is available through a number of government procurement frameworks, creates a compelling proposition for our market. By developing a unique multi-cloud platform, it brings together the best public cloud technologies and traditional Enterprise technologies on a single platform hosted within its secure, government-grade UK data centre facilities. It enables resource-constrained public sector organisations a low risk way of modernising existing IT (such as VMware and Oracle), whilst also facilitating the development of modern cloud native digital solutions which require services such as Azure, Openstack/Openshift and Kubernetes.

Success in winning contracts has driven significant economies of scale and continuous improvements in efficiency, hence the company remains positive about our market, our positioning within it and the opportunity ahead. We continue to engage closely with politicians, ministers and senior civil servants about digital transformation across government, and how the use of SME's and UK technology companies can help accelerate adoption reducing risks and delivering greater value to the UK economy. Whilst we see many opportunities to achieve this, and help deliver a national capability that creates skills, jobs and wealth, we also raise concerns about the increasing dominance of US global cloud providers and the direct awards that many departments are issuing without competition. This undoubtedly creates challenges to our sales growth.

During the year, the Company's parent, Virtual Infrastructure Group Limited, raised £15m of equity investment from Digital Alpha Advisors and £10m of debt funding from Harbert European Specialty Lending Company II, SARL in order to pursue its continued investment strategy for the Company and the Group has continued to seek additional funding sources following the balance sheet date.

#### Key performance indicators

Revenue increased from £37.1m for FY19 to £38.2m in FY20. Operating Loss increased from £2.5m for FY19 to £17.9m in FY20, and Loss for the Financial Year increased from £2.3m for FY19 to £17.4m in FY20, both as a result of the reductions in usage by a small number of customers, as well as increasing investment in Sales, Marketing, Development and the expansion of the platform.

#### Business environment and strategy

As an early pioneer, UKCloud has helped scores of UK Public Sector customers prove the value of digital transformation and agile development, including the migration of workloads from existing data centres and virtualised infrastructures. These success stories have underpinned the increasing popularity and adoption of cloud computing, and have given us an unparalleled insight as to the evolving needs and wants of our customers and partners.

We have continued to deliver and remain resolutely focused on delivery of our goal to be "*the power behind public sector technology*", and our core strategy remains unchanged. We have benefitted from the growing adoption of cloud computing by an increasing number of public sector organisations and believe that adoption is still in its early stage, and we continue to invest significant amounts in the development of products and services which will increase the rate of adoption.

## UKCLOUD LTD

### Strategic Report for the year ended 31 March 2020 (continued)

#### Business environment and strategy (continued)

The continued development of our three established, recognisable brands – UKCloud, UKCloud Health and UKCloudX – ensure we always speak the language of the buyer and demonstrate our subject-matter expertise. Increasingly we shall use these brands to build differentiated messaging and products around, but also build distinct sales and technical teams.

We have seen the opportunity to become even more customer-centric by introducing solutions and services that complement and enhance our propositions:

**Core Platform** – continued expansion and development of our core IaaS and PaaS multi-cloud platforms.

**Tier 2 Platform** - the extension of our core platform at TIER 2 (aka SECRET) classification. The TIER 2 platform is supported by a dedicated set of resources (people, processes, premises and technology) that operate specifically at this classification level.

**Professional Services** – to engage with customers early in the life of their digital transformation programme, we continue to develop a range of paid-for Expert Services that are designed to help customers plan and execute their journey to multi-cloud.

**Priming End-to-End Solutions** – continued development of a portfolio of ready-made solutions and act as the Prime Contractor to make it easy for customers to consume these 'End-to-End Solutions'.

Further, the Company creates clear opportunities for its partners to specialise and provide value-added services that help customers achieve their outcomes. The UKCloud partner programme consists of more than 300 partners including leading system integrators, managed service providers and independent software vendors delivering Software-as-a-Service solutions specific to public sector communities. Along with our customers they bring together previously disconnected datasets and systems to provide a foundation for more effective collaboration and greater use of digital technologies such as machine learning and artificial intelligence - creating new insights and opportunities for the UK Public Sector and wider industry.

#### Post balance sheet events

The Covid-19 pandemic meant that the Company needed to implement aspects of its Business Continuity Planning Framework in order to continue to deliver services seamlessly and successfully to customers. As the Company's primary service is delivered and monitored remotely, the majority of employees were able to transition to working primarily and safely from home during March 2020 and this has continued as the mode of operation following the balance sheet date.

Following the balance sheet date the Group secured a £2m extension to its existing debt facility with Harbert European Specialty Lending Company II, SARL, as well as receiving £5.5m of funding via a convertible loan note instrument with Hadston 2 Limited, a related party in which one of the Company's Directors appointed following the balance sheet date, Jeffrey Thomas, has an interest, and £1.5m via a Secured Loan Note issued to BGF Nominees Limited, a company controlled by one of the shareholders of the Company's parent, with a further £1.5m committed under the same instrument.

## UKCLOUD LTD

### Strategic Report for the year ended 31 March 2020 (continued)

#### 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 procurement frameworks increasingly understood, that this trend will continue unabated and on a scale that will enable UKCloud 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 NCSC).
- 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.
- Our ability to continue to recruit and retain appropriate technical, operational, commercial and leadership talent to build UKCloud into the leading provider of assured cloud services to the UK Public Sector. UKCloud has a comprehensive recruitment and human resource management program to identify, recruit, develop, motivate and retain talent.
- The uncertainty of Brexit as the UK leaves the EU, which may create a changing political landscape that slows down decision-making or policy implementation.
- The Company requires additional funding in order to execute its investment plan, which may be difficult or expensive to obtain.
- The uncertainty of the recent COVID-19 pandemic and how that might effect economies, workforces and public health.

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.

Approved by the Board and signed on its behalf by



William Ginn  
Director  
20 August 2021

## **UKCLOUD LTD**

### **Directors Report for the year ended 31 March 2020**

The directors present their report and the financial statements for the year ended 31 March 2020.

#### **Directors of the company**

The directors who held office during the period were as follows:

S Brittan (resigned 6 November 2020)

W T Ginn

S J Hansford

J R Sanders

#### **Principal activity**

The Company's principal activity is the supply of sovereign, public, multi-cloud platforms that are dedicated for the use of the UK public sector.

#### **Charitable donations**

Charitable donations of £7,000 (2019: £23,000) were made during the period. The Company has made a clear commitment to Corporate and Social Responsibility, and sees this as a key element of the business. In terms of social responsibility, we are proud of our local and national approach through the giving of time and money as charitable donations, alongside a matched funding policy for all Company employees.

We are committed to creating initiatives to be proud of and we continue to invest in local projects in the communities where we operate our business, such as the Farnborough-based CMPP which supports local community initiatives. As well as supporting the partnership financially, the volunteer days have significantly improved facilities and our contribution has been recognised within the local community.

On a national level we continue to support activities with BBC Children in Need and Macmillan Cancer Support, alongside new STEM-based opportunities being created working with the Hampshire & Isle of Wight Air Ambulance. We offer a paid charity day to each of our employees and this year many of the Company's employees used their Volunteer Day to support a UK charity of their choice.

Over the next 12 months, the Company will continue to help support the well-being of society through engagement in community and educational activities, donations, match funding for employees, individual charitable activities and the provision of volunteer days to help change peoples' lives.

#### **Research and development**

Our markets have a unique set of requirements and are rapidly evolving. UKCloud 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 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.

#### **Qualifying third party indemnity provisions**

The group has provided qualifying third party indemnity provisions in respect of the board of directors which were in force during the year and at the date of this report.

## UKCLOUD LTD

### Directors Report for the year ended 31 March 2020 (continued)

#### Going Concern

The directors have prepared cash flow forecasts for a period exceeding 12 months from the date of approval of these financial statements. As a result of its strategy of investment in sales, marketing and development resources and in expanding the platform itself (including its new SECRET platform) the Company incurred a loss in the period.

The Company's cash balance at the balance sheet date was £7,170,000, and the Group's consolidated cash balance at the balance sheet date was £10,041,000.

The Board's strategy is to continue its investment programme in order to enhance the Group's opportunities to grow its revenues from existing and new customers, services, and markets.

The Company is reliant on support from the wider financing arrangements at a Group level, and the Company is the only subsidiary of its parent, Virtual Infrastructure Group Limited.

The Group's strategy requires approximately £30m of financing for investment in order to generate sufficient cash from trading to offset its capital expenditure and debt service costs, in addition to more immediate working capital funding. Therefore in September 2020 the Board appointed advisors to assist with securing the required finance.

To manage the Group's available cash since the balance sheet date the Directors have:

- Monitored and controlled working capital requirements
- Received a £2m financing inflow from an extension to its existing facility with Harbert European Specialty Lending Company II, SARL, as well as negotiating a partial payment holiday on the repayments of principal due under this facility.
- Negotiated a deferred payment plan in respect of various PAYE and VAT liabilities with HMRC (including in respect of the VAT quarter ending April 2020, being the quarter where deferment was available to companies generally as a result of the COVID-19 pandemic).
- Received £1.5m financing inflow from Secured Loan Notes issued to BGF Investments LP (an investor related to one of the Group's existing shareholders BGF Nominees Limited), with a further £1.5m available to draw down under the same facility. This facility has a final redemption date of 31 December 2022.
- Received £5.5m under a Convertible Loan Note Instrument ("CLN") from Hadston 2 Limited, a related party controlled by one of the Company's Directors, Jeffrey Thomas. This facility has a final redemption date of 31 December 2022 and, under various conditions, is convertible to equity prior to that date on the completion of a larger equity investment. Hadston 2 Limited are currently seeking further investment in order to be able to subscribe for a further £4.5m under the CLN arrangement.

At the date of approval of these financial statements the Company's cash balance is £2.2m, and the Group's consolidated cash balance is £3.9m.

The Group's current cash resources, together with facilities available for drawdown allow for approximately three months until the first tranche of additional financing would be required, assuming the continuation of the current investment programme (and including payment of all balances to HMRC under its deferred payment plans). The Group could delay the requirement for this further financing by slowing down its investment programme, however further financing will regardless be required within the going concern period of assessment in order for the Group to be able to meet all of its obligations as they fall due.

The Directors have been exploring fund raising options with Hadston 2 Limited because as a condition of the issuance of the CLN Hadston 2 was granted an exclusivity period during which the Group could not attempt to secure equity investment from any other party.

Although the period of exclusivity has now ended, the Directors understand that Hadston 2 Limited has been progressing efforts to raise £34.5m to enable them to make the required £30m equity investment in the Group, in addition to the remaining £4.5m anticipated under the CLN. An equity investment of this nature would be subject to shareholder approval.



## **UKCLOUD LTD**

### **Directors Report for the year ended 31 March 2020 (continued)**

#### **Going Concern (continued)**

The Directors expect that with the Group's cash resources, Secured Loan Note from BGF available for drawdown, the remaining investment anticipated under the CLN and with further equity investment from Hadston 2 Limited, it will be able to continue to meet its immediate working capital requirements and continue with its planned investment strategy over the next 12 months. The directors have a reasonable expectation that the Group has sufficient resources to continue to trade and meet its obligations as they fall due for at least 12 months from the date of signing this report and have therefore adopted the going concern basis in preparing the financial statements.

However since the Directors' assessment is dependent on the Group raising further funding that is not yet secured, the directors have concluded that there exists a material uncertainty that may cast significant doubt on the Group's ability to continue to operate as a going concern.

#### **Directors' responsibilities statement**

The directors are responsible for preparing 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, including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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.

**UKCLOUD LTD**

**Directors Report for the year ended 31 March 2020 (continued)**

**Disclosure of information to auditor**

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Independent auditors**

Grant Thornton UK LLP having expressed their willingness to continue in office as auditor will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



William Ginn  
Director  
20 August 2021

## **UKCLOUD LTD**

### **Independent auditors report to members of UKCloud Ltd**

We have audited the financial statements of UKCloud Ltd (the "company") for the year ended 31 March 2020 which comprise the Income Statement and Statement of Comprehensive income, Balance sheet, Statement of Changes in Equity 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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.

#### **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 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.

#### **Material uncertainty related to going concern**

We draw attention to note 3 in the financial statements, which indicates that the Group of which the company is a part is reliant on support from further funding that is not yet secured. As stated in note 3, these events or conditions, along with the other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements 2020, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matter on which we are required to report under the Companies Act 2006**

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 strategic report or the directors' report.

## **UKCLOUD LTD**

### **Independent auditors report to members of UKCloud Ltd (continued)**

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

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement on page 9 the directors are 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 directors determine 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 directors are responsible for assessing the 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 directors either intend to liquidate the 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**UKCLOUD LTD**

**Independent auditors report to members of UKCloud Ltd (continued)**

**Use of our report**

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.



**Timothy Lincoln BA ACA**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
**Bristol**  
**20 August 2021**

**UKCLOUD LTD****INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 March 2020**

	<b>Note</b>	<b>Year ended 31 March 2020 £'000</b>	<b>Year ended 31 March 2019 £'000</b>
<b>TURNOVER</b>	6	38,169	37,106
Cost of sales		(20,379)	(14,752)
<b>GROSS PROFIT</b>		17,790	22,353
Administrative expenses		(31,669)	(25,952)
<b>OPERATING (LOSS) BEFORE SHARE BASED PAYMENT</b>		(13,879)	(3,599)
Share Based Payment	23	(4,052)	1,064
<b>OPERATING (LOSS)</b>		(17,931)	(2,535)
Interest receivable		35	33
Interest payable and similar charges	7	(1,090)	(921)
<b>(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	8	(18,985)	(3,423)
Tax on profit/loss on ordinary activities	9	1,585	1,141
<b>(LOSS) FOR THE FINANCIAL YEAR</b>		(17,400)	(2,282)

The above results relate entirely to continuing activities. There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income. There was no other comprehensive income for 2020 (2019: £ Nil). The notes on pages 17 to 32 form part of these financial statements.

**UKCLOUD LTD****BALANCE SHEET****At 31 March 2020**

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
<b>FIXED ASSETS</b>			
Intangible assets	12	1,975	1,993
Tangible assets	11	15,667	16,516
		<u>17,642</u>	<u>18,508</u>
<b>CURRENT ASSETS</b>			
Debtors	13	12,328	10,831
Cash at bank and in hand		7,170	473
		<u>19,498</u>	<u>11,305</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	(17,328)	(34,365)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>2,170</u>	<u>(23,060)</u>
<b>CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR</b>	15	(3,335)	-
<b>NET ASSETS/(LIABILITIES)</b>		<u>16,477</u>	<u>(4,552)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	34,377	1
Capital Contribution Reserve		10,634	6,582
Profit and loss account carried forward		(28,535)	(11,135)
<b>SHAREHOLDERS' FUND/(DEFICIT)</b>		<u>16,477</u>	<u>(4,552)</u>

The financial statements of UKCloud Ltd (registered number 07619797) were approved by the board of directors and authorised for issue on 20 August 2021

They were signed on its behalf by:



William Ginn  
Director

The notes on pages 17 to 32 form part of these financial statements.

**UKCLOUD LTD****STATEMENT OF CHANGES IN EQUITY****For the year ended 31 March 2020**

	<b>Share Capital £'000</b>	<b>Capital Contribution Reserve £'000</b>	<b>Profit and Loss Account £'000</b>	<b>Total £'000</b>
At 1 April 2018	1	7,646	(8,853)	(1,206)
Recognition of share based payment (note 23)	-	(1,064)	-	(1,064)
Loss for the financial year	-	-	(2,282)	(2,282)
At 31 March 2019	1	6,582	(11,135)	(4,552)
Recognition of share based payment (note 23)	-	4,052	-	4,052
Issue of share capital	34,376	-	-	34,376
Loss for the financial year	-	-	(17,400)	(17,400)
At 31 March 2020	34,377	10,634	(28,535)	16,477

The notes on pages 17 to 32 form part of these financial statements.



## **UKCLOUD LTD**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2020**

#### **1. COMPANY INFORMATION**

UKCloud Ltd, a private company limited by shares and incorporated in England and Wales (Registered Number 07619797). Its registered office is at Hartham Park, Corsham Wiltshire, SN13 0RP. The principal activity of the company is the provision of assured ICT cloud computing services to the UK Public Sector exclusively from UK sovereign facilities.

#### **2. BASIS OF PREPARATION**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (“FRS102”), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The particular accounting policies adopted, which have been applied consistently throughout the current and prior financial periods are described below.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements as permitted by the FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland:

- The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- The requirements of Section 7 Statement of Cash Flows;
- The requirements of Section 3 Financial Statement Presentation 3.17(d);
- The requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(b) and 11.48(c);
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Virtual Infrastructure Group Limited for the year ended 31 March 2020 and these financial statements may be obtained from Hartham Park, Corsham, Wiltshire, SN13 0RP.

#### **3. GOING CONCERN**

The directors have prepared cash flow forecasts for a period exceeding 12 months from the date of approval of these financial statements. As a result of its strategy of investment in sales, marketing and development resources and in expanding the platform itself (including its new SECRET platform) the Company incurred a loss in the period.

The Company's cash balance at the balance sheet date was £7,170,000, and the Group's consolidated cash balance at the balance sheet date was £10,041,000.

The Board's strategy is to continue its investment programme in order to enhance the Group's opportunities to grow its revenues from existing and new customers, services, and markets.

The Company is reliant on support from the wider financing arrangements at a Group level, and the Company is the only subsidiary of its parent, Virtual Infrastructure Group Limited.

The Group's strategy requires approximately £30m of financing for investment in order to generate sufficient cash from trading to offset its capital expenditure and debt service costs, in addition to more immediate working capital funding. Therefore in September 2020 the Board appointed advisors to assist with securing the required finance.

## UKCLOUD LTD

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

#### 3. GOING CONCERN (continued)

To manage the Group's available cash since the balance sheet date the Directors have:

- Monitored and controlled working capital requirements
- Received a £2m financing inflow from an extension to its existing facility with Harbert European Specialty Lending Company II, SARL, as well as negotiating a partial payment holiday on the repayments of principal due under this facility.
- Negotiated a deferred payment plan in respect of various PAYE and VAT liabilities with HMRC (including in respect of the VAT quarter ending April 2020, being the quarter where deferment was available to companies generally as a result of the COVID-19 pandemic).
- Received £1.5m financing inflow from Secured Loan Notes issued to BGF Investments LP (an investor related to one of the Group's existing shareholders BGF Nominees Limited), with a further £1.5m available to draw down under the same facility. This facility has a final redemption date of 31 December 2022.
- Received £5.5m under a Convertible Loan Note Instrument ("CLN") from Hadston 2 Limited, a related party controlled by one of the Company's Directors, Jeffrey Thomas. This facility has a final redemption date of 31 December 2022 and, under various conditions, is convertible to equity prior to that date on the completion of a larger equity investment. Hadston 2 Limited are currently seeking further investment in order to be able to subscribe for a further £4.5m under the CLN arrangement.

At the date of approval of these financial statements the Company's cash balance is £2.2m, and the Group's consolidated cash balance is £3.9m.

The Group's current cash resources, together with facilities available for drawdown allow for approximately three months until the first tranche of additional financing would be required, assuming the continuation of the current investment programme (and including payment of all balances to HMRC under its deferred payment plans). The Group could delay the requirement for this further financing by slowing down its investment programme, however further financing will regardless be required within the going concern period of assessment in order for the Group to be able to meet all of its obligations as they fall due.

The Directors have been exploring fund raising options with Hadston 2 Limited because as a condition of the issuance of the CLN Hadston 2 was granted an exclusivity period during which the Group could not attempt to secure equity investment from any other party.

Although the period of exclusivity has now ended, the Directors understand that Hadston 2 Limited has been progressing efforts to raise £34.5m to enable them to make the required £30m equity investment in the Group, in addition to the remaining £4.5m anticipated under the CLN. An equity investment of this nature would be subject to shareholder approval.

The Directors expect that with the Group's cash resources, Secured Loan Note from BGF available for drawdown, the remaining investment anticipated under the CLN and with further equity investment from Hadston 2 Limited, it will be able to continue to meet its immediate working capital requirements and continue with its planned investment strategy over the next 12 months. The directors have a reasonable expectation that the Group has sufficient resources to continue to trade and meet its obligations as they fall due for at least 12 months from the date of signing this report and have therefore adopted the going concern basis in preparing the financial statements.

However since the Directors' assessment is dependent on the Group raising further funding that is not yet secured, the directors have concluded that there exists a material uncertainty that may cast significant doubt on the Group's ability to continue to operate as a going concern.

## **UKCLOUD LTD**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2020**

#### **4. SIGNIFICANT JUDGEMENTS AND ESTIMATES**

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

##### ***Judgements***

###### **Share-based payment**

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.

Judgements are made at the balance sheet date about the vesting date, and the likely attrition of option holders.

##### ***Estimates***

###### **Useful economic lives of tangible and intangible assets**

The annual depreciation charge for tangible and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, economic utilisation and the physical condition of the assets.

###### **Impairment**

The Company reviews the carrying amounts of its Tangible and Intangible Assets at each balance sheet date to establish whether there has been an impairment loss. In so doing the Company considers the likely cash flows supported by the assets in question and if the recoverable amount does not exceed this value in use, a diminution in value is reflected in the Income Statement.

#### **5. ACCOUNTING POLICIES**

##### **Turnover**

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, excluding Value Added Tax. 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.

**UKCLOUD LTD****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2020****5. ACCOUNTING POLICIES (continued)****Tangible fixed assets**

Tangible fixed assets are stated at cost, net of accumulated 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, which is assumed as 5 years for all assets other than end-user laptops and desktops. The rates of depreciation are as follows:

Computer equipment	20% per annum on straight line basis
Laptops	33% per annum on straight line basis

**Intangible fixed assets**

Intangible fixed assets are stated at cost, net of accumulated amortisation and any provision for impairment. Amortisation is provided at the following annual rates in order to write off each asset over its estimated useful life, which is assumed as 5 years for all assets. The rates of amortisation are as follows:

Computer software	20% per annum on straight line basis
-------------------	--------------------------------------

**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 tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

the group has a legally enforceable right to set off current tax assets against current tax liabilities,

and

the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Leases**

Rental costs under contractual operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases. Where no contract exists, operating leases are charged on an invoiced basis.

## **UKCLOUD LTD**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 March 2020**

#### **5. ACCOUNTING POLICIES (continued)**

##### **Cash flow statement**

The company has not prepared a cash flow statement as a consolidated group cash flow statement has been prepared by its parent, Virtual Infrastructure Group Limited.

##### **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**

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

##### **Holiday Pay Accruals**

The Company recognises an accrual for annual leave owed to employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 9 months. The accrual is measured at the salary cost payable for the period of absence plus the associated Employer's National Insurance contributions.

##### **Debtors**

Trade debtors are measured at transaction price, less any impairment.

##### **Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value

## UKCLOUD LTD

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

#### 5. ACCOUNTING POLICIES (continued)

##### Financial instruments

The accounts of the Company have adopted the exemptions from providing financial instrument disclosures including:

- categories of financial instruments
- items of income, expenses, gains or losses relating to financial instruments, and
- exposure to and management of financial risks

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 payables or receivables, 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 out-right 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 Profit and loss account.

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.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and is recorded at the proceeds received, net of direct issue costs.

To the extent that this definition of equity instruments is not met, financial instruments are classified as a financial liability. Where the instrument takes the legal form of the Company's own shares, amounts presented for called up share capital and share premium account excludes amounts in relation to those shares. Where a financial instrument is classified as a compound instrument, containing both equity and financial liability components, these components are separated and accounted for individually.

##### Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost.

**UKCLOUD LTD****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2020****6. TURNOVER**

All turnover arose within the United Kingdom and related to the Company's principal activity.

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest payable to Group Companies	905	590
Loan interest	185	306
Amortisation of Loan issue costs	-	25
	<u>1,090</u>	<u>921</u>

**8. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Loss on ordinary activities before taxation is after charging:		
Operating Leases – Land and Buildings	5,582	3,811
Depreciation of Tangible Fixed Assets	6,704	5,757
Amortisation of Intangible Fixed Assets	775	675
Share Based Payment/(Credit)	4,052	(1,064)
Foreign Exchange	11	7
Auditors remuneration – audit of the company	72	28
Auditors remuneration – audit of group companies	5	15
Auditors remuneration – non-audit services	23	9
	<u></u>	<u></u>

Auditors remuneration – Audit of Group Companies above includes amounts paid on behalf of the Company's parent, Virtual Infrastructure Group Limited.

**UKCLOUD LTD****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2020****9. TAX ON LOSS ON ORDINARY ACTIVITIES**

Analysis of charge in the period:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current tax:		
UK corporation tax on loss of the period	(638)	(818)
Adjustments in respect of prior periods	181	(223)
	<u>(457)</u>	<u>(1,041)</u>
Deferred tax:		
Origination and reversal of timing differences	(935)	(335)
Effects of tax rate change on opening balance	(65)	-
Adjustments in respect of prior periods	(128)	235
	<u>(1,128)</u>	<u>(100)</u>
Total deferred tax (credit) (note 9)		
	<u>(1,585)</u>	<u>(1,141)</u>

Factors affecting tax charge for the period:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
(Loss) on ordinary activities before tax	(18,985)	(3,423)
Tax on (loss) at standard rate of tax of 19% (2019: 19%)	(3,607)	(650)
Effects of:		
Expenses not deductible for tax purposes	783	8
Income not taxable for tax purposes	-	(202)
Additional Deduction for R&D expenditure	(472)	(606)
Other permanent differences	2	3
Surrender of tax losses for R&D tax credit refund	198	254
Other tax adjustments, reliefs and transfers	-	(11)
Group Relief Surrendered/(Claimed)	115	-
Fixed Asset Differences	32	11
Deferred Tax not recognised	1,376	-
Adjustment to tax charge in respect of prior periods	180	(223)
Adjustment to tax charge in respect of prior periods – deferred tax	(65)	235
Adjust closing deferred tax to average rate of 19%	-	120
Adjust opening deferred tax to average rate of 19%	(128)	(81)
	<u>(1,585)</u>	<u>(1,141)</u>



**UKCLOUD LTD****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2020****10. DEFERRED TAXATION**

Deferred taxation credits of £1,127,000 have been recognised (2019: £100,000 recognised) in the year. Deferred tax assets are made up as follows:

	<b>Recognised</b>		<b>Not recognised</b>	
	<b>Year ended 31 March 2020</b>	<b>Year ended 31 March 2019</b>	<b>Year ended 31 March 2020</b>	<b>Year ended 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	1,933	808	-	-
Short term timing differences	14	18	-	-
Losses and other deductions	200	193	-	-
	<u>2,147</u>	<u>1,020</u>	<u>-</u>	<u>-</u>

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. Accordingly, this rate is applicable in the measurement of deferred tax assets and liabilities at 31 March 2020. Deferred tax has been provided at 19% being the rate at which temporary differences are expected to reverse. However, in March 2021, the 2021 Budget included an announcement to increase the standard rate of corporation tax rate from 19% to 25% from 1 April 2023. It is expected this will be substantively enacted during Summer 2021. Since the rate increase was not substantively enacted at the balance sheet date, deferred tax has been provided at 19%. The maximum impact on deferred tax balances of the rate increase that will be applicable once the change has been substantively enacted, is estimated to be a net £678,000.

**11. TANGIBLE FIXED ASSETS**

	<b>Computer equipment £'000</b>
<b>Cost</b>	
At 1 April 2019	38,334
Additions	5,876
Disposals	(73)
At 31 March 2020	<u>44,137</u>
<b>Accumulated depreciation</b>	
At 1 April 2019	21,819
Charge in period	6,704
Disposals	(52)
At 31 March 2020	<u>28,470</u>
<b>Net book value</b>	
At 31 March 2020	<u>15,667</u>
At 1 April 2019	<u>16,516</u>

**UKCLOUD LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2020**

**12. INTANGIBLE FIXED ASSETS**

	<b>Computer Software £'000</b>
<b>Cost</b>	
At 1 April 2019	3,766
Additions	757
Disposals	-
	<hr/>
At 31 March 2020	4,523
	<hr/>
<b>Accumulated amortisation</b>	
At 1 April 2019	1,773
Charge in period	775
Disposals	-
	<hr/>
At 31 March 2020	2,548
	<hr/>
<b>Net book value</b>	
<b>At 31 March 2020</b>	1,975
	<hr/> <hr/>
At 1 April 2019	1,993
	<hr/> <hr/>

**UKCLOUD LTD****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2020****13. DEBTORS**

	<b>Year ended 31 March 2020 £'000</b>	<b>Year ended 31 March 2019 £'000</b>
Amounts falling due within one year:		
Trade debtors	5,143	5,072
Other Debtors	772	734
VAT	-	34
Current tax assets	1,373	1,041
Prepayments and accrued income	2,893	2,931
	<u>10,181</u>	<u>9,812</u>
Amounts falling due in more than one year:		
Deferred tax assets	2,147	1,019
	<u>2,147</u>	<u>1,019</u>
	<u>12,328</u>	<u>10,831</u>

**UKCLOUD LTD****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2020****14. CREDITORS: AMOUNTS FALLING DUE**  
**WITHIN ONE YEAR**

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Trade creditors	4,800	7,871
Taxation and social security	493	455
VAT	547	-
Deferred income	265	78
Accruals and other creditors	2,632	1,918
Unsecured Loans	964	-
Revolving Credit Facility	-	3,507
Intragroup creditors	7,626	20,536
	<u>17,327</u>	<u>34,365</u>

The amount shown under Intragroup creditors includes loans, including accrued interest, from the Company's parent, Virtual Infrastructure Group Limited. The loan at the balance sheet date was composed of principal of £6,965,000 and accrued interest of £94,000. The interest on the loan accrues at a rate of 10% per annum.

The Unsecured Loans were provided by Cisco Systems Finance International Unlimited Company and at the balance sheet date had maturity dates ranging between April 2024 and October 2024. Payments are made in equal monthly instalments and interest was charged at fixed rates ranging between 3.71% and 3.77% per annum.

**15. CREDITORS: AMOUNTS FALLING DUE**  
**IN MORE THAN ONE YEAR**

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Unsecured Loans	3,335	-
	<u>3,335</u>	<u>-</u>

The Loans were provided by Cisco Systems Finance International Unlimited Company and at the balance sheet date had maturity dates ranging between April 2024 and October 2024. Payments are made in equal monthly instalments and interest was charged at fixed rates ranging between 3.71% and 3.77% per annum.

**UKCLOUD LTD****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2020****16. SHARE CAPITAL**

	<b>Year ended 31 March 2020 £'000</b>	<b>Year ended 31 March 2019 £'000</b>
Allotted and fully paid Ordinary shares of 1p	34,377	1
	<u>34,377</u>	<u>1</u>

During the period the Company issued 3,437,609,804 Ordinary shares of 1p each to its parent, Virtual Infrastructure Group Limited, in consideration for the intragroup loan and trading balances existing at 29 February 2020.

**17. REMUNERATION OF KEY MANAGEMENT PERSONNEL**

	<b>Year ended 31 March 2020 £'000</b>	<b>Year ended 31 March 2019 £'000</b>
<b>Remuneration of Key Management Personnel</b>		
Emoluments	648	719
Contributions to money purchase pension schemes	-	-
Long term incentives	-	-
Compensation for loss of office	-	-
	<u>648</u>	<u>719</u>
<b>Remuneration of the highest paid director:</b>		
Emoluments	375	416
Long term incentives	-	-
Company contributions to money purchase schemes	-	-
	<u>-</u>	<u>-</u>

Company contributions to money purchase schemes were made on behalf of no directors (2019: no directors) during the year.

**UKCLOUD LTD****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2020****18. EMPLOYEE REMUNERATION**

Staff Costs during the year were as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Wages and salaries	15,490	12,301
Social security costs	1,849	1,497
Other pension costs	564	409
	<u>17,903</u>	<u>14,206</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
Sales and Marketing	39	29
Technical, general and administration	205	163
	<u>244</u>	<u>192</u>

**19. 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 £564,000 (2019: £409,000) represents contributions payable to this scheme by the Company at rates specified in the plan and employee contractual arrangements. As at 31 March 2020, contributions of £117,000 (2019: £81,000) due in respect of the current reporting period had not been paid over to the scheme.

**UKCLOUD LTD****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2020****20. FINANCIAL COMMITMENTS**

Financial commitments under non-cancellable operating leases for land and buildings, relating to the Company's office facilities, are as follows:

	<b>At 31 March 2020</b>		<b>At 31 March 2019</b>	
	<b>With Related Parties £'000</b>	<b>Other £'000</b>	<b>With Related Parties £'000</b>	<b>Other £'000</b>
Financial Commitments falling due:				
- within one year	-	314	-	57
- between two and five years	-	336	-	-
- after five years	-	-	-	-
	<u>-</u>	<u>650</u>	<u>-</u>	<u>57</u>

**21. CAPITAL COMMITMENTS**

The Company periodically invests in additional fixed assets to increase the capacity of its platform as it grows. Prior to the balance sheet date, the Company had committed to purchase Computer Equipment and Computer Software of which it expects to take delivery following the balance sheet date.

The amount contracted for but not yet invoiced at the balance sheet date was £582,000 (2019: £463,000).

**22. RELATED PARTY TRANSACTIONS*****Trading Transactions***

The Company incurred £176,000 during the year (2019: £176,000) relating to technical and consultancy services provided by Hadston Limited, a company jointly controlled by one of the Company's Directors, Jeremy Sanders. The total amount relating to such services payable at the balance sheet date is £nil (2019: £nil).

The Company incurred £62,000 during the year (2019: £62,000) relating to technical and consultancy services provided by Made By Brittan Too Limited, a company controlled by one of the Company's Directors, Sharon Brittan. The total amount relating to such services payable at the balance sheet date is £nil (2019: £nil).

The Company reported revenue of £232,000 during the year from services provided to MyLife Digital Limited, a Company over which one of the Group's Directors, Jeffrey Thomas, had significant influence. The net amount receivable relating to such services at the balance sheet date is £nil (2019: £109,000). The gross amount receivable was £278,000 excluding VAT but this amount had been recognised as a provision against Trade Debtors at the balance sheet date.

***Financing Transactions***

Following the balance sheet date the Group received £5.5m of funding via a convertible loan note instrument with Hadston 2 Limited, a related party controlled by one of the Company's Directors appointed following the balance sheet date, Jeffrey Thomas, and £1.5m via a Secured Loan Note issued to BGF Nominees Limited, a company controlled by one of the shareholders of the Company's parent.

## **UKCLOUD LTD**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 March 2020**

#### **23. SHARE BASED PAYMENT**

During the period 23,700 options to subscribe for B Ordinary Shares in the Company's parent, Virtual Infrastructure Group Limited, were exercised by a total of 58 employees. No proceeds were received by these employees and following a subdivision of shares these are now held as 5,402,523 B Ordinary Shares.

The vesting conditions for part of these shares remain the same as the original options, and for this part the inputs to the Black-Scholes model include an expected life of the number of years from the grant date to 31 March 2023.

The vesting conditions for another part of the shares have been accelerated and for this part this is treated as a modification to the terms of the original scheme, with the inputs to the Black-Scholes model including an expected life of the number of year from the grant date to the appropriate accelerated vesting date.

The inputs to the Black Scholes model for both unmodified and modified parts include a risk free rate of 3% and a volatility based on the average of comparator companies of 50%.

The Company recognised a total charge of £4,052,000 (2019: £1,064,000 credit) during the period relating to the B Ordinary Shares, correspondingly increasing the Capital Contribution Reserve on the balance sheet by the same amount.

During the period, 4,797,790 G Ordinary Shares of 1p each in the Company's parent, Virtual Infrastructure Group Limited, were issued to a total of 235 employees. The subscription price was set at 6.8p per share. A total of £30,000 was paid by employees and £297,000 was recognised as a receivable from employees in the accounts of the Company's parent.

The G Ordinary Shares entitle holders to a share of equity proceeds on an exit event (including a sale or listing of the Company's parent) if those equity proceeds are above a specific threshold. The Company recognised a total charge of £nil during the period (2019: £nil) in respect of Share Based Payment related to G Ordinary Shares.

#### **24. ULTIMATE CONTROLLING PARTY**

The parent company 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. There is not deemed to be an ultimate controlling party.

#### **25. POST BALANCE SHEET EVENTS**

The Covid-19 pandemic meant that the Company needed to implement aspects of its Business Continuity Planning Framework in order to continue to deliver services seamlessly and successfully to customers. As the Company's primary service is delivered and monitored remotely, the majority of employees were able to transition to working primarily and safely from home during March 2020 and this has continued as the mode of operation following the balance sheet date.

Following the balance sheet date the Group secured a £2m extension to its existing debt facility with Harbert European Specialty Lending Company II, SARL, as well as receiving £5.5m of funding via a convertible loan note instrument with Hadston 2 Limited, a related party controlled by one the Company's Directors appointed following the balance sheet date, Jeffrey Thomas, and £1.5m via a Secured Loan Note issued to BGF Nominees Limited, a company controlled by one of the shareholders of the Company's parent.