

Canonical UK Limited

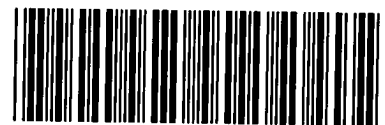
Report and Financial Statements

Year Ended

31 March 2017

Company Number 05055134

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Canonical UK Limited

Report and financial statements for the year ended 31 March 2017

Contents

Page:

1	Strategic report
2	Report of the director
4	Independent auditor's report
6	Income statement
7	Balance sheet
8	Statements of changes in equity
9	Notes forming part of the financial statements

Director

N French

Secretary

K Ollerhead

Registered office

5th Floor, Blue Fin Building, 110 Southwark Street, London, SE1 0SU

Company number

05055134

Auditors

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

Canonical UK Limited

Strategic report for the year ended 31 March 2017

The director presents his strategic report together with the audited financial statements for the year ended 31 March 2017.

Principal activities and business review

Canonical UK Limited is a wholly owned subsidiary of Canonical Group Limited, the leading provider of support services for Ubuntu deployments in the market. Ubuntu is a free, open-source platform for client, server and cloud computing. Since its launch in 2004, Ubuntu has become a natural choice for users of all kinds, from Fortune 500 companies to hardware makers, content providers, software developers and individual technologists.

During the year Canonical UK continued to provide UK based engineering and support operations and worked with other group companies to provide services and support for the Ubuntu product group. No change in the nature of the company's operations is expected in the foreseeable future.

Key performance indicators

Canonical UK Limited measures its performance through the use of key performance indicators ('KPIs'). These KPIs are focussed on revenue and operating income. Given the nature of operations the Board considers these most relevant and the KPIs form the basis of operational reports provided to the Board and management.

KPIs	2017	2016
Revenue (\$m)	23.1	23.6
Operating profit (\$m)	0.5	0.5

Financial risk management objectives and policies

The company uses various financial instruments including loans and cash. Canonical UK Limited is principally funded by inter-company loans from group companies. It has no external debtors and all its trade is through the provision of support and development services to other Canonical companies.

The existence of these financial instruments exposes the company to a number of financial risks which are described in more detail below. The risk arising from the group's financial instruments are currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

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

Credit risk - As Canonical UK Limited has no external clients, credit risk is managed through its parent Canonical Group Limited.

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

Approval

This strategic report was approved by order of the Board on

N French

Director



1 DECEMBER 2017

Canonical UK Limited

Report of the director for the year ended 31 March 2017

The director presents his report together with the audited financial statements for the year ended 31 March 2017.

Results and dividends

The income statement is set out on page 6 and shows the profit for the year.

During the year, no dividends were paid. The director does not recommend the payment of a final dividend (2016 - \$Nil).

Director

The directors of the company during the year were:

J E Silber	(resigned 7 June 2017)
N R French	(appointed 7 June 2017)

Director's responsibilities

The director is responsible for preparing the strategic report, the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is 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 director is required to:

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The director is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Canonical UK Limited

Report of the director for the year ended 31 March 2017 *(continued)*

Auditors


The director has taken all the steps that he ought to have taken to make himself aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The director is not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

N French

Director



Date

1 DECEMBER 2017

Canonical UK Limited

Independent auditor's report

TO THE MEMBERS OF CANONICAL UK LIMITED

We have audited the financial statements of Canonical UK Limited for the year ended 31 March 2017 which comprise the income statement, the balance sheet, the statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the director and auditors

As explained more fully in the statement of director's responsibilities, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Canonical UK Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained during the course of the audit, we have not identified material misstatements in the strategic report or the director's report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

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

Date *5 December 2017*

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

Canonical UK Limited

Income statement for the year ended 31 March 2017

	Note	2017 US\$'000	2016 US\$'000
Turnover	2	23,147	23,589
Administrative expenses		(22,623)	(23,077)
Operating profit	4	524	512
Interest receivable and similar income	5	6,911	1,732
Interest payable and similar charges		-	(9)
Profit on ordinary activities before taxation		7,435	2,235
Taxation	6	(82)	-
Profit for the financial year and total comprehensive income		7,353	2,235

All amounts relate to continuing activities.

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

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

Canonical UK Limited

Balance sheet
at 31 March 2017

Company number 05055134	Note	2017 US\$'000	2017 US\$'000	2016 US\$'000	2016 US\$'000
Current assets					
Debtors	7	114,416		90,320	
Cash at bank and in hand		376		58	
		<u>114,792</u>		<u>90,378</u>	
Creditors: amounts falling due within one year	8	<u>(98,597)</u>		<u>(81,536)</u>	
Net current assets			16,195		8,842
Total assets less current liabilities			16,195		8,842
Capital and reserves					
Share capital	9		-		-
Profit and loss account			16,195		8,842
Shareholder's funds			16,195		8,842

The financial statements were approved by the Board of Directors and authorised for issue on 1 December 2017


N French
Director

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

Canonical UK Limited

Statement of changes in equity for the year ended 31 March 2017

	Share capital US\$'000	Profit and loss account US\$'000	Total equity US\$'000
1 April 2016	-	8,842	8,842
Profit for the year	-	7,353	7,353
Total comprehensive income for the year	-	7,353	7,353
31 March 2017	-	16,195	16,195

Statement of changes in equity for the year ended 31 March 2016

	Share capital US\$'000	Profit and loss account US\$'000	Total equity US\$'000
1 April 2015	-	6,607	6,607
Profit for the year	-	2,235	2,235
Total comprehensive income for the year	-	2,235	2,235
31 March 2016	-	8,842	8,842

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

Canonical UK Limited

Notes forming part of the financial statements for the year ended 31 March 2017

1 Accounting policies

Basis of preparation of financial statements

Canonical UK Limited is a company limited by shares, incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The director does not believe that the financial statements contain any critical accounting estimates or judgements.

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The financial statements have been prepared using the US Dollar as the presentational currency on the basis that the directors believe the US Dollar to be the functional currency of the company. The year-end exchange rate between US dollar and Sterling was 1.2505.

The following principal accounting policies have been applied:

Going concern

The financial statements are prepared on a going concern basis. The directors have produced cash flow forecasts that indicate that the company is reliant on continued support from the company's ultimate parent undertaking, Canonical Holdings Limited, who in turn is reliant on continued support from the Group's sole beneficial owner to continue to trade and meet its obligations as they fall due.

The Group's sole beneficial owner has been providing support as required by the Group and Company during the year and since the year end, and has confirmed that he will continue to make such support as the Group and Company needs over the forecast period, which is at least 12 months from the date of signing of the financial statements. The cash flow forecast show that the Group and Company do not need more than the available funding in order to continue to trade and meet their obligations as they fall due.

The ultimate controlling party has also provided assurance of financial support to enable the Company to continue its operations for at least one year from the date of signing these financial statements.

Canonical Holdings Limited and all related undertakings have confirmed to the director that it is their intention to not seek repayment of the amounts due at the balance sheet date for the foreseeable future and in any case for a period of at least 12 months from the approval of these financial statements.

Turnover

Turnover represents the amount receivable from fellow group companies, in respect of charges for outsourced business services. Fees are recognised as the work is performed.

Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the income statement on a straight line basis over the term of the lease.

Canonical UK Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

1 Accounting policies (continued)

Contributions to pension funds

The company makes contributions to individual's personal pension plans. Pension costs are charged against profits in respect of the accounting year in which they are paid.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at a rate of exchange ruling at the balance sheet date. Any differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction.

Exemption from preparing a cash flow statement

The company has taken the exemption within Chapter 1 of FRS 102, not to prepare a cash flow statement as it is included within the consolidated financial statements of its intermediate parent, Canonical Group Limited, which are publicly available.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

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.

The company only has basic financial instruments and have not chosen to designate any as fair value through profit and loss.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Canonical UK Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

1 Accounting policies (continued)

Taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Research and development tax credit

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

2 Turnover

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

3 Employees

	2017 US\$'000	2016 US\$'000
Staff costs consist of:		
Wages and salaries	15,748	14,951
Social security costs	1,693	1,748
Pension	194	316
	<hr/>	<hr/>
	17,635	17,015
	<hr/>	<hr/>

The average number of employees, including directors during the year was 153 (2016 - 122).

Remuneration in the sum of \$730,100 (2016 - \$400,830) was paid to J Silber in respect of services provided as director during the year ended 31 March 2017 via other group companies.

The key management of the company are the director, Jane Silber and Mark Shuttleworth who is remunerated via other group companies.

Canonical UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (continued)

4 Operating profit

	2017 US\$'000	2016 US\$'000
This has been arrived at after charging/(crediting):		
Depreciation	-	3
Operating lease - land and buildings	638	1,249
Operating lease - other	510	565
Fees payable to the company's auditor for the audit	19	19
Research and development tax credit	(784)	-
	<u> </u>	<u> </u>

5 Interest receivable and similar income

	2017 US\$'000	2016 US\$'000
Bank interest receivable	-	2
Realised foreign exchange gain	23	-
Unrealised foreign exchange gain	6,887	1,730
	<u> </u>	<u> </u>
	6,911	1,732
	<u> </u>	<u> </u>

6 Taxation

	2017 US\$'000	2016 US\$'000
<i>Current tax</i>		
Adjustment to tax charge in respect of prior years	82	-
	<u> </u>	<u> </u>

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

	2017 US\$'000	2016 US\$'000
Profit on ordinary activities before tax	7,435	2,235
	<u> </u>	<u> </u>
UK corporation tax rate of 20% (2016 - 20%)	1,487	447
Expenses not deductible for taxation purposes	-	2
Depreciation in excess of capital allowances	-	-
Group relief utilised	(1,487)	(437)
Other differences	-	(12)
Adjustment to tax charge in respect of prior years	82	-
	<u> </u>	<u> </u>
Current tax for the year	82	-
	<u> </u>	<u> </u>

Canonical UK Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

7 Debtors

	2017 US \$'000	2016 US \$'000
Amounts owed by related undertakings	113,488	90,042
Other debtors	12	43
Prepayments	214	235
Corporation tax	702	-
	<u>114,416</u>	<u>90,320</u>

All debtors are due within one year.

8 Creditors: amounts falling due within one year

	2017 US\$'000	2016 US\$'000
Trade creditors	38	-
Accruals	1,510	2,032
Loan payable	638	680
Amounts owed to related undertakings	96,411	78,824
	<u>98,597</u>	<u>81,536</u>

The loan is due to Mark Shuttleworth, the sole beneficial shareholder of the company. The loan is denominated in Euros, totals €596,861 (2016 - €596,861), is unsecured, interest free and has no specified repayment date.

9 Share capital and reserves

	2017 Number	2016 Number	Allotted, called up and fully paid	
			2017 £	2016 £
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
			\$	\$
Converted to USD			<u>2</u>	<u>2</u>

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Canonical UK Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

10 Commitments under operating leases

As at 31 March 2017, the company had minimum lease payments under non-cancellable operating leases as set out below:

	2017	2017	2016	2016
	Land and	Other	Land and	Other
	buildings	US\$'000	buildings	US\$'000
	US\$'000		US\$'000	
Operating leases which expire:				
Within one year	639	510	565	684
In two to five years	-	81	-	110
	639	591	565	794

11 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that 100% of the voting rights in the company are controlled by the group headed by Canonical Holdings Limited.

Further disclosure of loans with related parties is included within note 8.

12 Ultimate controlling party

At 31 March 2017 the company's immediate parent company was Canonical Group Limited. The company's ultimate controlling party is Mark Shuttleworth, being the sole shareholder of the company's ultimate parent undertaking, Canonical Holdings Limited.