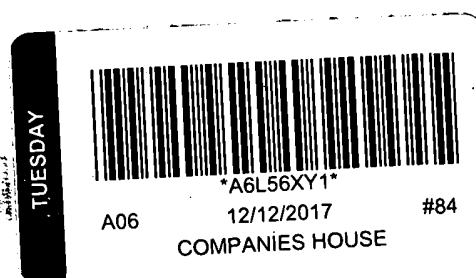


Company Registration Number 07619797

UKCloud Ltd

Financial Statements

For the year ended 31 March 2017



REPORT AND FINANCIAL STATEMENTS 2017

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UKCLOUD LTD

Officers and professional advisors

Directors

J R Sanders
S J Hansford
S Brittan
W T Ginn

Registered Office

Hartham Park
Hartham
Corsham
Wiltshire
SN13 0RP

Independent Auditors

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

Strategic Report for the year ended 31 March 2017

The directors present their Strategic Report for the year ended 31 March 2017.

Business Review and future developments

The Company's principal activity is the supply of a sovereign and secure Infrastructure as a Service (IaaS) platform that is tailored for the exclusive use of the UK public sector. This has distinct characteristics including data sovereignty, security certifications, assurance and connectivity to secure government networks.

As the main cloud partner for government agencies and their major system integrators and ICT suppliers, UKCloud currently serves central government departments, health, police and local authorities on nearly 250 active revenue generating cloud projects and has a leading position at the heart of a very rapidly growing UK public sector Public Cloud market supported by the Government's "Cloud First" policy, the G-Cloud Framework, and the cloud adoption guidance set out in Government's Technology Code of Practice.

A combination of a highly flexible and scalable hourly consumption revenue model, credible track record with UK public sector customers, government-grade security and direct government network connectivity creates a compelling proposition for our market, and led directly to the company recently being awarded the Queen's Award for Enterprise for Innovation.

Success in winning contracts has driven significant economies of scale and continuous improvements in efficiency resulting in growth in profits and strong cash flow.

As the company continues to reinforce its leadership position, investments and innovation will continue in its cloud platform with a new hyper-scale architecture that supports specialised scale-out workloads such as High Performance Compute and new Big Data applications as well as the cloud native workloads on a separate innovative OpenStack and Oracle platforms. Additional investments will be made to accelerate UKCloud's expansion into key government markets such as health and defence, including headcount, specialist expertise, expansion of the management team, professional development and new functions that will further improve customer care.

Key performance indicators

Revenue has increased almost 12 fold in three years from £3.7m for FY14 to £42.9m for FY17 (a Compound Annual Growth Rate of 127%) driven by growth in consumption of compute hours by existing and new customers and from existing and new workloads.

Business environment and strategy

The Company's vision "to be the power behind public sector technology" is highly realisable and it remains laser focused to make this a reality.

During FY17, the Government re-stated its Cloud First policy and published the Government Transformation Strategy, which reconfirms Government's commitment to digital transformation, and to the continued disaggregation of large legacy hosting contracts. Government also put renewed emphasis on cyber-security, and published its Industrial Strategy Green Paper, which sets out radical proposals for public procurement to make it easier for UK companies to win government business.

Our proven ability to many government departments drive trust and uniquely position UKCloud to capture increased usage from current contracts by expanding existing workloads and adding new workloads. UKCloud will also benefit significantly from the upcoming wave of large legacy hosting contracts that are due for renewal in the coming years by working closely with the partner ecosystem and incumbent vendors.

Strategic Report for the year ended 31 March 2015 (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 the G-Cloud procurement framework 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 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 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. Employees participate in an approved Enterprise Management Incentive share option scheme.
- The uncertainty of Brexit and the changing political landscape slows down decision-making or policy implementation.

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
30 June 2017

Directors Report for the year ended 31 March 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

Directors of the company

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

S Brittan

W T Ginn

S J Hansford

J R Sanders

Principal activity

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.

Charitable donations

Charitable donations of £202,000 were made during the period. Corporate and social responsibility is an integral part of the Company strategy, culture and operations, and the Company was proud to support a number of causes during the year including The Prince's Trust, Children in Need, Sport Relief, Great Ormond Street Hospital, Hampshire and Isle of Wight Air Ambulance, the Community Matters Partnership Project, and the Brownlee Foundation.

Political contributions

No political contributions were made during the period.

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.

Going Concern

Whilst the Company has a net current liabilities position, this is primarily due to the amount funded by its parent (which has no investments other than that in the Company) being stated within Creditors: Amounts Falling Due Within One Year. Given the funding available via its parent and via the revolving credit facility, 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. Whilst the revolving credit facility has an expiry date of August 2017, the directors, based on discussions with the provider, Barclays Bank, expect this facility to be renewed prior to the expiry date. The directors have therefore adopted the going concern basis in preparing the financial statements.

Directors Report for the year ended 31 March 2016 (continued)

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). 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.

Disclosure of information to auditor

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.

UKCLOUD LTD

Directors Report for the year ended 31 March 2016 (continued)

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
30 June 2017

Independent auditors report to members of UKCloud Ltd

We have audited the financial statements of UKCloud Ltd for the year ended 31 March 2017 which comprise the statement of comprehensive income, the balance sheet, the statement 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors..

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council'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 matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has 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 any material misstatements in the Strategic Report and Directors' Report.

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.



Tim Lincoln
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants, Bristol, 30 June 2017

UKCLOUD LTD

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

	Note	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
TURNOVER	5	42,918	32,052
Cost of sales		(12,499)	(10,127)
GROSS PROFIT		30,419	21,925
Administrative expenses		(22,489)	(15,374)
OPERATING PROFIT/(LOSS) BEFORE SHARE BASED PAYMENT		7,930	6,551
Share Based Payment	22	(3,550)	(3,353)
OPERATING PROFIT/(LOSS)		4,380	3,198
Interest receivable		-	-
Interest payable and similar charges	6	(958)	(1,383)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	7	3,422	1,815
Tax on profit/loss on ordinary activities	8	(1,216)	(1,334)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		2,206	481
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		2,206	481

The above results relate entirely to continuing activities. The notes on pages 13 to 25 form part of these financial statements.

UKCLOUD LTD

BALANCE SHEET
At 31 March 2017

	Note	2017 £'000	2016 £'000
FIXED ASSETS			
Intangible assets	11	2,277	367
Tangible assets	10	19,470	14,213
		<u>21,747</u>	<u>14,580</u>
CURRENT ASSETS			
Debtors	12	8,396	7,257
Cash at bank and in hand		390	517
		<u>8,786</u>	<u>7,774</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(32,626)</u>	<u>(26,728)</u>
NET CURRENT LIABILITIES		<u>(23,840)</u>	<u>(18,954)</u>
CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR	14	<u>-</u>	<u>(3,475)</u>
NET LIABILITIES		<u>(2,093)</u>	<u>(7,849)</u>
CAPITAL AND RESERVES			
Called up share capital		1	1
Capital Contribution Reserve		9,963	6,413
Profit and loss account		(12,057)	(14,263)
SHAREHOLDERS' DEFICIT		<u>(2,093)</u>	<u>(7,849)</u>

The notes on pages 13 to 25 form part of these financial statements.

The financial statements of UKCloud Ltd (registered number 07619797) were approved by the board of directors and authorised for issue on 30 June 2017

They were signed on its behalf by:



William Ginn
Director

UKCLOUD LTD

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2017

	Share Capital £'000	Capital Contribution Reserve £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2015	1	3,060	(14,744)	(11,683)
Recognition of share based payment (note 23)	-	3,353	-	3,353
Profit for the financial year	-	-	481	481
At 31 March 2016	<u>1</u>	<u>6,413</u>	<u>(14,263)</u>	<u>(7,849)</u>
Recognition of share based payment (note 23)	-	3,550	-	3,550
Profit for the financial year	-	-	2,206	2,206
At 31 March 2017	<u>1</u>	<u>9,963</u>	<u>(12,057)</u>	<u>(2,093)</u>

The notes on pages 13 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. COMPANY INFORMATION

UKCloud Ltd is incorporated in England and Wales (Registered Number 07619797) with its registered office at Hartham Park, Corsham Wiltshire, SN13 0RB. 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.

3. 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 judgments and estimates have been made include:

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.

4. 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.

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. The rates of depreciation are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

4. ACCOUNTING POLICIES (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

4. ACCOUNTING POLICIES (continued)

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.

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.

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.

Whilst the Company has a net current liabilities position, this is primarily due to the amount funded by its parent (which has no investments other than that in the Company) being stated within Creditors: Amounts Falling Due Within One Year. Given the funding available via its parent and via the revolving credit facility, 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. Whilst the revolving credit facility has an expiry date of August 2017, the directors, based on discussions with the provider, Barclays Bank, expect this facility to be renewed prior to the expiry date. The directors have therefore adopted the going concern basis in preparing the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

4. ACCOUNTING POLICIES (continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

5. TURNOVER

All turnover arose within the United Kingdom.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Interest payable to Group Companies	660	1,058
Loan interest	262	290
Amortisation of Loan issue costs	36	35
	<u>958</u>	<u>1,383</u>

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Profit on ordinary activities before taxation is after charging:		
Operating Leases – Land and Buildings	3,562	3,320
Depreciation of Tangible Fixed Assets	5,156	3,234
Amortisation of Intangible Fixed Assets	321	129
Share Based Payment Charges	3,550	3,353
Foreign Exchange	6	15
Auditors remuneration – audit of the company	21	23
Auditors remuneration – audit of group companies	4	4
Auditors remuneration – non-audit services	10	12
	<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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the period:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Current tax:		
UK corporation tax on profits of the period	-	-
Adjustments in respect of prior periods	-	-
Current tax charge for period	-	-
Deferred tax:		
Origination and reversal of timing differences	1,239	1,076
Effects of tax rate change on opening balance	75	259
Adjustments in respect of prior periods	(97)	-
Total deferred tax (note 8)	1,217	1,335
Total on profit on ordinary activities	1,217	1,335

Factors affecting tax charge for the period:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Profit/(Loss) on ordinary activities before tax	3,422	1,815
Tax on profit/(loss) at standard rate of tax of 20%	685	363
Effects of:		
Expenses not deductible for tax purposes	879	869
Research and Development tax credit	(156)	(63)
Other permanent differences	40	26
Movement in short term timing differences	-	-
Fixed Asset Differences	10	-
Adjustment to tax charge in respect of prior periods	(98)	-
Adjust closing deferred tax to average rate of 20%	7	139
Adjust opening deferred tax to average rate of 20%	(150)	-
Current tax charge for period	1,217	1,334

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

9. DEFERRED TAXATION

Deferred taxation of £1,216,000 has been utilised (2016: £1,335,000) in the period. Deferred tax is made up as follows:

	Recognised		Not recognised	
	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Accelerated capital allowances	12	146	-	-
Short term timing differences	(13)	(4)	-	-
Losses	(37)	(1,396)	-	-
	<u>(38)</u>	<u>(1,254)</u>	<u>-</u>	<u>-</u>

10. TANGIBLE FIXED ASSETS

	Computer equipment £'000
Cost	
At 1 April 2016	21,553
Additions	10,422
Disposals	(30)
At 31 March 2017	<u>31,945</u>
Accumulated depreciation	
At 1 April 2016	7,341
Charge in period	5,156
Disposals	(23)
At 31 March 2017	<u>12,474</u>
Net book value	
At 31 March 2017	<u>19,470</u>
At 1 April 2016	<u>14,212</u>

UKCLOUD LTD

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2017

11. INTANGIBLE FIXED ASSETS

	Computer Software £'000
Cost	
At 1 April 2016	691
Additions	2,231
At 31 March 2017	2,922
Accumulated amortisation	
At 1 April 2016	324
Charge in period	321
At 31 March 2017	645
Net book value	
At 31 March 2017	2,277
At 1 April 2016	367

UKCLOUD LTD

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

12. DEBTORS

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Amounts falling due within one year:		
Trade debtors	6,796	4,910
Other debtors	-	-
Current tax assets	-	79
Prepayments and accrued income	1,562	1,014
	<u>8,358</u>	<u>6,003</u>
Amounts falling due in more than one year:		
Deferred tax assets	38	1,254
	<u>38</u>	<u>1,254</u>
	<u>8,396</u>	<u>7,257</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

**13. CREDITORS: AMOUNTS FALLING DUE
 WITHIN ONE YEAR**

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Trade creditors	2,093	2,929
Taxation and social security	313	215
VAT	1,019	737
Deferred income	1,756	240
Accruals and other creditors	4,565	3,018
Revolving Credit Facility	3,000	-
Intragroup creditors	19,880	19,589
	<u>32,626</u>	<u>26,728</u>

The amount shown under Intragroup creditors includes both interest and non-interest bearing loans from the Company's parent, Virtual Infrastructure Group Limited. The interest-bearing loan at the balance sheet date was composed of principal of £3,200,000 and accrued interest of £950,000. The interest on the loan accrues at a rate of 10% per annum. The non-interest-bearing loan has been stated at amortised cost.

The Revolving Credit Facility is provided by Barclays Bank plc and has a maturity date of August 2017. At the balance sheet date, the total amount available under the Revolving Credit Facility was £5,000,000. Interest is charged on amounts drawn under the facility at a rate of 7.0% per annum above Barclays Bank Base Rate (currently 0.3%). A Commitment Fee is charged on amounts available under the facility, but undrawn, at a rate of 3.5% per annum. The Revolving Credit Facility is secured by a fixed and floating charge over the Company's assets.

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

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Revolving Credit Facility	-	3,475
	<u>-</u>	<u>3,475</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

15. SHARE CAPITAL

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Allotted and fully paid Ordinary shares of 1p	1	1
	<u>1</u>	<u>1</u>

16. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Remuneration of Key Management Personnel		
Emoluments	655	732
Contributions to money purchase pension schemes	47	58
Long term incentives	-	-
Compensation for loss of office	-	210
	<u>702</u>	<u>1,000</u>
Remuneration of the highest paid director:		
Emoluments	377	360
Long term incentives	-	-
Company contributions to money purchase schemes	<u>27</u>	<u>26</u>

Company contributions to money purchase schemes were made on behalf of 2 directors (2016: 3 directors) during the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

17. EMPLOYEE REMUNERATION

Staff Costs during the year were as follows:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Wages and salaries	9,541	7,124
Social security costs	1,183	986
Other pension costs	240	175
	<u>10,964</u>	<u>8,285</u>
	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Sales and Marketing	26	23
Technical, general and administration	111	74
	<u>137</u>	<u>97</u>

18. 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 £240,000 (2016: £175,000) represents contributions payable to this scheme by the Company at rates specified in the plan and employee contractual arrangements. As at 31 March 2017, contributions of £58,000 (2016: £36,000) due in respect of the current reporting period had not been paid over to the scheme.

19. FINANCIAL COMMITMENTS

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

	At 31 March 2017		At 31 March 2016	
	With Related Parties £'000	Other £'000	With Related Parties £'000	Other £'000
Financial Commitments falling due:				
- within one year	-	65	-	465
- between two and five years	-	-	-	65
- after five years	-	-	-	-
	<u>-</u>	<u>65</u>	<u>-</u>	<u>530</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

20. 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 £164,000 (2016: £2,688,000).

21. RELATED PARTY TRANSACTIONS

Trading Transactions

The Company incurred £238,000 during the year (2016: £238,000) 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 £nil (2016: £nil).

22. 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, pursuant to the Virtual Infrastructure Group Enterprise Management Incentive Scheme. No options were granted during the year.

A total of 27,107 options were in issue at the balance sheet date, held by a total of 82 employees, all 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 become capable of exercise, subject to performance criteria, in equal tranches across the number of years from the grant date until March 2017. The options are equity settled once exercised.

The inputs to the Black Scholes model include an expected life of the number of years from the grant date to March 2018, an average share price for new options granted of £nil per share (2016: £800), 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 £3,550,000 (2016: £3,353,000) during the period, correspondingly increasing the Capital Contribution Reserve on the balance sheet by the same amount.

23. 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.