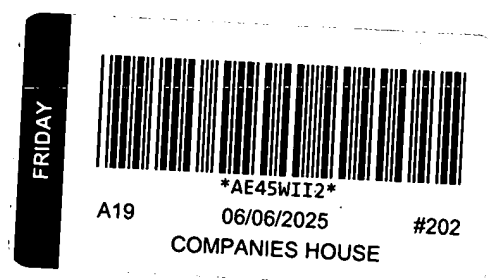


# Canonical Group Limited

Annual Report and Financial Statements

Year Ended 31 December 2024

Company Number 06870835



# Canonical Group Limited

Annual report and financial statements  
for the year ended 31 December 2024

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### **Directors**

Neil French

### **Registered office**

5 New Street Square, London EC4A 3TW

### **Company number**

06870835

### **Auditors**

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

# Canonical Group Limited

## Strategic report for the year ended 31 December 2024

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The director presents the strategic report together with the audited financial statements for the year ended 31 December 2024.

### Principal activities

Canonical Group Limited is part of the Canonical group of companies (the 'Group'), headed by Canonical Holdings Limited ("CHL"). The Canonical group is the publisher of Ubuntu and a provider of open source software, support and services.

Canonical's mission is to amplify the global impact of open source and to deliver trusted open source for everyone. The Group helps untangle complexity in modern software development and operations with a portfolio of open source products that span from the operating system layer to applications. Our business is sustained by offering commercial support, security maintenance and compliance tooling through a convenient subscription: Ubuntu Pro. Enterprises can also work with Canonical to get additional services and fully managed offerings in their data center or the cloud of their choice.

This year marked the 20th anniversary of Canonical and Ubuntu and the publishing of the latest long term support release: Ubuntu 24.04 LTS. This new offering expands our long term support commitment to include upstream open source components not packaged in Ubuntu. We also expanded our portfolio with the introduction of more multi-cloud database products. Our data solutions portfolio delivers advanced automation for open source data systems, helping site reliability engineers simplify scaling, security, backup and monitoring on any cloud. This automation layer is made possible through Charms, a technology Canonical has developed which encapsulates business logic in reusable software packages that automate every aspect of an application's life.

The Group continued to attract new talent and new business, welcoming customers across industries from Fortune 500 companies to universities, software developers and government institutions. Over the course of 20 years, Canonical has grown from being an operating system provider to a portfolio company that touches every area of the modern technology stack. The business reach spans from the smallest devices to the largest clouds and from kernel to data-intensive systems.

The Canonical group is uniquely positioned to help customers make the most of their Ubuntu deployments by providing reliable, enterprise-grade solutions for the operating system and applications they run on top:

### Business review

Ubuntu is the preferred platform for developers and is widely used for Linux deployments across both public clouds, private data centres and embedded infrastructures. Thanks to its security focus, versatility and policy of regular updates, Ubuntu is the leading cloud guest operating system and the only free cloud operating system with the option of enterprise-grade commercial support. Today, most large-scale private clouds are built with OpenStack on top of Ubuntu. Ubuntu's adaptability and the secure, open-source nature of Ubuntu Core make it an attractive choice also for IoT developers and manufacturers. Given Ubuntu's prominence in the developer community and its suitability for IoT applications, a significant portion of IoT devices (network equipment, smart home devices, self-driving cars and advanced robots) run on Ubuntu.

In addition to producing Ubuntu, Canonical leads the development of key differentiating technologies which allow customers to operate efficiently at scale. Canonical leads the development of Juju, a multi-cloud orchestration system with powerful software modelling abstractions, and MAAS (Metal-as-a-Service), which provides unified tooling for building and managing data centres from the ground up. Further, Canonical leads the development of the Snap universal Linux packaging system for secure, transactional device updates and app stores. Ubuntu Core is an all-snap, lightweight instantiation of Ubuntu, perfect for devices and appliances.

# Canonical Group Limited

## Strategic report for the year ended 31 December 2024

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### **Business review** *(Continued)*

Building on these technologies, Canonical offers solutions for OpenStack and Kubernetes which harness the power of Juju for their deployment and operation. Both offer enterprise, telecom providers and Original Equipment Manufacturer's (OEMs) mechanisms to run multi and hybrid cloud infrastructure that are cost efficient to build and operate. Canonical consulting, training and managed services offerings mean companies can get started with their multi and hybrid cloud infrastructure in weeks.

As a platform provider, Canonical is in a unique position to help innovators in the AI/ML ecosystem optimize and integrate their offerings, and ultimately benefit the end users of the software.

Canonical works closely with the world's leading silicon companies and hardware vendors to enhance the developer experience for their offering through certification and enablement programs. These programs focus on custom features and optimizations that provide the best experience for organizations using Ubuntu for AI training and inference at scale. Canonical's data solutions portfolio is also uniquely suited to help organizations integrate, operate and manage data flows across clouds. This is supplemented by the company's offerings for MLflow and Kubeflow, which enable machine learning operations on any infrastructure.

Canonical's partnerships with cloud vendors enable organizations to start quickly with AI on the public cloud, at relatively low cost and risk, and then move to their own private data center as their use cases scale. Ubuntu's large footprint in the IoT world also makes it an excellent platform to enable smart things with AI models.

Canonical's support for privacy enhancing technologies like confidential computing in Ubuntu help companies resolve many of the concerns they have of working with sensitive data. Supplementing confidential compute with Canonical's security maintenance offerings is compelling for companies looking to meet regulatory requirements with ease.

To support its technology and go-to-market strategies, Canonical continues to build world class global engineering, support and managed service operational teams. The combination of these highly skilled individuals and Canonical's class leading management tools, positions the Group to be a leading player in the markets where it competes.

### **Performance**

This commentary reflects that of the combined group headed by Canonical Holdings Limited (the 'CHL Group').

In the year to 31 December 2024, revenue increased by 16% to US\$ 292m (2023: US\$ 251m). The CHL Group continued to invest in human resources with average headcount growing to 1,175 (2023: 1,034). Growth in revenue was primarily invested in Sales & Marketing and Research & Development. Operating profit was US\$ 62m for the year (2023: US\$ 45m).

The CHL Group measures its performance through the use of key performance indicators ('KPIs'). These KPIs are focused on bookings, revenue, various operating expense families, operating cash flow and average headcount. Given the nature of operations, the Board considers these most relevant and these KPIs form the basis of operational reports provided to the Board and management.

# Canonical Group Limited

## Strategic report for the year ended 31 December 2024

KPIs	2024	2023
Revenue	US\$ 292m	US\$ 251m
Gross margin (%)	83%	80%
Sales & Marketing expense (% of revenue)	20%	21%
Research & Development expense (% of revenue)	27%	26%
General & Administrative expense (% of revenue)	15%	15%
Cash flows from operating activities before taxes	US \$85m	US \$46m
Average headcount	1,175	1,034

The Board is satisfied with the overall performance as indicated by these metrics. The increase in revenue year on year reflects growth with existing customers and new wins. This was supported by the increased investment in sales and marketing, and staffing levels in the CHL Group to adequately support the additional performance obligations arising from the additional revenue. Additionally, the Board elected to invest some of last year's profitability in additional R&D activity to bolster long term revenue growth rates. Cash flow was higher in 2024 than the prior year mainly due to increased revenue, profitability and positive working capital movements.

### Principal risks and uncertainties

We identify risks to the business with input from the Board of Directors and from senior managers that occupy leadership roles across the Company, focusing on the risks that are most significant for us. These are then assessed and mitigating action plans are reviewed and agreed, with documented owners and reporting cadence. Risks and mitigations are reviewed by the Audit Committee and the Board on a regular basis. The principal risks are as follows.

**Cyber security risk** - the Group is exposed to external and internal threats that may impact our products, our data, and our ability to operate our systems. The consequences may include significant reputational damage, legal liability, and disruption to core business functions. We have actions in place to ensure security risk management is incorporated into the software development lifecycle of our products. We continue to increase security risk management of our corporate infrastructure and the devices accessing that infrastructure.

**People risk** - our continued success in all functions depends critically on our ability to develop mature, strong and complete teams at Board and Executive levels and more broadly to attract talent at the required pace, volume, quality and cost, to retain and develop that talent, and to engage and motivate them. We invest heavily in attracting talent into the business, including over the past year significantly strengthening our Board and Executive teams, however there are still a number of open senior positions to fill and areas where the business is critically dependent on certain individuals. We have developed a rigorous process for hiring that seeks excellence in all roles and leverages our remote-first nature to tap into the widest talent pools in multiple geographies. We regularly review engagement within the business and act on the feedback we receive to maintain competitive compensation, benefits and career development opportunities.

**Key person dependency** - The Group has significant dependence on the founder and CEO for the vision and strategic direction of the business. The Group aims to continue to strengthen the leadership team and delegate to well-suited leads who can exert strong leadership over their domains.

# Canonical Group Limited

## Strategic report for the year ended 31 December 2024

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### Principal risks and uncertainties *(continued)*

**Emerging technology risk** - our industry moves at a fast pace and therefore we are at risk that we may not adapt to technological changes, both from innovation and commercialisation perspectives. Our development plans and product direction is shaped through Board discussion, regular internal product strategy reviews and close collaboration with leading edge customers and alliance partners. These multiple perspectives are integrated into a vision and roadmap that is designed to intercept, and drive where appropriate, the technology directions in our industry and ensure we are resilient to competitor and industry actions.

**Geopolitical risk** – the Group operates globally, including working in Taiwan with semiconductor manufacturers. The Group could be affected by geopolitical trade and technology disputes and by wars. The war in Eastern Europe has not significantly impacted the Group during 2024 as it had very limited exposure to contracts in Ukraine and Russia, and no exposure to Belarus. Management have taken steps to ensure compliance with payment restrictions and other regulations affecting these regions.

**Compliance risk** - As a multinational company with operations in many countries and services offered globally, Canonical is subject to numerous laws and regulations across the globe. The global nature of the operations increases the risks for non-compliance with applicable laws. To address such risks Canonical maintains a centralized framework of laws, regulations and industry standards applicable to the Company, supported by compliance gap analysis and mitigation steps.

### Financial risk management objectives and policies

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from related parties and accrued expenses. The main purpose of these financial instruments is to support the cross-border financing needs of the Group's operations.

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

**Currency risk** - The Group has regular exposure to currency translation risk. The majority of the Group is denominated in USD, which is in line with the majority of sales that are also denominated in USD. However, expenses arise in a variety of currencies, with the highest volumes being in USD, GBP and EUR. This leads to a persistent trade of USD into GBP, EUR and other currencies to satisfy outstanding and anticipated payables. This risk is reviewed regularly in conjunction with native currency working capital projections in order to maintain adequate currency reserves to meet operating requirements, which enables the Group to take advantage of favourable spot rates when they arise.

**Credit risk** - The Group's principal credit risk relates to recovery of amounts owed by trade debtors. This risk is managed by determining payment terms and a credit limit for customers based on third party credit references, payment history and other factors. This risk is reviewed regularly in conjunction with debtor ageing and bad debt expense.

**Liquidity risk** – Current and projected working capital demand is assessed on a monthly basis. The Group retains sufficient liquidity to support operations and make capital payments when they become due. Parent company loans are also available as required.

### Future developments

The Group's principal strategic initiatives during the year included ongoing improvement of the product offerings via the Group's software roadmap, and continued development of the various global channel-led sales routes. The Group is going to continue to grow its resources during the year ahead to ensure long term success of the business.

# Canonical Group Limited

Strategic report  
for the year ended 31 December 2024

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## Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions.

In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain here how the Board engages with stakeholders. The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

To ensure the Company was operating in line with good corporate practice, all Directors reflect on how the Company engages with its stakeholders and opportunities for enhancement. As required, the In-House Council and Company Secretary provides support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f). The Board regularly reviews the Company's principal stakeholders and how it engages with them.

In addition to the above, during 2024 the Board continued with the following specific activities, limited here to matters of strategic importance only:

Canonical invested in the Ubuntu Pro product in an effort to expand benefits for customers. Historically, Canonical has only supported its core infrastructure software, including its operating system. Ubuntu Pro is an additional stream of security updates and packages that meet compliance requirements such as FIPS or HIPAA, on top of Ubuntu Long Term Support releases. Ubuntu Pro provides an SLA for security fixes for the entire distribution for ten years which represents more than 36,000 open source packages. Historically 90% of them came with no security maintenance commitment from Canonical.

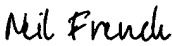
Canonical and the Ubuntu community only provided best-effort maintenance for those packages. With the launch of Ubuntu Pro, all of the packages of the Ubuntu distribution (Main and Universe) get the same long term security maintenance commitment from Canonical. In directing this investment, the Board expects to support previous investments in stickier products that affect a smoother stream of recurring subscription revenue with less extreme alternating churn and expansion characteristics over a two year cycle (the release cycle of Long Term Support versions of Ubuntu).

The Board also directed Canonical management to continue making material investments in attaching subscription and services up-sales to revenue coming through the public cloud channel, via joint go-to-market initiatives with Canonical's channel partners. This is a multiyear strategic initiative, but 2024 was another record year for both channel revenue and cloud revenue, which both had revenue growth rates in excess of the company-wide average. Significant product launches are scheduled for 2025 which are expected to continue to drive these business lines.

## Approval

This strategic report was approved on behalf of the Board on 23 April 2025.

Director N French

DocuSigned by:  
  
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# Canonical Group Limited

## Directors' report for the year ended 31 December 2024

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The directors present their report together with the audited financial statements of the Group for the year ended 31 December 2024.

### Results and dividends

The consolidated income statement is set out on page 16 and shows the profit for the year.

During the period, no dividends were paid (2023 – US\$ Nil).

The directors do not recommend the payment of a final dividend.

### Political Contributions

The Group made no political contributions during the financial year (2023 - US\$ Nil).

### Going concern

The Director is confident of building on the successes of 2024 and expects to further improve financial performance in 2025.

The Director has considered the potential risks to financial performance and modelled a variety of scenarios over the going concern period. Based on these scenarios, the Director is satisfied that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing of these financial statements and is able to meet its liabilities as they fall due. Accordingly, the Director continues to adopt the going concern basis in preparing these financial statements.

The full going concern statement is disclosed on page 26 in note 3.

# Canonical Group Limited

## Directors' report for the year ended 31 December 2024

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### Director

The director of the company during the year and after the year-end was:

Neil French

### People's policies

Our People are the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that our team members invest in their work represents a significant part of not only our culture, but our reputation and organisation's achievement as well.

Diversity is part of our strength and we embrace and encourage our peoples differences in age, colour, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our people unique.

Building on a culture of trust, excellence and leadership, we continue to innovate in how we hire, how we commercialise our products and how we develop our people. In 2024, on the occasion of our 20th anniversary, we reaffirmed our company values:

#### **Adroit**

We are skillful, stylish and adaptable. We work with character, energy and enthusiasm.

#### **Reliable**

We prioritize trust, security and quality in our work. You can depend on us.

#### **Accessible**

We are open to ideas and collaboration. Our products are affordable and easy to use.

#### **Precise**

We are exact and careful about the details. We ensure performance, correctness and clarity.

These values connect our diverse people, from 85 different nationalities, collaborating together to deliver our mission of amplifying the global impact of open source and deliver trusted open source for everyone.

Recruiting new talent is an area in which we invest heavily, and we focus on bringing the most talented people so as to continue to grow and develop the organisation. Recruitment requires a large involvement from our people to ensure we attract, identify and subsequently engage with highly talented individuals. The recruitment process in place focuses on providing a fair and consistent approach that assesses people on merit. We work hard to assess the ability and potential of every candidate.

# Canonical Group Limited

## Directors' report for the year ended 31 December 2024

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### People's policies *(continued)*

#### Representation

Canonical's diversity initiatives are applicable, but not limited to, our practices and policies on recruitment and selection; compensation and benefits; professional development and training; performance management and evaluation; promotions; transfers; social and recreational programs; layoffs; terminations; and the ongoing development of a work environment built on the premise of gender and diversity equity that encourages and enforces:

- Respectful communication and cooperation between all team members.
- Teamwork and individual participation, permitting the representation of all groups and team member perspectives.
- Work/life balance through flexible work schedules to accommodate team members' varying needs.
- Organisation and team member contributions to the communities we serve to promote a greater understanding and respect for diversity.

People at Canonical have a responsibility to treat others with dignity and respect at all times. All team members are expected to exhibit conduct that reflects inclusion during work, at work functions on or off the work site, and at all other organisation-sponsored and participative events. All team members are also required to attend and complete annual diversity awareness training to enhance their knowledge to fulfil this responsibility and facilitate an open and globally focused company.

Operating largely across engineering disciplines, a noted area of opportunity and continued effort has been the drive to improve the representation of women within Canonical. In 2024 we are pleased to have seen an increase in this representation and made concerted efforts to ensure this trend continues. 2024 saw us partake as gold sponsors at the WomenTech global event, with members of the Canonical team acting as key speakers. Our Women's Resource Group is a key and active support in identifying and embedding opportunities; through collaboration we have introduced a women in leadership scholarship program to support amplify career growth.

We undertake to share cultural festivals and events within our internal communication channels to spark interest and conversation around shared cultural insights. Details of 294 events from the cultures represented at Canonical have been shared this year, each receiving interest and interaction and serving to grow the awareness and knowledge of our people.

#### Engagement

Our people's voice is fundamental in helping us celebrate success as well as identify opportunities and understand how we can continue to make Canonical an even more amazing place to work. To enable this we collate feedback via the Canonical People Survey each year, providing team members with an opportunity to share candid, confidential feedback to the business on motivating factors and areas we could improve. The survey provides us with an opportunity to understand the temperature of the company and to support a culture of transparency and open communication. Despite company growth and typical trends this year we had a record participation level of 89% of team members engaging with the process and sharing their voice.

We partner with CultureAmp, an industry leader in employee engagement practices and are able to track trends and changes year over year. 2024 saw a new approach to engagement action planning, adding a layer of team specific, team led and team owned actions to enable relevant, topical and impactful efforts on things important at a team level. The efforts saw visible action increase, team cohesion and collaboration augment, and increased favourable sentiment regarding innovation, enablement and DEI. Pride to work at Canonical remains significantly above comparable tech benchmark figures, and overall engagement in line with industry benchmark

# Canonical Group Limited

## Directors' report for the year ended 31 December 2024

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### People's policies *(continued)*

#### Accelerating time to land

The Company operates in a predominantly remote capacity and work has been undertaken this year to further amplify the landing of new team members. We have focused on feedback provided through onboarding surveys and focus groups subsequently introducing added layers of support through onboarding cohort groups and a peer buddy scheme, to amplify the exposure of new hires to broader parts of the Company sooner. 95% of individuals found the onboarding process valuable and supported them in landing effectively.

This year we increased the number of in-person induction sessions to three. These constitute a 3 day program to build networks, relationships and best embed and solidify personnel into the organisation sooner. Work has also been undertaken to augment the effectiveness of the 3 day program and we have seen engagement and effectiveness scores from the inductions increase respectively.

#### Growth and development

We aspire to lead on the global stage and are avid students of greatness - we are interested in how the latest technologies work, how the best organisations work and how the smartest teams collaborate. We value people who love to learn and encourage team members to find their passion and invest in that, recognising the benefit to them, their team and the company when they become more effective team players. We offer a generous annual allowance in support of this effort so that individuals are able to invest in their own growth and development, and we partner with high-quality content providers to make sure our people get access to the best possible training materials. We have focused on ensuring development is built into supportive time spent with managers and experts within the company, and seen a significant increase in training opportunities undertaken.

Management is important to us and we like to develop those skills in people who enjoy it. Our leadership academy has initiated its third cohort and focuses on supporting existing managers to share knowledge and insights to those who wish to grow into management positions, setting them up for success while honing and amplifying their own skills.

Growth and development have been embedded into our early careers program, ensuring those starting out in their professional journeys are equipped for success. We have built approaches that ensure regular, structured feedback and rapidly growing levels of responsibility and autonomy to facilitate team members convert their drive, passion and potential into solid foundations. We also provide the opportunity for that growth to flourish through the amplified promotion opportunities presented to those in the early careers program.

#### Compliance, environment, sustainability and governance

To continue developing and maturing its global compliance program, Canonical has established a dedicated legal compliance function charged with overseeing the development and implementation of the compliance program across the Company. Canonical has established a robust strategy and compliance program which aims to further align Company business practices with applicable laws and regulations. Some of the compliance components undergoing review and continuous improvement include anti-bribery and anti-corruption, environment, sustainability and governance (ESG), data privacy, ethics, labor and human rights. Canonical continues to mature its compliance posture by strengthening the reporting, enforcement and documenting mechanisms across the company.

# Canonical Group Limited

## Directors' report for the year ended 31 December 2024

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### Auditors

The directors have taken all the steps that they ought to have taken to make themselves 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 directors are 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 reappoint them will be proposed at the annual general meeting.

### Energy and carbon reporting

The 2018 Regulations require large unquoted companies that have consumed (in the UK), more than 40,000 kilowatt-hours (kWh) of energy in the reporting period to include energy and carbon information within their directors' (trustees') report, for any period beginning on or after 1 April 2019. Where a large Company does not consume more than 40,000 kWh of energy in a reporting period, it qualifies as a low energy user and is exempt from reporting under these regulations.

We recognise the importance of sustainability reporting and are committed to aligning with the relevant regulatory requirements. We are actively developing a comprehensive sustainability strategy and implementing processes to enhance our data collection and reporting capabilities for the financial year end 2025. These efforts are aimed at establishing a robust framework that will enable us to report on our energy usage and greenhouse gas emissions in future reporting periods. At the time these accounts were prepared, the information in order to assess this requirement was not available.

### On behalf of the Board

DocuSigned by:

*Neil French*

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**Director**

Neil French  
23 April 2025

## **Canonical Group Limited**

### **Directors' responsibilities statement for the year ended 31 December 2024**

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The Directors are responsible for preparing the annual report and consolidated financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Group and Company financial statements in accordance with UK adopted international accounting standards. 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 Group and Company and of the profit or loss of the Group and 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;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- 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 Isle of Man Company law and regulation. 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.

# Canonical Group Limited

## Independent auditor's report to the Members of Canonical Group Limited

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### Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the Group's profit and the Parent Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Canonical Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2024 which comprise Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of profit or loss and other comprehensive income, Company statement of financial position, Company statement of changes in equity, Company statement of cash flows and notes to the financial statements, including a summary of material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Group and the Parent 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.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report, Director's report and financial statements, 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.

## Canonical Group Limited

### Independent auditor's report to the Members of Canonical Group Limited

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#### Other information (Continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

#### Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the Group and the Parent 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.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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

As explained more fully in the Directors' Responsibilities statement, 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 Group's and the Parent 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 Group or the Parent 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.

# Canonical Group Limited

## Independent auditor's report to the Members of Canonical Group Limited

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### Auditor's responsibilities for the audit of the financial statements *(Continued)*

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

#### *Non-compliance with laws and regulations*

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group and Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework, tax legislation (income taxes, payroll taxes, sales taxes, etc.), and Companies Act 2006.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be data protection laws and regulations and health and safety laws and regulations.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

#### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group and Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition on professional services contracts open at the year-end recognised on a percentage of completion basis and management override of controls.

# Canonical Group Limited

## Independent auditor's report to the Members of Canonical Group Limited

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### Auditor's responsibilities for the audit of the financial statements *(continued)*

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Challenging management's assessments, assumptions and evaluating data used as the basis for making estimates to assess whether judgements made in making accounting estimates are indicative of potential bias by management; and
- With regards to the risk of fraud for revenue recognition on professional services contracts open at the year-end recognised on a percentage of completion basis, our procedures included agreeing, for a sample of open contracts, the percentage of completion to contract milestones and evidence obtained from the customer for the milestone having been achieved.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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

DocuSigned by:

BDO LLP

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23 April 2025

Leighton Thomas (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

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

## Canonical Group Limited

### Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024

	Note	2024 US\$ 000	2023 US\$ 000
Revenue	5	291,505	250,506
Cost of Sales		(33,153)	(32,015)
<b>Gross profit</b>		<b>258,352</b>	<b>218,491</b>
Other Operating Income		9,928	7,866
Sales and Marketing Expenses		(77,522)	(75,413)
Research and Development Expenses		(36,754)	(31,634)
General and Administrative Expenses		(138,478)	(108,089)
<b>Operating profit</b>	6	<b>15,526</b>	<b>11,220</b>
Finance Income		4,050	4,334
Finance Costs	8	(429)	(372)
<b>Profit before Tax</b>		<b>19,147</b>	<b>15,182</b>
Taxation	9	(1,011)	(2,596)
<b>Profit for the financial year</b>		<b>18,135</b>	<b>12,586</b>
<b>Other Comprehensive Income</b>			
Foreign Currency Translation		(243)	(83)
<b>Total Comprehensive Income</b>		<b>17,892</b>	<b>12,503</b>

All amounts relate to continuing activities.

The accompanying notes form an integral part of these financial statements

# Canonical Group Limited


## Consolidated statement of financial position As at 31 December 2024

	Note	2024	2023
		US\$ 000	US\$ 000
<b>Non-Current Assets</b>			
Plant Property and Equipment	10	20,155	8,107
Intangible Assets	11	2,558	2,507
Right of Use Assets	15	5,098	5,459
Deferred tax Asset	17	9,282	7,791
Contract Costs	14	1,232	970
<b>Total Non-Current Assets</b>		<b>38,325</b>	<b>24,834</b>
<b>Current Assets</b>			
Contract Assets	13	6,144	6,733
Contract Costs	14	1,038	790
Trade and Other Receivables	16	41,924	38,123
Cash and Cash Equivalents	21	81,731	85,588
<b>Total Current Assets</b>		<b>130,837</b>	<b>131,234</b>
<b>Total Assets</b>		<b>169,162</b>	<b>156,068</b>
<b>Non-Current Liabilities</b>			
Contract liabilities	23	18,220	7,913
Lease Liabilities	18	3,801	4,170
Dilapidation Provision	18	818	-
<b>Total Non-Current Liabilities</b>		<b>22,839</b>	<b>12,083</b>
<b>Current Liabilities</b>			
Trade and Other Payables	19	82,241	106,169
Contract Liabilities	23	52,523	43,488
Lease Liabilities	18	864	1,537
<b>Total Current Liabilities</b>		<b>135,628</b>	<b>151,194</b>
<b>Total Liabilities</b>		<b>158,467</b>	<b>163,277</b>
<b>Net Assets / (Liabilities)</b>		<b>10,695</b>	<b>(7,209)</b>
<b>Equity</b>			
Share Capital	20	-	-
Share Premium		-	-
Capital Contribution	22	3,639	3,628
Accumulated gain / (losses)		7,056	(10,837)
<b>Total Equity</b>		<b>10,695</b>	<b>(7,209)</b>

The accompanying notes form an integral part of these financial statements.

The financial statements of Canonical Group Limited, registered number 06870835 were approved by the Board of Directors and authorised for issue on 23 April 2025.

Director Neil French

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## Canonical Group Limited

### Consolidated statement of changes in equity at 31 December 2024

	Share capital US\$ 000	Share premium US\$ 000	Capital Contribution US\$ 000	Accumulated losses / gain US\$ 000	Total equity US\$ 000
<b>Balance at 1 January 2023</b>	-	-	3,567	(23,340)	(19,773)
Profit for the year	-	-	-	12,586	12,586
Other comprehensive income / (loss)	-	-	-	(83)	(83)
<b>Total comprehensive income</b>	-	-	-	12,503	12,503
<b>Transactions with owners:</b>					
Share based payments	-	-	61	-	61
Dividend Paid	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	61	-	61
<b>Balance at 31 December 2023</b>	-	-	3,628	(10,837)	(7,209)
<b>Balance at 1 January 2024</b>	-	-	3,628	(10,837)	(7,209)
Profit for the year	-	-	-	18,135	18,135
Other comprehensive income / (loss)	-	-	-	(243)	(243)
<b>Total comprehensive income</b>	-	-	-	17,892	17,892
<b>Transactions with owners:</b>					
Share based payments	-	-	11	-	11
Dividend Paid	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	11	-	11
<b>Balance at 31 December 2024</b>	-	-	3,639	7,055	10,695

The accompanying notes form an integral part of these financial statements.

# Canonical Group Limited

## Consolidated statement of cash flows for the year ended 31 December 2024

	Note	2024 US\$ 000	2023 US\$ 000
<b>Operating activities:</b>			
<b>Profit for the year</b>		<b>18,135</b>	<b>12,586</b>
<b>Adjustments for:</b>			
Finance income		(4,050)	(4,334)
Finance costs		429	372
Share based payment expenses	22	11	61
Tax charge		1,011	2,596
Net foreign exchange differences		41	-
Depreciation and amortisation		5,441	4,692
(Increase)/decrease in trade and other receivables		(2,750)	(17,660)
(Decrease)/increase in trade and other payables		(4,618)	(6,977)
<b>Cash generated / (used in) by operations</b>		<b>13,650</b>	<b>(8,665)</b>
Income taxes (paid)/received		(1,951)	(461)
<b>Net cash flow generated / (used in) from operating activities</b>		<b>11,699</b>	<b>(9,126)</b>
<b>Investing activities:</b>			
Purchase of property, plant and equipment		(16,480)	(5,528)
Capitalisation of development costs		(861)	(1,189)
Interest Received		4,050	4,334
<b>Net cash flow used in investing activities</b>		<b>(13,291)</b>	<b>(2,383)</b>
<b>Financing activities:</b>			
Payment of lease liabilities - capital		(1,419)	(1,484)
Payment of lease liabilities – interest		(335)	(366)
Other interest charges		(2)	(6)
<b>Net cash used in financing activities</b>		<b>(1,756)</b>	<b>(1,856)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(3,348)</b>	<b>(13,365)</b>
Net foreign exchange differences		(509)	-
Cash and cash equivalents at 1 January	21	85,588	98,953
<b>Cash and cash equivalents at 31 December</b>		<b>81,731</b>	<b>85,588</b>

The accompanying notes form an integral part of these financial statements.

## Canonical Group Limited

### Company statement of profit or loss and other comprehensive income for the year ended 31 December 2024

	Note	2024 US\$ 000	2024 US\$ 000
Revenue	5	290,194	249,197
Cost of Sales		(12,967)	(11,886)
<b>Gross profit</b>		<b>277,227</b>	<b>237,311</b>
Other Operating Income		899	725
Sales and Marketing Expenses		(66,903)	(55,050)
Research and Development Expenses		(13,475)	(9,341)
General and Administrative Expenses		(191,088)	(168,980)
<b>Operating profit</b>	6	<b>6,660</b>	<b>4,665</b>
Finance Income		4,046	4,334
Finance Costs	8	(356)	(302)
<b>Profit before Tax</b>		<b>10,350</b>	<b>8,697</b>
Taxation		162	(727)
<b>Profit for the financial period and total comprehensive income</b>		<b>10,512</b>	<b>7,970</b>

All amounts relate to continuing activities.

The accompanying notes form an integral part of these financial statements.

# Canonical Group Limited


## Company statement of financial position As at 31 December 2024

	Note	2024 US\$ 000	2023 US\$ 000
<b>Non-Current Assets</b>			
Plant Property and Equipment	10	17,841	6,494
Intangible Assets	11	676	413
Right of Use Assets	15	4,233	4,339
Investments in Subsidiaries	12	710	710
Deferred Tax Asset	17	8,848	7,429
Contract Costs	14	214	60
<b>Total Non-Current Assets</b>		<b>32,522</b>	<b>19,445</b>
<b>Current Assets</b>			
Contract Assets	13	6,143	6,472
Contract Costs	14	129	46
Trade and Other Receivables	16	39,423	36,615
Cash and Cash Equivalents	21	55,757	61,002
<b>Total Current Assets</b>		<b>101,452</b>	<b>104,135</b>
<b>Total Assets</b>		<b>133,974</b>	<b>123,580</b>
<b>Non-Current Liabilities</b>			
Contract Liabilities	23	17,403	7,709
Lease Liabilities	18	3,036	3,198
Dilapidation Provision	18	818	-
<b>Total Non-Current Liabilities</b>		<b>21,257</b>	<b>10,907</b>
<b>Current Liabilities</b>			
Trade and Other Payables	19	103,198	121,460
Contract Liabilities	23	51,655	43,217
Lease Liabilities	18	686	1,334
<b>Total Current Liabilities</b>		<b>155,539</b>	<b>166,011</b>
<b>Total Liabilities</b>		<b>176,796</b>	<b>176,918</b>
<b>Net Liabilities</b>		<b>(42,822)</b>	<b>(53,338)</b>
<b>Equity</b>			
Share Capital	20	-	-
Share Premium		-	-
Capital Contribution		1,158	1,154
Accumulated Losses		(43,980)	(54,492)
<b>Total Equity</b>		<b>(42,822)</b>	<b>(53,338)</b>

The accompanying notes form an integral part of these financial statements.

The financial statements of Canonical Group Limited, registered number 06870835 were approved by the Board of Directors and authorised for issue on 23 April 2025.

**Director** Neil French

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## Canonical Group Limited

### Company statement of changes in equity for the year ended 31 December 2024

	Share capital US\$ 000	Share premium US\$ 000	Capital Contribution US\$ 000	Accumulated Losses US\$ 000	Total equity US\$ 000
<b>Balance at 1 January 2023</b>	-	-	1,132	(62,462)	(61,330)
Profit for the year	-	-	-	7,970	7,970
<b>Total comprehensive income</b>	-	-	-	7,970	7,970
<b>Transactions with owners:</b>					
Share based payments	-	-	22	-	22
Deferred tax on share based payments recognised within equity	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	22	-	22
<b>Balance at 31 December 2023</b>	-	-	1,154	(54,492)	(53,338)
<b>Balance at 1 January 2024</b>	-	-	1,154	(54,492)	(53,338)
Profit for the year	-	-	-	10,512	10,512
<b>Other comprehensive income</b>	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	10,512	10,512
<b>Transactions with owners:</b>					
Share based payments	-	-	4	-	4
Deferred tax on share based payments recognised within equity	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	4	-	4
<b>Balance at 31 December 2024</b>	-	-	1,158	(43,980)	(42,822)

The accompanying notes form an integral part of these financial statements.

## Canonical Group Limited

### Company statement of cash flows for the year ended 31 December 2024

	Note	2024 US\$ 000	2023 US\$ 000
<b>Operating activities:</b>			
<b>Profit for the year</b>		<b>10,512</b>	<b>7,970</b>
<b>Adjustments for:</b>			
Finance income		(4,046)	(4,334)
Finance costs		356	302
Share based payment expenses	22	4	22
Tax (charge) / credit		(162)	727
Net foreign exchange differences		288	-
Depreciation and amortisation		3,264	2,180
(Increase)/decrease in trade and other receivables		(2,474)	(15,161)
Increase/(decrease) in trade and other payables		6	(19,893)
<b>Cash generated / (used in) by operations</b>		<b>7,748</b>	<b>(28,186)</b>
Income taxes (paid) / received		(540)	100
<b>Net cash flow (used in) / from operating activities</b>		<b>7,208</b>	<b>(28,086)</b>
<b>Investing activities:</b>			
Purchase of property, plant and equipment		(14,390)	(4,824)
Capitalisation of development costs		(322)	(315)
Interest Received		4,046	4,334
<b>Net cash used in investing activities</b>		<b>(10,666)</b>	<b>(805)</b>
<b>Financing activities:</b>			
Payment of lease liabilities - capital		(1,187)	(1,046)
Payment of lease liabilities – interest		(261)	(302)
<b>Net cash used in financing activities</b>		<b>(1,448)</b>	<b>(1,348)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(4,906)</b>	<b>(30,239)</b>
Net foreign exchange differences		(339)	-
Cash and cash equivalents at 1 January	21	61,002	91,241
<b>Cash and cash equivalents at 31 December</b>		<b>55,757</b>	<b>61,002</b>

The accompanying notes form an integral part of these financial statements.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024

### 1. General Information

Canonical Group Limited is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006. 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 directors' report. The 2024 consolidated financial statements have been prepared in accordance with UK adopted International Financial Reporting Standards ("IFRS").

### 2. New standards, amendments and interpretations

#### 1. New standards, amendments and interpretations

##### ***New and amended IFRS Accounting Standards that are effective for the current year***

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in the current accounting periods as below.

##### **Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants**

The IASB issued amendments to IAS 1 in January 2020 Classification of Liabilities as Current or Non-current and subsequently, in October 2022 Non-current Liabilities with Covenants.

The amendments clarify the following:

- An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period.
- If an entity's right to defer settlement of a liability is subject to covenants, such covenants affect whether that right exists at the end of the reporting period only if the entity is required to comply with the covenant on or before the end of the reporting period.
- The classification of a liability as current or non current is unaffected by the likelihood that the entity will exercise its right to defer settlement.
- In case of a liability that can be settled, at the option of the counterparty, by the transfer of the entity's own equity instruments, such settlement terms do not affect the classification of the liability as current or non-current only if the option is Classified as an equity instrument.

This amendment has no effect on the classification of any items in the consolidated financial statements of the Group.

##### ***New and revised IFRS Accounting Standards in issue but not yet effective***

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the annual reporting period beginning 1 January 2025:

- Lack of Exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates);

The following amendments are effective for the annual reporting period beginning 1 January 2026:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7)
- Contracts Referencing Nature dependent Electricity (Amendments to IFRS 9 and IFRS 7)

The above changes are not expected to have a material impact on the group's financial statements.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

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### 2. New standards, amendments and interpretations (continued)

#### ***New and revised IFRS Accounting Standards in issue but not yet effective***

The following standards and amendments are effective for the annual reporting period beginning 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

The Group is currently assessing the effect of these new accounting standards and amendments.

IFRS 18 Presentation and Disclosure in Financial Statements which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and subtotals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management defined performance measures.

The Group does not expect to be eligible to apply IFRS 19.

### 3. Material accounting policies

#### **Basis of accounting**

The financial statements have been prepared in accordance with UK-adopted international accounting standards and on the historical cost basis, at the end of each reporting period, as explained in the accounting policies below. The financial statements have been prepared using the US Dollar as the presentation currency, due to the fact that the US Dollar is the functional currency of the company. The year-end exchange rate between US Dollar and Sterling was 1.2546 (2023: 1.2731). Amounts are rounded to the nearest thousand, unless otherwise stated.

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements."

The principal accounting policies adopted in preparation of the financial statements are set out below. These policies have been applied consistently across all the years presented, unless otherwise stated.

The preparation of financial statements in compliance with UK-adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

#### **Basis of consolidation**

The group financial statements consolidate the financial statements of Canonical Group Limited and all its subsidiary undertakings as at 31 December 2024. The group uses the acquisition method of accounting to consolidate the results of the subsidiary undertakings unless otherwise stated.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (*continued*)

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### 3. Material accounting policies (*continued*)

#### Basis of consolidation (*continued*)

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of the subsidiaries is attributed to the owners of the Company.

#### Going concern

The Directors have a reasonable expectation that there are no material uncertainties that cast significant doubt about the Group's ability to continue in operation and meet its liabilities as they fall due for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements.

The going concern assessment is based on the detailed forecast prepared by management and approved by the Board. As part of the going concern review, the Directors have considered a stress test scenario on viability of the business. In particular, the Directors have considered appropriate downside sensitivities around revenues, profitability and cash collection which could arise as a result of adverse economic conditions over the forecast period. In such circumstances of lower revenue growth, profitability and cash position compared to the base plan, where future trading is less than forecasted, management expects that sufficient liquidity headroom is maintained throughout the forecast period.

After making enquiries of the shareholders and having given consideration to the fact that the parent company, Canonical Holdings Limited, has confirmed that it will not recall the amounts due to related undertakings within one year of the date of signing of these financial statements and the company will provide further financial support if needed. The directors are satisfied that the company has sufficient resources to continue in operational existence for at least 12 months from the date of signing of these financial statements and consequently continue to adopt the going concern basis in preparing these financial statements.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

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### 3. Material accounting policies (continued)

#### Revenue recognition

The Group recognises revenue from the following services which it offers to its customers:

- Subscriptions
- Professional Services

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when benefits arising from contractual performance obligations are transferred to a customer.

The Group applies the IFRS 15 using a five-step model as described below:

#### 1. Identify the contract(s) with a customer:

The Group accounts for a contract with a customer when the parties to the contract have approved the contract, the company can identify each party's rights regarding the services to be transferred and the related payment terms, the contract has commercial substance and the customer's ability to pay has been determined as probable.

#### 2. Identify the performance obligations in the contract:

The Group assesses all the services that have been promised to the customer, identifying as a performance obligation those that are distinct. As an exception, the Group recognises as a single performance obligation a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer. The description of performance obligations includes:

- Subscriptions – extended security maintenance and support subscription services to a customer throughout the period of the contract or as defined in the contract. Each subscription service is recognised as a separate performance obligation.
- Professional services – delivery of consulting services to the customer where each consulting service is recognised as a separate performance obligation.

Additionally, the Group determines whether it is a principal or an agent for each specified good or service promised to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The Group does not have any transactions in which it has been identified as the agent.

#### 3. Determine the transaction price:

The Group determines the transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised services to a customer. This excludes reseller discounts which are paid to resellers as part of a contracted program with them. Reseller Discounts are measured in accordance with the contractual terms of each individual reseller contract. Under IFRS 15, it has been determined that Canonical is acting as a principal under the reseller contracts. As such, revenue should be recognised on a gross basis (i.e., the price charged to the End User as set out in the usage statements provided by the reseller) evenly over the service period. The reseller's commission will be accounted for as a cost of sales expense.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

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### 3. Material accounting policies (continued)

#### Revenue recognition (continued)

The Group does not enter any contracts in which it needs to consider the effects of variable consideration, such as volume rebates.

Consideration payable to a customer is recognised as a reduction of the transaction price, unless the payment to the customer is in exchange for a distinct good or service.

A significant financing component in the contract may exist when the payment date does not coincide with the moment the services are transferred to the customer. The Group receives most consideration in advance and therefore, for contracts which are expected to exceed one year the Group has considered whether there has been a significant financing component. As the advance consideration received does not impact the pricing of the transaction, the group has concluded there exists no element of significant financing component.

The customer credit policy of the Group is 30 days.

#### 4. Allocate the transaction price to the performance obligations:

At contract inception, the group allocates the transaction price to the performance obligations in the contract in an amount that depicts the amount of consideration to which it expects to be entitled in exchange for transferring the promised services to the customer. For contracts with more than one performance obligations, the Group allocates the transaction price on a relative stand-alone selling price basis.

#### 5. Recognise revenue:

The Group recognises revenue when (or as) it satisfies each performance obligation by transferring a promised good or service to a customer. For each performance obligation, the Group determines if control has been transferred at a point in time or over time.

For each performance obligation satisfied over time, the company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. Subscriptions and professional services are transferred over time and revenue is recognised using their appropriate measure of progress, either on a straight-line basis or using a percentage completion. There is a small portion of revenue recognised at a point in time due to the nature of the delivery of the service.

Reseller Discounts: The Group uses third party resellers for a portion of its revenue contracts, for which a reseller commission is given to the reseller to assist in selling the contract. These costs are associated with the costs of the contract, and the discount is included in gross revenue recognition, with the associated cost being recognised in cost of sales.

#### Contract assets and Contract liabilities

The Group presents accrued and deferred revenue as contract assets and liabilities respectively. Contract assets and liabilities arise due to a timing delay between the revenue recognised on a performance obligation and the income received from the customer at a point in time. Contract assets are only presented as rights to consideration when that right becomes unconditional and occur due to a small portion of customers not being billed in advance. Contract assets are the result of revenue recognised exceeding the payments invoiced while a contract liability is the result of payments invoiced exceeding the revenue recognised. The company derecognises the contract assets/liabilities and recognises revenue when it satisfies its performance obligation.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

### 3. Material accounting policies (continued)

#### Contract costs

Sales Commissions: The Group capitalises sales commission costs when they are incremental and, if expected to be recovered, they are amortised over the customer life or pattern of revenue for the related contract. The Group applies a practical expedient to expense sales commissions costs as incurred where the related benefit is one year or less. The effect of using this expedient is US\$ 2,663,000 (2023 - US\$ 1,665,000) additional expense. The Company is US\$ 412,000 (2023 - US\$ 255,000).

#### Foreign currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US dollars (USD), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period.

#### Investments in subsidiaries

Subsidiaries are all those companies over which Canonical Holdings has control. The company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is defined as the existing rights that give the current ability to direct these entities' activities that most significantly affect these returns.

Investments in subsidiaries are initially measured at cost, which is subsequently adjusted for impairment. The impairment losses are reversed to the extent of the original cost if the underlying reasons no longer exist in future years. For additional information about the impairment test, reference should be made to the relevant note.

#### Property, plant, and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is calculated to write down the cost, with nil residual value, of all tangible fixed assets over their expected useful lives. The rates applicable are:

Computer equipment	- over 30 months straight line
Fixtures and fittings	- over 30 or 60 months straight line depending on local requirements
Leasehold improvements	- over the term of the lease

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (*continued*)

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### 3. Material accounting policies (*continued*)

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Internally-generated intangible assets – research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above until the first version (1.0) of the product is being released. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### *Amortisation policy*

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets. Intangibles assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Capitalised development costs - straight line over 2 years from the moment the version 1.0 of the product is being released.

The basis for choosing these useful lives is with reference to the typical period between long-term releases of the Ubuntu software.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

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### 3. Material accounting policies (continued)

#### Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

#### Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

#### Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Companies within the group may be entitled to claim special tax allowances in relation to qualifying research and development expenditure, e.g. R&D tax credits. The Group accounts for such allowances as tax credits which means they are recognised when it is probable that the benefit will flow to the group and that the benefit can be reliably measured. R&D tax credits are recognised within the 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.

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

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### 3. Material accounting policies (continued)

#### Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

#### Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

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### 3. Material accounting policies (continued)

#### Financial Instruments (continued)

##### A. Financial assets

Purchases or sales of financial assets are recognised and derecognised on a trade date basis. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at amortised cost, depending on the classification of the financial assets.

##### (i) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets are measured at amortised cost. Financial assets primarily include trade receivables, and cash and cash equivalents.

##### (ii) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

##### (iii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

### 3. Material accounting policies (continued)

#### Financial Instruments (continued)

The Group always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

All Intercompany Short Term Loans within the Group are repayable on demand, and therefore, IFRS 9 Section B applies when considering the recoverability and impairment of these loans. In line with Paragraph B5.5.38 of IFRS 9 Canonical applies the assumption that the loan is demanded at the reporting date (31 December 2024) and thus will reflect any impairment losses that may be incurred at this date.

The following aspects are taken into account by the Group when performing these assessments:

- The probability of default – the likelihood that the borrower would not be able to repay in the payment period,
- The loss given default – the loss that occurs if the borrower is unable to repay in that payment period
- The exposure at default – the outstanding balance at the reporting date.

For each Intercompany Short Term Loan, the Group will assess the borrowers ability to repay the loan today if demanded at the reporting date looking at liquid assets on hand at this date. Should it be determined that the borrower does not have enough liquid assets on hand to repay the loan today, the probability and loss given of default will increase, the Group will allow the borrower a "time to pay" strategy, and determine the recovery period in which the borrower has to repay the outstanding balance. The effects of discounting in a "time to pay" strategy would be nil due to the loans being interest free.

#### (iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

# Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 *(continued)*

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## 3. Material accounting policies *(continued)*

### B. Financial liabilities and equity

#### (i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### (ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### (iii) Share capital

Financial instruments issued by the group are classified as equity only to the extent that they not meet the definition of a financial liability or financial asset. The group's ordinary shares are classified as equity instruments.

#### (iv) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. Financial liabilities primarily consist of trade payables and other liabilities.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (*continued*)

#### 3. Material accounting policies (*continued*)

##### Financial Instruments (*continued*)

##### (v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

##### Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) by applying the practical expedient and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

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#### 3. Material accounting policies (continued)

##### Leases (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the lease term. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has applied this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

### 3. Material accounting policies (continued)

#### Share-based payments

The parent company i.e Canonical Holdings Limited (CHL) operates two equity-settled share based remuneration schemes for staff of its subsidiaries.

The first scheme is open to all global staff members who are eligible to participate in the scheme, the only vesting condition being that the individual remains contracted with the group over the vesting period. The options vest 25% immediately upon grant, and subsequently in equal tranches over the three year remaining vesting period. The exercise price of all options outstanding at the end of the period was \$670.

The second scheme i.e. Restricted Share Units (RSU's) is limited to senior management and differs in that the vesting period is 4 years from grant and the exercise price is nil. The fair value of each RSU is the market price of one common share of CHL on the date of grant. The RSUs granted to date have graded vesting schedules of four years.

In these financial statements, the awards, in proportion to the recipients who are employees in said subsidiary, are treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting period, with a credit recognised in equity. The credit is treated as a capital contribution, as the parent is compensating the subsidiaries' employees with no cost to the subsidiaries as there is no expectation to recharge the cost.

For option awards, grant date fair value is determined under the option-pricing model (Black-Scholes-Merton) and for awards other than option awards, grant date fair value is determined on the basis of fair market value of a Company's share on the date of grant of such awards.

Each employee share option converts into one ordinary share of CHL on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from both the date of vesting and an exit event, to the date of their expiry.

Options are exercisable at a price greater than the fair market value of CHL's shares on the date of grant. The vesting period is three years with 25% vesting immediately upon grant. If the options remain unexercised after a period of ten years from the date of grant, the options expire. If the employee cease to be in continuous service it shall be entitled to retain the vested proportion of the options, which shall be exercised on any later exit event, subject to the Rules. Any unvested proportion of the option shall lapse. However, if the employee cease to be in continuous service as a bad leaver the option (whether or not Vested) shall lapse.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value are presented in note 22.

At each reporting date, CHL revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital contribution.

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 *(continued)*

#### 3. Material accounting policies *(continued)*

##### **Cost of sales**

Cost of sales represent the costs that arise in order to deliver the product that gives rise to revenue. These include costs of consulting, cost of delivering support services and royalties payable to third parties.

##### **Operating expenses**

The operating expenses arise from running an operating business. These costs are largely fixed i.e. they would be incurred whether revenue is generated or not.

Sales and marketing expenses represent the portion of operating costs concerned with marketing, pipeline generation, selling and business development.

Research and development expenses represent the portion of operating expenses concerned with product development, including both engineering and commercial development (product management).

General and administrative costs arise from the central non-operating divisions i.e. Operations (finance, facilities, legal, HR, talent, workplace engineering) and Commercial and Information Systems.

#### 4. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in note 3, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### **Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements

##### ***Revenue Stage of Completion***

Determination of the stage of completion in respect of revenue recognised for professional services.

Stage of completion takes into account the completion of various milestones within the contract and is determined on a monthly basis by the project managers of the relevant contracts. Completion of these milestones look into when the customer receives and benefits from the services delivered depending on the various tasks performed. These include tasks such as initiation and design of the projects, testing phases, training, certification, deployment and acceptance.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

### Critical judgements in applying the Group's accounting policies (Continued)

#### Capitalised Development Costs

The Group has exercised judgement in determining whether development expenditure can be capitalised as intangible assets. Canonical recognizes intangible assets if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably. The Group carries out an internal review of products at various stages of research, development and maintenance, selected products to be capitalised and the timing of the development phase.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

Being an open source software developer, the Group's development efforts are generally available to the community as soon as the first version of the product is being released in the market (v1.0) and before official release, and the availability of source code results in immediate benefit to the community and enhances the value of the Company's entire suite of products.

The Group's life cycle of development is outlined below:

- Evaluating alternative means of achieving specified requirements
- Selecting and documenting an initial conceptual design and its purpose
- Developing structure of the design and the necessary steps and processes
- Developing, coding and testing in accordance with the product design
- Documenting and describing each portion of the product and the process
- Altering the conceptual design & identifying incompatible design elements
- Analysing and incorporating test results into the final product
- Releasing version 1.0 of the product

Management make judgements as to which costs incurred meet the requirements of IAS 38 'Intangible Assets' and are therefore capitalised as internally generated intangible assets. Due to the significant judgement involved in assessing the expected economic benefits of the costs associated with the development of new products, management reviews on a regular basis the market conditions, technological demands and the advancements to date before capitalising any expenditure.

#### Deferred Tax Asset Recognition

At the reporting date, the Group has unused tax losses of US\$ 40.3m (2023: US\$ 47.7m) available for offset against future profits. The group is profitable in 2024. The use of losses is restricted to 50% of taxable profits over £5m (US\$ 6.3m) resulting in a spreading of losses across periods where brought forward losses are over £5m (US\$ 6.3m). A deferred tax asset has been recognised in respect of US\$ 35m (2023: US\$ 26m) of the remaining losses. The \$7.9m deferred tax asset on losses has been recognised on the basis that the Group will continue to make profits in the near future against which the losses can be used.

In order to support the recognition of the US\$ 8.3m deferred tax asset on losses, modelling was undertaken to review the recovery period of the deferred tax asset. The modelling was based on management forecasts for the following 5 years and showed that the deferred tax asset on losses is expected to be recovered by 2029. A plausible downside case was also modelled which included reduced sales volumes and margins; this downside case modelling showed that the deferred tax asset on losses would be recovered by 2029 also.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

### Critical judgements in applying the Group's accounting policies (Continued)

No deferred tax asset has been recognised in respect of the remaining US\$ 5.3 (2023: US\$ 21.7m) as it is not currently considered probable that there will be future taxable profits available. Other losses may be carried forward indefinitely.

### 5. Revenue

The Group derives its revenue from contracts with customers for the transfer of services over time and at a point in time in the following categories.

	Group 2024	Group 2023	Company 2024	Company 2023
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>Revenue by type of service</b>				
Subscription revenue	235,430	197,128	234,375	195,988
Professional services	56,075	53,378	55,819	53,209
<b>Total</b>	<b>291,505</b>	<b>250,506</b>	<b>290,194</b>	<b>249,197</b>

	Group 2024	Group 2023	Company 2024	Company 2023
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>External revenue by timing of revenue</b>				
Services transferred at a point in time	4,679	4,681	4,679	4,681
Services transferred over time	286,826	245,825	285,515	244,516
<b>Total</b>	<b>291,505</b>	<b>250,506</b>	<b>290,194</b>	<b>249,197</b>

	Group 2024	Group 2023	Company 2024	Company 2023
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>Revenue analysed by geographic region</b>				
United States of America	232,843	195,830	232,290	195,460
Europe	38,593	20,752	38,593	20,751
Rest of the world	20,069	33,924	19,311	32,986
<b>Total</b>	<b>291,505</b>	<b>250,506</b>	<b>290,194</b>	<b>249,197</b>

Two customers contribute to more than 10% each (FY2023 - 2 customers each) of the total revenue of the Group and Company.

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 6. Operating Profit

Profit for the year has been arrived at after (crediting)/charging:

	Group 2024 US\$ 000	Group 2023 US\$ 000	Company 2024 US\$ 000	Company 2023 US\$ 000
Net foreign exchange losses/(gains)	1,723	(822)	1,470	(821)
Depreciation of property, plant and equipment	4,631	2,601	3,205	1,220
Depreciation of right-of-use assets	1,463	1,409	1,209	960
Amortisation of capitalised development costs	810	682	59	-
Amortisation of capitalised commissions	1,038	769	76	26
Employee benefit expense (note 7)	90,964	88,382	19,158	18,084
Loss allowance on trade receivables (note 16)	(155)	781	(155)	781
Fees payable to the Group's auditor for: the audit of the Group and its subsidiaries	403	385	311	291
Fees payable to the Group's auditor for tax	4	2	4	2

#### 7. Staff costs

The average monthly number of employees (including executive directors) was:

	Group 2024 Number	Group 2023 Number	Company 2024 Number	Company 2023 Number
Software development	217	181	49	40
Technical and sales support	317	279	79	79
Operations	60	49	29	25
Other	2	5	2	3
	<b>596</b>	<b>514</b>	<b>159</b>	<b>147</b>

Their aggregate remuneration comprised:

	Group 2024 US\$ 000	Group 2023 US\$ 000	Company 2024 US\$ 000	Company 2023 US\$ 000
Wages, Salaries, Bonus and Commissions	78,393	76,146	16,600	15,523
Social security costs	7,009	6,821	1,432	1,283
Other pension costs	5,551	5,354	1,122	1,256
Share Based Payments	11	61	4	22
	<b>90,964</b>	<b>88,382</b>	<b>19,158</b>	<b>18,084</b>

Other pension costs include only the defined contribution plan charge.

## Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 (continued)

### 7. Staff costs (continued)

	Group 2024 US\$ 000	Group 2023 US\$ 000	Company 2024 US\$ 000	Company 2023 US\$ 000
Cost of Sales	24,454	23,633	5,302	5,270
Sales & Marketing	29,130	29,055	4,102	3,219
Research & Development	29,154	27,664	6,264	5,692
General & Admin	8,226	8,030	3,490	3,903
	<b>90,964</b>	<b>88,382</b>	<b>19,158</b>	<b>18,084</b>

### Aggregate directors' remuneration

The total amounts for directors' remuneration:

	Group 2024 US\$ 000	Group 2023 US\$ 000	Company 2024 US\$ 000	Company 2023 US\$ 000
Salaries, Fees, bonuses and benefits in kind	348	612	348	333
	<b>348</b>	<b>612</b>	<b>348</b>	<b>333</b>

The Group's highest paid director received a total of US\$ 348,000 in 2024 (2023: US\$ 333,000).

The highest paid director did not exercise any share options in the year and had no shares granted under long-term incentive schemes.

### Directors' transactions

There have been no transactions with Directors or other key personnel in the current financial year or the previous financial year.

### 8. Finance Costs

	Group 2024 US\$ 000	Group 2023 US\$ 000	Company 2024 US\$ 000	Company 2023 US\$ 000
Finance Cost on Lease Liabilities	334	366	261	302
Finance Cost on Dilapidation Provision	93	-	93	-
Other Interest Charges	2	6	2	-
	<b>429</b>	<b>372</b>	<b>356</b>	<b>302</b>

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 9. Income tax

	Group 2024 US\$ 000	Group 2023 US\$ 000	Company 2024 US\$ 000	Company 2023 US\$ 000
<b>Corporation income tax:</b>				
Current year	1,254	1,408	1148	1227
Adjustments in respect of prior years	(156)	(45)	(68)	(32)
Foreign tax suffered	1,441	774	177	-
	<b>2,539</b>	<b>2,137</b>	<b>1,257</b>	<b>1,195</b>
<b>Deferred tax (see note 17)</b>				
Current year	(1,464)	(399)	(1,419)	(326)
Adjustments in respect of prior years	(27)	910	-	(121)
Effect of changes in tax rates	(22)	1	-	(21)
RDEC Step 2	(16)	(53)	-	-
	<b>(1,529)</b>	<b>459</b>	<b>(1,419)</b>	<b>(468)</b>
<b>Tax per income statement</b>	<b>1,010</b>	<b>2,596</b>	<b>(162)</b>	<b>727</b>

The standard rate of corporation tax applied to reported profit is 25 per cent (2023 - 23.52 per cent).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Company is subject to UK Corporate Income Tax at 25 %.

The charge for the year can be reconciled to the profit before tax as follows:

	Group 2024 US\$ 000	Group 2023 US\$ 000	Company 2024 US\$ 000	Company 2023 US\$ 000
<b>Profit before tax</b>	<b>19,147</b>	<b>15,182</b>	<b>10,350</b>	<b>8,697</b>
Tax at the UK corporation tax rate of 25% (2023 – 23.5%)	4,787	3,571	2,588	2,044
Tax effect of expenses that are not deductible in determining taxable profit	425	414	170	290
Adjustment to tax charge in respect of previous periods	(183)	792	(68)	(153)
Effect of changes in tax rates	(1)	(20)	-	(21)
Share based payments	3	14	1	5
Income not taxable	(383)	(418)	-	-
RDEC temporary differences	(774)	(513)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	146	217	133	-
Utilisation of losses not recognised previously	-	36	-	-
Other	449	-	441	59
Amounts not recognised	(3,459)	(1,497)	(3,426)	(1,497)
<b>Tax expense for the year</b>	<b>1,010</b>	<b>2,596</b>	<b>(162)</b>	<b>727</b>

## Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 (continued)

### 10. Property, plant and equipment

Group	Leasehold Improvements US\$ 000	Computer equipment US\$ 000	Furniture, fixtures and fittings US\$ 000	Total US\$ 000
<b>Cost</b>				
At 1 January 2023	1,602	8,591	3,797	13,990
Additions	3,795	1,001	733	5,529
Disposals	-	(198)	-	(198)
Adjustments	-	(63)	(254)	(317)
<b>At 31 December 2023</b>	<b>5,397</b>	<b>9,332</b>	<b>4,276</b>	<b>19,003</b>
Additions	6,721	7,958	2,033	16,712
Disposals	(1,171)	(3,323)	(827)	(5,321)
Foreign Currency Translation Adjustment	-	(37)	(195)	(232)
<b>At 31 December 2024</b>	<b>10,947</b>	<b>13,929</b>	<b>5,288</b>	<b>30,162</b>
<b>Accumulated depreciation</b>				
At 1 January 2023	870	5,886	1,796	8,552
Charge for the year	225	1,664	711	2,600
Disposals	-	(198)	-	(198)
Adjustments	-	(13)	(44)	(57)
<b>At 31 December 2023</b>	<b>1,095</b>	<b>7,339</b>	<b>2,463</b>	<b>10,897</b>
Charge for the year	1,018	2,662	951	4,631
Disposals	(1,171)	(3,323)	(827)	(5,321)
Foreign Currency Translation Adjustment	-	(36)	(164)	(200)
<b>At 31 December 2024</b>	<b>942</b>	<b>6,642</b>	<b>2,423</b>	<b>10,007</b>
<b>Carrying amount</b>				
<b>At 31 December 2024</b>	<b>10,005</b>	<b>7,287</b>	<b>2,865</b>	<b>20,155</b>
At 31 December 2023	4,302	1,992	1,813	8,107

## Canonical Group Limited

**Notes forming part of the financial statements  
for the year ended 31 December 2024 (continued)**

### 10. Property, plant and equipment (continued)

Company	Leasehold Improvements US\$ 000	Computer equipment US\$ 000	Furniture, fixtures and fittings US\$ 000	Total US\$ 000
<b>Cost</b>				
At 1 January 2023	430	3,776	2,963	7,170
Additions	3,785	306	733	4,824
Disposals	-	(198)	-	(198)
Foreign Currency Translation Adjustment	-	(58)	(252)	(310)
<b>At 31 December 2023</b>	<b>4,215</b>	<b>3,826</b>	<b>3,445</b>	<b>11,486</b>
Additions	5,955	6,646	2,031	14,632
Disposals	-	(810)	(14)	(824)
Foreign Currency Translation Adjustment	-	(47)	(195)	(242)
<b>At 31 December 2024</b>	<b>10,170</b>	<b>9,615</b>	<b>5,267</b>	<b>25,052</b>
<b>Accumulated depreciation</b>				
At 1 January 2023	18	3,034	968	4,020
Charge for the year	(18)	532	705	1,220
Disposals	-	(198)	-	(198)
Foreign Currency Translation Adjustment	-	(9)	(41)	(50)
<b>At 31 December 2023</b>	<b>(0)</b>	<b>3,360</b>	<b>1,632</b>	<b>4,992</b>
Charge for the year	845	1,453	907	3,205
Disposals	-	(810)	(14)	(824)
Foreign Currency Translation Adjustment	-	(42)	(120)	(162)
<b>At 31 December 2024</b>	<b>845</b>	<b>3,961</b>	<b>2,405</b>	<b>7,211</b>
<b>Carrying amount</b>				
<b>At 31 December 2024</b>	<b>9,325</b>	<b>5,654</b>	<b>2,862</b>	<b>17,841</b>
<b>At 31 December 2023</b>	<b>4,215</b>	<b>466</b>	<b>1,812</b>	<b>6,494</b>

## Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 *(continued)*

### 11. Intangible assets

<b>Group</b>	<b>Capitalised development costs US\$ 000</b>
<b>Cost</b>	
At 1 January 2023	3,950
Additions from internal development	1,189
At 1 January 2024	5,139
Additions from internal development	861
<b>At 31 December 2024</b>	<b>6,000</b>
Accumulated depreciation and impairment	
At 1 January 2023	1,950
Charge for the year	682
At 1 January 2024	2,632
Charge for the year	810
<b>At 31 December 2024</b>	<b>3,442</b>
<b>Carrying amount</b>	
<b>At 31 December 2024</b>	<b>2,558</b>
At 31 December 2023	2,507
<b>Company</b>	<b>Capitalised development costs US\$000</b>
<b>Cost</b>	
At 1 January 2023	98
Additions from internal development	315
At 1 January 2024	413
Additions from internal development	322
<b>At 31 December 2024</b>	<b>735</b>
Accumulated depreciation and impairment	
At 1 January 2023	-
Charge for the year	-
At 1 January 2024	-
Charge for the year	59
<b>At 31 December 2024</b>	<b>59</b>
<b>Carrying amount</b>	
<b>At 31 December 2024</b>	<b>676</b>
At 31 December 2023	413

## Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 (continued)

### 12. Subsidiaries

The Group consists of a parent company, Canonical Group Limited, incorporated in the United Kingdom and a number of subsidiaries held directly and indirectly by Canonical Group Limited, which operate and are incorporated around the world.

Name of subsidiary	Country of incorporation	Voting rights held (%)
Canonical China Ltd	China	100%
Canonical Canada Limited	Canada	100%
Canonical USA Inc	USA	100%
Canonical UK Limited	UK	100%
Canonical Japan KK	Japan	100%
Canonical Brasil Servicos de Software Ltda	Brazil	100%
Canonical Support Services Ireland Ltd	Ireland	100%

The nature of business of all subsidiaries is software development.

#### Registered offices:

Canonical UK Limited.  
5 New Street Square, London EC4A 3TW

Canonical USA Inc.  
C32 W.Loockerman Street, Suite 201, Dover, Delaware 19904 USA

Canonical China Ltd.  
Room 1246, 12F, No. 331 North Caoxi Road, Shanghai, China, 200040

Canonical Canada Limited.  
1000 De la Gauchetiere Street West, Suite 2500, Montreal, Quebec H3B 0A2

Canonical Japan K.K.  
ATT New Tower 11F, 2-11-7 Akasaka, Minatu-ku, Tokyo 107-0052, Japan

Canonical Brasil Servicos de Software Ltda  
230 AV MARQ DE SAO VICENTE, VARZEA DA BARRA FUNDA, SAO PAULO, 01139-000

Canonical Support Services Ireland Ltd  
29 Earlsfort Terrace, Dublin 2, Dublin, D02 AY28, Ireland

The Company also has a branch: Canonical Taiwan Limited at Room D, 46F, No.7, Xin Yi Rd., Sec. 5, Taipei City.

The directors have carried out an assessment of the recoverable value of the investments and believe that there are no indications of impairment.

#### Investments in Subsidiaries

	US\$ 000
At 1 January 2023	710
Addition: Investment in subsidiaries	-
At 31 December 2023	710
Addition: Investment in subsidiaries	-
At 31 December 2024	710

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 13. Contract assets

	2024	2023
<b>Group</b>	<b>US\$ 000</b>	<b>US\$ 000</b>
Non-Current	-	-
Current	<u>6,144</u>	<u>6,733</u>
	<u>6,144</u>	<u>6,733</u>

	2024	2023
<b>Company</b>	<b>US\$ 000</b>	<b>US\$ 000</b>
Non-Current	-	-
Current	<u>6,143</u>	<u>6,472</u>
	<u>6,143</u>	<u>6,472</u>

Before an invoice is raised to a customer, a contract asset is recognised over the period in which the services are performed to represent the entity's right to consideration for the services transferred to date.

In undertaking an impairment assessment on the contract assets, the Group applies much of the same considerations as applied with determining the Trade Receivables expected credit loss (ECL) allowance due to the population being based on the same customer base. The Group has always had an immaterial level of bad debts due to the efficient and effective nature of the cash collection processes used and the customer base, and this same principle applies when considering the impairment indicators to contract assets.

#### 14. Contract costs

	2024	2023
<b>Group</b>	<b>US\$ 000</b>	<b>US\$ 000</b>
Costs to obtain contracts	<u>2,270</u>	<u>1,760</u>
Non-Current	<u>1,232</u>	<u>970</u>
Current	<u>1,038</u>	<u>790</u>
	<u>1,038</u>	<u>790</u>

	2024	2023
<b>Company</b>	<b>US\$ 000</b>	<b>US\$ 000</b>
Costs to obtain contracts	<u>343</u>	<u>106</u>
Non-Current	<u>214</u>	<u>60</u>
Current	<u>129</u>	<u>46</u>
	<u>343</u>	<u>106</u>

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 14. Contract costs (continued)

Costs to obtain contracts relate to incremental commission fees paid to intermediaries as a result of obtaining new or renewal sales contracts. The commission fees are the only cost that the Group would not have incurred if the contract had not been obtained. Whilst the Group incurs other costs that are necessary to facilitate a sale, those costs would have been incurred even if the customer decided not to execute the contract and therefore have not been capitalised.

The capitalised sales commission costs are amortised over the customer life or related contract. The Group as a practical expedient expenses sales commissions costs as incurred where the related benefit is one year or less. In 2024, amortisation amounting to US\$1,038,000 (2023 - US\$769,000) (Company: \$76,000 (2023: \$26,000)) were recognised as part of cost of sales in the consolidated statement of profit or loss. There was no impairment loss in 2023 and 2024.

#### 15. Leases (Group as a lessee)

	Group Buildings US\$ 000	Group Data centres US\$ 000	Group Total US\$ 000	Company Buildings US\$ 000	Company Data centres US\$ 000	Company Total US\$ 000
<b>Cost</b>						
At 1 January 2023	2,875	1,162	4,037	1,884	736	2,620
Additions	4,922	-	4,922	3,695	-	3,695
Disposals	(335)	(425)	(760)	-	-	-
Foreign Currency Translation Adjustment	62	-	62	62	-	62
At 31 December 2023	7,524	737	8,261	5,641	736	6,377
Additions	1,102	-	1,102	1,102	1	1,103
Disposals	(655)	(737)	(1,392)	-	(737)	(737)
At 31 December 2024	7,971	-	7,971	6,743	-	6,743
<b>Accumulated depreciation</b>						
At 1 January 2023	1,431	722	2,153	663	415	1,078
Charge for the year	1,107	302	1,409	776	184	960
Disposals	(335)	(425)	(760)	-	-	-
At 31 December 2023	2,203	599	2,802	1,439	599	2,038
Charge for the year	1,325	138	1,463	1,071	138	1,209
Disposals	(655)	(737)	(1,392)	-	(737)	(737)
At 31 December 2024	2,873	-	2,873	2,510	-	2,510
<b>Carrying amount</b>						
At 31 December 2024	5,098	-	5,098	4,233	-	4,233
At 31 December 2023	5,321	138	5,459	4,202	137	4,339

The maturity analysis of lease liabilities is presented in note 18.

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 15. Leases (Group as a lessee) (continued)

	Group	Group	Company	Company
	2024	2023	2024	2023
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>Amounts recognised in profit and loss</b>				
Depreciation expense on right-of-use assets	1,463	1,409	1,209	960
Interest expense on lease liabilities	335	366	261	302
Interest expense on dilapidation provision	93	-	93	-
Expense relating to short-term leases	517	775	269	474

The total cash outflow for leases amounts to US\$ 1.75 million (2023 - US\$ 1.85 million). The total cash outflow for the Company was US\$ 1.45 million (2023 - US\$ 1.35 million).

There are no extension or termination options on the lease.

As of 31 December 2024, the Group is committed to US\$ 36,000 (2023 - US\$ 138,000) for short-term and low value leases. (Company: US\$ 12 thousand, (2023 - US\$ 82 thousand)).

#### 16. Trade and other receivables

	Group	Group
	2024	2023
	US\$ 000	US\$ 000
Trade receivables	29,559	28,092
Loss allowance	(1,055)	(1,210)
Trade Receivables Net	<u>28,504</u>	<u>26,882</u>
Other receivables	1,572	2,002
Prepayments	8,160	8,507
Amounts due from group undertakings	2,571	589
Taxation and social security	1,117	144
	<u>41,924</u>	<u>38,123</u>

	Company	Company
	2024	2023
	US\$ 000	US\$ 000
Trade receivables	29,161	27,345
Loss allowance	(1,055)	(1,210)
Trade Receivables Net	<u>28,106</u>	<u>26,134</u>
Other receivables	1,302	1,767
Prepayments	7,526	8,134
Amounts due from group undertakings	2,247	581
Taxation and social security	242	-
	<u>39,423</u>	<u>36,615</u>

The average credit period on sales of services is 30 days. No interest is charged on outstanding trade receivables

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 16. Trade and other receivables (continued)

The group does not hold any collateral as security.

The Group applies IFRS 9 simplified approach and measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of only 35 per cent against all receivables over 90 days past due because historical experience has indicated that these aged receivables are generally recoverable. Additionally, the group has also taken into account specific trade receivables for which they are aware payment will not be received and included these in the ECL provision at 100% of the outstanding balance.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

Historically, the Group has always had an immaterial level of bad debts due to the efficient and effective nature of the cash collection processes used. Therefore, in applying the ECL Provision Matrix, the Group has applied a flow rate to determine the loss rate of each ageing bucket as below.

Group	Trade receivables – days past due					Total
	Not past due	<30	31-60	61-90	>90	
At 31 December 2024	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Expected credit loss rate	0.71%	5.46%	11.22%	30.00%	35.00%	
Estimated total gross carrying amount at default	20,720	5,407	2,428	294	710	29,559
Lifetime ECL	148	298	272	88	249	1,055

Group	Trade receivables – days past due					Total
	Not past due	<30	31-60	61-90	>90	
At 31 December 2023	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Expected credit loss rate	0.13%	1.64%	6.13%	30.00%	35.00%	
Estimated total gross carrying amount at default	18,439	4,213	2,615	1,085	1,740	28,092
Lifetime ECL	38	85	158	354	576	1,210

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 16. Trade and other receivables (continued)

Company At 31 December 2024	Trade receivables – days past due					Total US\$ 000
	Not past due	<30	31-60	61-90	>90	
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	
Expected credit loss rate	0.71%	5.46%	11.22%	30.00%	35.00%	
Estimated total gross carrying amount at default	20,556	5,371	2,428	294	512	29,161
Lifetime ECL	148	298	272	88	249	1,055

Company At 31 December 2023	Trade receivables – days past due					Total US\$ 000
	Not past due	<30	31-60	61-90	>90	
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	
Expected credit loss rate	0.13%	1.64%	6.13%	30.00%	35.00%	
Estimated total gross carrying amount at default	17,692	4,213	2,615	1,085	1,740	27,345
Lifetime ECL	38	85	158	354	576	1,210

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9.

Group & Company	Total US\$ 000
At 1 January 2023	429
Amounts written off	(22)
Increase in loss allowance during the year	803
At 31 December 2023	1,210
Decrease in loss allowance during the year	(155)
At 31 December 2024	1,055

## Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 (continued)

### 17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and company and movements thereon during the current and prior reporting period.

Group	Fixed asset	Temporary	Tax credits	Tax losses	Total
	US\$ 000	differences trading US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>At 1 January 2023</b>	488	(1,556)	(828)	(6,406)	(8,302)
Credit/(charge) to profit or loss	(238)	(100)	60	(121)	(399)
Charge to other comprehensive income	-	-	910	-	910
Charge direct to equity	-	-	-	-	-
Exchange differences	-	-	-	-	-
Effect of change in tax rate:					
- profit or loss	-	-	-	-	-
- other comprehensive income	-	-	-	-	-
- direct to equity	-	-	-	-	-
<b>At 31 December 2023</b>	250	(1,656)	142	(6,527)	(7,791)
Charge/(credit) to profit or loss	153	72	(270)	(1,419)	(1,464)
Adjustments in respect of prior periods	-	(27)	-	-	(27)
Charge direct to equity	-	-	-	-	-
Exchange differences	-	-	-	-	-
Effect of change in tax rate:					
- profit or loss	-	-	-	-	-
- other comprehensive income	-	-	-	-	-
- direct to equity	-	-	-	-	-
<b>At 31 December 2024</b>	<b>403</b>	<b>(1,611)</b>	<b>(128)</b>	<b>(7,946)</b>	<b>(9,282)</b>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 (continued)

Company	Fixed asset	Temporary differences trading	Tax credits	Tax losses	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>At 1 January 2023</b>	(118)	(137)	(301)	(6,406)	(6,962)
Credit/(charge) to profit or loss	(367)	(280)	301	(121)	(467)
Charge to other comprehensive income:	-	-	-	-	-
Charge direct to equity	-	-	-	-	-
Exchange differences	-	-	-	-	-
Effect of change in tax rate:					
– profit or loss	-	-	-	-	-
– other comprehensive income	-	-	-	-	-
– direct to equity	-	-	-	-	-
<b>At 31 December 2023</b>	(485)	(417)	-	(6,527)	(7,429)
Charge/(credit) to profit or loss	268	(268)	-	(1,419)	(1,419)
Adjustments in respect of prior periods	-	-	-	-	-
Charge direct to equity	-	-	-	-	-
Exchange differences	-	-	-	-	-
Effect of change in tax rate:					
– profit or loss	-	-	-	-	-
– other comprehensive income	-	-	-	-	-
– direct to equity	-	-	-	-	-
<b>At 31 December 2024</b>	(217)	(685)	-	(7,946)	(8,848)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 17. Deferred tax (continued)

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Group 2024 US\$ 000	Group 2023 US\$ 000	Company 2024 US\$ 000	Company 2023 US\$ 000
Deferred Tax Assets	9,282	7,791	8,848	7,429

At the reporting date, the Group has unused tax losses of US\$ 40.3 million (2023 - US\$ 47.7 million) available for offset against future profits. A deferred tax asset has been recognised in respect of US\$ 35 million (2023 - US\$ 26 million) of such losses. No deferred tax asset has been recognised in respect of the remaining US\$ 5.3 million (2023 - US\$ 21.7 million) as it is not currently considered probable that there will be future taxable profits available. Other losses may be carried forward indefinitely.

No deferred tax liability is recognised on temporary differences of US\$ 0.4 million (2023 - US\$ 0.8 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

#### 18. Lease liabilities and Dilapidation Provision

	Group Buildings US\$ 000	Group Data centres US\$ 000	Group Total US\$ 000
<b>Lease Liabilities</b>			
At 1 January 2023	1,635	564	2,199
Repayment of Lease Liabilities	(1,113)	(371)	(1,484)
Addition of New Lease Liabilities	4,992	-	4,992
At 31 December 2023	5,514	193	5,707
Repayment of Lease Liabilities	(1,226)	(193)	(1,419)
Addition of New Lease Liabilities	377	-	377
At 31 December 2024	4,665	-	4,665

	Company Buildings US\$ 000	Company Data centres US\$ 000	Company Total US\$ 000
<b>Lease Liabilities</b>			
At 1 January 2023	1,375	438	1,813
Repayment of Lease Liabilities	(800)	(246)	(1,046)
Addition of New Lease Liabilities	3,765	-	3,765
At 31 December 2023	4,340	192	4,532
Repayment of Lease Liabilities	(995)	(192)	(1,187)
Addition of New Lease Liabilities	377	-	377
At 31 December 2024	3,722	-	3,722

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 18. Lease liabilities and Dilapidation Provision (continued)

Total Interest Expense on Lease Liabilities for the year at the Group level was US\$ 335,000 (2023 - US\$ 366,000) and for the Company it was US\$ 261,000 (2023 - US\$ 302,000).

The following shows the repayment profile for the lease liabilities as per the Statement of Financial Position. These are the undiscounted amounts, and exclude the interest paid on interest liabilities.

	<b>Group</b>	<b>Group</b>
	<b>2024</b>	<b>2023</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>
<b>Maturity analysis:</b>		
Year 1	864	1,537
Year 2 - 5	3,801	4,170
	<b>4,665</b>	<b>5,707</b>
<b>Analysed as:</b>		
Non-current	3,801	4,170
Current	864	1,537
<b>Total</b>	<b>4,665</b>	<b>5,707</b>
	<b>Company</b>	<b>Company</b>
	<b>2024</b>	<b>2023</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>
<b>Maturity analysis:</b>		
Year 1	686	1,334
Year 2 - 5	3,036	3,198
	<b>3,722</b>	<b>4,532</b>
<b>Analysed as:</b>		
Non-current	3,036	3,198
Current	686	1,334
<b>Total</b>	<b>3,722</b>	<b>4,532</b>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

A dilapidation provision for the London Office has been accounted for in the current financial year as follows:

<b>Group and Company</b>	<b>Buildings</b>
	<b>US\$ 000</b>
<b>Provision for Dilapidation</b>	
At 1 January 2023	-
Addition of Dilapidation Provision	-
At 31 December 2023	-
Addition of Dilapidation Provision	725
Interest Charge for the year	93
<b>At 31 December 2024</b>	<b>818</b>

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 19. Trade and other payables

	Group 2024 US\$ 000	Group 2023 US\$ 000
Trade payables	952	3,744
Other payables	144	186
Accruals	12,876	13,476
Amounts owing to fellow subsidiaries	68,236	88,763
Taxation and social security	33	-
	<b>82,241</b>	<b>106,169</b>

	Company 2024 US\$ 000	Company 2023 US\$ 000
Trade payables	722	3,349
Other payables	-	99
Accruals	3,978	3,657
Amounts owing to fellow subsidiaries	98,465	114,186
Taxation and social security	33	169
	<b>103,198</b>	<b>121,460</b>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers no interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Deferred Income has been disclosed in the Contract Liabilities in note 23.

#### 20. Share capital

	Company 2024 US\$	Company 2023 US\$
Allotted, called up and fully paid		
Ordinary shares of £1 each	1	1

There were no changes to share capital in the current year.

The Company has one class of ordinary shares which carry no right to fixed income.

Share capital represents the nominal amount subscribed for shares.

Share premium constitutes the amount subscribed for share capital in excess of the nominal value of the shares.

Retained earnings is the accumulated profit and loss from operations as at 31 December 2024.

## Canonical Group Limited

**Notes forming part of the financial statements  
for the year ended 31 December 2024 (continued)**

### 21. Notes to the cash flow statement

#### Cash and cash equivalents

	<b>Group</b>	<b>Group</b>
	<b>2024</b>	<b>2023</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>
<b>Cash and cash equivalents</b>	<b>81,731</b>	<b>85,588</b>
	<b>81,731</b>	<b>85,588</b>

	<b>Company</b>	<b>Company</b>
	<b>2024</b>	<b>2023</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>
<b>Cash and cash equivalents</b>	<b>55,757</b>	<b>61,002</b>
	<b>55,757</b>	<b>61,002</b>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated reporting position as shown above.

#### Non-cash transactions

There is a new lease addition during the year which has been disclosed under Right of Use Assets with a total value of US\$ 1,102,000 for Group and Company (2023 - US\$ 4,992,000).

## Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 (continued)

### 21. Notes to the cash flow statement (continued)

#### Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Group	1 January 2024	New Leases		31 December	Interest Expenses	Total Cashflows
	US\$ 000	Acquired US\$ 000	Repayments US\$ 000	2024 US\$ 000		
Lease liabilities (note 18)	5,707	377	(1,419)	4,665	(335)	(1,754)
Total liabilities from financing activities	5,707	377	(1,419)	4,665	(335)	(1,754)

Company	1 January 2024	New Leases		31 December	Interest Expenses	Total Cashflows
	US\$ 000	Acquired US\$ 000	Repayments US\$ 000	2024 US\$ 000		
Lease liabilities (note 18)	4,532	377	(1,187)	3,722	(261)	(1,448)
Total liabilities from financing activities	4,532	377	(1,187)	3,722	(261)	(1,448)

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

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#### 22. Capital Contribution

During the year the Group operated two equity-settled share based remuneration schemes for staff.

The first scheme is open to all global staff members who are eligible to participate in the scheme, the only vesting condition being that the individual remains contracted with the group over the vesting period. The options vest 25% immediately upon grant, and subsequently in equal tranches over the three year remaining vesting period. The exercise price of all options outstanding at the end of the period was \$670.

The second scheme, Restricted Share Units (RSU's) is limited to senior management and differs in that the vesting period is 4 years from grant and the exercise price is nil. The fair value of each RSU is the market price of one common share of the parent Company on the date of grant. The RSUs granted to date have graded vesting schedules of four years. The compensation expense is recognized on a straight-line basis over the vesting term.

Canonical has considered EV/Revenue multiples to be the most accurate method to derive the EV as at each date using the market approach.

#### *Calculation of IFRS 2 expense*

Using the Equity Value we derive the share price, this is then used as an input to calculate the grant date fair values of the awards. Option valuation methodology: The options have a exercise price of \$670 and are not subject to any further performance conditions except the requirement for continued employment. Under IFRS 2 a Black Scholes model is an appropriate model to calculate the fair value per share of the options as at each valuation date.

Restricted Stock Units ("RSUs"): In order to receive the RSUs participants do not need to pay an exercise price therefore the fair value of the RSUs is equivalent to the share price at the valuation date less dividends. The expense was calculated based on the number of options / RSUs granted at each of the respective grant dates.

#### *Fair value*

The equity value at each date and the capital structure were used to derive the fair value per share for the options and RSUs.

#### *IFRS 2 charge*

These fair values have then been used to calculate the IFRS 2 expense which Canonical will suffer in respect of each granting of shares.

#### *Vesting conditions of the options and RSU awards*

25% of the options granted vest on the grant date and the remaining 75% vest evenly over a 3 year period. The RSU awards vest evenly over a 4 year period with the final vesting taking place 4 years after grant date. The expense has been spread over the different vesting periods i.e. from the grant date to the vesting date. So as an example, in relation to the RSU awards 25% of the expense is spread over the 12 months from grant date, then 25% is spread over the 24 months from grant date. This results in the expense associated with the awards being higher in the earlier years and tapering down for the remainder of the period.

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 22. Capital Contribution (continued)

Details of the share options outstanding during the year are as follows.

Group – share options	2024	2023	Weighted average exercise price (in US\$ 000)
	Number of share options	Number of share options	
Outstanding at beginning of year	21,386	21,386	670
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Exercised during the year	-	-	-
Expired during the year	-	-	-
Outstanding at the end of the year	<b>21,386</b>	<b>21,386</b>	<b>670</b>
Exercisable at the end of the year	-	-	-

Company – share options	2024	2023	Weighted average exercise price (in US\$ 000)
	Number of share options	Number of share options	
Outstanding at beginning of year	3,534	3,534	670
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Exercised during the year	-	-	-
Expired during the year	-	-	-
Outstanding at the end of the year	<b>3,534</b>	<b>3,534</b>	<b>670</b>
Exercisable at the end of the year	-	-	-

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 22. Capital Contribution (continued)

Group – RSUs	2024	2023	Weighted average exercise price (in US\$ 000)
	Number of share options	Number of share options	
Outstanding at beginning of year	4,151	4,151	-
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Exercised during the year	-	-	-
Expired during the year	-	-	-
Outstanding at the end of the year	<u>4,151</u>	<u>4,151</u>	-
Exercisable at the end of the year	<u>-</u>	<u>-</u>	-
<b>Company – RSUs</b>	<b>2024</b>	<b>2023</b>	<b>Weighted average exercise price (in US\$ 000)</b>
	<b>Number of share options</b>	<b>Number of share options</b>	
Outstanding at beginning of year	1,561	1,561	-
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Exercised during the year	-	-	-
Expired during the year	-	-	-
Outstanding at the end of the year	<u>1,561</u>	<u>1,561</u>	-
Exercisable at the end of the year	<u>-</u>	<u>-</u>	-

The second scheme is limited to senior management, and differs in that the vesting period is 4 years from grant and the exercise price is US\$ Nil.

Under both schemes, shares become exercisable once fully vested, upon certain realisation events.

Both schemes have an ultimate termination date of 10 years from grant.

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 22. Capital Contribution (continued)

Under IFRS 2 a Black Scholes model is an appropriate model to calculate the fair value per share of the options as at each valuation date. The inputs into the Black Scholes model are as follows:

	Options Granted		Restricted Stock Units		
	2019	2018	2020	2019	2018
Share price at grant	\$123	\$70	\$620	\$530	\$424
Exercise price	\$670	\$670	-	-	-
Expected life	5 years	5 years	-	-	-
Risk free rate	0.022	0.025	-	-	-
Dividend yield	0	0	0	0	0
Volatility	0.31	0.32	-	-	-

Volatility assumptions were based on the 5 year historical trend of comparable companies as at each date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses related to equity-settled share-based payment transactions as per the schedule below:

Share based payments to subsidiary staff expensed	US\$ 000
At 1 January 2023	3,567
Expensed during the year	61
At 31 December 2023	3,628
Expensed during the year	11
<b>Total at 31 December 2024</b>	<b>3,639</b>

#### 23. Contract liabilities

	Group 2024 US\$ 000	Group 2023 US\$ 000
<b>Non- Current</b>	<b>18,220</b>	<b>7,913</b>
<b>Current</b>	<b>52,523</b>	<b>43,488</b>
	<b>70,743</b>	<b>51,401</b>

	Company 2024 US\$ 000	Company 2023 US\$ 000
<b>Non- Current</b>	<b>17,403</b>	<b>7,709</b>
<b>Current</b>	<b>51,655</b>	<b>43,217</b>
	<b>69,058</b>	<b>50,926</b>

## Canonical Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

#### 23. Contract liabilities (continued)

	<b>Group</b>	Group
	<b>2024</b>	2023
	<b>US\$ 000</b>	US\$ 000
Opening	51,401	45,870
Cash received in advance of performance and not recognised as revenue during the period	60,667	50,867
Amounts included in contract liabilities that was recognised as revenue during the period	<u>(41,325)</u>	<u>(45,336)</u>
<b>Closing</b>	<b><u>70,743</u></b>	<b><u>51,401</u></b>
	<b>Company</b>	<b>Company</b>
	<b>2024</b>	<b>2023</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>
Opening	50,926	45,821
Cash received in advance of performance and not recognised as revenue during the period	59,457	50,441
Amounts included in contract liabilities that was recognised as revenue during the period	<u>(41,325)</u>	<u>(45,336)</u>
<b>Closing</b>	<b><u>69,058</u></b>	<b><u>50,926</u></b>

A contract liability arises in respect of the Group's contracts with customers from operating activities.

Revenue relating to other services is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for revenue relating to the services at the time of the initial sales transaction and is released over the service period.

There were no significant changes in the contract liability balances during the reporting period.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

### 24. Financial instruments

#### (a) Financial risk management objectives

The Group's Corporate Finance function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group does not have derivative financial instruments.

#### (b) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see below). The Group enters into a variety of receivables and payables denominated in foreign currencies. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

#### (c) Foreign currency risk management

The group has regular exposure to currency translation risk. The majority of the group is denominated in USD, which is in line with the majority of sales which are also denominated in USD. However, expenses arise in a variety of currencies, with the highest volumes being in USD, GBP and EUR. This leads to a persistent trade of USD into GBP, EUR and other currencies to satisfy outstanding payables. This risk is reviewed regularly in conjunction with native currency working capital projections in order to maintain adequate currency reserves to meet operating requirements, which enables the group to take advantage of favourable spot rates when they arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Group		Company	
	2024	2023	2024	2023
Cash Balances as per Currency	US\$ 000	US\$ 000	US\$ 000	US\$ 000
AUD	1	-	1	-
BRL	-	292	2	-
CAD	102	1,626	102	1,178
CNY	-	548	-	-
EUR	6,158	2,152	6,204	2,152
GBP	2,112	7,568	3,170	989
JPY	12	283	12	-
NZD	-	-	16	-
SEK	1,270	-	1,270	-
TWD	673	747	-	747
ZAR	54	-	54	-
<b>Total</b>	<b>10,382</b>	<b>13,216</b>	<b>10,831</b>	<b>5,066</b>

## Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 *(continued)*

### 24. Financial instruments *(continued)*

	Group		Company	
	2024	2023	2024	2023
Foreign Currency Trade Receivables	US\$ 000	US\$ 000	US\$ 000	US\$ 000
BRL	522	748	-	-
CAD	28	11	28	11
CNY	2	-	-	-
EUR	2,962	1,627	2,962	1,627
GBP	3,152	2,642	3,152	2,642
<b>Total</b>	<b>6,666</b>	<b>5,028</b>	<b>6,142</b>	<b>4,280</b>

	Group		Company	
	2024	2023	2024	2023
Foreign Currency Trade Payables and Accruals	US\$ 000	US\$ 000	US\$ 000	US\$ 000
BRL	24	110	0	-
CAD	90	13	2	6
CNY	64	28	0	-
EUR	2,956	2,143	3,001	2,143
GBP	550	911	1,558	902
JPY	1,552	85	16	12
TWD	-	-	14	-
SEK	20	-	-	-
ZAR	5	50	5	50
<b>Total</b>	<b>5,261</b>	<b>3,340</b>	<b>4,596</b>	<b>3,113</b>

There were no foreign currency denominated monetary liabilities at the reporting date.

# Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 (continued)

## 24. Financial instruments (continued)

### Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of GBP and EUR. All other currencies are immaterial.

The following table details the Group's sensitivity to a 5% increase and decrease in currency units against the GBP and EUR. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where currency units strengthen. For a weakening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	Group		Company	
	2024	2023	2024	2023
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
EUR impact	308	82	308	82
GBP impact	236	465	238	136
<b>Profit or loss</b>	<b>544</b>	<b>547</b>	<b>546</b>	<b>218</b>

This is mainly attributable to the exposure outstanding on GBP and EUR Cash held in the Group at the reporting date.

The Group's sensitivity to foreign currency has decreased during the current year mainly due to the reduction of GBP and EUR denominated cash held. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

### (d) Credit risk management

The group's principal credit risk relates to recovery of amounts owed by trade debtors. This risk is managed by determining payment terms and a credit limit for customers based on third party credit references, payment history and other factors. Invoicing of customers is done in advance in order to manage outstanding amounts and minimise work performed without an equivalent payment received. This risk is reviewed regularly in conjunction with debtor ageing and bad debt expense.

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (*continued*)

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### 24. Financial instruments (*continued*)

#### (d) Credit risk management (*continued*)

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Of the trade receivables balance at the end of the year, US\$ 218,000 (2023 - US\$ 26,000) is due from the Group's largest customer. Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to the Group's largest customer did not exceed 20 percent of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 19 per cent of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

#### (e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

#### (e)(i) Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

The contractual maturity is based on the earliest date on which the Group may be required to pay.

## Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 *(continued)*

### 24. Financial instruments *(continued)*

	Group			Company		
	Less than 1 Year	More than 1 Year	Total	Less than 1 Year	More than 1 Year	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b><u>31 December 2024</u></b>						
Trade payables	952	-	952	722	-	722
Other Payables	144	-	144	-	-	-
Accruals	12,876	-	12,876	3,978	-	3,978
Lease Liabilities	864	3,801	4,665	686	3,036	3,722
<b><u>31 December 2023</u></b>						
Trade payables	3,744	-	3,744	3,349	-	3,349
Other Payables	186	-	186	99	-	99
Accruals	13,476	-	13,476	3,657	-	3,657
Lease Liabilities	1,537	4,170	5,707	1,334	3,198	4,532

## Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 (continued)

### 24. Financial instruments (continued)

	Group			Company		
	Less than 1 Year	More than 1 Year	Total	Less than 1 Year	More than 1 Year	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>31 December 2024</b>						
Trade Receivables	28,504	-	28,504	28,106	-	28,106
Other receivables	1,572	-	1,572	1,302	-	1,302
Cash	81,731	-	81,731	55,757	-	55,757
<b>31 December 2023</b>						
Trade Receivables	26,882	-	26,882	26,134	-	26,134
Other receivables	2,002	-	2,002	1,767	-	1,767
Cash	85,588	-	85,588	61,002	-	61,002

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2024 (continued)

### 24. Financial instruments (continued)

#### (f) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2023.

The capital structure of the Group consists of net debt (payables and lease liabilities as disclosed in notes 18 and 19 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in note 20.

The Group is not subject to any externally imposed capital requirements.

Equity includes all capital and reserves of the Group that are managed as capital.

### 25. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The following amounts were outstanding at the reporting date:

Canonical Ltd, Canonical Services Ltd and Canonical Holdings Ltd are related parties of the Group because the entities are all part of the Canonical Holdings Ltd Group.

All transactions with related parties are conducted on an arm's-length basis and in accordance with normal business terms. Transactions between related parties that are Group subsidiaries are eliminated on consolidation.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Group	Amounts owed by related parties		Amounts owed to related parties	
	2024	2023	2024	2023
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Canonical Ltd	-	-	(63,227)	(84)
Canonical Services Ltd	-	-	(205)	(4)
Canonical Holdings	23	1	-	-
Canonical Services Spain	-	-	(2,309)	-

## Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2024 (continued)

### 25. Related party transactions (continued)

Company	Amounts owed by related parties		Amounts owed to related parties	
	2024	2023	2024	2023
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Canonical Brazil	1,427	-	-	-
Canonical Canada	-	-	(4)	-
Canonical China	650	-	-	-
Canonical UK	-	-	(11,031)	(14)
Canonical USA	-	-	(18,941)	(10)
Canonical Japan	-	-	(203)	-
Canonical Ltd	-	-	(65,812)	(88)
Canonical Services Ltd	-	-	(205)	(4)
Canonical Spain	-	-	(2,309)	-
Canonical Ireland	114	-	-	-
Canonical Holdings Ltd	23	1	-	-

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IFRS.

	Group		Company	
	2024	2023	2024	2023
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Short-term employee benefits	331	578	331	299
Post-employment benefits	13	12	13	12
Share Based Payments Expense	4	22	4	22
	<b>348</b>	<b>612</b>	<b>348</b>	<b>333</b>

The Group did not hold any intercompany loans to or from related parties at year end.

### 26. Ultimate controlling party

The Company's ultimate parent company is Futuristic Holdings Limited, a company incorporated in Jersey. The ultimate controlling party is Mark Shuttleworth, being the ultimate sole beneficial owner of Futuristic Holdings Limited.

### 27. Contingent Liabilities

The group is a party to staff related claims in the ordinary course of business. These claims are expected to have a possible obligation in future; however, the existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the group. Due to uncertainty attached over these claims, directors cannot determine the potential amount of contingent liability as at the date of the balance sheet.

### 28. Events after the reporting period

There are no events after the balance sheet date that affect the financial statements.