

Canonical Group Limited

Report and Financial Statements

Year Ended

31 March 2012

Company Number 06870835



Canonical Group Limited

Report and financial statements
for the year ended 31 March 2012

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Director

J E Silber

Secretary and registered office

Standard Bank Trust Company (Isle of Man) Limited, 5th Floor, Blue Fin Building, 110 Southwark Street, London, SE1 0SU

Company number

06870835

Auditors

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

Canonical Group Limited

Report of the director for the year ended 31 March 2012

The director presents her report together with the audited financial statements for the year ended 31 March 2012

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the year

During the year, no dividends were paid (2011 - £Nil) The director does not recommend the payment of a final dividend (2011 - £Nil)

Principal activities and trading review

Canonical Group Limited's principal activity is providing technical services around the open source operating system Ubuntu Canonical Group Limited has three primary service offerings engineering services to Original Equipment Manufacturers (OEMs), professional support, consulting and cloud services to corporate customers, and integrated online services to Ubuntu end-users

For the year ended 31 March 2012, Canonical Group Limited has worked to promote Ubuntu as an alternative operating system across the world Continuing Canonical's existing relationships with a number of leading OEMs, Ubuntu has grown, both in number of units shipped and total revenue from professional engineering engagements China was the stand out geographic region, accounting for the majority of global units shipped

Canonical continued to invest in building a world class global support operation to meet its corporate customers' needs Canonical's Ubuntu Advantage programme, which provides customers with first-rate support and systems management tools, plus the added benefit of legal assurances, continued its steady year-on-year growth

During the year Canonical invested significantly in a number of new consumer services and products This research and development led to the announcement that Canonical is considering a version of Ubuntu specifically aimed at phones, tablet personal computers, and other devices

Canonical's online service portfolio continued to expand during the year The number of titles in the Ubuntu Software Center increased, and Canonical announced its Ubuntu App Developer programme to accelerate software publishing in Ubuntu Ubuntu One, Canonical's subscription based personal cloud service, continued to release a number of new features Canonical continues to invest in this area and expects significant revenue increases in FY2013 and beyond

Future developments

The types of devices that consumers are using for their daily information consumption continues to evolve and Canonical's platform, Ubuntu, is well placed in that ecosystem Ubuntu is now being used in a number of different devices such as desktops, servers, tablet computers, mobile devices, TVs, and in-vehicle entertainment systems With Canonical's engineering expertise and an ever growing portfolio of online consumer services, material future growth is expected, both in terms of number of users and customer engagements

There is a shifting trend for IT departments to get more resources from existing infrastructure This has shaped the face of the cloud computing market as we know it today Canonical recognised this early and has been at the forefront of cloud computing Canonical's zero licence fee model has made Ubuntu the operating system of choice for cloud deployments This, in turn, is expected to drive commercial consulting and support engagements as the market matures

While there is potential for growth in all of Canonical's lines of business, the fast-changing IT industry presents opportunities for fast-moving competitors The emergence of additional alternative operating systems presents risks for Ubuntu and therefore to Canonical Group Limited

Canonical Group Limited

Report of the director for the year ended 31 March 2012 (*continued*)

Post balance sheet events

See note 21 to the financial statements for details of post balance sheet events

Financial risk management objectives and policies

The group uses various financial instruments including loans and cash. The main purpose of these financial instruments is to raise finance for the group's operations. The group had various other financial assets and liabilities such as trade debtors and trade creditors that arise directly from its operations.

The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below. The main risks arising from the group's financial instruments are currency risk, credit risk, cash flow interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies remained unchanged from previous years.

Currency risk

The group has minimal exposure to translation and transaction currency risk. The majority of cost base of the group is denominated in USD, which is inline with sales which are also denominated in USD. Funding from the parent company is also in a number of currencies to reduce any transaction currency risk.

Credit risk

The group's principal credit risk relates to recovery of amounts owed by trade debtors. This risk is limited by determining a credit limit for customers based on third party credit references and payment history. This credit limit is reviewed regularly in conjunction with debtor ageing and payment history.

Interest risk

There is no interest rate risk, as all borrowings are non-interest bearing.

Liquidity risk

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

Director

The director of the company during the year was

J E Silber

Canonical Group Limited

Report of the director for the year ended 31 March 2012 (*continued*)

Director's responsibilities

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the loss of the group for that year.

In preparing these financial statements, the director is required to

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

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

Auditors

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

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

On behalf of the Board

J E Silber

Director



Date 21 DECEMBER 2012

Canonical Group Limited

Independent auditor's report

TO THE MEMBERS OF CANONICAL GROUP LIMITED

We have audited the financial statements of Canonical Group Limited for the year ended 31 March 2012 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the director and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Canonical Group Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

*Robert Plews, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom*

Date *21 DECEMBER 2012*

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

Canonical Group Limited

Consolidated profit and loss account for the year ended 31 March 2012

	Note	2012 \$'000	2011 \$'000
Turnover	2	56,809	41,017
Cost of sales		(2,341)	(1,348)
Gross profit		54,468	39,669
Administrative expenses		(64,685)	(51,945)
Operating loss	5	(10,217)	(12,276)
Other income		178	-
Interest receivable and similar income	6	12	168
Interest payable and similar charges	7	(102)	-
Loss on ordinary activities before tax		(10,129)	(12,108)
Taxation	8	(926)	(350)
Loss for the financial year	14	(11,055)	(12,458)

All amounts relate to continuing activities

There are no recognised gains or losses other than the loss for the year

All movements in shareholders' funds relate to the loss for the year

The notes on pages 10 to 19 form part of these financial statements

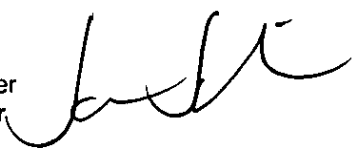
Canonical Group Limited

Consolidated balance sheet at 31 March 2012

<i>Company number 06870835</i>	Note	2012 \$'000	2012 \$'000	2011 \$'000	2011 \$'000
Fixed assets					
Tangible assets	9		763		529
Goodwill	10		80		80
			<u>843</u>		<u>609</u>
Current assets					
Debtors	11	44,786		18,017	
Cash at bank		12,434		14,314	
		<u>57,220</u>		<u>32,331</u>	
Creditors: amounts falling due within one year	12	88,004		51,826	
Net current liabilities			<u>(30,784)</u>		<u>(19,495)</u>
			<u>(29,941)</u>		<u>(18,886)</u>
Capital and reserves					
Share capital	13		-		-
Profit and loss account	14		(29,941)		(18,886)
			<u>(29,941)</u>		<u>(18,886)</u>

The financial statements were approved by the Board of Directors and authorised for issue on **21 DECEMBER 2012**

J E Silber
Director



The notes on pages 10 to 19 form part of these financial statements

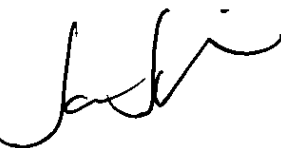
Canonical Group Limited

Company balance sheet at 31 March 2012

<i>Company number 06870835</i>	Note	2012 \$'000	2012 \$'000	2011 \$'000	2011 \$'000
Fixed assets					
Investments	10		80		80
Current assets					
Debtors	11	44,716		19,960	
Cash at bank		4,956		6,012	
		<u>49,672</u>		<u>25,972</u>	
Creditors: amounts falling due within one year	12	86,407		49,518	
Net current liabilities			<u>(36,735)</u>		<u>(23,546)</u>
			<u>(36,655)</u>		<u>(23,466)</u>
Capital and reserves					
Share capital	13		-		-
Profit and loss account	14		(36,655)		(23,466)
			<u>(36,655)</u>		<u>(23,466)</u>

The financial statements were approved by the Board of Directors and authorised for issue on ~~21 DECEMBER~~ 2012

J E Silber
Director



The notes on pages 10 to 19 form part of these financial statements

Canonical Group Limited

Consolidated cash flow statement for the year ended 31 March 2012

	Note	2012 \$'000	2012 \$'000	2011 \$'000	2011 \$'000
Net cash outflow from operating activities	16		(25,522)		(23,533)
Returns on investments and servicing of finance					
Interest received		12		8	
Other income		178		-	
			190		8
Taxation			(926)		(350)
Capital expenditure					
Purchase of tangible assets		(544)		(256)	
Purchase of subsidiary undertakings		-		(80)	
			(544)		(336)
Net cash outflow before financing			(26,802)		(24,211)
Financing					
Increase in loans received			24,922		31,874
(Decrease)/increase in cash	18		(1,880)		7,663

The notes on pages 10 to 19 form part of these financial statements

Canonical Group Limited

Notes forming part of the financial statements for the year ended 31 March 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards other than the application of merger accounting in the circumstances referred to below. The financial statements have been prepared using the US Dollar as the presentational currency on the basis that the directors believe the US Dollar to be the functional currency of the company. The year end exchange rate between US Dollar and Sterling was 1.59735.

In April 2010, Canonical UK Limited was acquired by Canonical Group Limited for nil consideration. Canonical UK Limited had previously been contracted by Canonical Group Limited to provide software development services within the UK, so it was a logical step for this acquisition to take place and formalise the relationship and align the management structure between the two companies. Prior to the acquisition both companies shared a common ultimate shareholder. This transaction has been accounted for using merger accounting principles, in order to meet the overriding requirement under section 404(5) of the Companies Act 2006 for financial statements to present a true and fair view. The transaction does not meet all of the conditions for merger accounting under the Companies Act 2006. However, the director considers that the alternative approach of acquisition accounting, with the restatement of separable assets and liabilities to fair values, the creation of goodwill and inclusion of post-reorganisation results only, would not give a true and fair view of the Group's results and financial position. The substance of the transaction was not the acquisition of a business but a group reconstruction. The director considers that it is not practicable to quantify the effect of this departure from the Companies Act 2006 requirements.

For the consolidated financial statements the adoption of merger accounting presents Canonical Group Limited as if Canonical UK Limited had always been the subsidiary undertaking of the Group.

The following principal accounting policies have been applied:

Basis of consolidation

The Group financial statements consolidate the financial statements of Canonical Group Limited and all its subsidiary undertakings as at 31 March 2012. The Group uses the acquisition method of accounting to consolidate the results of the subsidiary undertakings. All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

Going concern

The financial statements are produced on a going concern basis. The directors have produced forecast cash flows that indicate that the company is reliant on continued support from the company's parent undertaking, Futuristic Limited, who in turn is reliant on continued support from the Group's sole beneficial owner to continue to trade and meet its obligations as they fall due. The Group's sole beneficial owner has been providing support as required by the Group and company during the year and since the year end, and has confirmed that he will continue to make such support as the Group and company needs available as required over the forecast period. The ultimate controlling party has also provided assurance of financial support to enable the company to continue its operations for at least one year from the date of signing these financial statements.

Futuristic Limited has confirmed to the directors that it is their intention to not seek repayment of the amounts due at the balance sheet date for the foreseeable future and in any case for a period of least 12 months from the approval of these financial statements.

After making enquiries of the shareholders and having given consideration to the confirmation of support by the Group's sole beneficial owner, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Canonical Group Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (*continued*)

1 Accounting policies

Revenue recognition

Turnover comprises of revenues from third parties and fees from other group companies in respect of charges for outsourced business services, exclusive of sales taxes

Revenue from third parties is generated from the provision of custom software engineering, the provision of support, maintenance and training services, the sale of merchandise and from advertising fees

Software Engineering - revenue is measured with reference to the stage of completion of the contract. The stage of completion is determined by the level of services performed to date as a percentage of total services expected to be performed. Where the stage of completion cannot be reliably measured in this way, reference is made to the completion of project milestones,

Maintenance and Support - revenue is deferred and recognised on a straight line basis over the year to which the support relates,

Training - revenue is recognised over the year of training provided to the customers as this is the year over which the company obtains the right to the consideration,

Merchandise Sales - revenue is recognised once the sale has taken place and the risks and rewards have been transferred to a third party, and

Advertising Fees - revenue is recognised when earned based on the click-through activity of an internet user on a third party web-site advertisement

Each sales contract is designed to meet the specific requirements of each customer. Where agreements involve multiple elements, the entire fee from such arrangements is allocated to each of the individual elements based on each element's fair value. The revenue in respect of each element is recognised in accordance with the above policies

Where the company is contractually committed to future revenues from a third party, revenue will be accrued in accordance with the terms of the agreement

Foreign currency

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of transactions. Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. All foreign exchange differences are taken to the profit and loss account in the year in which they arise

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment

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 generally applicable are

Computer equipment	-	over 30 months straight line
Fixtures and fittings	-	over the term of the lease

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*continued*)

1 Accounting policies

Deferred Taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing can be deducted. The deferred tax balance has not been discounted.

Contribution to pension funds

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

Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

2 Turnover

The turnover and operating profit for the year are derived from the Group's principal activity.

Analysis by geographical market

	2012 \$'000	2011 \$'000
United Kingdom	25,397	24,686
Rest of Europe	3,988	3,776
Rest of the World	27,424	12,555
	<u>56,809</u>	<u>41,017</u>

3 Employees

	2012 \$'000	2011 \$'000
Staff costs consist of		
Wages and salaries	35,857	27,746
Social security costs	3,167	3,000
Pension costs	888	690
	<u>39,912</u>	<u>31,436</u>

The average number of employees, including directors, during the year was 301 (2011 - 255).

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*continued*)

4 Directors' remuneration

	2012 \$'000	2011 \$'000
Directors' emoluments	360	336

The highest paid director was paid \$360,000 (2011 - \$336,000) in the year

5 Operating loss

	2012 \$'000	2011 \$'000
This has been arrived at after charging		
Depreciation	310	258
Operating leases		
- Land and buildings	1,314	209
- Other	64	296
Exchange differences	93	646
Fees payable to the company's auditor for the audit of the company's annual financial statements	18	35
Fees payable to the group's auditor for the audit of the subsidiary company's annual financial statements	35	48

6 Interest receivable and similar income

	2012 \$'000	2011 \$'000
Bank interest	12	8
Unrealised foreign exchange gain	-	160
	12	168

7 Interest payable and similar charges

	2012 \$'000	2011 \$'000
Unrealised foreign exchange loss	102	-

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

8 Taxation

	2012 \$'000	2011 \$'000
Overseas tax		
Current tax on overseas income for the year	914	363
Adjustment in respect of prior periods	12	(13)
	<u>926</u>	<u>350</u>

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

	2012 \$'000	2011 \$'000
Profit on ordinary activities before tax	(10,129)	(12,108)
Profit on ordinary activities at the standard rate of corporation tax in the UK 26% (2010 - 28%)	(2,634)	(3,390)
Utilisation of losses brought forward	(10)	-
Expenses not deductible for tax purpose	(2)	1
Loss carried forward for use against future profits	3,209	3,864
Capital allowances in excess of depreciation	(12)	(6)
Higher/(lower) tax rate on overseas earnings	360	(119)
Underprovision in respect of prior year overseas tax	3	-
	<u>914</u>	<u>363</u>
Current tax charge for the year		

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*continued*)

8 Loss attributable to members of the parent company

As permitted by Section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year

The company reported a loss after taxation for the financial year ended 31 March 2012 of \$13,189,000 (2011 - \$13,861,000)

9 Tangible assets

	Computer equipment \$'000	Fixtures and fittings \$'000	Total \$'000
<i>Cost</i>			
At 1 April 2011	575	429	1,004
Additions	408	136	544
	<hr/>	<hr/>	<hr/>
At 31 March 2012	983	565	1,548
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2011	325	150	475
Charge for the year	177	133	310
	<hr/>	<hr/>	<hr/>
At 31 March 2012	502	283	785
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2012	481	282	763
	<hr/>	<hr/>	<hr/>
At 31 March 2011	250	279	529
	<hr/>	<hr/>	<hr/>

10 Investments

	\$'000
<i>Cost</i>	
At 1 April 2011 and 31 March 2012	80
	<hr/>

The company had the following principal subsidiary undertakings at the end of the year, all of which have been included in the consolidated accounts

Name of undertaking	Country of incorporation	Voting rights held (%)	Nature of business
Canonical USA Inc	USA	100%	Software development
Canonical Canada Limited	Canada	100%	Software development
Canonical UK Limited	UK	100%	Services Provider
Canonical China Limited	China	100%	Software development

Investment balances are transferred to goodwill on consolidation

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

11 Debtors

	Group 2012 \$'000	Group 2011 \$'000	Company 2012 \$'000	Company 2011 \$'000
Due within one year				
Trade debtors	2,652	1,675	2,652	1,675
Prepayments and accrued income	2,291	3,614	2,135	3,468
Other debtors	486	506	3	3
Other taxation and social security	153	59	60	515
Amounts owed by fellow subsidiary undertakings	39,204	12,163	39,866	14,299
	<u>44,786</u>	<u>18,017</u>	<u>44,716</u>	<u>19,960</u>

12 Creditors: amounts falling due within one year

	Group 2012 \$'000	Group 2011 \$'000	Company 2012 \$'000	Company 2011 \$'000
Trade creditors	333	455	154	130
Accruals and deferred income	2,705	1,966	2,344	1,613
Taxation	257	782	-	-
Loan payable - parent undertaking	67,331	42,307	66,533	41,463
Amounts owed to fellow subsidiary undertakings	17,378	6,316	17,376	6,312
	<u>88,004</u>	<u>51,826</u>	<u>86,407</u>	<u>49,518</u>

Loan payable to parent undertaking is the amount due to Futuristic Limited. This loan is payable on demand, interest free and unsecured. \$63,908,000 (2011 - \$38,808,000) is denominated in US Dollars and £1,643,875 (2011 - £1,650,000) in Pounds Sterling.

13 Share capital

	2012 Number	Allotted, called up and fully paid 2011 Number	2012 £	2011 £
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
			\$	\$
Converted to USD			<u>2</u>	<u>2</u>

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

14 Reserves

	Group 2012 \$'000	Group 2011 \$'000	Company 2012 \$'000	Company 2011 \$'000
Opening profit and loss account	(18,886)	(6,428)	(23,466)	(9,605)
Loss for the year	(11,055)	(12,458)	(13,189)	(13,861)
Closing profit and loss account	(29,941)	(18,886)	(36,655)	(23,466)

15 Commitments under operating leases

As at 31 March 2012, the group had annual commitments under non-cancellable operating leases as set out below

	2012 Land and buildings \$'000	2012 Other \$'000	2011 Land and buildings \$'000	2011 Other \$'000
Operating leases which expire				
Within one year	7	6	490	41
In two to five years	895	366	824	23
In greater than five years	2,355	-	-	-
	3,257	372	1,314	64

As at 31 March 2012, the company had annual commitments under non-cancellable operating leases as set out below

	2012 Land and buildings \$'000	2012 Other \$'000	2011 Land and buildings \$'000	2011 Other \$'000
Operating leases which expire				
In two to five years	123	13	29	13
In greater than five years	1,170	-	-	-
	1,293	13	29	13

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*continued*)

16 Reconciliation of operating loss to net cash outflow from operating activities

	2012 \$'000	2011 \$'000
Operating loss	(10,217)	(12,276)
Depreciation	310	258
Increase in debtors	(26,769)	(9,961)
Increase/(decrease) in creditors	11,154	(1,554)
	<hr/>	<hr/>
Net cash outflow from operating activities	(25,522)	(23,533)
	<hr/>	<hr/>

17 Reconciliation of net cash outflow to movement in net debt

	2012 \$'000	2011 \$'000
(Decrease)/increase in cash	(1,880)	7,663
Cash outflow from changes in debt	(24,922)	(31,874)
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	(26,802)	(24,211)
Exchange translation	(102)	160
Opening net debt	(27,993)	(3,942)
	<hr/>	<hr/>
Closing net debt	(54,897)	(27,993)
	<hr/>	<hr/>

18 Analysis of net debt

	At 31 March 2011 \$'000	Cash flow \$'000	Exchange difference \$'000	At 31 March 2012 \$'000
Cash at bank	14,314	(1,880)	-	12,434
Debt due within one year	(42,307)	(24,922)	(102)	(67,331)
	<hr/>	<hr/>	<hr/>	<hr/>
	(27,993)	(26,802)	(102)	(54,897)
	<hr/>	<hr/>	<hr/>	<hr/>

Canonical Group Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (*continued*)

19 Related parties

The company has taken advantage of FRS 8 'Related party disclosures' in not disclosing transactions with members of the group headed by Futuristic Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in the consolidated financial statements

20 Ultimate controlling party

The company's immediate parent company and head of the smallest and largest group into which this company is consolidated is Futuristic Limited, a company incorporated in the Isle of Man. The company's ultimate controlling party is Mark Shuttleworth.

21 Post balance sheet events

Canonical UK Limited (the "Company") previously occupied premises on the 27th Floor of Millbank Tower, Millbank, London, SW1 (the "Premises")

There has been an on-going dispute since 28 August 2012 between the Company and TST Millbank LLC (Landlord of the Premises) over whether the Company successfully determined its lease of the Premises dated 15 February 2007 (as varied) (the "Lease")

The Company had endeavoured to exercise a break option to determine the Lease on 22 August 2012, but the Landlord argued that certain conditions of the break were not satisfied so that the Lease had not been successfully determined. The Company commenced proceedings for a declaration from the High Court that the Lease had come to an end on 22 August 2012.

The hearing took place on 13 December 2012. The Court found in favour of the Landlord, and that the Lease still continues. The judge did, however, give the Company permission to appeal to the Court of Appeal. The Company is intending to pursue an appeal.

Unless and until there is a successful appeal of this decision, the Company will be primarily liable under the covenants of the Lease until it expires on 14 February 2017 (subject to any potential surrender, assignment or sub-letting before that date). The current annual rent and estimated service charge on the lease is £417,138 (+VAT).