

# Canonical Group Limited

Report and Financial Statements

Year Ended

31 March 2010

Company Number 06870835

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# Canonical Group Limited

## Report and financial statements for the year ended 31 March 2010

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#### Director

J E Silber

#### Secretary and registered office

Standard Bank Trust Company (Isle of Man) Limited, 27<sup>th</sup> Floor Millbank Tower, 21-24 Millbank, London, SW1P 4QP

#### 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 2010

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The director presents her report together with the audited financial statements for the year ended 31 March 2010

### 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. The director does not recommend the payment of a final dividend

### Principal activities and trading review

Canonical Group Limited's (incorporated on 6 April 2009) 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), support, consulting and training services to corporate customers, and integrated online services to Ubuntu end-users.

From its incorporation on 6 April 2009, to the year end of 31 March 2010, Canonical Group Limited has worked to promote Ubuntu as an alternative operating system across the world. As of the balance date, Canonical had commercial engagements with 4 of the top 5 global OEMs to provide engineering services leading to the pre-installation of Ubuntu on various computers. With the growing acceptance of choice in the operating system ecosystem, Canonical sees significant growth opportunities in this area and is very well positioned with their existing customer base to capitalise on this growing market.

Canonical continued to invest in building a world class global support operation to meet its corporate customer's needs. During the year Canonical announced the introduction of Ubuntu Advantage, which provides customers with first-rate support and systems management tools, plus the added benefit of legal assurances. The introduction of Ubuntu Advantage has seen significant customer growth across all segments and geographical regions, and Canonical is well placed to meet this growing demand.

During the year Canonical invested significantly in a number of new consumer services which integrate into the Ubuntu desktop. The result was the beta launch during the year of Ubuntu One, with its first offering being a cloud based file storage, sync and back-up product. Canonical continues to invest in this area and expects significant revenue increases in 2011 and beyond.

### Future developments

The types of devices which consumers are using for their daily information consumption continue to evolve and 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-car entertainment systems. With Canonical's engineering expertise, the OEM business should continue to go grow, both in terms of number of customers and engagements.

In the current economic environment the global IT infrastructure investment is shrinking, and IT managers are expecting to get more resources from existing infrastructure. Canonical's corporate services team is well placed to provide deployment, training and support for Canonical's cloud computing products.

As Ubuntu's user base continues to grow, so too does Canonical's investment in integrated consumer services. The Ubuntu One portfolio of services is expected to expand in 2011, with a number of new subscription based products.

While there is potential for growth in all three 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 2010 (*continued*)

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### **Financial risk management objectives and policies**

The group uses various financial instruments including loans, cash and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for 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 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 the sale 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.

### **Directors**

The directors of the company during the year were

J E Silber	(appointed 6 April 2009)
M R Shuttleworth	(appointed 6 April 2009, resigned 26 March 2010)

# Canonical Group Limited

## Report of the director for the year ended 31 March 2010 (*continued*)

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### 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 profit or 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 were appointed as the first auditors of the company during the year by the directors. BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### On behalf of the Board

J E Silber



### Director

Date 24 March 2011

# Canonical Group Limited

## Independent auditor's report

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### TO THE MEMBERS OF CANONICAL GROUP LIMITED

We have audited the financial statements of Canonical Group Limited for the year ended 31 March 2010 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### 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 2010 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*)

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### 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



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

Date 24-3-2011

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 2010

	Note	2010 \$'000	2009 \$'000
Turnover	2	22,577	10,989
Cost of sales		(413)	-
<b>Gross profit</b>		<b>22,164</b>	<b>10,989</b>
Administrative expenses	5	(30,772)	(10,529)
<b>Operating (loss)/profit</b>		<b>(8,608)</b>	<b>460</b>
Other income		21	-
Interest receivable and similar income		240	5
<b>(Loss)/profit on ordinary activities before tax</b>		<b>(8,347)</b>	<b>465</b>
Taxation		(484)	(184)
<b>(Loss)/profit for the financial year</b>	13	<b>(8,831)</b>	<b>281</b>

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 18 form part of these financial statements



# Canonical Group Limited

## Consolidated balance sheet at 31 March 2010

<i>Company number 06870835</i>	Note	2010 \$'000	2010 \$'000	2009 \$'000	2009 \$'000
<b>Fixed assets</b>					
Tangible assets	8		359		56
<b>Current assets</b>					
Debtors	10	7,611		1,364	
Cash at bank		6,444		64	
		<u>14,055</u>		<u>1,428</u>	
<b>Creditors: amounts fallings due within one year</b>	11	22,891		1,130	
<b>Net current (liabilities)/assets</b>			<u>(8,836)</u>		<u>298</u>
			<u>(8,477)</u>		<u>354</u>
<b>Capital and reserves</b>					
Share capital	12		-		-
Profit and loss account	13		(8,477)		354
			<u>(8,477)</u>		<u>354</u>

The financial statements were approved by the Board of Directors and authorised for issue on 24 March 2011

J E Silber  
Director



The notes on pages 10 to 18 form part of these financial statements

# Canonical Group Limited

## Company balance sheet at 31 March 2010

<i>Company number 06870835</i>	Note	2010 \$'000	2010 \$'000
<b>Fixed assets</b>			
Investments	9		-
<b>Current assets</b>			
Debtors	10	7,456	
Cash at bank		2,899	
		<u>10,355</u>	
<b>Creditors: amounts fallings due within one year</b>	11	19,960	
<b>Net current liabilities</b>			<u>(9,605)</u>
			<u>(9,605)</u>
<b>Capital and reserves</b>			
Share capital	12		-
Profit and loss account	13		(9,605)
			<u>(9,605)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 24 March 2011

  
J E Silber  
Director

The notes on pages 10 to 18 form part of these financial statements

# Canonical Group Limited

## Consolidated cash flow statement for the year ended 31 March 2010

	Note	2010 \$'000	2010 \$'000	2009 \$'000	2009 \$'000
<b>Net cash outflow from operating activities</b>	15		(2,224)		(1,883)
<b>Returns on investments and servicing of finance</b>					
Interest received		2		5	
Other income		20		-	
			22		5
<b>Taxation</b>			-		(184)
<b>Capital expenditure</b>					
Purchase of tangible assets			(449)		(72)
<b>Net cash outflow before financing</b>			(2,651)		(2,134)
<b>Financing</b>					
Increase in loans received			10,031		-
Increase in loans receivable			(1,000)		-
<b>Increase/(decrease) in cash</b>	17		6,380		(2,134)

The notes on pages 10 to 18 form part of these financial statements

# Canonical Group Limited

## Notes forming part of the financial statements for the year ended 31 March 2010

### 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 1.5066.

The group headed by Futuristic Limited, the company's immediate parent company, underwent a reconstruction in the year. As part of this reconstruction Canonical Group Limited was incorporated as a subsidiary of Futuristic Limited on 6 April 2009 and subsequently acquired Canonical USA Inc on 6 April 2009 from a fellow subsidiary for consideration of \$1.

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 USA Inc had always been the subsidiary undertaking of the Group. As Canonical Group Limited did not trade in the period ended 31 March 2009, the comparative results shown, and the financial position at that period end, are therefore the results and position of Canonical USA Inc only.

The company balance sheet only reports the company's financial position at 31 March 2010 with no comparative information, following the company's incorporation on 6 April 2009.

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 2010. The Group uses the acquisition method of accounting to consolidate the results of the subsidiary undertakings except where it uses merger accounting principles as set out above. All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

#### *Going concern*

The Group has net current liabilities at the year end. The directors have prepared cash flow forecasts which indicate that the company 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 during the year and since the year end, and has confirmed that he will continue to make such support as the Group needs available as required over the forecast period.

Futuristic Limited, the company's parent undertaking 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 at 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 2010 (*continued*)

### 1 Accounting policies (*continued*)

#### *Revenue recognition*

Turnover comprises of revenues from third parties, exclusive of sales taxes

Revenue 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 2010 (continued)

## 1 Accounting policies (continued)

### 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

	2010 \$'000	2009 \$'000
United Kingdom	18,229	10,989
Rest of Europe	361	-
Rest of the world	3,987	-
	<u>22,577</u>	<u>10,989</u>

## 3 Employees

	2010 \$'000	2009 \$'000
Staff costs consist of		
Wages and salaries	16,052	7,632
Social security costs	1,302	594
Pension costs	564	461
	<u>17,918</u>	<u>8,687</u>

The average number of employees, including directors, during the year was 130 (2009 – 62)

## 4 Directors' remuneration

	2010 \$'000	2009 \$'000
Directors' emoluments	<u>355</u>	<u>-</u>

The highest paid director was paid \$261,244 (2009 \$Nil) in the year

# Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 March 2010 (continued)

## 5 Operating (loss)/profit

	2010 \$'000	2009 \$'000
This has been arrived at after charging		
Depreciation	146	15
Operating leases - Land and buildings	203	215
Exchange differences	91	14
Fees payable to the company's auditor for the audit of the company's annual financial statements	41	-
Fees payable to the group's auditor for the audit of the subsidiary company's annual financial statements	5	20
	<hr/>	<hr/>

## 6 Interest receivable and similar income

	2010 \$'000	2009 \$'000
Bank interest	3	5
Unrealised foreign exchange gain	237	-
	<hr/>	<hr/>
	240	5
	<hr/>	<hr/>

## 7 Taxation

	2010 \$'000	2009 \$'000
Overseas tax		
Current tax on overseas income for the year	484	184
	<hr/>	<hr/>

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

	2010 \$'000	2009 \$'000
Profit on ordinary activities before tax	(8,347)	465
Profit on ordinary activities at the standard rate of corporation tax in the UK 28% (2009 - 28%)	(2,337)	130
Expenses not deductible for tax purpose	9	12
Loss carried forward for use against future profits	2,680	-
Capital allowances in excess of depreciation	(41)	(28)
Higher tax rate on overseas earnings	76	40
State tax payable	97	30
	<hr/>	<hr/>
	484	184
	<hr/>	<hr/>

# Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 March 2010 (*continued*)

## 7 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 2010 of \$9,605,000

## 8 Tangible assets

	Computer equipment \$'000	Fixtures and fittings \$'000	Total \$'000
<i>Cost</i>			
At 1 April 2009	119	-	119
Additions	355	94	449
	<hr/>	<hr/>	<hr/>
At 31 March 2010	474	94	568
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2009	63	-	63
Charge for the year	128	18	146
	<hr/>	<hr/>	<hr/>
At 31 March 2010	191	18	209
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2010	283	76	359
	<hr/>	<hr/>	<hr/>
At 31 March 2009	56	-	56
	<hr/>	<hr/>	<hr/>

## 9 Investments

	2010 \$'000
Cost	-
	<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 Ltd	Canada	100%	Software development

The group headed by Futuristic Limited, the company's immediate parent company, underwent a reconstruction in the year. As part of this reconstruction Canonical Group Limited acquired Canonical USA Inc from a fellow subsidiary for consideration of \$1



# Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 March 2010 (continued)

## 10 Debtors

	Group 2010 \$'000	Group 2009 \$'000	Company 2010 \$'000
Due within one year			
Prepayments and accrued income	1,548	-	1,548
Trade debtors	491	-	491
Other debtors	141	137	2
Other taxation and social security	161	-	161
Amounts owed by related parties	-	4	-
Amounts owed by fellow subsidiary undertakings	4,263	-	4,254
Amounts owed by parent undertaking	-	1,223	-
Loan receivable - related party	1,007	-	1,000
	<u>7,611</u>	<u>1,364</u>	<u>7,456</u>

## 11 Creditors: amounts falling due within one year

	Group 2010 \$'000	Group 2009 \$'000	Company 2010 \$'000
Accruals and deferred income	647	33	572
Trade creditors	209	106	53
Corporation tax	484	-	-
Other taxation and social security	-	23	-
Loan payable - parent undertaking	9,794	-	9,794
Amounts owed to subsidiary undertakings	-	-	3,789
Amounts owed to fellow subsidiary undertakings	8,413	968	2,408
Amount owed to related party	3,344	-	3,344
	<u>22,891</u>	<u>1,130</u>	<u>19,960</u>

Loan payable to parent undertaking is the amount due to Futuristic Limited. This loan is payable on demand, interest free and unsecured. \$7,308,000 is denominated in US Dollars and £1,650,000 in Pounds Sterling.

## 12 Share capital

	Allotted, called up and fully paid			
	31 March 2010 Number	6 April 2009 Number	31 March 2010 £	6 April 2009 £
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 2010 (*continued*)

## 13 Reserves

	Group 2010 \$'000	Group 2009 \$'000	Company 2010 \$'000
Opening profit and loss account	354	73	-
(Loss)/profit for the year	(8,831)	281	(9,605)
Closing profit and loss account	(8,477)	354	(9,605)

## 14 Commitments under operating leases

As at 31 March 2010, the group had annual commitments under non-cancellable operating leases as set out below

	2010 Land and buildings \$'000	2010 Other \$'000	2009 Land and buildings \$'000	2009 Other \$'000
Operating leases which expire				
In two to five years	209	296	202	285

## 15 Reconciliation of operating (loss)/profit to net cash outflow from operating activities

	2010 \$'000	2009 \$'000
Operating (loss)/profit	(8,608)	460
Depreciation	146	15
Increase in debtors	(5,246)	(1,362)
Increase/(decrease) in creditors	11,484	(996)
Net cash outflow from operating activities	(2,224)	(1,883)

## 16 Reconciliation of net cash outflow to movement in net funds/(debt)

	2010 \$'000	2009 \$'000
Increase/(decrease) in cash	6,380	(2,134)
Cash outflow from changes in debt	(9,031)	-
Movement in net funds/(debt) resulting from cash flows	(2,651)	(2,134)
Exchange translation	237	-
Opening net funds	64	2,198
Closing net (debt)/funds	(2,350)	64

# Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 March 2010 (*continued*)

## 17 Analysis of net debt

	At 31 March 2009 \$'000	Cash flow \$'000	Exchange differences \$'000	At 31 March 2010 \$'000
Cash at bank	64	6,380	-	6,444
		<u>6,380</u>		
Debt due after one year	-	(10,031)	237	(9,794)
		<u>(10,031)</u>		
Loan receivable	-	1,000	-	1,000
	<u>64</u>	<u>(2,651)</u>	<u>237</u>	<u>(2,350)</u>

## 18 Related parties

The company has taken advantage of FRS 8 'Related party disclosures' in not disclosing transactions with wholly owned group undertakings. Related party transactions with non-group companies are disclosed below.

During the year the group charged \$744,000 (2009- \$Nil) for the provision of support services and was charged \$3,297,000 for support services (2009 - \$Nil) to Canonical UK Limited. \$3,219,000 (2009 - \$Nil) remained outstanding at the year end date. All companies have the same controlling party.

The company also provided Canonical UK Limited with a loan of \$1,000,000, which is unsecured, interest free and repayable on demand. The loan remained outstanding at the year end date.

## 19 Ultimate controlling party

The company's immediate parent company and head of the 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.

# Canonical Group Limited

Notes forming part of the financial statements  
for the year ended 31 March 2010 (*continued*)

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## 20 Post balance sheet events

In April 2010 Canonical Group Limited acquired Canonical UK Limited for \$nil consideration. Canonical UK Limited provides sales, software development and support services within the UK.

In January 2010 Canonical Group Limited formed a new Canadian subsidiary called Canonical Canada Limited.

In October 2010 Canonical Group Limited formed a subsidiary called Canonical China Limited to meet the growing needs of customers in China. Canonical China will begin trading in February 2011.