

Canonical Group Limited

Report and Financial Statements

Year Ended

31 March 2013

Company Number 06870835

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Canonical Group Limited

**Report and financial statements
for the year ended 31 March 2013**

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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 2013

The director presents her report together with the audited financial statements for the year ended 31 March 2013

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 (2012 - £Nil) The director does not recommend the payment of a final dividend (2012 - £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 2013, 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 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 2013 (*continued*)

Post balance sheet events

There have been no significant 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.

Employee policies

The company recognises the value of its employees and has maintained its policy of communicating and consulting with employees through meetings on matters of concern to them and providing information in particular on the relevant factors affecting the performance of the company.

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind.

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

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 2013 (*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,
- 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 19 DECEMBER 2013

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 2013 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2013 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



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

20-12-13

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 2013

	Note	2013 \$'000	2012 \$'000
Turnover	2	65,736	56,809
Cost of sales		(5,139)	(2,341)
Gross profit		60,597	54,468
Administrative expenses		(82,196)	(64,685)
Operating loss	5	(21,599)	(10,217)
Other income		111	178
Interest receivable and similar income	6	30	12
Interest payable and similar charges	7	(157)	(102)
Loss on ordinary activities before tax		(21,615)	(10,129)
Taxation	8	272	(926)
Loss for the financial year	15	(21,343)	(11,055)

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 2013

<i>Company number 06870835</i>	Note	2013 \$'000	2013 \$'000	2012 \$'000	2012 \$'000
Fixed assets					
Tangible assets	9		1,324		763
Goodwill			-		80
			<u>1,324</u>		<u>843</u>
Current assets					
Stock	11	258		-	
Debtors	12	82,291		44,786	
Cash at bank		8,539		12,434	
		<u>91,088</u>		<u>57,220</u>	
Creditors: amounts falling due within one year	13	<u>143,696</u>		<u>88,004</u>	
Net current liabilities			<u>(52,608)</u>		<u>(30,784)</u>
			<u>(51,284)</u>		<u>(29,941)</u>
Capital and reserves					
Share capital	14		-		-
Profit and loss account	15		<u>(51,284)</u>		<u>(29,941)</u>
			<u>(51,284)</u>		<u>(29,941)</u>

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


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 2013

<i>Company number 06870835</i>	Note	2013 \$'000	2013 \$'000	2012 \$'000	2012 \$'000
Fixed assets					
Tangible assets	9		515	-	
Investments	10		700		80
			<u>1,215</u>		<u>80</u>
Current assets					
Stock	11	258		-	
Debtors	12	72,908		44,716	
Cash at bank		6,329		4,956	
		<u>79,495</u>		<u>49,672</u>	
Creditors amounts falling due within one year	13	<u>139,411</u>		<u>86,407</u>	
Net current liabilities			<u>(59,916)</u>		<u>(36,735)</u>
			<u>(58,701)</u>		<u>(36,655)</u>
Capital and reserves					
Share capital	14		-		-
Profit and loss account	15		<u>(58,701)</u>		<u>(36,655)</u>
			<u>(58,701)</u>		<u>(36,655)</u>

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



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 2013

	Note	2013 \$'000	2013 \$'000	2012 \$'000	2012 \$'000
Net cash outflow from operating activities	17		(39,744)		(25,522)
Returns on investments and servicing of finance					
Interest received		30		12	
Other income		111		178	
			141		190
Taxation			(748)		(926)
Capital expenditure					
Purchase of tangible assets			(1,171)		(544)
Net cash outflow before financing			(41,522)		(26,802)
Financing					
Increase in loans received			37,628		24,922
Decrease in cash	19		(3,895)		(1,880)

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 2013

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 1.51893.

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 2013. 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 2013 (*continued*)

1 Accounting policies (*continued*)

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,

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 2013 (*continued*)

1 Accounting policies (*continued*)

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

	2013 \$'000	2012 \$'000
United Kingdom	15,171	25,397
Rest of Europe	2,393	3,988
Rest of the World	48,172	27,424
	<u>65,736</u>	<u>56,809</u>

3 Employees

	2013 \$'000	2012 \$'000
Staff costs consist of		
Wages and salaries	42,053	35,857
Social security costs	4,128	3,167
Pension costs	1,482	888
	<u>47,663</u>	<u>39,912</u>

The average number of employees, including directors, during the year was 348 (2012 - 301).

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (continued)

4 Directors' remuneration

	2013 \$'000	2012 \$'000
Directors' emoluments	424	360

The highest paid director was paid \$424,334 (2012 - \$360,000) in the year

5 Operating loss

	2013 \$'000	2012 \$'000
This has been arrived at after charging		
Depreciation	610	310
Operating leases		
- Land and buildings	2,145	1,314
- Other	13	64
Exchange differences	51	93
Fees payable to the company's auditor for the audit of the company's annual financial statements	36	18
Fees payable to the group's auditor for the audit of the subsidiary company's annual financial statements	76	35

6 Interest receivable and similar income

	2013 \$'000	2012 \$'000
Bank interest	30	12

7 Interest payable and similar charges

	2013 \$'000	2012 \$'000
Unrealised foreign exchange loss	157	102

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (continued)

8 Taxation

	2013 \$'000	2012 \$'000
<i>Corporation tax</i>		
Current tax on overseas income for the year	176	914
Adjustment to tax charge in respect of prior periods	(448)	12
	<u>(272)</u>	<u>926</u>

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

	2013 \$'000	2012 \$'000
Loss on ordinary activities before tax	(21,615)	(10,129)
Loss on ordinary activities at the standard rate of corporation tax in the UK 24% (2010 - 26%)	(5,188)	(2,634)
Utilisation of losses brought forward	-	(10)
Expenses not deductible for tax purpose	117	3
Loss carried forward for use against future profits	5,149	3,209
Capital allowances in excess/(deficit) of depreciation	4	(12)
Higher tax rate on overseas earnings	79	346
Adjustment to tax charge in respect of previous periods	(448)	12
Other short term timing differences	15	-
	<u>(272)</u>	<u>914</u>
Current tax (credit)/charge for the year		

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 2013 of \$22,046,000 (2012 - \$13,189,000)

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

9 Tangible assets

Group	Computer equipment \$'000	Fixtures and fittings \$'000	Total \$'000
<i>Cost</i>			
At 1 April 2012	983	565	1,548
Additions	473	698	1,171
At 31 March 2013	1,456	1,263	2,719
<i>Depreciation</i>			
At 1 April 2012	502	283	785
Charge for the year	374	236	610
At 31 March 2013	876	519	1,395
<i>Net book value</i>			
At 31 March 2013	580	744	1,324
At 31 March 2012	481	282	763
Company			
<i>Cost</i>			
At 1 April 2012	-	-	-
Additions	543	23	566
At 31 March 2013	543	23	566
<i>Depreciation</i>			
At 1 April 2012	-	-	-
Additions	48	3	51
At 31 March 2013	48	3	51
<i>Net book value</i>			
At 31 March 2013	495	20	515
At 31 March 2012	-	-	-

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

10 Investments

	\$'000
Cost	
At 1 April 2012	80
Additions	620
	<hr/>
At 31 March 2013	700
	<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	Class of share	Voting rights held (%)	Nature of business
Canonical USA Inc	USA	Ordinary	100%	Software development
Canonical Canada Limited	Canada	Ordinary	100%	Software development
Canonical UK Limited	UK	Ordinary	100%	Services Provider
Canonical China Limited	China	Ordinary	100%	Software development

11 Stock

	2013 £	2012 £
Merchandise stock	258	-
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There is no material difference between the replacement cost of stocks and the amounts stated above

12 Debtors

	Group 2013 \$'000	Group 2012 \$'000	Company 2013 \$'000	Company 2012 \$'000
Due within one year				
Trade debtors	4,615	2,652	4,581	2,652
Prepayments and accrued income	3,820	2,291	3,746	2,135
Other debtors	471	486	28	3
Other taxation and social security	373	153	284	60
Amounts owed by fellow subsidiary undertakings	72,316	39,204	64,269	39,866
Corporation tax	696	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	82,291	44,786	72,908	44,716
	<hr/>	<hr/>	<hr/>	<hr/>

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (continued)

13 Creditors amounts falling due within one year

	Group 2013 \$'000	Group 2012 \$'000	Company 2013 \$'000	Company 2012 \$'000
Trade creditors	1,582	333	814	154
Accruals and deferred income	9,701	2,705	6,950	2,344
Corporation tax	-	257	-	-
Loan payable - parent undertaking	105,048	67,331	104,282	66,533
Amounts owed to fellow subsidiary undertakings	27,365	17,378	27,365	17,376
	<u>143,899</u>	<u>88,004</u>	<u>139,411</u>	<u>86,407</u>

Loan payable to parent undertaking is the amount due to Futuristic Limited. This loan is payable on demand, interest free and unsecured. \$101,858,000 (2012 - \$63,908,000) is denominated in US Dollars and £1,593,875 (2012 - £1,643,875) in Pounds Sterling.

14 Share capital

	2013 Number	Allotted, called up and fully paid 2012 Number	2013 £	2012 £
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>

15 Reserves

	Group 2013 \$'000	Group 2012 \$'000	Company 2013 \$'000	Company 2012 \$'000
Opening profit and loss account	(29,941)	(18,886)	(36,655)	(23,466)
Loss for the year	<u>(21,343)</u>	<u>(11,055)</u>	<u>(22,046)</u>	<u>(13,189)</u>
Closing profit and loss account	<u>(51,284)</u>	<u>(29,941)</u>	<u>(58,701)</u>	<u>(36,655)</u>

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

16 Commitments under operating leases

As at 31 March 2013, the group had annual commitments under non-cancellable operating leases as set out below

	2013 Land and buildings \$'000	2013 Other \$'000	2012 Land and buildings \$'000	2012 Other \$'000
Operating leases which expire				
Within one year	18	8	7	6
In two to five years	1,533	361	895	366
In greater than five years	1,224	-	2,355	-
	<u>2,775</u>	<u>369</u>	<u>3,257</u>	<u>372</u>

As at 31 March 2013, the company had annual commitments under non-cancellable operating leases as set out below

	2013 Land and buildings \$'000	2013 Other \$'000	2012 Land and buildings \$'000	2012 Other \$'000
Operating leases which expire				
Within one year	11	-	-	-
In two to five years	91	13	123	13
In greater than five years	1,224	-	1,170	-
	<u>1,326</u>	<u>13</u>	<u>1,293</u>	<u>13</u>

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

	2013 \$'000	2012 \$'000
Operating loss	(21,599)	(10,217)
Depreciation	610	310
Increase in debtors	(36,810)	(26,769)
Increase in creditors	18,313	11,154
Increase in stock	(258)	-
	<u>(39,744)</u>	<u>(25,522)</u>
Net cash outflow from operating activities		

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

18 Reconciliation of net cash outflow to movement in net debt

	2013 \$'000	2012 \$'000
Decrease in cash	(3,895)	(1,880)
Cash outflow from changes in debt	(37,628)	(24,922)
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	(41,523)	(26,802)
Exchange translation	(89)	(102)
Opening net debt	(54,897)	(27,993)
	<hr/>	<hr/>
Closing net debt	(96,509)	(54,897)
	<hr/>	<hr/>

19 Analysis of net debt

	At 31 March 2012 \$'000	Cash flow \$'000	Exchange difference \$'000	At 31 March 2013 \$'000
Cash at bank	12,434	(3,895)	-	8,539
Debt due within one year	(67,331)	(37,628)	(89)	(105,048)
	<hr/>	<hr/>	<hr/>	<hr/>
	(54,897)	(41,523)	(89)	(96,509)
	<hr/>	<hr/>	<hr/>	<hr/>

20 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

21 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.