

Canonical Group Limited

Report and Financial Statements

Year Ended

31 March 2011

Company Number 06870835

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Canonical Group Limited

Report and financial statements for the year ended 31 March 2011

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Director

J E Silber

Secretary and registered office

Standard Bank Trust Company (Isle of Man) Limited, 27th 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 2011

The director presents her report together with the audited financial statements for the year ended 31 March 2011

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 (2010 - \$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), support, consulting and training services to corporate customers, and integrated online services to Ubuntu end-users.

For the year ended 31 March 2011, 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. During the year Canonical also forged a number of new commercial relationships with silicon vendors in the ARM ecosystem.

One of Canonical's main strategic objectives is ubiquitous use of its operating system. As such, it uses sales growth as its main performance indicator. During the year Canonical's turnover, as detailed in note 2 of the accounts, grew from \$27.1M to \$41.0M representing a 52% increase.

During the year Canonical's full year loss also increased from \$8.2M to \$12.5M. This increase was expected due to the continued investment in emerging technologies and new products, and was primarily driven by staff costs. As some of these products mature, and require less investment, these margins are expected to improve.

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 Tablet PCs and other mobile form factors.

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, released a number of new features and surpassed one million registered users. Canonical continues to invest in this area and expects significant revenue increases in 2012 and beyond.

Canonical Group Limited

Report of the director for the year ended 31 March 2011 (*continued*)

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.

The group's key performance indicators are turnover and profit. The company also places great emphasis on the level of investment in development. All of these matters are addressed above.

Financial Risk Management Objectives And Policies

The group uses financial instruments including loans and cash. The Group has various other financial assets and liabilities such as trade debtors and trade creditors that arise directly from its operations. The main purpose of which 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 director reviews and agrees 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.

Canonical Group Limited

Report of the director for the year ended 31 March 2011 (*continued*)

Charitable and political donations

During the year the group made no charitable or political donations (2010 - \$Nil)

Director

The director of the company during the year was

J E Silber

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

22 Dec 2011

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 2011 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 2011 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 **22 DECEMBER 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 2011

	Note	2011 \$'000	2010 \$'000
Turnover	2	41,017	27,082
Cost of sales		(1,348)	(413)
Gross profit		39,669	26,669
Administrative expenses		(51,945)	(34,403)
Operating loss	5	(12,276)	(7,734)
Other income		-	22
Interest receivable and similar income		168	250
Loss on ordinary activities before tax		(12,108)	(7,462)
Taxation	7	(350)	(714)
Loss for the financial year	13	(12,458)	(8,176)

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 17 form part of these financial statements

Canonical Group Limited

Consolidated balance sheet at 31 March 2011

Company number 06870835	Note	2011 \$'000	2011 \$'000	2010 \$'000	2010 \$'000
Fixed assets					
Tangible assets	8		529		531
Goodwill	9		80		-
			<hr/>		<hr/>
			609		531
Current assets					
Debtors	10	18,017		8,056	
Cash at bank		14,314		6,651	
		<hr/>		<hr/>	
		32,331		14,707	
Creditors: amounts falling due within one year	11	51,826		21,666	
		<hr/>		<hr/>	
Net current liabilities			(19,495)		(6,959)
			<hr/>		<hr/>
			(18,886)		(6,428)
			<hr/>		<hr/>
Capital and reserves					
Share capital	12		-		-
Profit and loss account	13		(18,886)		(6,428)
			<hr/>		<hr/>
			(18,886)		(6,428)
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on **22 DECEMBER 2011**


J.E. Silber
Director


The notes on pages 10 to 17 form part of these financial statements

Canonical Group Limited

Company balance sheet at 31 March 2011

Company number 06870835	Note	2011 \$'000	2011 \$'000	2010 \$'000	2010 \$'000
Fixed assets					
Investments	9		80		-
Current assets					
Debtors	10	19,960		7,456	
Cash at bank		6,012		2,899	
		<u>25,972</u>		<u>10,355</u>	
Creditors: amounts falling due within one year	11	49,518		19,960	
Net current liabilities			(23,546)		(9,605)
			<u>(23,466)</u>		<u>(9,605)</u>
Capital and reserves					
Share capital	12		-		-
Profit and loss account	13		(23,466)		(9,605)
			<u>(23,466)</u>		<u>(9,605)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 DECEMBER 2011


J.E. Silber
Director

The notes on pages 10 to 17 form part of these financial statements

Canonical Group Limited

Consolidated cash flow statement for the year ended 31 March 2011

	Note	2011 \$'000	2011 \$'000	2010 \$'000	2010 \$'000
Net cash outflow from operating activities	15		(23,533)		(4,176)
Returns on investments and servicing of finance					
Interest received		8		250	
Other income		-		22	
			8		272
Taxation			(350)		(714)
Capital expenditure					
Purchase of tangible assets		(256)		(574)	
Purchase of subsidiary undertakings		(80)		-	
			(336)		(574)
Financing					
Increase in loans received		31,874		10,830	
			31,874		10,830
Increase in cash	17		7,663		5,638

The notes on pages 10 to 17 form part of these financial statements

Canonical Group Limited

Notes forming part of the financial statements for the year ended 31 March 2011

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 1.60895.

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 2011. 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 director has 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 director 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 director considers 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 2011 (*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 2011 (*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, based on location by customer

	2011 \$'000	2010 \$'000
United Kingdom	24,686	22,734
Rest of Europe	3,776	361
Rest of the World	12,555	3,987
	<u>41,017</u>	<u>27,082</u>

3 Employees

	2011 \$'000	2010 \$'000
Staff costs, including the director, consist of		
Wages and salaries	27,746	20,130
Social security costs	3,000	1,774
Pension costs	690	569
	<u>31,436</u>	<u>22,473</u>

The average number of employees, including the director, during the year was 161 (2010 - 130).

4 Director's remuneration

	2011 \$'000	2010 \$'000
Director's emoluments	<u>336</u>	<u>355</u>

The highest paid director was paid \$336,000 (2010 - \$355,000) in the year.

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

5 Operating loss

	2011 \$'000	2010 \$'000
This has been arrived at after charging		
Depreciation	258	192
Operating leases - Land and buildings	824	684
Exchange differences	646	561
Fees payable to the company's auditor for the audit of the company's annual financial statements	35	52
Fees payable to the group's auditor for the audit of the subsidiary company's annual financial statements	48	5
	<u> </u>	<u> </u>

6 Interest receivable and similar income

	2011 \$'000	2010 \$'000
Bank interest	8	13
Unrealised foreign exchange gain	160	237
	<u> </u>	<u> </u>
	168	250
	<u> </u>	<u> </u>

7 Taxation

	2011 \$'000	2010 \$'000
<i>Overseas tax</i>		
Current tax on overseas income for the year	363	714
Adjustment in respect of prior periods	(13)	-
	<u> </u>	<u> </u>
	350	714
	<u> </u>	<u> </u>

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

	2011 \$'000	2010 \$'000
Loss on ordinary activities before tax	(12,108)	(7,462)
Loss on ordinary activities at the standard rate of corporation tax in the UK 28% (2010 - 28%)	(3,390)	(2,089)
Expenses not deductible for tax purpose	1	9
Loss carried forward for use against future profits	3,864	2,662
Capital allowances in excess of depreciation	(6)	(41)
(Lower)/higher tax rate on overseas earnings	(119)	76
State tax payable	-	97
Underprovision in respect of prior year overseas tax	13	-
	<u> </u>	<u> </u>
Current tax charge for the year	363	714
	<u> </u>	<u> </u>

Canonical Group Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (*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 2011 of \$13,861,000 (2010 - \$9,605,000)

8 Tangible assets

	Computer equipment \$'000	Fixtures and fittings \$'000	Total \$'000
<i>Cost</i>			
At 1 April 2010	438	310	748
Additions	137	119	256
	<hr/>	<hr/>	<hr/>
At 31 March 2011	575	429	1,004
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2010	149	68	217
Charge for the year	176	82	258
	<hr/>	<hr/>	<hr/>
At 31 March 2011	325	150	475
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2011	250	279	529
	<hr/>	<hr/>	<hr/>
At 31 March 2010	289	242	531
	<hr/>	<hr/>	<hr/>

9 Investments

	\$'000
<i>Cost</i>	
At 1 April 2010	-
Additions	80
	<hr/>
At 31 March 2011	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 Ltd	Canada	100%	Software development
Canonical UK Ltd	UK	100%	Services provider
Canonical China Ltd	China	100%	Software development

During the year ended 31 March 2011 the company set up Canonical China Ltd, incurring \$80,000 of directly attributable costs. Investment balances are transferred to goodwill on consolidation.

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (continued)

10 Debtors

	Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000	Company 2010 \$'000
Due within one year				
Prepayments and accrued income	3,614	1,685	3,468	1,548
Trade debtors	1,675	491	1,675	491
Other debtors	506	416	3	2
Other taxation and social security	59	1,199	515	161
Amounts owed by fellow subsidiary undertakings	12,163	4,265	14,299	4,254
Loan receivable - related party	-	-	-	1,000
	<u>18,017</u>	<u>8,056</u>	<u>19,960</u>	<u>7,456</u>

11 Creditors, amounts falling due within one year

	Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000	Company 2010 \$'000
Accruals and deferred income	1,966	891	1,613	572
Trade creditors	455	288	130	53
Corporation tax	782	734	-	-
Loan payable - parent undertaking	42,307	10,593	41,463	9,794
Amounts owed to fellow subsidiary undertakings	6,316	9,160	6,312	6,541
	<u>51,826</u>	<u>21,666</u>	<u>49,518</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. \$38,808,000 (2010 - \$7,308,000) is denominated in US Dollars and £1,650,000 (2010 - £1,650,000) in Pounds Sterling.

12 Share capital

	2011 Number	Allotted, called up and fully paid 2010 Number	2011 £	2010 £
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 2011 (*continued*)

13 Reserves

	Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000	Company 2011 \$'000
Opening profit and loss account	(6,428)	1,748	(9,605)	-
Loss for the year	(12,458)	(8,176)	(13,861)	(9,605)
Closing profit and loss account	(18,886)	(6,428)	(23,466)	(9,605)

14 Commitments under operating leases

As at 31 March 2011, the group had annual commitments under non-cancellable operating leases as set out below

	2011 Land and buildings \$'000	2011 Other \$'000	2010 Land and buildings \$'000	2010 Other \$'000
Operating leases which expire				
Less than one year	114	157	-	-
In two to five years	358	904	209	296
In greater than five years	491	-	-	-
	963	1,061	209	296

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

	2011 \$'000	2010 \$'000
Operating loss	(12,276)	(7,734)
Depreciation	258	192
Increase in debtors	(9,961)	(5,102)
(Decrease)/increase in creditors	(1,554)	8,468
Net cash outflow from operating activities	23,533	4,176

Canonical Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

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

	2011 \$'000	2010 \$'000
Increase in cash	7,663	5,638
Cash outflow from changes in debt	(31,874)	(10,830)
	<hr/>	<hr/>
Movement in net funds resulting from cash flows	(24,211)	(5,192)
Exchange translation	160	237
Opening net (debt)/funds	(3,942)	1,013
	<hr/>	<hr/>
Closing net debt	(27,993)	(3,942)
	<hr/>	<hr/>

17 Analysis of net debt

	At 31 March 2010 \$'000	Cash flow \$'000	Exchange differences \$'000	At 31 March 2011 \$'000
Cash at bank	6,651	7,663	-	14,314
Debt due within one year	(10,593)	(31,874)	160	(42,307)
	<hr/>	<hr/>	<hr/>	<hr/>
	(3,942)	(24,211)	160	(27,993)
	<hr/>	<hr/>	<hr/>	<hr/>

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.

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.