

2008 Annual Report of the
Shuttleworth Foundation Trusts



the future is open




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The content of this report represents an open invitation to you to discover the many ways in which we have spent the past year taking the next few steps towards the realisation of our vision.

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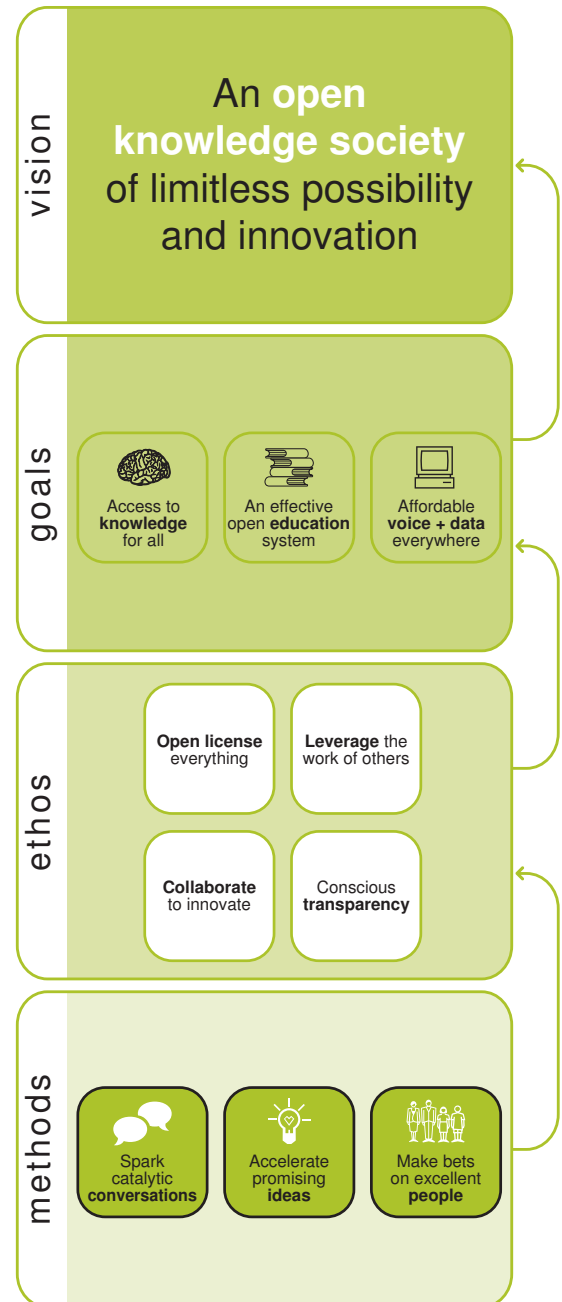
Theory of Change

An open knowledge society is one where people have real opportunities to learn, invent, and innovate. Where they experience the world as something they can shape, not as something out of their control.

As the blueprint for such a society does not yet exist, the Shuttleworth Foundation is committed to exploring innovative approaches in an effort to prompt the development of local and global open knowledge societies, while sharing our experiences and learning with others along the way.

We believe that open and effective education and educational materials, as well as access to knowledge and connectivity, are core components of such open societies. We also believe that an open, participatory culture of innovation is non negotiable if the necessary change is to be achieved.

With the goal of making this belief explicit, the Shuttleworth Foundation has developed what it has termed a 'Theory of Change'. This diagrammatic representation of our approach to change provides a bird's eye view of where we are headed, and how we think we will succeed in getting there.



Of course, since we live by the principles of openness and innovation, this diagram evolves as we learn and discover. However, while finer workings of the process may change, the philosophy and sentiment behind it remains constant – and effectively serves as a roadmap by which the Shuttleworth Foundation is navigating its way towards the realisation of its vision of an open society.

Organisational Structure

The Shuttleworth Foundation is powered by a dedicated team from around the world, brought together by a common commitment to empower education and technology initiatives in South Africa. They achieve this by driving policy reform and best practice, engaging in projects that demonstrate innovative alternatives, and promoting the use of open standards, technologies and knowledge access.

The combined experience of these team members in terms of project administration, finances, education, open platforms and law, ensure that the Foundation continues to be a positive driver of change and innovation in South Africa and beyond.



2008 Highlights

Financial Highlights

Commentary on the financial results of the Shuttleworth Foundation is based on the abridged aggregated results of the Shuttleworth Foundation Trust, the Shuttleworth Foundation Fundraising Trust No. 1 and the Shuttleworth Foundation Fundraising Trust No. 2.

Actual project expenditure for the 2008 financial year:

R16 066 797

Donation received from Founder:

R80 000 000

The donation received from the Founder is to cover expenditure for the period between 2007 and 2010.

Team Highlights

The period under review saw a number of exceptional individuals joining the Shuttleworth Foundation team.

These included:

Mark Surman *Open Philanthropy Fellow*
– started on 1 January 2007

Andrew Rens *Intellectual Property Rights Fellow*
– started on 1 March 2007

Sam Christie *Kusasa Project Manager*
– started on 1 June 2007

Mark Horner *Siyavula Project Manager*
– started on 15 October 2007

Steve Vosloo *Communications and Analysis Fellow*
– started on 1 November 2007

Steve Song *Telecommunications Fellow*
– started on 1 December 2007

Operational Highlights

Education Management and Leadership

During the year, the decision was taken by the management team and Trustees that the Shuttleworth Foundation would suspend continued investment into the theme of Education Management and Leadership for the foreseeable future.

While the Foundation has invested in a number of projects in this area, the decision was taken to no longer actively seek new investments until the results of previous investments are available. The Foundation remains interested and continues to monitor progress for future consideration.

HIP2B²

HIP2B² (Hip to be Square) was launched in 2002 by the Shuttleworth Foundation as part of the First

African in Space campaign. On Mark Shuttleworth's return, he embarked on a country-wide school roadshow in which he shared his adventures in space. Since then, the HIP2B² brand has been successfully changing learners' perceptions of science, technology, entrepreneurship and maths.

During the year under review, HIP2B² was turned into an independently run business, operated by BSquare Communications (Proprietary) Limited – a wholly owned investment of the Shuttleworth Foundation Trust. This represents a significant milestone for the initiative and a great success for the Foundation. The aim is to turn the HIP2B² brand into a self-sustainable entity that promotes the disciplines of science, technology, entrepreneurial pursuits and maths (STEM) amongst the youth of South Africa.

Message from the Foundation

As an organisation committed to the development of an open future for all, the Shuttleworth Foundation welcomes this opportunity to set out its accounts for the 2007/2008 financial year. We do so not only in the interests of transparency, but also because we view our Annual Report as a means of holding ourselves accountable.

Furthermore, this document is an opportunity to remind all our stakeholders of the objectives to which we aspire, the philosophy by which we live and operate, and the ideas we develop.

Ultimately, the point of any learning institution or foundation must be to help good ideas spread, for the benefit of all. Our efforts to live out this philosophy are founded on a number of fundamental strategies:

- We believe wholeheartedly in our open philosophy and focus our efforts on spreading that philosophy across South Africa and the world.
- We are committed to collaboration as a means of achieving innovation.
- We are determined to leverage our knowledge, understanding and partnerships in order to further evolve and share these.
- Every product or piece of work we create is licensed in an open manner, with clear explanations to users of their rights when utilising those products.
- We share everything. From reports to thoughts, you'll find them on our blogs.
- We are relentless researchers. Investigating and reinvestigating everything we undertake and then

publishing our findings for open feedback and commentary.

- We make sure that every project or idea we fund is licensed openly and readily accessible to all.

We know this is not a typical approach to running an organisation. But then the Shuttleworth Foundation is not a typical organisation. It's a place where shared progress is recognised as the only form of sustainable success.

The fact is, the world is a vastly different place now to what it was 15 years ago. We find ourselves living in the Knowledge Economy, where success as an individual, a group, or an organisation is no longer about who you know or what resources you have. Rather, it depends on the ability you have to find out what you need to know – and decide what to do with that knowledge.

At the Shuttleworth Foundation, we believe that it is a fundamental human right to have access to the knowledge you need, when you need it. We also acknowledge that in a competitive world, this philosophy is not widely held – which is why we fight for it at every level, and every opportunity.

To this end, our goals include ready access to knowledge through effective and open education and affordable access to telecomms and the internet. We believe that we are making progress in achieving these, and we trust that after reading this report, you will agree.

Message from the Founder

Given the largely materialistic society in which we live, the concept of 'investment' appears to have been relegated almost exclusively to the realm of finances. However, while investment often involves financial input, the blunt tool of cash is certainly not the only way that there is to invest.

As this report shows, the Shuttleworth Foundation sees its role in creating an 'open' society as involving investment in many different ways – only one of which involves money.

During the past year, it invested time and expertise into many conversations and discussions, which eventually saw the University of Cape Town becoming a signatory to the Cape Town Open Education Declaration (CTOED), and committing to open up its resources and expertise, while incentivising others to also do so.

It invested human capital in South Africa's participation in the ISO process on Microsoft's effort to make OOXML a second document standard, rallying allies to engage with key decision-makers. This resulted in a 'no' vote from South Africa and an appeal against the process failures of ISO.



Mark Shuttleworth
Founder: Shuttleworth Foundation

It invested thought, assistance and commitment into promising ideas like Siyavula, which helps establish communities of teachers to collaborate with each other in the development and sharing of localised, context-specific educational resources.

It invested passion through its ongoing belief in the potential South Africa has to become a society that prizes open education as a basic right of all its citizens.

These are just a few of the successful investments made by the Shuttleworth Foundation over the past twelve months. Investments that are sure to continue delivering returns for generations to come. And that's something that money alone could never buy.

Message from the Trustees

The revised structure for management and the processing of ideas within the Foundation, which was implemented last year, has been delivering tangible results.

During the period under review, a number of new experts have been identified and brought on board to further bolster the intellectual capital of the Foundation.

The Shuttleworth Foundation's trustees meet on a quarterly basis to review the progress of the trusts' activities. Our most recent submission is the abridged aggregated financial statements of the Shuttleworth Foundation trusts for the year ended 29 February 2008, encompassed in this annual report.



Focus Areas and Projects

Over the past year, the Shuttleworth Foundation focused on projects that fall into the thematic areas of: Communication and Analytical Skills; Intellectual Property Rights; Open and Collaborative Resources and Telecommunications. These have been defined according to the overarching objective of the Foundation which is to improve education and technology use for all by being a catalyst for change and policy reform in South Africa.

By maintaining a focus on supporting projects within these areas or themes, the Foundation is able to deliver maximum benefit, and effectively research and drive enhancements of core skills required by learners. The focus also ensures that the principles of open and collaborative content frameworks are supported, including those specific to open educational resources as well as the need to address the challenges presented by the availability of broadband Internet connectivity and the general telecommunications environment in South Africa.

The following pages contain a broad overview of the activities of the Foundation within these four themes or focus areas.





Communications and Analysis

Based on the notion that two of the core skills required by learners at a school level are communications and analysis, the Shuttleworth Foundation supports projects and research aimed at prioritising, promoting and improving the transfer of these skills.

Plus Time

Plus Time is an action research project, conducted by the HSRC, the Western Cape Education Department and the Foundation, that aims to test whether allocating significantly more time to learning assistance would result in increased personal mastery and improved performance for high school learners.

Results, thus far, have revealed that there was generally a larger increase in the performance of learners who more regularly attended extra tuition sessions compared with those who did not. However, for most learners, Grade 8 is probably too late for

meaningful interventions. Mastering the basic content of these subjects needs to be accomplished at the Foundation Phase.

All research findings are contained in the full report, which can be downloaded off the Shuttleworth Foundation website.

Critical Thinking Group

The Critical Thinking Group has as its primary aim the development of an effective approach for the teaching of critical thinking skills to educators, with the idea that they will then be equipped to pass these on to their learners. A key focus of the entire approach is on the essential ability to formulate an argument, which includes using evidence to support and substantiate claims as well as dislodge any counter-claims.

Kusasa

Kusasa was initiated with the aim of developing analytical and creative thinking in learners by enabling more effective teaching practices in these areas amongst educators.

Kusasa-developed resources included character role models, experiments, simple computer modelling and carefully-sequenced lesson plans – all of which combine to provide a richly interactive environment in which learners imitate the Kusasa role models as they undertake their simple classroom experiments and solve their computer modelling problems.

A decision was recently taken by the Shuttleworth Foundation to stop its support of the project at this point as the roll-out of these resources proved far more costly, time consuming, and logistically difficult than originally anticipated. All resources generated by the Kusasa project have been donated to schools and made openly available online at www.kusasa.org.

Projects and research planned under the Communications and Analysis theme for the new financial year, include:

Teachable Agents

Built on the understanding that people learn best when they teach, this is a software program that learners can “teach” about a particular topic and then quiz.

Gaming and Learning

Ways will be explored to harness cellphones and video games to support learning in both formal education and informal learning contexts.



Education Management and Leadership

The Shuttleworth Foundation has invested in a number of projects in this area in the past and continues to support some of these. However, we are not actively seeking new investments, as we are awaiting the results of the latest projects before potentially expanding our involvement in this area of focus.

ACE: School Leadership

The Advanced Certificate in Education (ACE): School Leadership is a national training initiative aimed at developing school principals and preparing aspirant principals for the challenges faced and opportunities presented by their roles as school leaders. The programme, which incorporates action orientated development and site-based assessment into the process of principal development, is owned and driven by the Department of Education. It is currently in a three year field-testing period ahead of the development of a wider national implementation strategy.

Schools ICT Academy

The Schools ICT Academy is an initiative driven by Edunova, an international education organisation specialising in the effective use of Information and Communications Technologies (ICT), in partnership with the Shuttleworth Foundation and the Western Cape Education Department. It aims to develop ICT management and leadership capacity within schools in the Western Cape by training ICT facilitators and engaging school management teams, while creating a virtual learning environment that will allow for online access to computer-based curriculum materials, best practice guidelines, modular training and support processes required to run an effective school ICT laboratory.



Intellectual Property Rights

Intellectual Property Rights (IPR) were originally instituted with the noble intent of encouraging the creation and invention of public goods for the benefit of society by allowing creators and inventors an exclusive right to derive income from their creation

or invention for a limited period of time. Recent times have, however, seen IPR become overly restrictive, encroaching on the benefit to society and the realm of public good. At the same time, technological advances in the information age have enabled many new ways of sharing ideas, creations and inventions. Through its focus on this theme, the Foundation hopes to reverse this increased lock-down on public benefit and encourage a more open approach to the sharing of intellectual property.

Competition Commission Intervention

The Foundation, with support from the Open Society Institute (OSI), intervened in the South African Competition Commission's consideration of the multinational merger of Pearson PLC and Harcourt Education International. The proposed merger of these enterprises would have resulted in the integration of local subsidiaries Maskew Miller Longman and Heinemann Publishing in South Africa. Such a merger would have a negative impact on local education by driving greater concentration of an already over-concentrated publishing industry for educational materials. The intervention succeeded in drawing significant attention from the media, public and government regarding the negative consequences of further concentration in South Africa's textbook publishing sector. Ultimately, the Competition Commission ruled that the concerned parties could not merge their South African operations.

Open Standards and the Open Document Format

Open standards are critical to ensuring the usability and interoperability of technology. The Open Document Format (ODF) is the standard used for

word processing in both proprietary and open source software and is an accepted International Standards Organisation (ISO) standard in this regard. It is also an open standard.

During 2007, OOXML was brought before ISO for consideration as an alternative document format standard by Microsoft and the European Computer Manufacturers Association (ECMA). Since this document format was incompatible with the existing standard, accepting it as an alternative standard would prevent interoperability.

The Foundation, together with a number of like-minded organisations, such as Freedom To Innovate South Africa (FTISA), mobilised civil society participation in the sub-committee advising the South African Bureau of Standards (SABS) on the proposal on OOXML and their vote on this as an ISO member. As a result, the recommendation of this sub-committee was to vote against accepting OOXML as an ISO standard.

African Copyright and Access to Knowledge

Copyright legislation, and its impact on access to knowledge, has received little research attention in Africa. Changes in copyright statutes have been driven by international trade agreements rather than by African development-focused analyses.

This project aims to reverse this trend by probing the copyright environments in various African territories and determining the degree to which

access (or lack thereof) to knowledge is a function of these copyright environments.

The Foundation pioneered the project and established the key partnerships now driving this initiative. The project is co-funded by the Shuttleworth Foundation and the International Development Research Council (IDRC) and is housed at the LINK Centre. In January 2008, teams from eight African countries came together to refine the research strategy, the results of which will be available during the course of 2009.



Open and Collaborative Resources

As part of a broader movement to open up education for all, open educational resources can increase access to learning opportunities and encourage more collaborative, student-centric learning. The Shuttleworth Foundation works closely with a variety of stakeholders to help bring the vision of truly open education to life.

Cape Town Open Education Declaration

The Shuttleworth Foundation, along with the Open Society Institute (OSI), recognised a need within the broader open education community for a clear articulation of the concepts and strategies relating to open education. As a first step towards developing such a shared understanding of what the term 'open education' really means, and devising core strategies for its achievement, the Shuttleworth Foundation and the OSI hosted a two-day workshop for interested and involved individuals from the broader open education community.

The Cape Town Open Education Declaration was the result of this meeting and addresses three key strategies towards open educational resources specifically, and open education more broadly. It is also a call to action for all those involved in education to actively engage. The Declaration can be found at www.capetowndeclaration.org.

Siyavula

Siyavula is an initiative aimed at building communities of teachers who collaborate by sharing and developing localised, context-specific educational resources that are freely available for use, adaptation, reuse and redistribution. Through these communities, teachers find support and consolidate their learnings, while sharing educational resources openly – to the benefit of the entire education community in South Africa. As part of this process, Siyavula will make available a core set of educational resources under an open licence and encourage the communities of teachers to join them in using, adapting and sharing

these. Work has started on the development of the online collaboration space. Siyavula is expected to launch officially in 2009.

Opening Scholarship

Opening Scholarship is a practical research initiative that explores ways of better using Information and Communications Technologies (ICT) for the exchange of knowledge between academics, students and the community. A specific focus of the project is on providing access to knowledge generated by scholars to students and the community. Some of the possibilities being explored are open access publishing as a standard practice and the use of open approaches to all scholarly outputs. The foundation-funded project is being lead by Eve Gray and Cheryl Hodgkinson-Williams within the University of Cape Town (UCT) and, in addition to yielding a model that will drive changes in terms of the policies and practices at UCT, it is aimed at providing a starting point for other higher education institutions that are interested in doing the same.

iCommons iSummit 2007

The iCommons iSummit is the annual gathering of the broader Creative Commons community and is coordinated by iCommons – an organisation that is working to develop a united global commons front by collaborating with open education, access to knowledge, free software, open access publishing and free culture communities around the world. The summit, which is held in a different location every year and brings people together both physically and

via the 'virtual summit', allows all participants to share their thoughts, experiences and plans around open resources with others, thereby strengthening and broadening individual and institutional networks. The Foundation supported and participated in this event, which was held in Dubrovnik, Croatia, by hosting a track that specifically focused on open education. It brought together education practitioners and policy makers, legal experts, free culture enthusiasts, and others interested and involved in openness and access in education from across the world. An active network of practitioners was established, which has led to a number of practical collaborations.

Collaborative Curriculum Case Studies

– iCommons iCurriculum (iCiC)

The Collaborative Curriculum Case Studies project is aimed at building and supporting a participatory model of case study development. It seeks to build capacity for data gathering and critical inquiry at the programme level to share that information and the resulting findings in order to advance local knowledge, opportunities and the field of open education resources at large. Conducted by the Institute for the Study of Knowledge Management in Education (ISKME), in partnership with the Shuttleworth Foundation, the Hewlett Foundation, Telecentre.org, Curriki and iCommons, the project is developing a case study framework and gathering data from an initial set of case studies.



Telecommunications

In the context of a globalised economy in which knowledge and innovation have become principal drivers of growth, telecommunications takes on an absolutely critical role. In South Africa, the escalation of competition and innovation is stunted by an overpriced and underdeveloped telecommunications infrastructure. Access is either non-existent or overpriced. The Foundation looks for opportunities to catalyse policy and regulatory change in order to stimulate competition, promote transparency, and develop alternative, affordable communication technology strategies.

South Africa Connect

The Foundation is supporting The Edge Institute in an initiative to mobilise active public interest interventions in policy and regulatory processes, media coverage and participation in international and continental meetings. The South Africa Connect project will undertake research into, and intervene in, ongoing public policy and regulatory processes in the telecommunications sector and provide a

monthly column on ICT policy, regulation and innovation in one of the country's mass circulation publications. It is also hoped that the intervention will stimulate debate within the ICT community via participation in online discussions and blogs.

The Village Telco

The Village Telco is an initiative aimed at developing the cheapest, scalable, standards-based, wireless local telephone company toolkit in the world. Using open source software and low-cost, off-the-shelf, consumer communication technologies, this project will allow for easy setup and management of affordable voice (and data) services through the provision of WiFi infrastructure and phones. In addition to focusing primarily on making workable, low cost voice services available – particularly in rural communities – The Village Telco has the further objective of creating a sustainable business model for entrepreneurs. The Foundation is supporting the adaptation and development of the open source applications that will make it easy and affordable for an entrepreneur to launch such a local tele-communications service.



Funded Projects

Communication & Analysis	R 3,274,140
Kusasa	R 2,266,861
Plus Time	R 850,276
Overheads	R 157,003
Education Management & Leadership	R 470,674
Schools ICT Academy	R 432,496
Overheads	R 38,178
Intellectual Property Rights	R 591,939
Competition Commission Intervention	R 75,000
Publishing Matrix	R 42,000
Overheads	R 474,939
Open & Collaborative Resources	R 2,801,539
ASSAf Intervention	R 58,422
Cape Town Open Education Declaration	R 63,936
Opening Scholarship	R 1,250,000
iCommons iSummit 2007	R 332,980
ISKME Phase 2	R 34,684
Rip-Mix-Learn	R 450,000
Siyavula	R 163,588
Overheads	R 447,929
Telecommunications	R 891,494
Social & Content Networks	R 255,000
Telecommunications Campaigns	R 200,000
Overheads	R 436,494
Shuttleworth Fundraising Trusts	R 7,457,714
Durbanville Library	R 4,152,164
Fisantekraal Library	R 1,305,550
St Joseph's Marist College	R 2,000,000
General Project Expenses	R 579,297
Total Project Spend	R 16,066,797



Abridged Aggregated
Annual Financial Statements
at February 29 2008

**The
Shuttleworth
Foundation
Trusts**

Abridged Aggregated Annual Financial Statements

At February 29 2008

Trustees

S M Kirkman
J M Long
R D Shuttleworth

Nature of Business

Drives social and policy innovation in the fields of education and technology, through policy dialogue and practical projects

Auditors

Ernst & Young Inc.

Bankers

Standard Bank of South Africa Limited

Registered Office

12 Plein Street	P O Box 4163
Durbanville	Durbanville
7550	7551

Incorporated in

South Africa

Trust Numbers

The Shuttleworth Foundation Trust	IT582/2001
The Shuttleworth Foundation Fundraising No 1 Trust	IT490/2003
The Shuttleworth Foundation Fundraising No 2 Trust	IT434/2001

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Approval of Annual Financial Statements

The annual financial statements set out on pages 20 to 28 were approved by the trustees on July 31 2008.



S Kirkman



J Long

Independent Auditor's Report to the Trustees

We have audited the annual financial statements of the Shuttleworth Foundation Trusts for the year ended February 29 2008, from which the abridged aggregated financial statements as set out on pages 20 to 28, were derived, in accordance with International Standards on Auditing.

In our report dated June 30 2008 we expressed an unqualified opinion on the financial statements from which the abridged aggregated financial statements were derived.

In our opinion, the accompanying abridged aggregated financial statements are consistent, in all material respects, with the financial statements from which the abridged aggregated financial statements were derived and are prepared in accordance with the presentation and disclosure requirements of Statements of Generally Accepted Accounting Practice for Small and Medium Enterprises.

For a better understanding of the trusts' financial position and the results of their operations for the year ended February 29 2008 and of the scope of our audit, the abridged aggregated financial statements should be read in conjunction with the financial statements from which the abridged aggregated financial statements were derived and our audit report of those financial statements.

Ernst & Young Inc.

REGISTERED AUDITOR

July 31 2008

Cape Town

**The
Shuttleworth
Foundation
Trusts**

Abridged Aggregated Income Statement
For the year ended February 29 2008

	Note	2008 SF R	2008 HIP2B ² R	2008 Total R	2007 SF R	2007 HIP2B ² R	2007 Total R
Revenue	2	<u>84 539 025</u>	<u>1 954 371</u>	<u>86 493 396</u>	<u>7 397 400</u>	<u>5 395 639</u>	<u>12 793 039</u>
Turnover		–	1 954 371	1 954 371	–	5 318 956	5 318 956
Cost of sales		–	(5 630 814)	(5 630 814)	–	(10 553 295)	(10 553 295)
Gross Loss		–	(3 676 443)	(3 676 443)	–	(5 234 339)	(5 234 339)
Other Income		80 002 043	–	80 002 043	7 027 361	14 097	7 041 458
Donations received		80 000 000	–	80 000 000	6 630 000	–	6 630 000
Other		2 043	–	2 043	397 361	14 097	411 458
Finance income		4 539 025	–	4 539 025	725 139	76 683	801 822
		<u>84 541 068</u>	<u>(3 676 443)</u>	<u>80 864 625</u>	<u>7 752 500</u>	<u>(5 143 559)</u>	<u>2 608 941</u>
Operating Expenses		(21 361 562)	(2 188 523)	(23 550 085)	(22 787 861)	(3 693 026)	(26 480 887)
Administrative expenses		4 471 666	2 175 336	6 647 002	4 494 566	3 693 026	8 187 592
Communication campaign expenses		823 099	13 187	836 286	1 688 723	–	1 688 723
Distributions to projects and related expenses	4	16 066 797	–	16 066 797	16 604 572	–	16 604 572
Finance expense		(302 322)	–	(302 322)	(221 711)	–	(221 711)
Surplus/(deficit) before taxation		62 877 184	(5 864 966)	57 012 218	(15 257 072)	(8 836 585)	(24 093 657)
Taxation		(5 176)	–	(5 176)	–	–	–
Surplus/(Deficit) for the year		<u>62 872 008</u>	<u>(5 864 966)</u>	<u>57 007 042</u>	<u>(15 257 072)</u>	<u>(8 836 585)</u>	<u>(24 093 657)</u>

Abridged Aggregated Balance Sheet
At February 29 2008

**The
Shuttleworth
Foundation
Trusts**

	Note	2008 R	2007 R
Assets			
Non-current asset			
Equipment		–	27 448
		–	27 448
Current assets			
Intangible asset	5	–	1 347 655
Inventories	6	–	–
Trade and other receivables		868 512	575 659
Taxation		–	5 176
Bank balances and cash		52 432 005	9 395 340
		53 300 517	11 323 830
Total assets		53 300 517	11 351 278
Funds and Liabilities			
Capital and funds			
Trust capital		300	300
Accumulated surplus/(deficit)		45 592 486	(11 414 556)
		45 592 786	(11 414 256)
Current liabilities			
Loan payable to related party		–	9 222 583
Trade and other payables		7 585 518	13 495 747
Leave pay provision		122 213	47 204
		7 707 731	22 765 534
Total funds and liabilities		53 300 517	11 351 278

**The
Shuttleworth
Foundation
Trusts**

Abridged Aggregated Statement of Changes in Trust Funds
For the year ended February 29 2008

	Trust Capital R	Accumulated surplus/(deficit) R	Total R
Balance at February 28 2006	300	12 679 101	12 679 401
Loss for the year	–	(24 093 657)	(24 093 657)
Balance at February 28 2007	300	(11 414 556)	11 414 256)
Profit for the year	–	57 007 042	57 007 042
Balance at February 29 2008	300	45 592 486	45 592 786

Abridged Aggregated Cash Flow Statement
for the year ended February 29 2008

**The
Shuttleworth
Foundation
Trusts**

	Note	2008 R	2007 R
Cash flows from operating activities			
Cash utilised by operations	1	(25 774 373)	(19 855 958)
Movement in working capital		(6 203 082)	8 883 152
Cash utilised by operating activities		(31 977 455)	(10 972 806)
Finance income		4 539 025	801 822
Finance expense		(302 322)	(221 711)
Net cash outflow from operating activities		<u>(27 740 752)</u>	<u>(10 392 695)</u>
Cash flows from financing activities			
(Decrease)/increase in loan payable		(9 222 583)	9 222 583
Distributions paid to beneficiaries		–	(9 212 568)
Donation received from Founder		80 000 000	–
Cash inflow from financing activities		<u>70 777 417</u>	<u>10 015</u>
Net movement in cash and cash equivalents		43 036 665	(10 382 680)
Cash and cash equivalents at beginning of year		9 395 340	19 778 020
Cash and cash equivalents at end of year		<u>52 432 005</u>	<u>9 395 340</u>

Notes to the cash flow statements

1. Cash utilised by operations

Surplus/(deficit) before taxation	57 012 218	(24 093 657)
Adjustments:		
Finance income	(4 539 025)	(801 822)
Finance expense	302 322	221 711
Decrease in intangible asset	1 347 655	3 503 904
Depreciation	5 882	5 881
Impairment of inventory	–	1 438 054
Provisions	75 009	(130 029)
Donation received from Founder	(80 000 000)	–
Scrapping of fixed assets	21 566	–
	<u>(25 774 373)</u>	<u>(19 855 958)</u>

1 Accounting Policies

This report complies with the requirements of IAS34/AC127, the Statement of Generally Accepted Accounting Practice for Small and Medium Enterprises. The results shown are the aggregation of The Shuttleworth Foundation Trust, The Shuttleworth Foundation Fundraising No. 1 Trust and The Shuttleworth Foundation Fundraising No. 2 Trust, for all of which Mark Shuttleworth is the Founder. All transactions and balances between these entities have been removed for the purposes of preparing the abridged aggregated financial statements. The information presented in this report has been audited by the external auditors.

1.1 Basis of preparation

This report has been prepared on the historical cost basis, except for certain financial instruments which are subsequently measured at fair value and inventories which are subsequently measured at net realisable value, and in accordance with the accounting policies which were applied in the preparation of the individual trusts' annual financial statements for the year ended February 29 2008. The accounting policies and methods used are consistent with those used in prior periods.

1.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised. Revenue is measured at the fair value of the consideration received or receivable net of any discounts, rebates and related taxes.

Finance income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts the future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Sale of goods

Revenue is recognised when significant risks and rewards of ownership from the sale of goods are transferred to the buyer.

Donations received

Revenue from donations received is recognised when the payment is due and payable.

1.3 Financial instruments

Financial assets and financial liabilities are initially recognised on the balance sheet when the trust becomes party to the contractual provisions of the instrument. When financial assets and financial liabilities are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The trusts determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Notes to the Abridged Aggregated Financial Statements At February 29 2008 (continued)

1 Accounting Policies (continued)

1.3 Financial instruments

Trade and other receivables

Trade receivables, which generally have 30 days' terms, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method less an allowance for impairment. Provision is made when there is objective evidence that the trust will not be able to collect the debts. Bad debts are recognised in profit or loss when identified.

Bank balances and cash

Bank balances and cash in the balance sheet are initially recognised at fair value and subsequently measured at amortised cost, and comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised where:

- The rights to receive cash flows from the asset have expired,
- The trust retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or
- The trust has transferred its right to receive cash flows from the asset or either (A) has transferred substantially all the risks and rewards of the asset or (B) has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Impairment

All financial assets are reviewed (individually or collectively) for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where the carrying value of these instruments exceeds the recoverable amount, the asset is written down to the recoverable amount. Impairment losses are recognised in the income statement.

1 Accounting Policies (continued)

1.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The economic useful lives of intangible assets are assessed to be either finite or infinite. The intangible assets of the trusts are considered to have a finite useful life and are therefore subsequently measured at cost less accumulated amortisation and any accumulated impairments. The intangible assets are amortised on a usage basis over their economic useful life. The amortisation method is reviewed at each financial year end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed and accounted for as a change in accounting estimates in accordance with IAS8.

Intangible assets are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying value may not be recoverable, to determine whether there is any indication of impairment. Impairment losses are recognised in the income statement.

1.6 Significant accounting judgements and estimates

Going concern

In the process of preparing the financial statements, the trustees agreed that the trusts are a going concern, due to the following reasons:

- There is no intention to cease the operations of the trusts.
- Should the trusts require additional funding to continue operation, the funding would be provided by the founding donor, M R Shuttleworth.

	2008 SF R	2008 HIP2B ² R	2008 Total R	2007 SF R	2007 HIP2B ² R	2007 Total R
2 Revenue						
Donations	80 000 000	–	80 000 000	6 630 000	–	6 630 000
Finance income	4 539 025	–	4 539 025	725 139	76 683	801 822
Magazine income	–	794 054	794 054	–	–	–
Project funded income	–	–	–	42 261	–	42 261
Sale of goods	–	1 160 317	1 160 317	–	5 318 956	5 318 956
	<u>84 539 025</u>	<u>1 954 371</u>	<u>86 493 396</u>	<u>7 397 400</u>	<u>5 395 639</u>	<u>12 793 039</u>

3 Additional Information

The current year income statement has been split into two columns, HIP2B² and SF, in order to differentiate between the revenue generated from sales of products used to communicate the Foundations message and from the utilisation of donor and third party donations.

Notes to the Abridged Aggregated Financial Statements
At February 29 2008 (continued)

4 Distributions to Projects and Related Expenses

Distributions exceeding the limit imposed on the management team of the trusts, are approved by the trustees. All distributions are authorised on signature of a memorandum of understanding between the beneficiary of the distribution and the trust.

	2008 R	2007 R
5 Intangible Assets		
Broadcasting Rights		
Balance at beginning of year	1 347 665	4 851 559
Television airtime used	(1 347 665)	(3 503 904)
Balance at end of year	<u>–</u>	<u>1 347 655</u>

An intangible asset was recognised for the television airtime owing to HIP2B² from the SABC at the end of the prior year. The trust realised the intangible asset recognised as at February 28 2007.

6 Inventories

Merchandise (at cost)	–	1 438 054
Adjustment of inventory to net realisable value	–	(1 438 054)
Merchandise held at net realisable value	<u>–</u>	<u>–</u>

7 Related Parties

Related party relationships exist between the donor, Mr M R Shuttleworth, 12 Plein Street Durbanville (Proprietary) Limited, HBD Business Holdings (Proprietary) Limited, HBD Management Services (Proprietary) Limited and HBD Investment Holdings (Proprietary) Limited.

Transactions for the year

Mr M R Shuttleworth – Donation	80 000 000	–
12 Plein Street Durbanville (Proprietary) Limited		
– premises, equipment rental and share of running costs	(402 188)	(434 020)
HBD Management Services (Proprietary) Limited		
– management fees	(1 814 811)	(922 157)
– share of core costs	(275 659)	(166 039)
HBD Investment Holdings (Proprietary) Limited		
– donations received	–	6 300 000
Balance owing to related party		
HBD Business Holdings (Proprietary) Limited	–	9 222 583

All transactions between related parties are entered into at arms length. Balances owing to related parties bear interest at an agreed upon rate. The loans have no fixed terms of repayment and are repayable on demand.

**Notes to the Abridged Aggregated Financial Statements
At February 29 2008 (Continued)**

8 AUDITED ANNUAL FINANCIAL STATEMENTS

The audited annual financial statements of The Shuttleworth Foundation Trust and The Shuttleworth Foundation Fundraising No. 1 and No. 2 Trusts can be obtained from the Trusts registered office or postal address as indicated below:

Registered office and postal address

12 Plein Street	P O Box 4163
Durbanville	Durbanville
7550	7551

**Contact
Details**

Address:

P O Box 4163, Durbanville, 7551

Telephone Number:

+27 21 970 1200

Fax Number:

+27 21 970 1201

Website:

www.shuttleworthfoundation.org

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www.shuttleworthfoundation.org

