

Fortinet UK Limited

Registered number 04570027

Directors' report and financial statements

For the year ended 31 December 2007



09/21/08

FORTINET UK LIMITED

COMPANY INFORMATION

Directors	K A Goldman (appointed 04/10/2007) A L Stewart B T White (resigned 04/10/2007) K Q Xie
Company number	04570027
Registered office	Sovereign Court Witan Gate Milton Keynes MK9 2HP
Auditors	Mazars LLP Chartered Accountants and Registered Auditors Sovereign Court Witan Gate Milton Keynes MK9 2HP

FORTINET UK LIMITED

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FORTINET UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and the financial statements for the year ended 31 December 2007

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. They are 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.

Principal activities

The principal activity of the company continued to be that of software consultancy and supply. The company's revenue is wholly derived from the recharging of expenses to its US parent, Fortinet Inc.

Business review

The directors considered the performance in the year to be satisfactory and do not recommend payment of a dividend.

Results

The profit for the year, after taxation, amounted to £115,400 (2006 - £100,923).

Directors

The directors who served during the year were

K A Goldman (appointed 04/10/2007)
A L Stewart
B T White (resigned 04/10/2007)
K Q Xie

FORTINET UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Provision of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985

This report was approved by the board on 25 September 2008 and signed on its behalf



K A Goldman
Director

Independent auditors' report to the members of Fortinet UK Limited

We have audited the financial statements of Fortinet UK Limited for the year ended 31 December 2007 which comprise Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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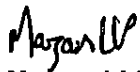
Registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.



Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Mazars LLP

Chartered Accountants and Registered Auditors

Sovereign Court

Witan Gate

Milton Keynes

MK9 2HP

Date *3 October 2008*

FORTINET UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
Turnover	1,2	6,034,646	4,341,296
Administrative expenses		(5,747,283)	(4,134,578)
		<hr/>	<hr/>
Operating profit	3	287,363	206,718
Interest receivable		8,511	4,177
Interest payable	6	-	(49)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		295,874	210,846
Tax on profit on ordinary activities	7	(180,474)	(109,923)
		<hr/>	<hr/>
Profit on ordinary activities after taxation	14	115,400	100,923
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 or 2006 other than those included in the profit and loss account

The notes on pages 7 to 14 form part of these financial statements

FORTINET UK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	£	2007 £	£	2006 £
Fixed assets					
Tangible fixed assets	8		8,772		6,191
Fixed asset investments	9		5,047		5,047
			<u>13,819</u>		<u>11,238</u>
Current assets					
Debtors	10	1,002,272		413,146	
Cash at bank		357,920		577,390	
		<u>1,360,192</u>		<u>990,536</u>	
Creditors amounts falling due within one year	11	(964,140)		(707,303)	
Net current assets			<u>396,052</u>		<u>283,233</u>
Total assets less current liabilities			<u>409,871</u>		<u>294,471</u>
Capital and Reserves					
Called up share capital	13		1		1
Profit and loss account	14		409,870		294,470
Shareholders' funds	15		<u>409,871</u>		<u>294,471</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 September 2008


K A Goldman
Director

The notes on pages 7 to 14 form part of these financial statements

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements incorporate the results of the Swedish and Italian branches. The results of the subsidiary undertaking, Fortinet Srl, are excluded from these accounts

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228A of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Computer equipment	-	50% straight line
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1.4 Investments

Investments in subsidiaries are valued at cost less provision for impairment

1.5 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 Accounting policies (continued)

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

2 Turnover

The whole of the turnover is attributable to software consultancy and supply

All turnover arose on sales to the United States of America

3 Operating profit

The operating profit is stated after charging/(crediting)

	2007 £	2006 £
Depreciation of tangible fixed assets		
- owned by the company	7,976	7,211
Auditors' remuneration	10,622	8,500
Operating lease rentals		
- other operating leases	156,260	140,964
Difference on foreign exchange	(6,682)	-
	<u> </u>	<u> </u>

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2007 £	2006 £
Wages and salaries	3,716,954	2,516,951
Social security costs	723,585	329,211
	<u> </u>	<u> </u>
	4,440,539	2,846,162
	<u> </u>	<u> </u>

The average monthly number of employees, including the directors, during the year was as follows

	2007 No	2006 No
Administration and sales	62	62
	<u> </u>	<u> </u>

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

5. Directors' remuneration

	2007 £	2006 £
Emoluments	-	46,620

6. Interest payable

	2007 £	2006 £
On bank loans and overdrafts	-	49

7. Taxation

	2007 £	2006 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	180,221	109,923
Deferred tax (see note 12)		
Origination and reversal of timing differences	253	-
Tax on profit on ordinary activities	180,474	109,923

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

7 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2006 - higher than) the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	295,874	210,846
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	88,762	63,254
Effects of:		
Expenses not deductible for tax purposes	20,891	22,292
Capital allowances for year in excess of depreciation	(881)	(778)
Higher rate taxes on overseas earnings	71,449	43,111
Adjustments to tax charge in respect of prior periods	-	10,934
Tax deduction re employee share acquisition	-	(26,848)
Other tax adjustments	-	(2,042)
Current tax charge for the year (see note above)	180,221	109,923

Factors that may affect future tax charges

There were no factors that may affect future tax charges

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

8 Tangible fixed assets

	Furniture, fittings and equipment £
Cost	
At 1 January 2007	37,913
Additions	8,611
Disposals	(9,627)
Foreign exchange movement	(508)
At 31 December 2007	<u>36,389</u>
Depreciation	
At 1 January 2007	31,722
Charge for the year	7,976
On disposals	(9,627)
Foreign exchange movement	(2,454)
At 31 December 2007	<u>27,617</u>
Net book value	
At 31 December 2007	<u>8,772</u>
At 31 December 2006	<u>6,191</u>

9 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2007 and 31 December 2007	<u>5,047</u>

Subsidiary undertaking

The company holds 100% of the ordinary issued share capital of Fortinet Sarl, a company incorporated in France

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

10. Debtors

	2007 £	2006 £
Amounts owed by group undertakings	878,011	278,282
Other debtors	32,157	31,256
Prepayments and accrued income	31,501	47,232
Tax recoverable	53,891	49,411
Deferred tax asset (see note 12)	6,712	6,965
	<u>1,002,272</u>	<u>413,146</u>

11 Creditors

Amounts falling due within one year

	2007 £	2006 £
Trade creditors	27,556	66,971
Amounts owed to group undertakings	-	151
Corporation tax	81,733	91,606
Social security and other taxes	322,500	203,102
Other creditors	9,903	42,005
Accruals and deferred income	522,448	303,468
	<u>964,140</u>	<u>707,303</u>

12 Deferred tax asset

	2007 £	2006 £
At 1 January 2007	6,965	(4,923)
Released during/(charged for) the year	(253)	-
(Decrease)/Increase in the year	-	2,042
	<u>6,712</u>	<u>6,965</u>
At 31 December 2007		

The deferred tax asset is made up as follows

	2007 £	2006 £
Accelerated capital allowances	<u>6,712</u>	<u>6,965</u>

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

13. Share capital

	2007 £	2006 £
Authorised		
100,000 Ordinary shares shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
1 Ordinary shares share of £1	1	1

14 Reserves

	Profit and loss account £
At 1 January 2007	294,470
Profit for the year	115,400
At 31 December 2007	409,870

15 Reconciliation of movement in shareholders' funds

	2007 £	2006 £
Opening shareholders' funds	294,471	193,548
Profit for the year	115,400	100,923
Closing shareholders' funds	409,871	294,471

16 Operating lease commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2007 £	2006 £
Expiry date		
Within 1 year	87,483	43,065
Between 2 and 5 years	4,173	955

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

17 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company

18 Ultimate parent undertaking and controlling party

The ultimate parent company is Fortinet Inc , a company registered in the United States of America. Copies of the consolidated financial statements of Fortinet Inc are available from 1090 Kifer Road, Sunnyvale, CA 94086, USA