

# Fortinet UK Limited

Registered number 04570027

## Directors' report and financial statements

For the year ended 31 December 2009



# **FORTINET UK LIMITED**

## **COMPANY INFORMATION**

---

<b>Directors</b>	K A Goldman R A Lerner
<b>Company number</b>	04570027
<b>Registered office</b>	Sovereign Court Witan Gate Milton Keynes MK9 2HP
<b>Auditors</b>	Mazars LLP Chartered Accountants & Registered Auditors The Pinnacle 160 Midsummer Boulevard Milton Keynes MK9 1FF

# **FORTINET UK LIMITED**

## **CONTENTS**

---

	Page
<b>Directors' report</b>	1 - 2
<b>Independent auditors' report</b>	3 - 4
<b>Profit and loss account</b>	5
<b>Statement of total recognised gains and losses</b>	6
<b>Balance sheet</b>	7
<b>Notes to the financial statements</b>	8 - 18

# **FORTINET UK LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009**

---

The directors present their report and the financial statements for the year ended 31 December 2009

### **Statement of directors' responsibilities**

The directors are responsible for preparing the directors' 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). Under company law the directors 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 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 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. 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 financial statements incorporate the results of the Swiss, Swedish and Italian branches. The results of the subsidiary undertakings, Fortinet Sarl and Fortinet GmbH, are excluded from these accounts.

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

### **Results**

The loss for the year, after taxation, amounted to £37,348 (2008 - loss £20,378).

### **Directors**

The directors who served during the year were

K A Goldman  
R A Lerner

# **FORTINET UK LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009**

---

### **Provision of information to auditors**

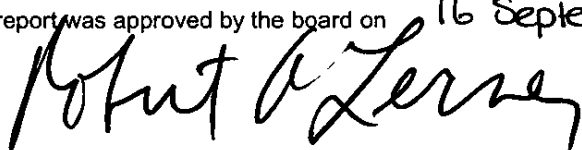
Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that 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 485 of the Companies Act 2006

This report was approved by the board on 16 September 2010 and signed on its behalf



**R A Lerner**  
Director

## **FORTINET UK LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FORTINET UK LIMITED**

---

We have audited the financial statements of Fortinet UK Limited for the year ended 31 December 2009, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet 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).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for 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 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.

#### **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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its 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 the other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# **FORTINET UK LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FORTINET UK LIMITED**

---

### **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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Mazars LLP*

Mazars LLP, Chartered Accountants (Registered Auditors)

Gregory John Hall (senior statutory auditor)

The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

Date *20 September 2010*

## **FORTINET UK LIMITED**

### **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009**

---

	<b>Note</b>	<b>2009 £</b>	<b>As restated 2008 £</b>
<b>Turnover</b>	<b>1,2</b>	9,172,717	8,116,614
Administrative expenses		(8,980,618)	(7,978,706)
		<hr/>	<hr/>
<b>Operating profit</b>	<b>3</b>	192,099	137,908
Interest receivable		4,950	7,958
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		197,049	145,866
Tax on profit on ordinary activities	<b>6</b>	(234,397)	(166,244)
		<hr/>	<hr/>
<b>Loss for the financial year</b>	<b>13</b>	<u>(37,348)</u>	<u>(20,378)</u>

All amounts relate to continuing operations

The notes on pages 8 to 18 form part of these financial statements



## **FORTINET UK LIMITED**

### **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2009**

---

	Note	2009 £	As restated 2008 £
Loss for the financial year		(37,348)	(20,378)
Other movements in profit and loss reserve		2,760	24,438
		<hr/>	<hr/>
<b>Total recognised gains and losses relating to the year</b>		<b>(34,588)</b>	<b>4,060</b>
			<hr/>
Prior year adjustment	14	(278,473)	
		<hr/>	
<b>Total gains and losses recognised since last financial statements</b>		<b>(313,061)</b>	
		<hr/>	

The notes on pages 8 to 18 form part of these financial statements

**FORTINET UK LIMITED**

Registered number 04570027

**BALANCE SHEET  
AS AT 31 DECEMBER 2009**

	Note	£	2009 £	As restated 2008 £
<b>Fixed assets</b>				
Tangible fixed assets	7		153	4,021
Fixed asset investments	8		24,858	24,858
			<u>25,011</u>	<u>28,879</u>
<b>Current assets</b>				
Debtors	9	1,278,737	1,029,782	
Cash at bank		1,113,016	842,075	
		<u>2,391,753</u>	<u>1,871,857</u>	
<b>Creditors, amounts falling due within one year</b>	10	(1,633,458)	(1,331,560)	
<b>Net current assets</b>			<u>758,295</u>	<u>540,297</u>
<b>Total assets less current liabilities</b>			<u>783,306</u>	<u>569,176</u>
<b>Capital and reserves</b>				
Called up share capital	12		1	1
Capital contribution reserve	13		527,191	278,473
Profit and loss account	13		256,114	290,702
<b>Shareholders' funds</b>	15		<u>783,306</u>	<u>569,176</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16/9/2010

  
R A Lerner  
Director

The notes on pages 8 to 18 form part of these financial statements

# **FORTINET UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

---

### **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 Swiss, Swedish and Italian branches. The results of the subsidiary undertakings, Fortinet Sarl and Fortinet GmbH, are excluded from these accounts

The financial statements contain information about Fortinet Uk Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Fortinet Inc, a company a company registered in the United States of America

#### **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
--------------------	---	-------------------

#### **1.4 Investments**

Investments held as fixed assets are shown 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

# **FORTINET UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

---

### **1 Accounting policies (continued)**

#### **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

#### **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

# **FORTINET UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

---

### **1 Accounting policies (continued)**

#### **1.8 Share based payments**

The equity instruments are granted to the employees of the Company by its parent, Fortinet Inc. The share based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, therefore the Company is required to record an expense for such compensation in accordance with FRS 20 'Share based payments', with a corresponding increase recognised in the capital contribution reserve in equity as a contribution from the parent.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by the Board of Directors using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions. Number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification.

No reduction is recognised if this difference is negative.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. The Group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2007.

For awards granted before 7 November 2002, the group recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

### **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.

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 3 Operating profit

The operating profit is stated after charging/(crediting)

	2009 £	2008 £
Depreciation of tangible fixed assets		
- owned by the company	3,814	8,959
Auditors' remuneration	6,500	6,500
Operating lease rentals		
- other operating leases	171,061	176,605
Difference on foreign exchange	(92,034)	49,535
	<u>          </u>	<u>          </u>

During the year, no director received any emoluments (2008 - £NIL)

### 4 Staff costs

Staff costs were as follows

	2009 £	2008 £
Wages and salaries	5,295,628	4,827,460
Social security costs	1,190,398	855,262
	<u>          </u>	<u>          </u>
	6,486,026	5,682,722
	<u>          </u>	<u>          </u>

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

	2009 No.	2008 No.
Administration and sales	58	47
	<u>          </u>	<u>          </u>

## FORTINET UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

---

#### 5 Share based payments

The parent company, Fortinet Inc, operates an Employee share option scheme which is open to group employees. For the employee share option scheme the options are exercisable at a price equal to the Company's share price at the date of grant.

The fair value of the share options have been determined by applying a Black-Scholes-Merton model which have no vesting restrictions and are fully transferable. For all share options the Company recognises an expense over the requisite service period using the straight line method.

In 2008 options were granted on 7 February, 23 April, 31 July and 21 October. The aggregate of the estimated fair values of the options granted on these dates is £1,497,040. In 2009 options were granted on 28 January, 30 April, 22 July and 21 October. The aggregate of the estimated fair values of the options granted on these dates is £855,462. The weighted average of the fair values of all of the share options granted was £4.96 (2008: £3.86) per option.

All share options are cancelled if the employee leaves the Company before the options vest. To allow for the effects of early exercise, the expected life has been adjusted based on management's best estimate for exercise restrictions and behavioural considerations.

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of share options outstanding during the year.

	2009	2009	2008	2008
	No	WAEP	No	WAEP
Outstanding at 1 January	832,544	£2.4671	580,059	£0.9429
Granted during period	181,040	£5.0663	425,780	£4.0705
Cancelled during period	133,133	£3.7094	75,006	£2.1367
Exercised during period	77,355	£0.9859	98,289	£0.6701
Outstanding at end of period	803,096	£2.9897	832,544	£2.4671
Exercisable at end of period	474,944	£2.1191	438,562	£1.3711

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 5. Share based payments (continued)

The model inputs were

	2009	2008	2006
Weighted average share price at grant date (£)	£4 57	£3 58	£1 16
Weighted average exercise price (£)	£5 08	£4 07	£1 16
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	50.57%	45.41%	61.15%
Risk free interest rate (%)	1.45%	2.86%	4.67%
Expected life of options (years)	4.58	4.53	6.08
Fair Value (£)	£1 82	£1 33	£0 71

Expected volatility, measured at the annualised standard deviation of expected share price returns, was determined by calculating the historical and implied volatility of the Company's share price over the previous years

The Company recognised a total expense of £248,718 (2008 £155,245) in the income statement in respect of these equity settled share-based payment transactions

### 6. Taxation

	2009 £	2008 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	312,359	170,620
Adjustments in respect of prior periods	(77,962)	(4,223)
<b>Total current tax</b>	<u>234,397</u>	<u>166,397</u>
<b>Deferred tax</b> (see note 11)		
Origination and reversal of timing differences	-	(153)
<b>Tax on profit on ordinary activities</b>	<u>234,397</u>	<u>166,244</u>



# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 6. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is the same as (2008 - the same as) the standard rate of corporation tax in the UK (28%) as set out below

	2009 £	As restated 2008 £
Profit on ordinary activities before tax	197,049	145,866
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 - 28%)	55,174	40,842
<b>Effects of</b>		
Expenses not deductible for tax purposes	97,271	68,650
Capital allowances for year in excess of depreciation	1,418	2,276
Share scheme deduction under Schedule 23	(141,765)	(99,338)
Higher rate taxes on overseas earnings	300,261	158,190
Adjustments to tax charge in respect of prior periods	(77,962)	(4,223)
<b>Current tax charge for the year (see note above)</b>	<b>234,397</b>	<b>166,397</b>

#### Factors that may affect future tax charges

There were no factors that may affect future tax charges

### 7. Tangible fixed assets

	Furniture, fittings and equipment £
<b>Cost</b>	
At 1 January 2009 and 31 December 2009	40,597
<b>Depreciation</b>	
At 1 January 2009	36,576
Charge for the year	3,868
At 31 December 2009	40,444
<b>Net book value</b>	
At 31 December 2009	153
At 31 December 2008	4,021

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 8 Fixed asset investments

	Shares in group undertakings £
<b>Cost</b>	
At 1 January 2009 and 31 December 2009	24,858

#### Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Fortinet Sarl	Ordinary shares	100%
Fortinet GmbH	Ordinary shares	100%

The aggregate of the share capital and reserves as at 31 December 2009 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves £	Profit £
Fortinet Sarl	816,575	441,282
Fortinet GmbH	35,149	35,149

### 9 Debtors

	2009 £	2008 £
Amounts owed by group undertakings	1,149,995	865,975
Other debtors	28,857	92,205
Prepayments and accrued income	44,451	19,124
Tax recoverable	48,569	45,613
Deferred tax asset (see note 11)	6,865	6,865
	<u>1,278,737</u>	<u>1,029,782</u>

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 10 Creditors

Amounts falling due within one year

	2009 £	2008 £
Trade creditors	21,762	1,821
Corporation tax	-	21,145
Social security and other taxes	574,668	376,414
Accruals and deferred income	1,037,028	932,180
	<u>1,633,458</u>	<u>1,331,560</u>

### 11 Deferred tax asset

	2009 £	2008 £
At beginning of year	6,865	6,712
Released during year	-	153
	<u>6,865</u>	<u>6,865</u>

The deferred tax asset is made up as follows

	2009 £	2008 £
Accelerated capital allowances	<u>6,865</u>	<u>6,865</u>

### 12 Share capital

	2009 £	2008 £
<b>Authorised</b>		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 13 Reserves

	Other reserves £	Profit and loss account £
At 1 January 2009 (as previously stated)	278,473	569,175
Prior year adjustment (note 14)		(278,473)
At 1 January 2009 (as restated)		290,702
Loss for the year	-	(37,348)
Movement on other reserves	248,718	-
Exchange rate adjustment on reserves	-	2,760
At 31 December 2009	527,191	256,114

### 14 Prior year adjustment

Prior period adjustments have been made to restate the brought forward reserves to correctly show share option charges in accordance with FRS 20 Share Based payments. Brought forward profit and loss reserves have been adjusted by £278,473 being a charge of £155,245 relating to the 2008 share option expense and £123,338 relating to the 2007 share option expense.

### 15 Reconciliation of movement in shareholders' funds

	2009 £	As restated 2008 £
Opening shareholders' funds	847,649	688,344
Prior year adjustments (note 14)	(278,473)	(123,228)
Opening shareholders' funds (as restated)	569,176	565,116
Loss for the year	(37,348)	(20,378)
Other recognised gains and losses during the year	2,760	24,438
Capital contribution reserve	248,718	-
Closing shareholders' funds	783,306	569,176

### 16 Operating lease commitments

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2009 £	2008 £
<b>Expiry date</b>		
Within 1 year	46,687	83,516
Between 2 and 5 years	23,750	-

## **FORTINET UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

---

#### **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