



Grant Thornton

# Financial statements Network General Europe Limited

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**For the Year Ended 31 March 2011**



**Company No. 5069565**

## Officers and professional advisers

<b>Company registration number</b>	5069565
<b>Registered office</b>	100 New Bridge Street London United Kingdom EC4V 6JA
<b>Director</b>	D Sommers
<b>Secretary</b>	Abogado Nominees Limited
<b>Auditor</b>	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Reading IQ Office 1020 Eskdale Road Winnersh Wokingham RG41 5TS

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## Report of the director

The director presents his report and the financial statements of the company for the year ended 31 March 2011

### **Principal activities and business review**

The principal activity of the company during the year was the provision of sales promotion and marketing support to NetScout Systems Inc , the parent company

In the global recessionary environment which prevailed in 2009 and has continued throughout 2010, the company reduced its costs and preserved its profitability. The directors expect the company to resume its trend of recent years, namely the profitable expansion of its activities on a cost plus basis within the EMEA region

### **Directors**

The directors who served the company during the year were as follows

J Wakely  
D Sommers

J Wakely resigned as a director on 18 May 2010

### **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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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 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 him to ensure that the financial statements comply with the Companies Act 2006. He 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

In so far as the director is aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

**Auditor**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

**Small company provisions**

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

BY ORDER OF THE BOARD



D Sommers

Director



## Independent auditor's report to the members of Network General Europe Limited

We have audited the financial statements of Network General Europe Limited for the year ended 31 March 2011. 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 director and auditors**

As explained more fully in the Director's Responsibilities Statement set out on pages 3 to 4, 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](http://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 company's affairs as at 31 March 2011 and of its profit 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 matter prescribed by the Companies Act 2006**

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

## Independent auditor's report to the members of Network General Europe Limited (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, 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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the director was not entitled to take advantage of the small companies' exemption in preparing the report of the director

*Grant Thornton UK LLP*

JAMES ROGERS (Senior Statutory Auditor)  
For and on behalf of  
GRANT THORNTON UK LLP  
STATUTORY AUDITOR  
CHARTERED ACCOUNTANTS  
READING

*21 February 2012*

## Principal accounting policies

### **Basis of accounting**

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

### **Cash flow statement**

The company is a wholly-owned subsidiary of NetScout Systems Inc , and is included in the consolidated financial statements of NetScout Systems Inc , which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a Cash Flow Statement under the terms of Financial Reporting Standard 1 (Revised 1996)

### **Turnover**

All turnover is attributable to the principal activity, excluding Value Added Tax

All revenue is derived from NetScout Systems Inc , in accordance with the intercompany agreement dated 1 April 2003. NetScout Systems Inc is a company which controls Network General Europe Limited through its 100% holding in NetScout Systems (UK) Limited

### **Fixed assets**

Tangible fixed assets are recorded at historic cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Plant & machinery	- 5 years on a straight line basis
Fixtures & fittings	- 7 years on a straight line basis

### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

### **Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account



### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

### **Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit

### **Share-based payments**

Certain employees participate in the NetScout Systems Inc 2007 Equity Incentive Plan, under which stock options, restricted stock and Restricted Stock Units (RSUs) are granted to NetScout Systems Inc group employees. Share based awards are accounted for as equity settled share-based payments. Equity settled share based payments are measured at their fair value at the grant date based on the number of awards granted and the NetScout Systems Inc's share price at the grant date. The fair value is recognised over the period during which employees become unconditionally entitled to the award (vesting period), subject to the company's estimate of the number of awards which will lapse, either due to employees leaving the company prior to vesting or due to non-market performance conditions not being met. The total amount recognised in the profit and loss account as an expense is adjusted to reflect the actual number of awards that vest

### **Financial instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity

### **Investments**

Investments are stated at cost less provision for impairment in value. Impairment reviews are carried out by management where events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable.

## Profit and loss account

	Note	2011 £	2010 £
Turnover	1	2,510,736	1,932,397
Other operating charges	2	(2,357,499)	(1,840,169)
<b>Profit on ordinary activities before taxation</b>		<u>153,237</u>	<u>92,228</u>
Tax on profit on ordinary activities	5	(44,178)	(32,234)
<b>Profit for the financial year</b>	15	<u>109,059</u>	<u>59,994</u>

All of the activities of the company are classed as continuing


The company has no recognised gains or losses other than the results for the year as set out above

**The accompanying accounting policies and notes form part of these financial statements.**

## Balance sheet

	Note	2011 £	2010 £
<b>Fixed assets</b>			
Tangible assets	6	9,006	7,680
Investments	7	12,436	12,436
		<u>21,442</u>	<u>20,116</u>
<b>Current assets</b>			
Debtors	8	1,756,040	1,562,570
Cash at bank		3,091	563
		<u>1,759,131</u>	<u>1,563,133</u>
<b>Creditors: amounts falling due within one year</b>	10	(426,687)	(338,422)
<b>Net current assets</b>		<u>1,332,444</u>	<u>1,224,711</u>
<b>Total assets less current liabilities</b>		<u>1,353,886</u>	<u>1,244,827</u>
<b>Capital and reserves</b>			
Called-up equity share capital	14	2	2
Profit and loss account	15	1,353,884	1,244,825
<b>Shareholders' funds</b>	16	<u>1,353,886</u>	<u>1,244,827</u>

These financial statements were approved and signed by the director and authorised for issue on 14<sup>th</sup> February 2012



D Sommers

Company Registration Number 5069565

The accompanying accounting policies and notes form part of these financial statements.

## Notes to the financial statements

### **1 Turnover**

All turnover was derived from a recharge of expenses to NetScout Systems Inc

### **2 Other operating charges**

	2011 £	2010 £
Administrative expenses	<u>2,357,237</u>	<u>1,840,169</u>

### **3 Operating profit**

Operating profit is stated after charging

	2011 £	2010 £
Depreciation of owned fixed assets	6,443	6,226
Operating lease charges	110,346	80,812
Auditor's remuneration		
Audit fees	<u>-</u>	<u>-</u>

The audit fee for Network General Europe Limited has been borne by NetScout Systems (UK) Limited, the immediate controlling party

## Notes to the financial statements

### 4 Particulars of employees

The average number of staff employed by the company during the financial year amounted to

	2011 No	2010 No
Number of distribution staff	<u>13</u>	<u>10</u>

The aggregate payroll costs of the above were

	2011 £	2010 £
Wages and salaries	1,308,922	1,004,491
Social security costs	314,224	271,090
Other pension costs	114,064	113,066
Equity-settled share-based payments	11,967	13,428
	<u>1,749,177</u>	<u>1,402,075</u>

None of the directors of the company were remunerated in respect of their services to the company. The directors are remunerated by NetScout Systems Inc. The directors' remuneration is disclosed in the annual report of the ultimate parent undertaking, NetScout Systems Inc, which bears the cost.

**5 Taxation on ordinary activities**

(a) Analysis of charge in the year

	2011 £	2010 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 28% (2010 - 28%)	45,718	32,810
Total current tax	45,718	32,810
Deferred tax		
Origination and reversal of timing differences	(1,540)	(576)
Tax on profit on ordinary activities	44,178	32,234

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs to the standard rate of corporation tax in the UK of 28% (2010 - 28%)

	2011 £	2010 £
Profit on ordinary activities before taxation	154,225	92,228
Profit on ordinary activities by rate of tax	43,183	25,824
Expenses not deductible for tax purposes	1,475	5,601
Capital allowances for period in excess of depreciation	626	(2,262)
Unrelieved tax losses	-	6,216
Sundry tax adjusting items	434	(2,569)
Total current tax (note 5(a))	45,718	32,810

**6 Tangible fixed assets**

	Fixtures & Fittings £
Cost	
At 1 April 2010	17,095
Disposals	(4,769)
Transfers	10,025
At 31 March 2011	<u>22,351</u>
Depreciation	
At 1 April 2010	9,415
Charge for the year	6,443
On disposals	(3,017)
Transfers	504
At 31 March 2011	<u>13,345</u>
Net book value	
At 31 March 2011	<u>9,006</u>
At 31 March 2010	<u>7,680</u>

**7 Investments**

**Shares in subsidiary**

	£
Cost	
At 1 April 2010 and 31 March 2011	<u>12,436</u>
Net book value	
At 31 March 2011 and 31 March 2010	<u>12,436</u>



**7 Investments (continued)**

The company owns 100% of the issued ordinary share capital of the subsidiary undertaking as listed below

	2011 £	2010 £
<b>Aggregate capital and reserves</b>		
Network General B V	1,209,755	956,241
<b>Profit for the year</b>		
Network General B V	14,756	2,899

Network General B V is a company incorporated in Holland. Under the provision of section 401 of the Companies Act 2006 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

The directors believe that the carrying value of the investment is supported by its underlying net values.

The principal activity of the subsidiary undertaking is that of the provision of sales promotion and marketing support to NetScout Systems Inc, the ultimate parent company.

**8 Debtors**

	2011 £	2010 £
Amounts owed by group undertakings	1,654,126	1,503,240
Other debtors	63,076	31,924
Prepayments and accrued income	26,211	16,228
Deferred taxation (note 9)	12,718	11,178
	<u>1,756,131</u>	<u>1,562,570</u>

**9 Deferred taxation**

The deferred tax included in the Balance sheet is as follows

	2011 £	2010 £
Included in debtors (note 8)	<u>12,718</u>	<u>11,178</u>

The movement in the deferred taxation account during the year was

	2011 £	2010 £
Balance brought forward	11,178	29,244
Provision for deferred tax, transferred out		(18,642)
Profit and loss account movement arising during the year	1,540	(576))
Balance carried forward	<u>12,718</u>	<u>11,178</u>

## 9 Deferred taxation (continued)

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2011 £	2010 £
Excess of taxation allowances over depreciation on fixed assets	(2,113)	(1,681)
Other timing differences	14,832	12,859
	<u>12,718</u>	<u>11,178</u>

## 10 Creditors: amounts falling due within one year

	2011 £	2010 £
Corporation tax	50,486	23,632
Other taxation and social security	143,702	115,996
Accruals and deferred income	232,499	198,794
	<u>426,687</u>	<u>338,422</u>

## 11 Share-based payments

### *Equity-settled share-based payments*

Certain employees participate in the NetScout Systems Inc 2007 Equity Incentive Plan and were granted Restricted Stock Units (RSUs) under the plan. The fair value of the share based awards granted to employees is measured at the grant date and recognised as an expense over the vesting period, generally 4 years, subject to the company's estimate of the number of awards which will lapse.

RSUs are granted to selected employees with a fixed release date. One fourth of the RSUs granted are released annually on the anniversary of the grant date. Options are valued using an accepted pricing model. The fair value per RSU granted and additional information used in the calculation are as follows:

	2011		2010	
	No	WAEP \$	No	WAEP \$
Outstanding at the beginning of the year	4,862	10.27	11,087	9.74
Forfeited during the year	1,058	11.80	(1,198)	7.92
Exercised during the year	2,229	10.08	(2,400)	9.54
Expired during the year	—	—	(2,627)	9.74
Outstanding at the end of the year	<u>1,575</u>	<u>—</u>	<u>4,862</u>	<u>—</u>
Exercisable at the end of the year	<u>1,575</u>	<u>9.54</u>	<u>4,862</u>	<u>10.27</u>

The weighted average fair value of RSUs granted in the year was £13,428 (2010 - £13,428)

**12 Commitments under operating leases**

At 31 March 2011 the company had annual commitments under non-cancellable operating leases as set out below

	<b>Land and buildings</b>	
	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Operating leases which expire		
Within 1 year	<u>28,281</u>	<u>40,543</u>

**13 Related party transactions**

The company's entire revenue is a transaction with a related party, the ultimate parent undertaking NetScout Systems Inc. The amount outstanding at the year end is outlined in Note 8

**14 Share capital**

Authorised share capital

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid

	<b>2011</b>		<b>2010</b>	
	<b>No</b>	<b>£</b>	<b>No</b>	<b>£</b>
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

**15 Profit and loss account**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Balance brought forward	1,244,825	1,184,831
Profit for the financial year	109,059	59,994
Balance carried forward	<u>1,353,884</u>	<u>1,244,825</u>

**16 Reconciliation of movements in shareholders' funds**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	109,059	59,994
Opening shareholders' funds	<u>1,244,827</u>	<u>1,184,833</u>
Closing shareholders' funds	<u>1,353,886</u>	<u>1,244,827</u>

**17 Ultimate parent company**

The company's immediate holding company is NetScout Systems (UK) Limited, incorporated in the United Kingdom. In November 2007 Network General Corporation (Delaware) was purchased by NetScout Systems Inc, and as such NetScout Systems Inc became the ultimate parent company and controlling party of Network General Europe Limited. The only group in which the results of the company are consolidated is that headed by NetScout Systems Inc. Copies of the NetScout Systems Inc consolidated financial statements are available from the Company Secretary at Network General Europe Limited, Siena Court, The Broadway, Maidenhead, SL6 1NJ, United Kingdom.