

Company Registration No 05150579

ARBOR NETWORKS UK LIMITED

Report and Financial Statements

31 December 2013



ARBOR NETWORKS UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

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ARBOR NETWORKS UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

K G Ward
D A Brosnan

REGISTERED OFFICE

Building A One Thames Valley
Workingham Road
Bracknell
Berkshire RG42 1NG

BANKERS

HSBC Bank plc
27th Floor
8 Canada Square
London
E14 5HQ

AUDITORS

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

ARBOR NETWORKS UK LIMITED

STRATEGIC REPORT

REVIEW OF BUSINESS

The company's principal activity is to provide IT network technology

During the year, the Danaher group completed the acquisition of the Packetloop business from unrelated parties, as an addition to the Arbor Networks product offering. Arbor Networks also took the strategic decision to make non-US sales from a European base in order to be closer to the market. In connection with the above, the Company acquired the non-US intellectual property rights connected with the Packetloop business and entered into a non-exclusive license with Arbor Network Inc to enable the Company to sell Arbor Network Inc's products into the non-US market.

Effective 1 December 2013, the Company started to make direct sales.

The company's key financial and other performance indicators were as follows:

	2013	2012	Change
	£000	£000	%
Turnover	8,144	5,063	60.9
Gross profit	7,770	5,063	53.5
Gross profit %	95	100	XXX
Operating profit	451	241	XXX
Average number of employees	21	20	XXX

Turnover increased from £5,063 to £8,144, an increase of 60.9%. The increase was due to the combination of the prior cost plus arrangement with the US through 10 months of the year and for the remainder of 2013 third party non-US sales recorded in the UK.

FUTURE DEVELOPMENTS

Arbor Networks UK Ltd expects continued growth in the European and international markets as the Company continues to expand its sales efforts within these regions.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive Risks

The Company operates in a competitive market but the directors feel there is minimal risk to the business.

The application of the Danaher Business Systems approach ensures that the Company is able to respond quickly to changes in levels of activity or competitive pressures and in this the Company has significant advantages over competitors."

Legislative Risks

Currently we are not aware of any legislation risk regarding the sale and support of our products.

Financial Risks

The business is currently in a transitional financial position as non-US third party customers' contracts are being transferred to the UK. Regardless of the transition, the company is still able to meet its obligations as they become due.

ARBOR NETWORKS UK LIMITED

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Financial Risks (continued)

Due to the nature of our support and maintenance agreements it will take a full year and potentially more to cycle non-US customer maintenance renewals to the UK. Typically these agreements are executed in advance for twelve months or more. As support revenue is a significant portion of our revenue, we may experience losses in the first few years of operation until our maintenance and support revenue increases. These increases will be realized with the addition of new customers and existing customers renewed in the UK.

Exposure to Price, Credit, Liquidity and Cash flow risks

The Company's operations have little exposure to financial risk including credit, currency fluctuation and liquidity risks. Credit risk is low as the Company purchases its inventory on credit and is predominately in USD.

Currency risk is limited as the form of purchases is primarily in US Dollars, yet salary and related expenses are transacted in many foreign currencies. These obligations are typically settled within 30 days and exposure is limited. In regards to third party sales, the business is involved in many geographical areas, invoicing occurs primarily in USD and exposure to undue currency risks is limited.

The directors believe that the company has sufficient funds available to withstand any difficulties which may arise in the next 12 months.

On behalf of the Board



K G Ward
Director

Date 2nd December 2014

ARBOR NETWORKS UK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2013

RESULTS AND DIVIDENDS

The profit for the year after taxation is £450,000 (2012 £246,000) The directors do not recommend a final dividend (2012 - £nil)

DIRECTORS

The directors who served during the year were as follows

D W Pratt – Resigned as a director on 2 April 2014

D C Stone – Resigned as a director on 12 November 2014

K G Ward

D A Brosnan – Appointed as a director on 2 April 2014

THIRD PARTY INDEMNITIES

Danaher Corporation has provided to all directors limited indemnities in respect of the cost of defending claims against them and third party liabilities These are all third party indemnity provisions for the purpose of the Companies Act 2006 and are all currently in force

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

HEALTH, SAFETY AND THE ENVIRONMENT

The company is committed to the maintenance of high standards of practice concerning the health and safety of its employees The company recognises its legal obligations in this respect and compliance with such obligations and a number of policies on such matters are monitored through a health and safety committee The company is sensitive to the needs of the environment

GOING CONCERN

The company is part of one of the three multi-currency Danaher UK group cash pool arrangements Within these cash pools, each company has entered into unlimited cross guarantees in respect of bank borrowings with fellow participating companies Each company is also subject to an indemnity offered by Danaher Corporation for all participating companies (for the period during which they remain wholly owned subsidiaries of Danaher Corporation), such that any liability falling on the company as a result of the borrowings from the bank of any other party to the cash pool arrangement will be borne by Danaher Corporation in the event of default

The company is trading profitably The group cash pool arrangement in the UK is also available if the company requires immediate access to cash funds to meet its liabilities as they fall due

The cash position of the UK group as a whole is strong and therefore the company should have access to sufficient operating funds when necessary

ARBOR NETWORKS UK LIMITED

DIRECTORS' REPORT (CONTINUED)

EMPLOYMENT POLICIES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical with that of other employees.

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be proposed to the Annual General Meeting.

On behalf of the Board



K G Ward
Director

Date 2nd December 2014

ARBOR NETWORKS UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARBOR NETWORKS UK LIMITED

We have audited the financial statements of Arbor Networks UK Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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 directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 December 2013 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 Strategic Report and Directors' Report 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
ARBOR NETWORKS UK 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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

John Dervley (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date *3 December 2014*

ARBOR NETWORKS UK LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2013

		2013	2012
	Note	£000	£000
TURNOVER	2	8,144	5,063
Cost of sales		<u>(374)</u>	<u>-</u>
Gross Profit		7,770	5,063
Administrative expenses		<u>(7,319)</u>	<u>(4,822)</u>
OPERATING PROFIT / (LOSS)	3	451	241
Interest receivable and similar income	4	<u>1</u>	<u>0</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		452	241
Tax (charge) / credit on profit / (loss) on ordinary activities	6	<u>(2)</u>	<u>5</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	12	<u>450</u>	<u>246</u>

There were no recognised gains or losses other than the profit or loss for the period, all of which is derived from continuing operations

The accompanying notes are an integral part of this profit and loss account

ARBOR NETWORKS UK LIMITED

Registered number 05150579

BALANCE SHEET At 31 December 2013

	Note	2013 £000	2012 £000
FIXED ASSETS			
Intangible assets, net	7	4,336	-
CURRENT ASSETS			
Stocks – finished goods		809	-
Debtors - due within one year	8	6,062	1,524
Cash at bank and in hand		1,561	597
		<u>8,432</u>	<u>2,121</u>
CREDITORS: amounts falling due within one year	9	<u>(10,217)</u>	<u>(1,151)</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>(1,785)</u>	<u>970</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,551</u>	<u>970</u>
CREDITORS: amounts falling due after one year	10	<u>(1,131)</u>	<u>-</u>
NET ASSETS / (LIABILITIES)		<u>1,420</u>	<u>970</u>
CAPITAL AND RESERVES			
Called up share capital	11	0	0
Profit and loss account	12	1,420	970
TOTAL SHAREHOLDERS' FUNDS	12	<u>1,420</u>	<u>970</u>

These financial statements were approved by the Board of Directors on 2nd December 2014

Signed on behalf of the Board of Directors

K G Ward



Director

The accompanying notes are an integral part of this balance sheet

ARBOR NETWORKS UK LIMITED

NOTES TO THE ACCOUNTS Year Ended 31 December 2013

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, which have been applied consistently throughout the current and prior periods. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Under the provisions of Financial Reporting Standard No 1 (revised) Cash Flow Statements, the company has not prepared a cash flow statement because its ultimate parent company, Danaher Corporation, has prepared consolidated financial statements which include the financial statements of the company for the year which are publicly available.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

Leases

Rentals under operating leases are charged in the profit and loss account 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.

Pension costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Intangible assets - other

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum period of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes direct materials, direct labour and an attributable proportion of manufacturing overheads based on a normal level of activity.

Net realisable value is based on estimated selling price, less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

There is no material difference between the balance sheet value of stocks and their replacement value.

ARBOR NETWORKS UK LIMITED

NOTES TO THE ACCOUNTS Year Ended 31 December 2013

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

Corporation tax payable is provided on taxable profits at the current rate, as reduced by group relief claimed or surrendered at nil cost. Deferred tax is measured on a non-discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Both current and deferred taxes are measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognized only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of 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.

2. TURNOVER

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

3. OPERATING PROFIT / (LOSS)

Operating profit / (loss) is stated after charging / (crediting)

	2013 £000	2012 £000
Auditors' remuneration		
- audit	18	15
Foreign exchange differences	18	(7)
Amortisation of intangibles	217	0
	<hr/>	<hr/>

4. INTEREST RECEIVABLE and SIMILAR INCOME

	2013 £000	2012 £000
Bank interest receivable	1	0
	<hr/>	<hr/>

5. STAFF COSTS

(a) Staff costs

	2013 £000	2012 £000
Staff costs during the year		
Wages and salaries	4,565	3,043
Social security costs	785	575
Other pension costs	95	80
	<hr/>	<hr/>
	<u>5,445</u>	<u>3,698</u>

ARBOR NETWORKS UK LIMITED

NOTES TO THE ACCOUNTS Year Ended 31 December 2013

5. STAFF COSTS

	2013 No.	2012 No.
Average numbers of persons employed		
Sales and administration	21	20
	<u>21</u>	<u>20</u>

(b) Directors' emoluments

The directors' services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their qualifying services to Arbor Networks, Inc (D W Pratt and D A Brosnan), Tektronix UK Ltd (D Stone) and Danaher UK Industries Ltd (K Ward). Accordingly, these financial statements include no emoluments in respect of the directors (2012 £nil)

6. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

The tax credit / (charge) is based on the results for the year and comprises

	2013 £000	2012 £000
Current tax		
UK corporation tax	0	0
Adjustment in respect of prior years	0	0
	<u>0</u>	<u>0</u>
Deferred tax		
Charge / (credit) for current year	0	(6)
Adjustment in respect of prior years	0	0
Adjustment in respect of change in tax rates	2	1
	<u>2</u>	<u>(5)</u>
Taxation charge / (credit) for the year	<u>2</u>	<u>(5)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 23.25% (2012 24.5%). The actual tax charge for the year differs from the standard rate of UK corporation tax for the reasons set out in the following reconciliation

	2013 £000	2012 £000
Profit / (loss) before tax	452	241
Tax on profit / (loss) on ordinary activities at standard UK corporation tax rate of 23.25% (2012 24.5%)	105	59
Effects of		
Expenses not deductible	15	8
Group relief surrendered / claimed for nil consideration	(120)	(74)
Accelerated capital allowances	(2)	7
Short term timing differences	2	0
Current tax	<u>0</u>	<u>0</u>

ARBOR NETWORKS UK LIMITED

NOTES TO THE ACCOUNTS Year Ended 31 December 2013

7. INTANGIBLE ASSETS

	Licenses £000	Total £000
Cost		
Acquired during the year	4,553	4,553
At 31 December 2013	<u>4,553</u>	<u>4,553</u>
Amortization		
Charge for the year	<u>217</u>	<u>217</u>
Net Book Value		
At 31 December 2013	<u>4,336</u>	<u>4,336</u>
At 1 January 2013	<u>0</u>	<u>0</u>

Licenses represent intellectual property

These intangible assets are amortized over their estimated useful life of 7 years

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £000	2012 £000
Trade debtors	4,178	-
Amounts owed by other group undertakings	1,767	1,388
Prepayments and Other debtors	106	123
Deferred tax	11	13
	<u>6,062</u>	<u>1,524</u>

Reconciliation on movement of deferred tax asset

	2013 £000	2012 £000
Deferred tax asset recognised – accelerated capital allowances		
Deferred tax asset / (liability) as at 1 January	13	8
(Charge) / credit to the profit and loss account	<u>(2)</u>	<u>5</u>
Deferred tax asset / (liability) as at 31 December	<u>11</u>	<u>13</u>

The directors believe recognition of a deferred tax asset is appropriate as the asset is more likely than not to be recovered against future taxable profits of the company

Finance Act 2013 included legislation to reduce the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. The reported deferred tax asset has therefore been reduced to reflect the reduction in rate to 20%. The amount of deferred tax asset expected to reverse in 2014, when the main rate of corporation tax is 21% is not significant

ARBOR NETWORKS UK LIMITED

NOTES TO THE ACCOUNTS Year Ended 31 December 2013

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £000	2012 £000
Trade creditors	2,209	18
Other creditors	57	591
Amounts owed to other group undertakings	3,272	0
Other taxation and social security	285	542
VAT	207	0
Pension	15	0
Deferred revenue	2,921	0
Accrued expenses	1,251	0
	<u>10,217</u>	<u>1,151</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2013 £000	2012 £000
Amounts owed to other group undertakings	<u>1,131</u>	<u>0</u>
	<u>1,131</u>	<u>0</u>

11. CALLED UP SHARE CAPITAL

	2013 £000	2012 £000
Called up, Allotted and fully paid		
2 ordinary shares of £1 each (2012 2)	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £000	Profit and loss account £000	Total Share- holders' Funds £000
At 1 January 2012	0	724	724
Retained profit / (loss) for the year	0	246	246
At 1 January 2013	<u>0</u>	<u>970</u>	<u>970</u>
Retained profit / (loss) for the year	0	450	450
At 31 December 2013	<u>0</u>	<u>1,420</u>	<u>1,420</u>

ARBOR NETWORKS UK LIMITED

NOTES TO THE ACCOUNTS Year Ended 31 December 2013

13 PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £95,250 (2012 £79,983). Outstanding employer pension contributions at the yearend amounted to £15,097 (2012 £6,106).

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking was Arbor Networks Inc, a company incorporated in USA, until 28 September 2013. Since then the company's immediate parent undertaking is TF Holdings BV, a company incorporated in the Netherlands.

The ultimate parent undertaking and controlling party is Danaher Corporation, a company incorporated in the USA.

The largest and smallest group in which the results of the company are consolidated is Danaher Corporation, a company incorporated in the USA. The consolidated financial statements of this group are available to the public and may be obtained from 2200 Pennsylvania Avenue, Suite 800 West, Washington DC 20037, USA.

15. RELATED PARTY DISCLOSURES

The company takes advantage of the exemption under Financial Reporting Standard number 8 not to disclose related party transactions at the entity level. Details of related party transactions within the group are available in the consolidated financial statements of the ultimate parent company, Danaher Corporation, a company incorporated in the United States of America.

16. CONTINGENT LIABILITIES

The company has entered into unlimited cross guarantees, in respect of bank borrowings, with fellow group undertakings. At December 2013 there were no contingent liabilities as a result of these guarantees.