

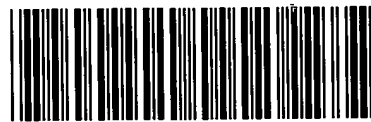
# Fortinet UK Limited

Registered number: 04570027

## Directors' report and financial statements

For the year ended 31 December 2014

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# FORTINET UK LIMITED

## COMPANY INFORMATION

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**Directors**

J L Whittle  
K F Jensen

**Registered number**

04570027

**Registered office**

Mazars LLP  
The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

**Independent auditor**

Mazars LLP  
Chartered Accountants & Statutory Auditor  
The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

# **FORTINET UK LIMITED**

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# **FORTINET UK LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

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### **Introduction**

The Directors present their strategic report for Fortinet UK Limited ("the Company") for the year ended 31 December 2014.

### **Business review**

The Company continued its principal activities throughout the current year as worldwide provider of network security and appliances.

As reported in the Company's profit and loss account, the Company revenue has increased from £16,509,486 (2013) to £26,714,712 (2014) +62% growth year over year. The entire revenue for Fortinet UK Limited is derived from services provided to Fortinet Singapore, a fellow subsidiary. Increase in revenue is primarily due to increase in services provided by the Company to Fortinet Inc., and Fortinet Singapore as the group as a whole continues to expand its operation.

Results after tax reported a loss for the year 2014 of £690,496 which compares with a loss of £872,904 in 2013. The current year loss is due to recognising expenses for equity settled share-based payment transactions of £1,779,599, which has increased from £1,188,331 in 2013 due to an increase in the number of grants in the year.

The statement of financial position in the balance sheet shows that the Company's net assets at the year end 31 December 2014 has increased from £2,720,569 (2013) to £3,919,327.

The Company's cash balance at the year end has increased to £3,312,597 from £1,996,535 (2013). The increase in cash is consistent with the increase in revenue and the fact head count has increased from 90 to 123. The company has no borrowings.

### **Principal risks and uncertainties**

Management continually monitor the key risks facing the Company together with assessing the controls used for managing these risks. The Board of Directors formally reviews and documents the principal risks facing the business at least annually.

The principal risks and uncertainties facing the Company are as follows:

- Future circumstances may differ to include general economic risks as well as specific economic risks, uncertainty regarding increased business and renewals from existing customers and uncertainty around continued success in sales growth and market share gain.
- Technological changes that make our products and services less competitive. Risk associated with the adoption of and the demand for, UTM model in general.
- The entire revenue for Fortinet UK Limited is derived from services provided to Fortinet Singapore, a fellow subsidiary. The Directors are aware of this arrangement and consider it to be the most appropriate business model.

The financial statements of Fortinet Inc. are publicly available in the United States of America. These state the key risks to the group as a whole.

## **FORTINET UK LIMITED**

### **STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2014**

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#### **Financial key performance indicators**

Management use a range of performance measures to monitor and manage the business. The performance measures are split into financial and non-financial key performance indicators as set out below:

- Working Capital - The Company defines working capital as current assets less current liabilities. This financial metric represents operating liquidity available to the business.

- Free cash flow - The Company defines free cash flow as net cash provided by operating activities less capital expenditures. The Company considers free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after the acquisition of property and equipment, can be used for strategic opportunities, including investing in our business, making strategic acquisitions, repurchasing outstanding common stock, and strengthening the balance sheet.

This report was approved by the board and signed on its behalf.



**K F Jensen**  
**Director**

Date: **23 OCT 2015**

# **FORTINET UK LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

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The Directors present their report and the financial statements for the year ended 31 December 2014.

### **Directors' responsibilities statement**

The Directors are responsible for preparing the Strategic Report, 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 accounting estimates that are reasonable and prudent; 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.

### **Branches outside the UK**

The Company operates branches in Italy, Saudi Arabia, Sweden and Switzerland.

### **Results**

The loss for the year, after taxation, amounted to £690,496 (2013 - loss £872,904).

### **Directors**

The Directors who served during the year were:

J L Whittle  
N H Tarapdar (resigned 10 November 2014)  
N S Bush (resigned 21 March 2014)  
K F Jensen (appointed 24 November 2014)

### **Future developments**

The Directors consider that the forthcoming financial year will be another year of increased operational growth. The aim is to expand brand awareness and expand our global reach and sales capacity. Overall, the Directors believe that the Company will be able to support the business growth of Fortinet Singapore, a fellow subsidiary.

# FORTINET UK LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

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### Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company, its cashflow and liquidity position are outlined in the Profit and Loss account, Statement of Total Recognised Gains and Losses and Balance Sheet on pages 7 - 9.

The Company has sufficient financial resources for its operations given the ongoing parental support and as a consequence, the Directors believe that the Company is well placed to manage the business risks despite the current uncertain economic climate. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Disclosure of information to auditor

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 auditor is 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 relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**K F Jensen**  
Director

Date: **23 OCT 2015**

# **FORTINET UK LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF FORTINET UK LIMITED**

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We have audited the financial statements of Fortinet UK Limited for the year ended 31 December 2014 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 auditor**

As explained more fully in the Directors' responsibilities statement set out on page 3, 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. This report is made solely to the Company's member 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 member those matters we are required to state to it 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 member 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2014 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



# FORTINET UK LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF FORTINET UK LIMITED

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### 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.

*Stephen Brown*

Stephen Brown (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

Date: *26 October 2015*

# FORTINET UK LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

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	Note	2014 £	2013 £
<b>Turnover</b>	<b>1,2</b>	26,714,712	16,509,486
Administrative expenses		(27,300,981)	(17,024,882)
		<hr/>	<hr/>
<b>Operating loss</b>	<b>3</b>	(586,269)	(515,396)
Interest receivable and similar income		1,264	1,261
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(585,005)	(514,135)
Tax on loss on ordinary activities	<b>7</b>	(105,491)	(358,769)
		<hr/>	<hr/>
<b>Loss for the financial year</b>	<b>14</b>	<u>(690,496)</u>	<u>(872,904)</u>

All amounts relate to continuing operations.

The notes on pages 10 to 21 form part of these financial statements.

# FORTINET UK LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2014

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	2014 £	2013 £
<b>Loss for the financial year</b>	(690,496)	(872,904)
Other movements in profit and loss reserve	(48,444)	974
<b>Total recognised gains and losses relating to the year</b>	<u>(738,940)</u>	<u>(871,930)</u>

The notes on pages 10 to 21 form part of these financial statements.

**FORTINET UK LIMITED**

Registered number: 04570027

**BALANCE SHEET****AS AT 31 DECEMBER 2014**

	Note	£	2014 £	£	2013 £
<b>Fixed assets</b>					
Tangible assets	8		177,891		2,999
Investments	9		24,858		24,858
			<u>202,749</u>		<u>27,857</u>
<b>Current assets</b>					
Debtors	10	5,769,034		3,315,239	
Cash at bank		3,312,597		1,996,535	
		<u>9,081,631</u>		<u>5,311,774</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(5,339,236)</u>		<u>(2,619,062)</u>	
<b>Net current assets</b>			<u>3,742,395</u>		<u>2,692,712</u>
<b>Total assets less current liabilities</b>			<u>3,945,144</u>		<u>2,720,569</u>
<b>Provisions for liabilities</b>					
Deferred tax	12		<u>(25,817)</u>		<u>-</u>
<b>Net assets</b>			<u>3,919,327</u>		<u>2,720,569</u>
<b>Capital and reserves</b>					
Called up share capital	13		1		1
Capital contribution reserve	14		4,773,234		2,835,536
Profit and loss account	14		<u>(853,908)</u>		<u>(114,968)</u>
<b>Shareholder's funds</b>	15		<u>3,919,327</u>		<u>2,720,569</u>

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

**K F Jensen**

Director

Date: **23 OCT 2015**

The notes on pages 10 to 21 form part of these financial statements.

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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### 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 Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The financial statements incorporate the results of the Italian, Saudi Arabian, Swiss and Swedish branches. The results of the subsidiary undertakings, Fortinet Sarl and Fortinet GmbH, are excluded from these accounts.

#### 1.2 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

#### 1.3 Turnover

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

#### 1.4 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:

Leasehold Improvements	-	Shorter of useful life or term of the lease
Computer equipment	-	50% straight line

#### 1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

#### 1.6 Operating leases

Rentals under operating leases are charged to 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.

# **FORTINET UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

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

#### **1.7 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.

#### **1.8 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 2014

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### 1. Accounting policies (continued)

#### 1.9 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 Company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 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 Company 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.

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 2. Turnover

An analysis of turnover by class of business is as follows:

	2014 £	2013 £
United States of America with Fortinet Inc.	-	2,684,025
Singapore with Fortinet Singapore	26,714,712	13,825,461
	<u>26,714,712</u>	<u>16,509,486</u>

All turnover arose within the rest of the world.

### 3. Operating loss

The operating loss is stated after charging/(crediting):

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the company	24,229	7,358
Operating lease rentals:		
- other operating leases	597,790	372,801
Difference on foreign exchange	(18,550)	56,327
Auditors' remuneration	9,000	7,750
- taxation	9,250	13,650
- other	16,500	7,500
	<u>618,719</u>	<u>563,386</u>

### 4. Staff costs

Staff costs, including Directors' remuneration, were as follows:

	2014 £	2013 £
Wages and salaries	16,559,602	11,350,892
Social security costs	2,877,706	1,909,781
	<u>19,437,308</u>	<u>13,260,673</u>

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

	2014 No.	2013 No.
Administration and sales	123	90



# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 5. Directors' remuneration

	2014 £	2013 £
Remuneration	139,587	53,377

During the year, one director (2013: one) was remunerated through the company. All other Directors were paid by group companies.

During the year, one director (2013: one) exercised share options.

### 6. Share based payments

The parent company, Fortinet Inc, operates an Employee non-qualified 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.

There are also restricted stock unit award schemes in place for employees.

The Company recognised a total expense of £1,779,599 (2013: £1,188,331) in the profit and loss account in respect of these equity settled share-based payment transactions.

#### **Non-qualified stock options**

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

During the year options were granted on 12 February 2014, 7 May 2014, 6 August 2014 and 5 November 2014 (2013: granted on 13 August 2013). The aggregate of the estimated fair values of the options granted on this date was £168,020 (2013: £90,737), being £5.46 (2013: £5.26) per option.

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:

	2014 No	2014 WAEP	2013 No	2013 WAEP
Outstanding at 1 January	533,302	£11.00	632,534	£10.80
Granted during the period	30,777	£14.48	17,250	£12.90
Cancelled during the period	(30,731)	£15.10	(9,568)	£15.69
Forfeited during the period	(14,690)	£14.73	(47,190)	£14.11
Exercised during the period	(122,994)	£16.09	(59,724)	£3.24
Mobility	(28,995)	£11.38	-	0
Outstanding at 31 December	366,669	£11.49	533,302	£11.00
Exercisable at 31 December	282,174	£10.54	422,182	£9.46

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 6. Share based payments (continued)

In determining the fair value of the stock options, the Black-Scholes option pricing model, which employs the following assumptions:

**Expected Dividend** — The expected dividend weighted-average assumption is zero.

**Expected Volatility** — The computation of expected volatility for the periods presented includes the historical and implied stock volatility of comparable companies from a representative peer group selected based on industry and market capitalization data and weighted historical volatility following the initial public offering in November 2009.

**Risk-Free Interest Rate** — This is based on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term.

**Expected Term** — The expected term represents the period that the stock-based awards are expected to be outstanding. As there is not sufficient historical experience for determining the expected term of the stock option awards granted, it is based on the expected term on the simplified method, which is calculated as the average weighted vesting period and contractual life.

	2014	2013	2012	2011
Dividend yield	0%	0%	0%	0%
Expected volatility	43.07%	44.14%	50.66%	46.63%
Risk free interest rate	1.67%	1.22%	0.76%	1.53%
Expected life of options (years)	4.58	4.58	4.58	4.58

#### **Restricted stock units**

The fair value of each restricted stock unit is the market price of the parent company's stock on the date of grant.

During the year restricted stock units were granted on 12 February 2014, 7 May 2014, 6 August 2014 and 5 November 2014 (2013: granted on 13 February 2013, 14 May 2013, 13 August 2014 and 6 November 2013). The aggregate of the estimated fair values of the awards granted on these dates was £3,852,054 (2013: £3,214,865), being £15.02 (2013: £17.23) per award.

The following table illustrates the number (No.) and weighted average grant date fair value (WAGDFV) of the share awards outstanding during the year:

	2014 No	2014 WAGDFV	2013 No	2013 WAGDFV
Outstanding at 1 January	218,020	£13.59	64,328	£14.64
Granted during the period	256,539	£15.02	186,534	£17.23
Forfeited during the period	(34,596)	£14.63	16,081	£13.66
Vested during the period	(61,861)	£14.38	16,761	£14.31
Mobility	(7,310)	£14.06	-	-
Outstanding at 31 December	370,792	£14.69	218,020	£13.59

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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### 6. Share based payments (continued)

#### *Employee Share Purchase Plan*

The Employee Share Purchase Plan (the "ESPP") enables eligible employees to purchase the ultimate parent company's common stock through periodic payroll deductions at a price per share equal to 85% of the lower of the fair market value of the common stock at the beginning or end of each offering period. Each offering period of the ESPP lasts 6 months.

### 7. Taxation

	2014 £	2013 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax (see note below)</b>		
Foreign tax on income for the year	265,951	353,262
Foreign tax adjustments in respect of prior periods	(186,277)	-
<b>Total current tax</b>	<u>79,674</u>	<u>353,262</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	25,817	4,788
Effect of increased tax rate on opening liability	-	719
<b>Total deferred tax (see note 12)</b>	<u>25,817</u>	<u>5,507</u>
<b>Tax on loss on ordinary activities</b>	<u><u>105,491</u></u>	<u><u>358,769</u></u>

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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### 7. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%). The differences are explained below:

	2014 £	2013 £
Loss on ordinary activities before tax	(585,005)	(514,135)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	(125,718)	(119,536)
<b>Effects of:</b>		
Non-tax deductible expenses	36,349	80,404
Capital allowances for year in excess of depreciation	(30,508)	(1,332)
Other fixed asset differences	764	(4,347)
Higher rate taxes on overseas earnings	265,951	323,669
Adjustments to tax charge in respect of prior periods	(186,277)	29,610
Utilisation of tax losses and other deductions	-	(79,189)
Unrelieved tax losses and other deductions arising in the year	158,052	-
Other short term differences	383,381	123,983
Other permanent differences	(422,320)	-
<b>Current tax charge for the year (see note above)</b>	<b>79,674</b>	<b>353,262</b>

#### 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 2014

### 8. Tangible fixed assets

	Leasehold Improvements £	Computer equipment £	Total £
<b>Cost</b>			
At 1 January 2014	6,738	7,029	13,767
Additions	110,435	88,686	199,121
At 31 December 2014	<u>117,173</u>	<u>95,715</u>	<u>212,888</u>
<b>Depreciation</b>			
At 1 January 2014	6,125	4,643	10,768
Charge for the year	9,618	14,611	24,229
At 31 December 2014	<u>15,743</u>	<u>19,254</u>	<u>34,997</u>
<b>Net book value</b>			
At 31 December 2014	<u>101,430</u>	<u>76,461</u>	<u>177,891</u>
At 31 December 2013	<u>613</u>	<u>2,386</u>	<u>2,999</u>

### 9. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2014 and 31 December 2014	<u>24,858</u>
<b>Net book value</b>	
At 31 December 2014	<u>24,858</u>
At 31 December 2013	<u>24,858</u>

#### 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 %

Name	Country of registration
Fortinet Sarl	France
Fortinet GmbH	Germany

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 10. Debtors

	2014 £	2013 £
Amounts owed by group undertakings	5,182,622	3,045,030
Other debtors	277,281	69,400
Tax recoverable	212,588	134,507
Prepayments and accrued income	96,543	66,302
	<u>5,769,034</u>	<u>3,315,239</u>

### 11. Creditors: Amounts falling due within one year

	2014 £	2013 £
Trade creditors	28,526	6,424
Amounts owed to group undertakings	914,923	64,132
Other taxation and social security	520,201	786,180
Other creditors	1,110	-
Accruals and deferred income	3,874,476	1,762,326
	<u>5,339,236</u>	<u>2,619,062</u>

### 12. Deferred taxation

	2014 £	2013 £
At beginning of year	-	(5,507)
Charge for year (P&L)	25,817	5,507
	<u>25,817</u>	<u>-</u>

The provision for deferred taxation is made up as follows:

	2014 £	2013 £
Fixed asset timing differences	<u>25,817</u>	<u>-</u>

### 13. Share capital

	2014 £	2013 £
<b>Allotted, called up and fully paid</b>		
1 Ordinary shares share of £1	<u>1</u>	<u>1</u>

# FORTINET UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 14. Reserves

	Other reserves £	Profit and loss account £
At 1 January 2014	2,835,536	(114,968)
Loss for the financial year	-	(690,496)
Movement on other reserves	1,937,698	-
Exchange rate adjustment on reserves	-	(48,444)
At 31 December 2014	<u>4,773,234</u>	<u>(853,908)</u>

During the year the Company received a capital contribution from the ultimate parent company, Fortinet Inc., of £1,937,698 in the form of share based payments made to employees of the Company settled by the ultimate parent company.

### 15. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Opening shareholders' funds	2,720,569	2,404,168
Loss for the financial year	(690,496)	(872,904)
Other recognised gains and losses during the year	(48,444)	974
Capital contribution reserve	1,937,698	1,188,331
Closing shareholders' funds	<u>3,919,327</u>	<u>2,720,569</u>

### 16. Operating lease commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014 £	2013 £
<b>Expiry date:</b>		
Within 1 year	254,013	202,530
Between 1 and 2 years	58,246	-
Between 2 and 5 years	265,783	36,200

### 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.

# **FORTINET UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

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### **18. Ultimate and immediate parent undertaking and controlling party**

The immediate parent company is Fortinet B.V., a company registered in the Netherlands and 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 899 Kifer Road, Sunnyvale, CA 94086, USA. This is the smallest and largest group the Company is consolidated in.