Fortinet UK Limited

Registered number: 04570027

Directors' report and financial statements

For the year ended 31 December 2013

FORTINET UK LIMITED

COMPANY INFORMATION

Directors	J L Whittle K F Jensen
Registered number	04570027
Registered office	Mazars LLP The Pinnacle 160 Midsummer Boulevard Milton Keynes MK9 1FF
Independent auditors	Mazars LLP Chartered Accountants & Statutory Auditor The Pinnacle 160 Midsummer Boulevard Milton Keynes MK9 1FF

FORTINET UK LIMITED

CONTENTS

FORTINET UK LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

Introduction

The Directors present their strategic report for Fortinet UK Limited ("the Company") for the year ended 31 December 2013.

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 £13,281,993 (2012) to £16,509,486 (2013), +24% growth year over year. The entire revenue for Fortinet UK Limited is derived from services provided to Fortinet Inc., the immediate and ultimate parent company, and 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 2013 of £872,904 which compares with a profit of £257,196 in 2012. The current year loss is due to recognising expenses for equity settled share-based payment transactions of £1,188,331, which has increased from £237,867 in 2012 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 2013 has increased from £2,404,168 (2012) to £2,720,569.

The Company's cash balance at the year end has decreased to £1,996,535 (2013) from £3,663,406 (2012). The decrease in cash is due to pay down of balance owed by group undertakings in prior year. 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 Inc., the immediate and ultimate parent company, and 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.

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.

Approval

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

K F Jensen
Director
December 22, 2014

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their report and the financial statements for the year ended 31 December 2013.

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 £872,904 (2012 - profit £257,196).

Directors

The Directors who served during the year were:

J L Whittle (appointed 8 March 2013)
N H Tarapdar (appointed 10 June 2013 & 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 Drectors believe that the Company will be able to support the business growth of Fortinet, Inc., its parent company.

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.

FORTINET UK LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

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;
- 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.

Disclosure 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 relevant audit information 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 and signed on its behalf.

Kent

K F Jensen
Director
Date: December 22, 2014

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF FORTINET UK LIMITED

We have audited the financial statements of Fortinet UK Limited for the year ended 31 December 2013 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 Directors' responsibilities statement set out on page 4, 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 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 member 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 member 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 Financial Reporting Council's website at 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 2013 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER 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.

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: 23 December 2017

FORTINET UK LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	2012 £
Turnover	**1,2**	16,509,486	13,281,993
Administrative expenses		(17,024,882)	(12,970,728)
Operating (loss)/profit	**3**	(515,396)	311,265
Interest receivable and similar income		1,261	1,225
(Loss)/profit on ordinary activities before taxation		(514,135)	312,490
Tax on (loss)/profit on ordinary activities	**7**	(358,769)	(55,294)
(Loss)/profit for the financial year	**14**	(872,904)	257,196

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 2013

	2013 £	2012 £
(Loss)/profit for the financial year	(872,904)	257,196
Other movements in profit and loss reserve	974	(6,989)
Total recognised gains and losses relating to the year	(871,930)	250,207

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 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Tangible assets	8		2,999		6,267
Investments	9		24,858		24,858
			27,857		31,125
Current assets					
Debtors	10	3,315,239		782,170	
Cash at bank		1,996,535		3,663,406	
		5,311,774		4,445,576	
Creditors: amounts falling due within one year	11	(2,619,062)		(2,072,533)	
Net current assets			2,692,712		2,373,043
Net assets			2,720,569		2,404,168
Capital and reserves					
Called up share capital	13		1		1
Capital contribution reserve	14		2,835,536		1,647,205
Profit and loss account	14		(114,968)		756,962
Shareholders' funds	15		2,720,569		2,404,168

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

K F Jensen
Director

December 22, 2014

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

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 is derived from services provided to Fortinet Inc., the immediate and ultimate parent company, and Fortinet Singapore, a fellow subsidiary.

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.

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.

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 accordanace 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 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 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

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

	2013 £	2012 £
United States of America with Fortinet Inc	2,684,025	13,281,993
Singapore with Fortinet Singapore	13,825,461	-
	16,509,486	13,281,993

3. Operating (loss)/profit

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

	2013 £	2012 £
Depreciation of tangible fixed assets:		
- owned by the company	7,358	1,247
Operating lease rentals:		
- other operating leases	372,801	278,766
Difference on foreign exchange	56,327	9,786
Auditors' remuneration	7,750	7,750
- taxation	13,650	4,700
- other	7,500	3,250

4. Staff costs

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

	2013 £	2012 £
Wages and salaries	11,350,892	8,585,472
Social security costs	1,909,781	1,488,822
	13,260,673	10,074,294

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

	2013 No.	2012 No.
Administration and sales	90	73

5. Directors' remuneration

	2013 £	2012 £
Remuneration	53,377	-

During the year, one director (2012: Nil) was remunerated through the company. All other Directors were paid by group companies.

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 £1,188,331 (2012: £237,867) 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 have been determined by applying a Black-Scholes 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.

During the year options were granted on 13 August 2013 (2012: granted on 14 February 2012 and 8 May 2012). The aggregate of the estimated fair values of the options granted on these dates was £90,737 (2012: £1,644,089), being £5.26 (2012: £6.87) 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:

	2013 No	2013 WAEP	2012 No	2012 WAEP
Outstanding at 1 January	722,534	£10.80	653,928	£7.83
Granted during the period	17,250	£12.90	239,444	£16.38
Cancelled during the period	(9,568)	£15.69	(4,538)	£5.61
Forfeited during the period	(47,190)	£14.11	(54,692)	£14.01
Exercised during the period	(59,724)	£3.24	(111,608)	£4.20
Outstanding at 31 December	623,302	£11.00	722,534	£10.80
Exercisable at 31 December	422,182	£9.46	314,066	£6.71

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.

	2013	2012	2011	2010
Dividend yield	0%	0%	0%	0%
Expected volatility	44.14%	50.66%	46.63%	40.76%
Risk free interest rate	1.22%	0.76%	1.53%	1.87%
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 13 February 2013, 14 May 2013, 13 August 2013 and 6 November 2013 (2012: granted on 8 August 2012 and 1 November 2012). The aggregate of the estimated fair values of the awards granted on these dates was £3,214,865 (2012: £930,944), being £17.23 (2012: £14.65) 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:

	2013 No	2013 WAGDFV	2012 No	2012 WAGDFV
Outstanding at 1 January	64,328	£14.64	-	-
Granted during the period	186,534	£17.23	64,828	£14.65
Forfeited during the period	(16,081)	£13.66	(500)	£15.53
Vested during the period	(16,761)	£14.31	-	-
Outstanding at 31 December	218,020	£13.59	64,328	£14.64

6. Share based payments (continued)

Employee Share Purchase Plan

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 13 February 2013, 14 May 2013, 13 August 2013 and 6 November 2013 (2012: granted on 8 August 2012 and 1 November 2012). The aggregate of the estimated fair values of the awards granted on these dates was £3,214,865 (2012: £930,944), being £17.23 (2012: £14.65) 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:

	2013 No	2013 WAGDFV	2012 No	2012 WAGDFV
Outstanding at 1 January	64,328	£14.64	-	-
Granted during the period	186,534	£17.23	64,828	£14.65
Forfeited during the period	(16,081)	£13.66	(500)	£15.53
Vested during the period	(16,761)	£14.31	-	-
Outstanding at 31 December	218,020	£13.59	64,328	£14.64

7. Taxation

	2013 £	2012 £
Analysis of tax charge in the year		
Current tax (see note below)		
Foreign tax on income for the year	353,262	55,294
Deferred tax		
Origination and reversal of timing differences	4,788	-
Effect of increased tax rate on opening liability	719	-
Total deferred tax (see note 12)	5,507	-
Tax on (loss)/profit on ordinary activities	358,769	55,294

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2012 - lower than) the standard average rate of corporation tax in the UK of 23.25% (2012 - 24.5%). The differences are explained below:

	2013 £	2012 £
(Loss)/profit on ordinary activities before tax	(514,135)	312,490
(Loss)/profit on ordinary activities multiplied by standard average rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	(119,536)	76,560
Effects of:		
Non-tax deductible expenses	80,404	151,898
Capital allowances for year in excess of depreciation	(1,332)	(843)
Other fixed asset differences	(4,347)	(5,633)
Higher rate taxes on overseas earnings	323,669	84,904
Adjustments to tax charge in respect of prior periods	29,610	(35,879)
Utilisation of tax losses and other deductions	(79,189)	264,942
Other timing differences leading to an increase in the tax charge	123,983	(480,655)
Current tax charge for the year (see note above)	353,262	55,294

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

8. Tangible fixed assets

	Leasehold Improvements £	Computer equipment £	Total £
Cost			
At 1 January 2013	6,738	2,939	9,677
Additions	-	4,090	4,090
At 31 December 2013	6,738	7,029	13,767
Depreciation			
At 1 January 2013	471	2,939	3,410
Charge for the year	5,654	1,704	7,358
At 31 December 2013	6,125	4,643	10,768
Net book value			
At 31 December 2013	613	2,386	2,999
At 31 December 2012	6,267	-	6,267

9. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2013 and 31 December 2013	24,858
Net book value	
At 31 December 2013	24,858
At 31 December 2012	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%

Name	Country of registration
Fortinet Sarl	France
Fortinet GmbH	Germany

10. Debtors

	2013 £	2012 £
Amounts owed by group undertakings	3,045,030	400,747
Other debtors	69,400	107,095
Tax recoverable	134,507	232,863
Prepayments and accrued income	66,302	35,958
Deferred tax asset (see note 12)	-	5,507
	3,315,239	782,170

11. Creditors:
Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	6,424	32,486
Amounts owed to group undertakings	64,132	108,270
Other taxation and social security	786,180	563,734
Accruals and deferred income	1,762,326	1,368,043
	2,619,062	2,072,533

12. Deferred taxation

	2013	2012
	£	£
At beginning of year	5,507	5,507
Released during/(charged for) year	(5,507)	-
At end of year	-	5,507

The deferred taxation balance is made up as follows:

	2013	2012
	£	£
Fixed asset timing differences	-	5,507

13. Share capital

	2013	2012
	£	£
Authorised		
100,000 Ordinary shares shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
1 Ordinary shares share of £1	1	1

14. Reserves

	Other reserves £	Profit and loss account £
At 1 January 2013	1,647,205	756,962
Loss for the financial year	-	(872,904)
Movement on other reserves	1,188,331	-
Exchange rate adjustment on reserves	-	974
At 31 December 2013	2,835,536	(114,968)

15. Reconciliation of movement in shareholders' funds

	2013 £	2012 £
Opening shareholders' funds	2,404,168	1,916,094
(Loss)/profit for the financial year	(872,904)	257,196
Other recognised gains and losses during the year	974	(6,989)
Capital contribution reserve	1,188,331	237,867
Closing shareholders' funds	2,720,569	2,404,168

16. Operating lease commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2013 £	Land and buildings 2012 £
Expiry date:		
Within 1 year	202,530	78,835
Between 2 and 5 years	36,200	259,728

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 and immediate parent undertaking and controlling party

The ultimate and immediate 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.