

Company Registration No' 04570027

FORTINET UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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FORTINET UK LIMITED

COMPANY INFORMATION

Directors

K Q Xie
A L Stewart (appointed 07/04/06)
B T White (appointed 10/10/06 & resigned 04/10/07)
J L Mepsted (resigned 07/04/06)
J Andreassen (resigned 10/10/06)
K Goldman (appointed 04/10/07)

Secretary

T A Nelson

Company number

04570027

Registered office

Sovereign Court
Witan Gate
Milton Keynes
MK9 2HP

Auditors

Mazars LLP
Chartered Accountants & Registered Auditors
Sovereign Court
Witan Gate
Milton Keynes
MK9 2HP

FORTINET UK LIMITED

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FORTINET UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and the financial statements for the year ended 31 December 2006

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Principal activities

The principal activity of the company continued to be that of software consultancy and supply. The company's revenue is wholly derived from the recharging of expenses to its US parent, Fortinet Inc.

Business review

The company conducts its operations in the UK and in various European countries. During the year the company achieved a 28% sales growth in existing markets. The company also successfully established operations in Italy which accounted for the remaining turnover growth.

Results

The profit for the year, after taxation, amounted to £100,923 (2005 - £92,455).

FORTINET UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

Directors

The directors who served during the year were

K Q Xie

B T White (appointed 10/10/06 & resigned 04/10/07)

J L Mepsted (resigned 07/04/06)

J Andreassen (resigned 10/10/06)

K Goldman (appointed 04/10/07)

Auditors

This report was approved by the board on

and signed on its behalf



K Q Xie
Director

02 11 07

Independent auditors' report to the members of Fortinet UK Limited

We have audited the financial statements of Fortinet UK Limited for the year ended 31 December 2006 which comprise Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katherine's Way, London E1W 1DD.

Registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.





We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP
Mazars LLP
Chartered Accountants
and Registered Auditors
Date: 19 December 2007

FORTINET UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
Turnover	1,2	4,341,296	2,474,979
Administrative expenses		(4,134,578)	(2,358,251)
Operating profit	3	206,718	116,728
Interest receivable		4,177	4,783
Interest payable	6	(49)	-
Profit on ordinary activities before taxation		210,846	121,511
Tax on profit on ordinary activities	7	(109,923)	(29,056)
Profit on ordinary activities after taxation	14	100,923	92,455

All amounts relate to continuing operations

There were no recognised gains and losses for 2006 or 2005 other than those included in the profit and loss account

The notes on pages 7 to 13 form part of these financial statements

FORTINET UK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	£	2006 £	£	2005 £
Fixed assets					
Tangible fixed assets	8		6,191		6,536
Fixed asset investments	9		5,047		5,047
			<u>11,238</u>		<u>11,583</u>
Current assets					
Debtors	10	413,146		303,715	
Cash at bank		577,390		129,075	
		<u>990,536</u>		<u>432,790</u>	
Creditors: amounts falling due within one year	11	(707,303)		(250,825)	
Net current assets			283,233		181,965
Total assets less current liabilities			<u>294,471</u>		<u>193,548</u>
Capital and Reserves					
Called up share capital	13		1		1
Profit and loss account	14		294,470		193,547
Shareholders' funds	15		<u>294,471</u>		<u>193,548</u>

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



K Q Xie
Director

02 11 07

The notes on pages 7 to 13 form part of these financial statements

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. Accounting policies

1.1 Basis of preparation of financial statements

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

The financial statements incorporate the results of the Swedish and Italian branches. The results of the subsidiary undertaking, Fortinet Srl, are excluded from these accounts. The Company is itself a subsidiary Company and is exempt from the requirement to prepare group accounts by virtue of section 228A of the Companies Act 1985. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

1.2 Turnover

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

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings	-	50% straight line
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1.4 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.5 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 discounted.

1.6 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 2006

2. Turnover

The whole of the turnover is attributable to software consultancy and supply

All turnover was to the United States

3 Operating profit

The operating profit is stated after charging

	2006 £	2005 £
Depreciation of tangible fixed assets - owned by the company	7,211	14,911
Auditors' remuneration	8,500	5,500
	<u> </u>	<u> </u>

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2006 £	2005 £
Wages and salaries	2,516,951	1,698,329
Social security costs	329,211	157,944
	<u> </u>	<u> </u>
	2,846,162	1,856,273
	<u> </u>	<u> </u>

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

	2006 No.	2005 No.
Administration and sales	62	32
	<u> </u>	<u> </u>

5. Directors' remuneration

	2006 £	2005 £
Emoluments	46,620	156,408
	<u> </u>	<u> </u>

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

6. Interest payable

	2006 £	2005 £
On bank loans and overdrafts	47	-
Other interest payable	2	-
	<u>49</u>	<u>-</u>

7. Taxation

	2006 £	2005 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profits for the year	24,757	27,144
Adjustments in respect of prior periods	10,934	246
	<u>35,691</u>	<u>27,390</u>
Foreign tax on income for the year	76,274	6,589
Total current tax	<u>111,965</u>	<u>33,979</u>
Deferred tax (see note 12)		
Origination and reversal of timing differences	(2,042)	(4,923)
Tax on profit on ordinary activities	<u>109,923</u>	<u>29,056</u>

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2006 £	2005 £
Profit on ordinary activities before tax	210,846	121,511
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	63,254	36,453
Effects of:		
Expenses not deductible for tax purposes	22,292	-
Capital allowances for year in excess of depreciation	(778)	2,454
Higher rate taxes on overseas earnings	43,111	(4,157)
Adjustments to tax charge in respect of prior periods	10,934	246
Small companies relief	-	(1,017)
Tax deduction re employee share acquisition	(26,848)	-
Current tax charge for the year (see note above)	111,965	33,979

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 2006

8. Tangible fixed assets

	Furniture, fittings and equipment £
Cost	
At 1 January 2006	31,047
Additions	6,866
	<hr/>
At 31 December 2006	37,913
	<hr/>
Depreciation	
At 1 January 2006	24,511
Charge for the year	7,211
	<hr/>
At 31 December 2006	31,722
	<hr/>
Net book value	
At 31 December 2006	6,191
	<hr/>
At 31 December 2005	6,536
	<hr/>

9. Fixed asset investments

	Shares in group under- takings £
Cost or valuation	
At 1 January 2006 and 31 December 2006	5,047
	<hr/>

Subsidiary undertaking

The company holds 100% of the ordinary issued share capital of Fortinet Sarl, a company incorporated in France

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

10. Debtors

	2006 £	2005 £
Amounts owed by group undertakings	278,282	230,422
Other debtors	31,256	-
Prepayments and accrued income	47,232	37,049
Tax recoverable	49,411	31,321
Deferred tax asset (see note 12)	6,965	4,923
	<u>413,146</u>	<u>303,715</u>

11. Creditors. Amounts falling due within one year

	2006 £	2005 £
Trade creditors	66,971	28,613
Amounts owed to group undertakings	151	-
Corporation tax	91,606	27,144
Social security and other taxes	203,102	70,187
Other creditors	42,005	-
Accruals and deferred income	303,468	124,881
	<u>707,303</u>	<u>250,825</u>

12. Deferred tax asset

	2006 £	2005 £
At 1 January 2006	4,923	-
Increased during the year	2,042	4,923
	<u>6,965</u>	<u>4,923</u>
At 31 December 2006		

The deferred tax asset is made up as follows

	2006 £	2005 £
Accelerated capital allowances	<u>6,965</u>	<u>4,923</u>

FORTINET UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

13. Share capital

	2006 £	2005 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
1 Ordinary share of £1 each	1	1

14. Reserves

	Profit and loss account £
At 1 January 2006	193,547
Profit retained for the year	100,923
At 31 December 2006	294,470

15. Reconciliation of movement in shareholders' funds

	2006 £	2005 £
Opening shareholders' funds	193,548	101,093
Profit for the year	100,923	92,455
Closing shareholders' funds	294,471	193,548

16. 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

17. Ultimate parent undertaking and controlling party

The ultimate parent company is Fortinet Inc, a company registered in the United States of America. Copies of the consolidated financial statements of Fortinet Inc are available from 1090 Kifer Road, Sunnyvale, CA 94086, USA