

SURFCONTROL (CHINA) LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

31 DECEMBER 2016

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2016

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COMPANY INFORMATION

DIRECTORS

Lisa Burns
Ian Wilson
Matthew Santangelo

REGISTERED OFFICE

420 Thames Valley Park Drive
Reading
Berkshire
RG6 1PT
England

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

STRATEGIC REPORT
For the year ended 31 December 2016

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company during the year was as a holding company for SurfControl Network Security Technologies (Beijing) Co., Limited ("Beijing SurfControl") its wholly owned subsidiary undertaking.

The company is in the process of closing its subsidiary. The financial statements do not assume that the company will continue as a going concern, however the carrying values of assets and liabilities have not been revalued on a break up basis as they may be transferred to another member of the Forcepoint Group within the foreseeable future.

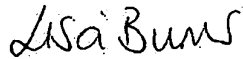
PROFIT AND DIVIDEND

During the period the company made a nil profit or loss (2015: Nil).

The directors do not recommend the payment of a dividend (2015: Nil).

Approved by the directors on 15 September 2017

Signed on behalf of the Board by:



Lisa Burns
Director

DIRECTORS' REPORT
For the year ended 31 December 2016

The directors present herewith their report and financial statements, prepared in accordance with Generally Accepted Accounting Practice in the United Kingdom for the year ended 31 December 2016.

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Matthew Santangelo (appointed 14 March 2016)
Lisa Burns (appointed 5 January 2017)
Ian Wilson (appointed 23 February 2017)
James Hagan (resigned 14 March 2016)
Tara Baker (resigned 5 January 2017)
Scott Rowe (resigned 23 February 2017)

DIRECTORS' INTERESTS IN SHARES AND SHARE BASED BENEFITS

None of the directors who held office at the end of the financial period have had any interest in shares of the company or options over the company's shares.

DIRECTORS' REPORT
For the year ended 31 December 2016 (Continued)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT
AND THE FINANCIAL STATEMENTS**

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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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:

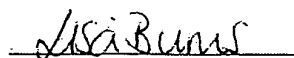
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

Approved by the directors on 15 September 2017

Signed on behalf of the Board by:



Lisa Burns
Director

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2016

	<i>Note</i>	<i>Year ended 31 December 2016 US\$'000</i>	<i>Year ended December 2015 US\$'000</i>
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
General and administrative expenses		-	-
Total administrative expenses		-	-
Operating profit and profit on ordinary activities before taxation		-	-
Profit for the financial year		-	-

The company has no gains or losses or movements in reserves for the year other than the results above.
The notes on pages 8 to 11 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	<i>Called up Share capital US\$'000</i>	<i>Profit and loss account US\$'000</i>	<i>Total shareholders' funds US\$'000</i>
At 1 January 2015	-	(1,899)	(1,899)
Profit for the financial year 2015	-	-	-
At 31 December 2015	-	(1,899)	(1,899)
Profit for the financial year 2016	-	-	-
At 31 December 2016	-	(1,899)	(1,899)

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

BALANCE SHEET
as at 31 December 2016

ASSETS EMPLOYED	<i>Note</i>	<i>At 31 December 2016 US\$'000</i>	<i>At 31 December 2015 US\$'000</i>
FIXED ASSET			
Investments	5	-	-
CURRENT ASSETS			
Debtors	6	-	-
Cash at bank and in hand		-	-
CREDITORS: amounts falling due within one year		-	-
NET CURRENT ASSETS		-	-
TOTAL ASSETS LESS CURRENT LIABILITIES		-	-
CREDITORS: amounts falling due after more than one year	7	(1,899)	(1,899)
Total assets less net current liabilities		<u>(1,899)</u>	<u>(1,899)</u>
CAPITAL AND RESERVES			
Called up share capital	8	-	-
Profit and loss account	9	(1,899)	(1,899)
Total Shareholders' funds		<u>(1,899)</u>	<u>(1,899)</u>

The notes on pages 8 to 11 form part of these financial statements.

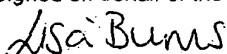
For the years ended 31 December 2016 and 31 December 2015, the company was entitled to an audit exemption under section 480(1) b of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the periods in question in accordance with section 476.

The directors acknowledge their responsibility for:

- (i) Ensuring the company keeps accounting records which comply with section 386 of the Companies Act 2006; and
- (ii) Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its period and of its profit and loss for the financial period in accordance with section 393 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act relating to accounts as far as is applicable to the company.

Approved by the directors on 15 September 2017

Signed on behalf of the board by:


 Lisa Burns
 Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

1. GENERAL INFORMATION

SurfControl (China) Limited is a company limited by shares, incorporated in the United Kingdom. It has its registered office at 420 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT, England.

The principal activity of the company during the year was as a holding company for SurfControl Network Security Technologies (Beijing) Co., Limited ("Beijing SurfControl") its wholly owned subsidiary undertaking.

2. ACCOUNTING POLICIES

(a) Statement of compliance

The individual financial statements of SurfControl (China) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

(b) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006. The company has availed of the exemption in FRS 102 Section 33.1A, which exempts subsidiary undertakings from the requirement to give details of transactions with group entities where 100% of the voting rights are controlled by a group that prepares publicly available consolidated financial statements in which the subsidiary undertaking's results are included. The accounting policies have been applied consistently unless otherwise stated.

(c) Taxation

Current tax is recognised based on tax rates and laws in effect during the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that result in an obligation to pay more or a right to pay less tax in the future.

(d) Investments

Fixed asset investments, which wholly relate to the company's investment in its subsidiary undertaking, are stated at cost less provision for impairment in value.

(e) Consolidated group financial statements

The company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. As such these financial statements present information about the company as an individual undertaking rather than information about its group. Note 11 to the financial statements contains further information on the company's parent.

(f) Going concern

As noted in the strategic report, whilst the company is not considered to be a going concern, its assets and liabilities are stated at book value since it is anticipated that if the business is closed the assets and liabilities will be transferred to other group undertakings at book value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016 (Continued)

2. ACCOUNTING POLICIES (Continued)

(g) Foreign currencies

The functional and presentation currency of the company is US Dollars (USD), which is the currency of the company's assets and liabilities. Accordingly amounts in the financial statements are denominated in US Dollars (USD).

(h) Exemptions

The company has availed of the exemption in FRS 102, Section 1.12 (b) from the requirement to prepare cash flow statement, as its ultimate parent company Raytheon Company prepares publicly available consolidated financial statement. Note 11 to the financial statements contains further information on the company's parent. The shareholders have been notified in writing of the use of this exemption.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

No significant judgments or estimates have had to be made by management in preparing these financial statements.

4. EMPLOYEE INFORMATION

There were no employees of the company. The directors, who are employed by Forcepoint Group companies, did not receive any emoluments during the year for their services to the company (2015: nil).

5. INVESTMENT

	<i>Investment in subsidiary undertaking US\$'000</i>
Cost:	
At 1 January 2016	1,210
and 31 December 2016	
Impairment losses:	
At 1 January 2016	(1,210)
and 31 December 2016	
Net book value at 31 December 2016 and at 31 December 2015	<hr/> -

The company's single subsidiary undertaking is SurfControl Network Security Technologies (Beijing) Co., Limited, a company registered in the Peoples' Republic of China engaged in the internet security market. The company holds 100% of the share capital of the subsidiary. The investment is carried at a nil value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016 (Continued)

6. DEBTORS

	<i>31 December</i> 2016 US\$'000	<i>31 December</i> 2015 US\$'000
Amounts owed by group undertakings	167	167
Less:		
Provision for impairment	(167)	(167)
	<u>-</u>	<u>-</u>

SurfControl Network Security Technologies (Beijing) Co., Limited was loaned US\$167,000 which has been impaired to nil as the subsidiary is unlikely to repay the amount in the foreseeable future.

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<i>31 December</i> 2016 US\$'000	<i>31 December</i> 2015 US\$'000
Amounts owed to group undertakings	<u>1,899</u>	<u>1,899</u>
	1,899	1,899

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

8. EQUITY SHARE CAPITAL

	<i>Authorised</i>	<i>Allotted issued and fully paid</i>
	<i>31 December</i> 2016 US\$'000	<i>31 December</i> 2015 US\$'000
Ordinary shares of £1 each	-	-

The authorised share capital is denominated in UK sterling and consists of 100 £1 ordinary shares (2015: £100). The issued share capital of the company at 31 December 2016 in UK sterling was £2 (31 December 2015: £2). The company's share capital has been translated into US\$ on a cumulative basis at exchange rates prevailing as and when capital flows occur.

9. RESERVES AND SHAREHOLDERS' FUNDS

	<i>Profit and loss account US\$'000</i>
As at 1 January 2016	(1,899)
Retained profit for the period	<u>-</u>
As at 31 December 2016	<u>(1,899)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016 (Continued)

10. OTHER FINANCIAL COMMITMENTS

The company had no financial commitments in respect to non-cancellable operating leases or capital commitments in either period.

11. ULTIMATE PARENT COMPANY

The ultimate parent company and ultimate controlling party is Raytheon Company, a company incorporated in the state of Delaware, United States of America. Copies of its consolidated financial statements are available to the public from Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451.

12. EVENTS SINCE THE BALANCE SHEET DATE

There have been no significant events post year end.

13. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved and authorised for issue the financial statements in respect of the financial year ended 31 December 2016 on 15 September 2017.