



**CYBERGUARD EUROPE LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2001**

**Company No 3198119**

# **CYBERGUARD EUROPE LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 30 June 2001

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Company registration number: 3198119

Registered office: Eagle House  
The Ring  
Bracknell  
Berkshire  
RG12 1HB

Directors Mr H J Davies  
Mr D R Proctor

Secretary: Mr H J Davies

Bankers: HSBC Bank plc  
128 High Street  
Slough  
Berkshire  
SL1 1JF

Solicitors: Salans Hertzfeld & Heilbronn HRK  
Clements House  
14-18 Gresham Street  
London  
EC2V 7NN

Auditors: Grant Thornton  
Registered auditors  
Chartered accountants  
Ashdown House  
125 High Street  
Crawley  
West Sussex  
RH10 1DQ

# **CYBERGUARD EUROPE LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 30 June 2001

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# **CYBERGUARD EUROPE LIMITED**

## **REPORT OF THE DIRECTORS**

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The directors present their report together with financial statements for the year ended 30 June 2001.

### **Principal activities**

The company continues to be principally engaged in the sale of computer software.

### **Business review**

There was a profit for the year after taxation amounting to £889,089 (2000: loss £174,062). The directors do not recommend payment of a dividend. The directors consider the result for the year to be satisfactory, and will continue to look for opportunities for growth.

### **Directors**

The present membership of the Board is set out below.

The interests of the directors and their families in the shares of the company at 1 July 2000 and 30 June 2001, were as follows:

	<b>Ordinary shares of £1 each</b>	
	<b>30 June 2001</b>	<b>1 July 2000</b>
H J Davies	-	-
Mr D R Proctor	-	-
Mr T A Zielinski (resigned 9 February 2001)	-	-

The interests of the directors in the shares of the parent company are shown in the financial statements of that company.

### **Directors' responsibilities for the financial statements**

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent

# CYBERGUARD EUROPE LIMITED

## REPORT OF THE DIRECTORS

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### Directors' responsibilities for the financial statements (continued)

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

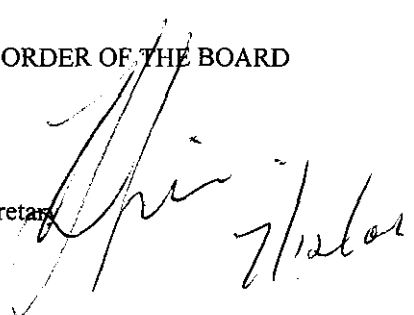
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

Secretary

A handwritten signature in dark ink, appearing to be 'J. H. H. H.', is written over the printed word 'Secretary'.

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
CYBERGUARD EUROPE LIMITED**

We have audited the financial statements on pages 4 to 12, which have been prepared under the accounting policies set out on pages 4 and 5.

**Respective responsibilities of the directors and auditors**

As described on pages 1 and 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards 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.

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 of the state of the company's affairs at 30 June 2001 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Grant Thornton*

**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
CRAWLEY**

14 December 2001

# **CYBERGUARD EUROPE LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

The financial statements have been prepared on a going concern basis despite there being net liabilities at the end of the financial year as the parent undertaking has expressed its willingness to support the UK company.

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

### **TURNOVER**

Turnover represents the amounts chargeable for work undertaken in respect of the supply, installation and customisation of internet security software. Licence fees are credited to turnover when they are due. Turnover in respect of maintenance contracts, which are invoiced in advance, is apportioned on a time basis over the period to which contracts relate. Turnover is stated exclusive of VAT and trade discounts.

Turnover represents sales made almost entirely within the European market.

### **TANGIBLE FIXED ASSETS AND DEPRECIATION**

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The periods generally applicable are:

Leasehold improvements	3 - 5 years straight line
Plant and machinery	3 - 5 years straight line

### **LEASED ASSETS**

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

### **STOCK**

Stock is valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items.

### **DEFERRED TAXATION**

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

## **CYBERGUARD EUROPE LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **FOREIGN CURRENCIES**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets.

All other exchange differences are dealt with through the profit and loss account.

#### **CONTRIBUTIONS TO PENSION FUNDS**

##### **Defined contribution scheme**

The company makes defined contributions to certain employees' personal pension plans. The pension costs charged represent the amount of the contributions payable to the scheme in respect of the accounting period.



**CYBERGUARD EUROPE LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 30 June 2001

	Note	2001 £	2000 £
<b>Turnover</b>	1	5,919,175	3,342,720
Cost of sales		<u>(3,671,900)</u>	<u>(1,964,025)</u>
<b>Gross profit</b>		2,247,275	1,378,695
Administrative expenses		<u>(1,308,376)</u>	<u>(1,452,748)</u>
<b>Operating profit/(loss)</b>		938,899	(74,053)
Net interest	2	16,308	(659)
Loss on foreign exchange transactions		<u>(66,118)</u>	<u>(99,350)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		889,089	(174,062)
Taxation	4	<u>0</u>	<u>0</u>
<b>Profit/(loss) for the financial year</b>		<u>889,089</u>	<u>(174,062)</u>

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

# CYBERGUARD EUROPE LIMITED

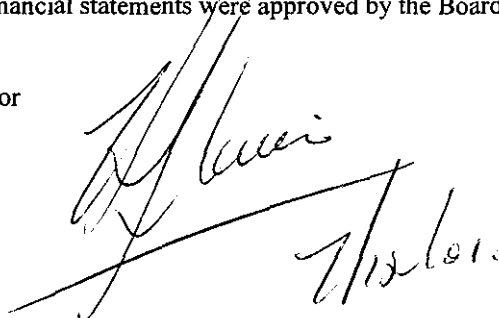
## BALANCE SHEET

At 30 June 2001

	Note	2001 £	2001 £	2000 £	2000 £
<b>Fixed assets</b>					
Tangible assets	5		14,877		24,670
<b>Current assets</b>					
Stocks	6	23,468		60,513	
Debtors	7	1,483,678		746,508	
Cash at bank and in hand		880,134		777,729	
		<u>2,387,280</u>		<u>1,584,750</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(2,043,711)</u>		<u>(2,140,063)</u>	
<b>Net current assets/(liabilities)</b>			<u>343,569</u>		<u>(555,313)</u>
<b>Total assets less current liabilities</b>			358,446		(530,643)
<b>Creditors: amounts falling due after more than one year</b>	9		<u>(775,174)</u>		<u>(775,174)</u>
			<u>(416,728)</u>		<u>(1,305,817)</u>
<b>Capital and reserves</b>					
Called up share capital	10		2		2
Profit and loss account	11		<u>(416,730)</u>		<u>(1,305,819)</u>
<b>Equity shareholders' deficit</b>	12		<u>(416,728)</u>		<u>(1,305,817)</u>

The financial statements were approved by the Board of Directors on

Director



The accompanying accounting policies and notes form an integral part of these financial statements.

# CYBERGUARD EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

### 1 TURNOVER AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover represents sales made almost entirely within the European market.

The profit/(loss) on ordinary activities before taxation is stated after:

	2001 £	2000 £
Auditors' remuneration		
- audit services	14,500	14,500
- in respect of prior years	0	80,911
- non audit services	11,100	0
Depreciation		
- tangible fixed assets, owned	15,272	17,736
Operating lease rentals in respect of		
- office space	45,312	61,185
- motor vehicles	22,998	37,319

### 2 NET INTEREST

	2001 £	2000 £
Bank interest payable	(433)	0
Interest payable to group undertakings	0	(20,221)
Interest receivable and similar charges	16,741	19,562
	<u>16,308</u>	<u>(659)</u>

### 3 DIRECTORS AND EMPLOYEES

Emoluments in respect of the sole remunerated director was as follows:

	2001 £	2000 £
Emoluments (including benefits in kind)	<u>201,731</u>	<u>161,981</u>

During the year the company made £4,644 of contributions (2000: £4,591) to the director's personal pension plan.

# CYBERGUARD EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

### DIRECTORS AND EMPLOYEES (CONTINUED)

Staff costs during the year were as follows:

	2001 £	2000 £
Wages and salaries	551,466	556,272
Social security costs	72,029	64,325
Pension costs	7,675	7,200
	<u>631,170</u>	<u>627,797</u>

The average number of employees of the company (excluding directors) during the year was 5 (2000: 6), all of whom were engaged in sales and administration.

### 4 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no charge for corporation tax in view of the losses made in previous years.

### 5 TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 July 2000	7,856	43,526	16,500	67,882
Additions	0	5,479	0	5,479
At 30 June 2001	<u>7,856</u>	<u>49,005</u>	<u>16,500</u>	<u>73,361</u>
Depreciation				
At 1 July 2000	7,856	18,856	16,500	43,212
Provided in the year	0	15,272	0	15,272
At 30 June 2001	<u>7,856</u>	<u>34,128</u>	<u>16,500</u>	<u>58,484</u>
Net book amount at 30 June 2001	<u>0</u>	<u>14,877</u>	<u>0</u>	<u>14,877</u>
Net book amount at 30 June 2000	<u>0</u>	<u>24,670</u>	<u>0</u>	<u>24,670</u>

**CYBERGUARD EUROPE LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2001

**6 STOCKS**

	2001 £	2000 £
Finished goods	<u>23,468</u>	<u>60,513</u>

**7 DEBTORS**

	2001 £	2000 £
Trade debtors	1,322,454	599,966
Prepayments and accrued income	161,224	146,542
	<u>1,483,678</u>	<u>746,508</u>

**8 CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR**

	2001 £	2000 £
Bank overdraft	58,003	0
Trade creditors	99,266	168,466
Amounts owed to parent undertakings	1,072,318	1,343,191
Social security and other taxes	106,079	38,333
Other creditors	94,727	124,704
Accruals and deferred income	613,318	465,369
	<u>2,043,711</u>	<u>2,140,063</u>

**9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2001 £	2000 £
Loan from parent undertaking	<u>775,174</u>	<u>775,174</u>

The loan from the parent undertaking has no fixed repayment term and is interest free.

**CYBERGUARD EUROPE LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2001

**10 SHARE CAPITAL**

	2001 £	2000 £
Authorised 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

**11 RESERVES**

	Profit and loss account £
At 1 July 2000	(1,305,819)
Profit for the year	889,089
At 30 June 2001	<u>(416,730)</u>

**12 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT**

	2001 £	2000 £
At 1 July 2000	(1,305,817)	(1,131,755)
Profit/(loss) for the year	889,089	(174,062)
At 30 June 2001	<u>(416,728)</u>	<u>(1,305,817)</u>

**13 CONTINGENT LIABILITIES**

The company has provided a guarantee amounting to £100,000 (2000: £100,000) to HM Customs & Excise in respect of deferred VAT.

# CYBERGUARD EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

### 14 LEASING COMMITMENTS

Operating lease payments amounting to £68,310 (2000: £34,499) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings 2001 £	Other 2001 £	Land and buildings 2000 £	Other 2000 £
In one year or less	45,312	1,060	0	24,062
Between one and five years	0	21,938	0	10,437
	<u>45,312</u>	<u>22,998</u>	<u>0</u>	<u>34,499</u>

### 15 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of CyberGuard Corporation, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by CyberGuard Corporation.

### 16 CONTROLLING RELATED PARTIES

The directors consider that the ultimate parent undertaking of this company is CyberGuard Corporation, incorporated in the United States of America.

The consolidated financial statements of CyberGuard Corporation are available to the public and may be obtained from 2000 West Commercial Boulevard, Ft Lauderdale, FL33309.