

Company No. 3498397

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2002
FOR
NETIQ LIMITED**



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for the year ended 30th June 2002**

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NETIQ LIMITED

COMPANY INFORMATION
for the year ended 30th June 2002

DIRECTORS:

C Hwang
J T R Docherty
G Winokur

SECRETARY:

B Bayha

REGISTERED OFFICE:

White Hart House
High Street
Limpsfield
Surrey
RH8 ODT

REGISTERED NUMBER:

3498397 (England and Wales)

AUDITORS:

De-Warrenne Waller & Co Limited
Registered Auditors
57 Grosvenor Street
Mayfair
London
W1K 3JA

NETIQ LIMITED

REPORT OF THE DIRECTORS for the year ended 30th June 2002

The directors present their report with the financial statements of the company for the year ended 30th June 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the licence, support and distribution of computer software.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 30th June 2002.

RESEARCH AND DEVELOPMENT

There is an ongoing involvement in market research in various product areas leading to improvements in existing methods of sales and marketing.

DIRECTORS

The directors during the year under review were:

C Hwang
J T R Docherty
G Winokur

The directors holding office at 30th June 2002 did not hold any beneficial interest in the issued share capital of the company at 1st July 2001 or 30th June 2002.

C Hwang resigned as a director on 7th August 2002. J Barth and B Bayha were appointed as directors on 7th August 2002.

COMPANY'S POLICY ON PAYMENT OF CREDITORS

It is the company policy, in respect of all its suppliers to settle the terms of payment when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment, and to abide by the terms of payment.

For the year ended 30th June 2002, the average payment period for trade creditors was within 30 days (2001: within 30 days).

DISABLED PERSONS

The company gives full and fair consideration to all applications for employment made by disabled persons, giving due regard to their aptitude and ability. In the event of employees becoming disabled, the company endeavours to continue employment and to ensure equal opportunities for the training, career development and promotion of disabled persons.

OTHER MATTERS

The company recognises its statutory obligations to maintain standards of safety which will protect its employees, contractors and members of the public.

The directors have continued their policy of informing employees of matters affecting them and of the financial performance of the company.

NETIQ LIMITED

REPORT OF THE DIRECTORS for the year ended 30th June 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

AUDITORS

The auditors, De-Warrenne Waller & Co Limited, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



B Bayha - SECRETARY

Dated: 28th February 2003

NETIQ LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF NETIQ LIMITED

We have audited the financial statements of NetIQ Limited for the year ended 30th June 2002 on pages five to eleven. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

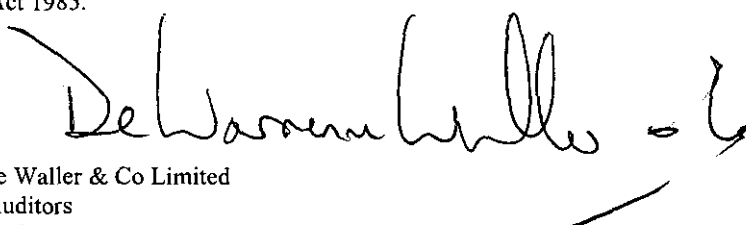
Basis of audit opinion

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 as at 30th June 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



De-Warrenne Waller & Co Limited
Registered Auditors
57 Grosvenor Street
Mayfair
London
W1K 3JA

Dated: 28th February 2003

NETIQ LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30th June 2002

		<u>2002</u>	<u>2001</u>
	Notes	£	£
TURNOVER		12,796,391	9,754,252
Cost of sales		<u>2,993,016</u>	<u>2,280,501</u>
GROSS PROFIT		9,803,375	7,473,751
Administrative expenses		<u>9,921,790</u>	<u>7,672,081</u>
OPERATING LOSS	3	(118,415)	(198,330)
Interest receivable and similar income		<u>18,026</u>	<u>59,379</u>
		(100,389)	(138,951)
Interest payable and similar charges	4	<u>-</u>	<u>383</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(100,389)	(139,334)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(100,389)	(139,334)
Deficit brought forward		<u>(269,436)</u>	<u>(130,102)</u>
DEFICIT CARRIED FORWARD		<u>£(369,825)</u>	<u>£(269,436)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current and previous years.

The notes form part of these financial statements


NETIQ LIMITED

BALANCE SHEET
30th June 2002

		2002		2001	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		770,831		529,876
Investments	8		-		4,894
			770,831		534,770
CURRENT ASSETS:					
Debtors	9	3,594,278		2,901,900	
Cash at bank and in hand		958,446		544,645	
		4,552,724		3,446,545	
CREDITORS: Amounts falling due within one year	10	5,692,380		4,249,751	
NET CURRENT LIABILITIES:			(1,139,656)		(803,206)
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£(368,825)</u>		<u>£(268,436)</u>
CAPITAL AND RESERVES:					
Called up share capital	12		1,000		1,000
Profit and loss account			(369,825)		(269,436)
SHAREHOLDERS' FUNDS:	15		<u>£(368,825)</u>		<u>£(268,436)</u>

ON BEHALF OF THE BOARD:


J Barth - DIRECTOR


G Winokur - DIRECTOR

Approved by the Board on 28th February 2003

The notes form part of these financial statements

NETIQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30th June 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- Over the term of lease
Fixtures and fittings	- 20% on cost
Motor vehicles	- 33% on cost
Computer equipment	- 33% on cost

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Cash flow statement

The company has taken advantage of the exemption granted by Financial Standard 1 (Revised) - Cash Flow Statements for subsidiary companies included within the publicly available consolidated accounts of their parent, and hence no cash flow statement is presented.

2. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	5,279,384	4,555,433
Social security costs	18,500	15,378
Other pension costs	<u>120,369</u>	<u>94,721</u>
	<u>5,418,253</u>	<u>4,665,532</u>

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

	2002	2001
Marketing and administration	<u>76</u>	<u>51</u>

NETIQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30th June 2002

3. OPERATING LOSS

The operating loss is stated after charging:

	2002	2001
	£	£
Hire of plant and machinery	50,316	17,425
Depreciation - owned assets	266,021	154,535
Loss on disposal of fixed assets	14,989	1,554
Auditors' remuneration	<u>9,000</u>	<u>4,500</u>
Directors' emoluments	<u>144,945</u>	<u>125,661</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Bank interest	<u>-</u>	<u>383</u>

5. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 30th June 2002 nor for the year ended 30th June 2001.

No liability arises to deferred taxation at the year-end date (2001: £nil).

6. ACQUISITION OF BUSINESS

At 1st January 2002 the company took over the trade and net assets of Webtrends UK Limited. The net assets and fair value at the date of transfer amounted to £20,113.

NETIQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30th June 2002

7. TANGIBLE FIXED ASSETS

	Improvements to property	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£	£
COST:					
At 1st July 2001	3,925	260,562	23,861	437,750	726,098
Additions	824	128,071	-	393,070	521,965
Disposals	-	-	-	(29,526)	(29,526)
At 30th June 2002	<u>4,749</u>	<u>388,633</u>	<u>23,861</u>	<u>801,294</u>	<u>1,218,537</u>
DEPRECIATION:					
At 1st July 2001	1,481	30,727	7,800	156,214	196,222
Charge for year	785	78,988	8,107	178,141	266,021
Eliminated on disposals	-	-	-	(14,537)	(14,537)
At 30th June 2002	<u>2,266</u>	<u>109,715</u>	<u>15,907</u>	<u>319,818</u>	<u>447,706</u>
NET BOOK VALUE:					
At 30th June 2002	<u>2,483</u>	<u>278,918</u>	<u>7,954</u>	<u>481,476</u>	<u>770,831</u>
At 30th June 2001	<u>2,444</u>	<u>229,835</u>	<u>16,062</u>	<u>281,535</u>	<u>529,876</u>

8. FIXED ASSET INVESTMENTS

	£
COST:	
At 1st July 2001	4,894
Disposals	(4,894)
At 30th June 2002	-
NET BOOK VALUE:	
At 30th June 2002	-
At 30th June 2001	<u>4,894</u>
	2002
	£
Unlisted investments	<u>-</u>
	2001
	£
	<u>4,894</u>

NETIQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30th June 2002

8. FIXED ASSET INVESTMENTS - continued

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

NetIQ S.A.R.L.

Country of incorporation: France

Nature of business: Licence and support of computer software

Class of shares:	% holding
Ordinary	100.00

	2002 £	2001 £
Aggregate capital and reserves	-	(42,075)
Loss for the year	-	(46,969)

NetIQ S.A.R.L. was incorporated on 6th March 2001. The investment was sold to the parent company in July 2001.

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade debtors	1,984,007	2,319,990
Other debtors	245,712	37,752
Taxation	19,251	-
Prepayments	91,604	197,710
Amounts due to parent undertaking	-	209,319
Deposit held	123,156	137,129
Amounts due to group undertaking	1,130,548	-
	<u>3,594,278</u>	<u>2,901,900</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank loans and overdrafts (see note 11)	-	5,016
Trade creditors	128,000	218,473
Deferred income	3,235,082	2,553,218
Social security & other taxes	696,175	530,065
Amounts due to parent undertaking	988,569	-
Amounts due to group undertakings	-	260,786
Accrued expenses	644,554	682,193
	<u>5,692,380</u>	<u>4,249,751</u>

NETIQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30th June 2002

11. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2002 £	2001 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>-</u>	<u>5,016</u>

12. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2002 £	2001 £
1,000	Ordinary	£1.00	<u>1,000</u>	<u>1,000</u>

13. ULTIMATE PARENT COMPANY

The ultimate parent undertaking is NetIQ Corporation, a company incorporated and registered in the USA. Copies of the accounts of NetIQ Corporation may be obtained from 3553 North First Street, San Jose, CA 95134, USA.

14. OTHER FINANCIAL COMMITMENTS

Annual commitment under non-cancellable operating leases are as follow:

Land and buildings expiring within 5 years - £234,000 (2001: £234,000). Land and buildings expiring after 5 years - £148,000 (2001: £ nil). Other equipment commitments expiring within 5 Years - £5,900 (2001: £ nil).

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for the financial year	<u>(100,389)</u>	<u>(139,334)</u>
Net reduction of shareholders' funds	(100,389)	(139,334)
Opening shareholders' funds	<u>(268,436)</u>	<u>(129,102)</u>
Closing shareholders' funds	<u>(368,825)</u>	<u>(268,436)</u>
Equity interests	<u>(368,825)</u>	<u>(268,436)</u>

NETIQ LIMITED
TRADING AND PROFIT AND LOSS ACCOUNT
for the year ended 30th June 2002

	2002		2001	
	£	£	£	£
Income:				
Software licenses	153,417		4,648,561	
Maintenance contracts	3,998,900		1,072,322	
Channel software licenses	-		3,266,776	
Channel maintenance contracts	-		688,484	
Consulting	394,422		74,977	
Training services	39,491		3,132	
Admin products	7,673,276		-	
Security products	202,234		-	
Web analytics	310,998		-	
Product COR	23,653		-	
		12,796,391		9,754,252
Cost of sales:				
Licences	2,708,971		2,108,047	
Product return	212,406		40,084	
External commission	-		132,370	
Shipping	71,639		-	
		2,993,016		2,280,501
GROSS PROFIT		9,803,375		7,473,751
Other income:				
Deposit account interest		18,026		59,379
		9,821,401		7,533,130
Expenditure:				
Directors' remuneration	144,945		125,661	
Social security	18,500		15,378	
Salaries	5,134,439		4,429,772	
Pensions	120,369		94,721	
Contract labour	81,751		94,324	
Telephone & communications	182,659		380,511	
Post & stationery	167,322		116,438	
Travelling	681,352		918,983	
Motor expenses	268,865		185,006	
Hire of equipment	50,316		17,425	
Repairs & renewals	68,706		29,715	
Training	29,698		20,776	
Manuals, books & subscriptions	11,974		5,532	
Computer software	38,838		65,998	
Insurance	222,014		-	
Foreign exchange	225,093		(93,149)	
Office expenses and sundry	30,842		18,174	
Auditors remuneration	9,000		4,500	
Recruiting costs	335,404		203,661	
Carried forward	7,822,087	9,821,401	6,633,426	7,533,130

This page does not form part of the statutory financial statements

NETIQ LIMITED
TRADING AND PROFIT AND LOSS ACCOUNT
for the year ended 30th June 2002

	2002		2001	
	£	£	£	£
Brought forward	7,822,087	9,821,401	6,633,426	7,533,130
Consulting	132,795		28,730	
Relocation expenses	26,295		5,241	
Accountancy & professional	208,914		98,237	
Public relations	244,805		111,019	
Entertainment	35,447		11,268	
Bad Debts	27,830		-	
Promotion & exhibitions	334,756		222,378	
Conferences & training- client	254,992		60,197	
Corporate marketing collateral	8,879		9,788	
Rent & rates	522,934		306,477	
		<u>9,619,734</u>		<u>7,486,761</u>
		201,667		46,369
Finance costs:				
Bank interest	-		383	
Bank charges	16,331		19,021	
Other interest	1,723		-	
Filing fee & penalties	2,992		10,210	
		<u>21,046</u>		<u>29,614</u>
		180,621		16,755
Depreciation:				
Improvements to property	785		1,481	
Fixtures & fittings	78,988		30,727	
Motor vehicles	8,107		15,600	
Computer equipment	178,141		106,727	
		<u>266,021</u>		<u>154,535</u>
		(85,400)		(137,780)
Loss on disposal of fixed assets:				
Motor vehicles	-		1,061	
Computer equipment	14,989		493	
		<u>14,989</u>		<u>1,554</u>
NET LOSS		<u><u>£(100,389)</u></u>		<u><u>£(139,334)</u></u>