

34937 171

REPORTS AND FINANCIAL STATEMENTS

NETIQ LIMITED

FOR THE YEAR ENDED

30 JUNE 2004



A07
COMPANIES HOUSE

■A11KX5Q3■

0568
31/05/05

NETIQ LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

CONTENTS	PAGE
DIRECTORS AND OTHER INFORMATION	2
REPORT OF THE DIRECTORS	3 - 4
STATEMENT OF DIRECTORS' RESPONSIBILITIES	5
INDEPENDENT AUDITORS' REPORT	6
STATEMENT OF ACCOUNTING POLICIES	7
PROFIT AND LOSS ACCOUNT	8
BALANCE SHEET	9
NOTES TO THE FINANCIAL STATEMENTS	10 -14
SCHEDULES TO THE PROFIT AND LOSS ACCOUNT	15 - 16

NETIQ LIMITED

DIRECTORS AND OTHER INFORMATION

DIRECTORS

**B. Bayha (USA)
S. Kilbane (Irish)
R. Van Hoesen (USA)
D. Quantrell (UK)**

SECRETARY

B. Bayha

AUDITORS

**Deloitte & Touche
Chartered Accountants
Earlsfort Terrace
Dublin 2
Ireland**

PRINCIPAL BANKERS

**Barclays Bank Plc
P.O. Box 299
Birmingham
B1 3PF
UK**

REGISTERED OFFICE

**Mallard Court
Market Square
Staines
Middlesex
TW18 4RH**

COMPANY NUMBER

3498397 (England and Wales)

NETIQ LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

PRINCIPAL ACTIVITY

The principal activity of the company is the sales, marketing and advertising of computer software products and related services.

BUSINESS REVIEW AND FUTURE DEVELOPMENT

The directors are pleased with the performance of the company and anticipate no significant changes.

RESULTS AND DIVIDENDS

Profit for the year amounted to STG£38,928 (2003: STG£118,517).

DIRECTORS

The present membership of the board is set out on page 2. On 6 December 2004 M.B. Andrews and J. Barth resigned as directors and R. Van Hoesen and D. Quantrell were appointed in their stead.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and secretary of the company who held office at 30 June 2004 had no beneficial interest in the shares of the company other than through their interests in the shares of the ultimate parent company NetIQ Corporation, 3553 North First Street, San Jose, California 95134, USA. These are as follows:

Beneficial Interests	30 June 2004 No. Ordinary Shares	30 June 2004 No. Ordinary Options	30 June 2003 No. Ordinary Shares	30 June 2003 No. Ordinary Options
J. Barth	41,513	357,977	39,454	277,777
B. Bayha	2,545	166,866	1,827	66,666
S. Kilbane	420	30,200	-	25,000
M.B. Andrews	-	225,200	-	75,000

Certain directors have options to acquire shares in the NetIQ Corporation as follows:

Director	30/06/03	Cancelled During Year	Granted During Year	30/6/04	Option Price US\$	Expiry Date
J. Barth	57,777	-	-	57,777	9.00	06/04/2009
	50,000	-	-	50,000	62.00	07/02/2010
	50,000	-	-	50,000	59.00	06/09/2010
	40,000	-	-	40,000	27.60	15/05/2011
	50,000	-	-	50,000	25.10	06/02/2012
	30,000	-	-	30,000	20.17	18/07/2009
	-	-	200	200	13.95	08/09/2008
	-	-	80,000	80,000	13.95	08/09/2010
	<u>277,777</u>	<u>-</u>	<u>80,200</u>	<u>357,977</u>		

NETIQ LIMITED

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES - Continued

Director	30/06/03	Cancelled During Year	Granted During Year	30/6/04	Option Price US\$	Expiry Date
B. Bayha	66,666	-	-	66,666	16.00	06/11/2006
	-	-	200	200	13.95	08/09/2008
	-	-	100,000	100,000	13.95	08/09/2010
	<u>66,666</u>	<u>-</u>	<u>100,200</u>	<u>166,866</u>		
S. Kilbane	25,000	-	-	25,000	11.20	06/02/2010
	-	-	200	200	13.95	08/09/2008
	-	-	5,000	5,000	12.18	06/11/2010
	<u>25,000</u>	<u>-</u>	<u>5,200</u>	<u>30,200</u>		
M. Andrews	75,000	-	-	75,000	16.00	08/07/2007
	-	-	200	200	14.08	08/09/2008
	-	-	50,000	50,000	13.95	08/09/2010
	-	-	100,000	100,000	14.18	06/01/2011
	<u>75,000</u>	<u>-</u>	<u>150,200</u>	<u>225,200</u>		

AUDITORS

The Auditors, Deloitte & Touche, Chartered Accountants were appointed during the period and have signified their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and
Signed on behalf of the Board

)
) DIRECTORS

Date: 25 April 2005

NETIQ LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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;
- state whether applicable accounting standards have been followed; 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 proper books of account 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. They are also responsible for the company's system of internal financial control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NETIQ LIMITED

We have audited the financial statements of NetIQ Limited for the year ended 30 June 2004 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 directors' report 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 directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors
Dublin
Ireland

Date: 25 April 2005

NETIQ LIMITED
STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies adopted by the company are as follows:

BASIS OF PREPARATION

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

TANGIBLE FIXED ASSETS AND DEPRECIATION

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 & Fittings	20% on cost
Motor Vehicles	33% on cost
Computer Equipment	33% on cost

TAXATION

The charge for taxation is based on the profit for the year. Deferred tax is calculated on the differences between the company's profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

PENSIONS

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

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the rate of exchange ruling on the balance sheet date. Resulting profits or losses are dealt with 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.

FOREIGN CURRENCY

Transactions denominated in foreign currencies relating to revenues, costs and non-monetary assets are translated into pounds sterling at the rate of exchange ruling on the date on which the transaction occurred.





Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at the rate of exchange ruling on the balance sheet date. Resulting profits or losses are dealt with in the profit and loss account.

NETIQ LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2004

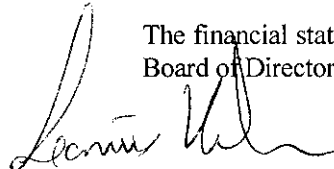

	Notes	2004 STG£	2003 STG£
TURNOVER	2	11,512,624	12,145,340
Cost of Sales		-	-
GROSS PROFIT		11,512,624	12,145,340
Administrative expenses		(11,400,864)	(12,032,820)
OPERATING PROFIT		111,760	112,520
Interest receivable and similar income		2,823	9,153
Interest payable and similar charges	5	(353)	(1,417)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	114,230	120,256
Tax charge on profit on ordinary activities	7	(75,302)	(1,739)
PROFIT FOR THE FINANCIAL YEAR		38,928	118,517
Deficit brought forward		(251,308)	(369,825)
Deficit carried forward		(212,380)	(251,308)

The operating profit is derived solely from continuing operations. There are no recognised gains or losses other than those reflected in the profit and loss account.

NETIQ LIMITED
BALANCE SHEET
AS AT 30 JUNE 2004

	Notes	2004 STG£	2003 STG£
FIXED ASSETS			
Tangible assets	8 	431,129	667,047
CURRENT ASSETS			
Debtors	9 	1,711,755	2,105,235
Cash at bank and in hand		66,917	440,874
		<u>1,778,672</u>	<u>2,546,109</u>
CREDITORS (Amounts falling due within one year)	10 	<u>(2,421,181)</u>	<u>3,463,464</u>
NET CURRENT LIABILITIES		<u>(642,509)</u>	<u>(917,355)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(211,380)</u>	<u>(250,308)</u>
CAPITAL AND RESERVES			
Called up share capital	11 	1,000	1,000
Profit and loss account - deficit		<u>(212,380)</u>	<u>(251,308)</u>
SHAREHOLDERS' DEFICIT - All Equity	13	<u>(211,380)</u>	<u>(250,308)</u>

The financial statements were approved by the board of directors on 25th April '05 and signed on behalf of the Board of Directors by:

)
) **DIRECTORS**

NETIQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. In considering the going concern basis, the board notes the reported profit of STG£38,928 and shareholders' deficit of STG£211,380 for the year ended 30 June 2004.

The company has received written confirmation from its parent company that it will continue to provide financial support for the foreseeable future, sufficient to enable the company to meet its working capital requirements and continue trading.

The directors believe, having considered the company's financial situation in light of the commitment of its parent company to provide continued financial support, that it is appropriate for the financial statements to be prepared on a going concern basis.

If the company was unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet value of assets to their recoverable amounts, and to provide for further liabilities that might arise, and to reclassify tangible fixed assets and long term liabilities as current assets and current liabilities

2. TURNOVER

Turnover represents the reimbursement of costs incurred for services provided to the group (excluding value added tax) on a pre-agreed basis. All income is derived from a group company operating in the Republic of Ireland.

3. DIRECTORS' REMUNERATION

	2004 STG£	2003 STG£
Directors' remuneration:		
- Fees	-	-
- Emoluments	164,339	203,865
Company contributions to defined contribution pension fund	6,604	7,232
	<u>170,943</u>	<u>211,097</u>

Pensions:

The number of directors who were members of pension schemes was as follows:

	2004 Number	2003 Number
	<u>1</u>	<u>1</u>
Highest paid director:		
- Fees	-	-
- Emoluments	164,339	203,865
Company contributions to defined contribution pension fund	6,604	7,232
	<u>170,943</u>	<u>211,097</u>

NETIQ LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

4. EMPLOYEES AND REMUNERATION	2004	2003
Average number of persons employed:		
Sales, marketing and administration	78	79
	<u>78</u>	<u>79</u>
The staff costs are comprised of:	2004	2003
	STG£	STG£
Wages and salaries	5,862,383	7,104,809
Social security costs	714,499	642,190
Other pension costs	425,025	437,532
	<u>7,001,907</u>	<u>8,184,531</u>
5. INTEREST PAYABLE AND SIMILAR CHARGES	2004	2003
	STG£	STG£
Bank interest	353	1,417
	<u>353</u>	<u>1,417</u>
6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004	2003
	STG£	STG£
Profit on ordinary activities before taxation is stated after charging:		
Hire of plant and machinery	27,598	42,305
Operating leases	387,000	387,900
Depreciation – owned assets	394,606	369,661
Loss on disposal of fixed assets	2,655	11,533
Auditors' remuneration	11,000	17,500
	<u>792,859</u>	<u>828,900</u>
7. TAX ON PROFIT	2004	2003
	STG£	STG£
Current tax:		
Corporation tax based on profit for the year	88,773	1,739
Over provision in prior periods	(13,471)	-
	<u>75,302</u>	<u>1,739</u>

The profits of the company are subject to corporation tax at 30% (2003: 30%). Apart from the non allowability of certain expenditure incurred by the company, there were no other significant issues which affected the tax charge.

NETIQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

7. TAX ON PROFIT - Continued	2004 STG£	2003 STG£
Factors affecting the tax charge:		
Profit on ordinary activities before tax	114,230	120,256
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	34,269	36,077
Effects of:		
Depreciation in excess of capital allowances	44,194	38,690
Expenses not deductible for tax purposes	13,883	8,956
Movement in short term timing differences	-	(31,186)
Losses from earlier periods now claimed	(3,573)	(50,798)
Current tax charge for the year	<u>88,773</u>	<u>1,739</u>

No liabilities arises to deferred taxation at the year end date (2003: STG£Nil).

8. TANGIBLE ASSETS

	Improvements To property STG£	Fixtures & Fittings STG£	Computer Equipment STG£	Total STG£
Cost:				
At 1 July 2003	10,273	442,653	1,006,192	1,459,118
Additions	4,590	30,811	132,338	167,739
Disposals	-	-	(44,022)	(44,022)
At 30 June 2004	14,863	473,464	1,094,508	1,582,835
Accumulated Depreciation:				
At 1 July 2003	5,669	190,146	596,256	792,071
Charge for the year	3,377	110,064	281,165	394,606
Eliminated on disposals	-	-	(34,971)	(34,971)
At 30 June 2004	9,046	300,210	842,450	1,151,706
Net Book Value:				
At 30 June 2004	5,817	173,254	252,058	431,129
At 30 June 2003	4,604	252,507	409,936	667,047

NETIQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

9. DEBTORS	2004 STG£	2003 STG£
Other debtors	3,529	600
VAT receivable	144,593	72,499
Prepayments and accrued income	206,705	177,258
Deposit held	218,849	134,988
Amounts due from group undertakings	1,138,079	1,719,890
	<u>1,711,755</u>	<u>2,105,235</u>
10. CREDITORS (Amounts falling due within one year)	2004 STG£	2003 STG£
Trade creditors	202,203	249,250
Social security and other taxes	257,565	805,485
Amounts due to parent undertaking	770,635	719,231
Amounts due to group undertakings	269,988	479,813
Corporation tax	88,773	1,739
Accruals expenses	832,017	1,207,946
	<u>2,421,181</u>	<u>3,463,464</u>
11. CALLED UP SHARE CAPITAL	2004 STG£	2003 STG£
Authorised: 1,000 ordinary shares of STG£1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
Allotted, Issued and fully paid: 1,000 ordinary shares of STG£1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

NETIQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

12. 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, California 95134, USA and from Mallard Court, Market Square, Staines, Middlesex, TW18 4RH.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT	2004 STG£	2003 STG£
Profit for the financial year	38,928	118,517
	<hr/>	<hr/>
Net reduction in shareholders' deficit	38,928	118,517
Opening shareholder's deficit	(250,308)	(368,825)
	<hr/>	<hr/>
Closing shareholders' deficit	(211,380)	(250,308)
	<hr/>	<hr/>

14. COMMITMENTS

Annual commitments exist under non cancellable operating leases as follows:

Land and buildings expiring within 5 years - £234,000 (2003: £234,000). Land and buildings expiring after 5 years - £148,000 (2003: £148,000). Other equipment commitments expiring within 5 years - £5,000 (2003: £5,900).

NETIQ LIMITED

SUPPLEMENTARY INFORMATION

(NOT COVERED BY THE INDEPENDENT AUDITORS' REPORT)

NETIQ LIMITED

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2004

	2004 STG£	2003 STG£
Sales	11,512,624	12,145,340
Cost of Sales		
Purchases	-	-
	11,512,624	12,145,340
Other Income:		
Deposit account interest	2,823	9,153
	11,515,447	12,154,493
Expenditure:		
Directors' remuneration	170,943	211,097
Salaries	6,405,939	7,535,902
Pensions	425,025	437,532
Contract labour	131,743	102,056
Telephone & communications	282,828	271,260
Post and stationery	98,143	124,608
Travelling	850,817	851,471
Motor expenses	369,781	326,099
Hire of equipment	27,598	42,305
Repairs and renewals	14,593	28,097
Training	97,738	108,380
Manuals, books and subscriptions	19,180	21,335
Computer software	19,301	36,679
Insurance	18,875	(3,164)
Foreign exchange	(10,762)	(358,919)
Office expenses and sundry	66,489	21,172
Recruiting costs	448,957	405,551
Consulting	115,403	52,881
Relocation expenses	6,697	21,012
Accountancy and professional Fees	152,684	146,220
Public relations	93,208	182,446
Entertainment	55,155	22,703
Promotion and exhibitions	223,332	294,134
Conferences and training – client	214,349	70,829
Corporate marketing collateral	9,892	76,044
Rent and rates	661,714	587,173
	10,969,622	11,614,903
Carried forward	545,825	539,590

NETIQ LIMITED
SCHEDULES TO THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2004

	2004 STG£	2003 STG£
Brought forward	545,825	539,590
Finance costs:		
Bank interest	353	1,417
Bank charges	32,104	23,897
Other interests	-	1,803
Filing fee and penalties	1,877	11,023
	<u>511,491</u>	<u>501,450</u>
Depreciation:		
Depreciation Charge	394,606	369,661
	<u>116,885</u>	<u>131,789</u>
Loss on disposal of fixed assets:		
Computer equipment	2,655	11,533
	<u>114,230</u>	<u>120,256</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u><u>114,230</u></u>	<u><u>120,256</u></u>