

REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2001  
FOR  
NETIQ LIMITED



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for the year ended 30th June 2001

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**NETIQ LIMITED**

**COMPANY INFORMATION**  
for the year ended 30th June 2001

**DIRECTORS:**

C Hwang  
J T R Docherty  
G Winokur

**SECRETARY:**

C Hwang

**REGISTERED OFFICE:**

White Hart House  
High Street  
Limpsfield  
Surrey  
RH8 ODT

**REGISTERED NUMBER:**

3498397 (England and Wales)

**AUDITORS:**

De Warrenne Waller & Co. Limited  
Chartered Accountants  
57 Grosvenor Street  
Mayfair  
London  
W1K 3JA

## **NETIQ LIMITED**

### **REPORT OF THE DIRECTORS for the year ended 30th June 2001**

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

#### **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 2001.

#### **DIRECTORS**

The directors during the year under review were:

C Hwang  
J T R Docherty  
G Winokur

The directors holding office at 30th June 2001 did not hold any beneficial interest in the issued share capital of the company at 1st July 2000 or 30th June 2001.

#### **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:**



C Hwang - SECRETARY

Dated: 7th March 2002

**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 2001 on pages four to ten. 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 two 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.

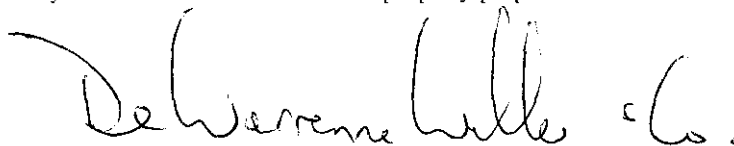
**Basis of audit opinion**

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 2001 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  
Chartered Accountants  
57 Grosvenor Street  
Mayfair  
London  
W1K 3JA

Dated: 7th March 2002

**NETIQ LIMITED**

**PROFIT AND LOSS ACCOUNT**  
for the year ended 30th June 2001

		2001	2000
	Notes	£	£
<b>TURNOVER</b>		9,754,252	2,493,390
Cost of sales		2,280,501	596,114
<b>GROSS PROFIT</b>		7,473,751	1,897,276
Administrative expenses		7,672,081	1,930,808
<b>OPERATING LOSS</b>	3	(198,330)	(33,532)
Interest receivable and similar income		59,379	6,570
		(138,951)	(26,962)
Interest payable and similar charges	4	383	5
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(139,334)	(26,967)
Tax on loss on ordinary activities	5	-	-
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		(139,334)	(26,967)
Deficit brought forward		(130,102)	(103,135)
<b>DEFICIT CARRIED FORWARD</b>		£(269,436)	£(130,102)

**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 2001

		2001		2000	
	Notes	£	£	£	£
<b>FIXED ASSETS:</b>					
Tangible assets	7		529,876		133,168
Investments	8		4,894		-
			<u>534,770</u>		<u>133,168</u>
<b>CURRENT ASSETS:</b>					
Debtors	9	2,901,900		954,838	
Cash at bank		544,645		577,104	
		<u>3,446,545</u>		<u>1,531,942</u>	
<b>CREDITORS:</b> Amounts falling due within one year	10	4,249,751		1,794,212	
		<u>4,249,751</u>		<u>1,794,212</u>	
<b>NET CURRENT LIABILITIES:</b>			<u>(803,206)</u>		<u>(262,270)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			<u>£(268,436)</u>		<u>£(129,102)</u>
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	12		1,000		1,000
Profit and loss account			(269,436)		(130,102)
			<u>(268,436)</u>		<u>(130,102)</u>
<b>SHAREHOLDERS' FUNDS:</b>	15		<u>£(268,436)</u>		<u>£(129,102)</u>

ON BEHALF OF THE BOARD:



C Hwang - DIRECTOR

Approved by the Board on 7th March 2002

The notes form part of these financial statements

# NETIQ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30th June 2001

### 1. ACCOUNTING POLICIES

#### Accounting convention

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

#### Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

#### 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	- 20% on cost
Computer equipment	- 33% on cost

#### Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

#### Pensions

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

### 2. STAFF COSTS

	2001 £	2000 £
Wages and salaries	4,555,433	883,774
Social security costs	15,378	12,493
Other pension costs	94,721	23,756
	<u>4,665,532</u>	<u>920,023</u>

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

	2001	2000
Marketing and administration	<u>51</u>	<u>14</u>



# NETIQ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30th June 2001

### 3. OPERATING LOSS

The operating loss is stated after charging:

	2001	2000
	£	£
Hire of plant and machinery	17,425	2,150
Depreciation - owned assets	154,535	29,470
Loss on disposal of fixed assets	1,554	-
Auditors' remuneration	4,500	3,000
	<u>177,014</u>	<u>34,620</u>
Directors' emoluments	<u>125,661</u>	<u>119,391</u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£	£
Bank interest	<u>383</u>	<u>5</u>

### 5. TAXATION

No liability to UK corporation tax arose on ordinary activities for the year ended 30th June 2001 nor for the year ended 30th June 2000.

### 6. ACQUISITION OF MISSION CRITICAL SOFTWARE (UK) LIMITED

At 1st July 2000 the company acquired the trade and net assets of Mission Critical Software (UK) Limited. The net assets and fair value at the date of transfer amounted to £104,601.

NETIQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30th June 2001

7. TANGIBLE FIXED ASSETS

	Improvements to property	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£	£
<b>COST:</b>					
At 1st July 2000	1,570	66,764	-	115,067	183,401
Additions	2,355	193,798	47,723	324,921	568,797
Disposals	-	-	(23,861)	(2,239)	(26,100)
At 30th June 2001	3,925	260,562	23,862	437,749	726,098
<b>DEPRECIATION:</b>					
At 1st July 2000	-	-	-	50,233	50,233
Charge for year	1,481	30,727	15,600	106,727	154,535
Eliminated on disposals	-	-	(7,800)	(746)	(8,546)
At 30th June 2001	1,481	30,727	7,800	156,214	196,222
<b>NET BOOK VALUE:</b>					
At 30th June 2001	2,444	229,835	16,062	281,535	529,876
At 30th June 2000	1,570	66,764	-	64,834	133,168

8. FIXED ASSET INVESTMENTS

		£
<b>COST:</b>		
Additions		4,894
		<u>          </u>
At 30th June 2001		4,894
		<u>          </u>
<b>NET BOOK VALUE:</b>		
At 30th June 2001		4,894
		<u>          </u>
		<u>          </u>
	2001	2000
	£	£
Unlisted investments	4,894	-
	<u>          </u>	<u>          </u>

# NETIQ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30th June 2001

### 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

	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 shares are wholly owned by NetIQ Limited.

### 9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Trade debtors	2,319,990	757,022
Other debtors	37,752	14,201
Amounts due to group undertakings	-	60,228
Prepayments	197,710	6,709
Amounts due to parent undertaking	209,319	-
Deposit held	137,129	116,678
	<u>2,901,900</u>	<u>954,838</u>

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loans and overdrafts (see note 11)	5,016	-
Trade creditors	218,473	35,058
Deferred income	2,553,218	370,059
Other creditors	-	891
Social security & other taxes	530,065	95,027
Amounts due to parent undertaking	-	1,161,132
Amounts due to group undertakings	260,786	-
Accrued expenses	682,193	132,045
	<u>4,249,751</u>	<u>1,794,212</u>

# NETIQ LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30th June 2001

### 11. LOANS AND OVERDRAFTS

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

	2001 £	2000 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>5,016</u>	<u>-</u>

### 12. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2001 £	2000 £
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 95134-1803, USA.

### 14. OTHER FINANCIAL COMMITMENTS

The Company has an annual commitment to pay accommodation charges until 2005 of £190,000 per annum and service charges of £44,000 per annum.

### 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Loss for the financial year	<u>(139,334)</u>	<u>(26,967)</u>
Net reduction of shareholders' funds	(139,334)	(26,967)
Opening shareholders' funds	<u>(129,102)</u>	<u>(102,135)</u>
Closing shareholders' funds	<u>(268,436)</u>	<u>(129,102)</u>
Equity interests	<u>(268,436)</u>	<u>(129,102)</u>