

JUNIPER NETWORKS (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2001



DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2001

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JUNIPER NETWORKS (UK) LIMITED

COMPANY INFORMATION

DIRECTORS

Lisa Berry (American)
Kenneth Sweeney (American)
Mark Burrows (British)
Marcel Gani (American)
Leonard Armstrong (American)
(resigned 30 June 2001)

JOINT SECRETARIES

Lisa Berry (American)
Baker and McKenzie

REGISTERED OFFICE

Juniper House,
Guildford Road,
Leatherhead,
Surrey KT22 9JH,
England.

REGISTERED NUMBER OF INCORPORATION

77042528

SOLICITORS

Baker and McKenzie,
100 New Bridge Street,
London EC4V 6JA,
England.

BANKERS

Bank of America,
1 Alie Street,
London E1 8DE,
England.

AUDITORS

Ernst & Young,
Chartered Accountants,
Ernst & Young Building,
Harcourt Centre,
Harcourt Street,
Dublin 2.

JUNIPER NETWORKS (UK) LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2001

The directors present herewith their report and audited financial statements for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The company is engaged in the sales and marketing of routers and internet infrastructure solutions.

REVIEW OF THE DEVELOPMENT OF THE BUSINESS AND STATE OF AFFAIRS AT 31 DECEMBER 2001

The profit and loss account for the year ended 31 December 2001 and the balance sheet at that date are set out on pages 6 to 12. The profit on ordinary activities for the year before taxation amounted to Stg£909,628, (prior period Stg£676,685). After deducting taxation of Stg£465,718, an amount of Stg£443,910 is available for retention.

DIVIDENDS AND RETENTION

The directors of the company do not propose the payment of a dividend for the year and Stg£443,910 has been taken to revenue reserves.

DIRECTORS

The present directors are as listed on page 2 and, unless otherwise indicated, have served throughout the year.

CHARITABLE DONATIONS

The company made no donations during the year for charitable purposes.

IMPORTANT EVENTS SINCE THE YEAR END

There were no important events since the year end.

DIRECTORS' REPORT

for the year ended 31 December 2001 (Continued)

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

United Kingdom company law requires the directors to prepare financial statements for each financial period 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and

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 which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in the United Kingdom and comply with the provisions of the Companies Act, 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Ernst & Young, Chartered Accountants, are willing to continue in office in accordance with Section 384 of the Companies Act, 1985, and a resolution to re-appoint them as auditors will be put to the members at the annual general meeting.

On behalf of the Board



Kenneth Sweeney
Director

30 October 2002

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
JUNIPER NETWORKS (UK) LIMITED**

We have audited the financial statements for the year ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet and related notes 1 to 15. These financial statements have been prepared in on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and 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 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

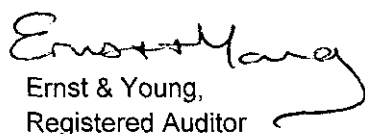
Basis of audit opinion

We conducted our audit in accordance with 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 company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.


Ernst & Young,
Registered Auditor

Dublin

12 November 2002

JUNIPER NETWORKS (UK) LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	Note	2001 (12 months) Stg£	2000 (15.5 months) Stg£
Turnover - continuing operations	1	19,102,176	14,210,376
Administrative expenses		(18,186,574)	(13,531,941)
Operating profit - continuing operations		915,602	678,435
Interest payable and similar charges	3	(5,974)	(1,750)
Profit on ordinary activities before taxation	4	909,628	676,685
Tax on profit on ordinary activities	5	(465,718)	(290,000)
Retained profit for the financial period		443,910	386,685
Profit brought forward at beginning of period		386,685	-
Profit carried forward at end of period		830,595	386,685

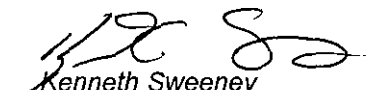
There are no recognised gains or losses in either period other than the profit attributable to shareholders of the company.

JUNIPER NETWORKS (UK) LIMITED

BALANCE SHEET at 31 December 2001

ASSETS EMPLOYED	Note	2001 Stg£	2000 Stg£
FIXED ASSETS			
Tangible assets	6	1,623,261	1,116,109
CURRENT ASSETS			
Debtors	7	217,300	6,464,433
Cash at bank and in hand		304,142	147,998
		521,442	6,612,431
CREDITORS (amounts falling due within one year)	8	(1,259,549)	(7,287,296)
NET CURRENT LIABILITIES		(738,107)	(674,865)
TOTAL ASSETS LESS CURRENT LIABILITIES		885,154	441,244
FINANCED BY			
CAPITAL AND RESERVES			
Called up share capital	9	100	100
Profit and loss account		830,595	386,685
Non distributable reserves	10	54,459	54,459
Shareholders' funds (all equity interests)	11	885,154	441,244

Approved by the Board on 30 October 2002


Kenneth Sweeney
Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2001

1. ACCOUNTING POLICIES

(a) *Accounting convention*

The financial statements are prepared under the historical cost convention.

(b) *Tangible fixed assets*

Tangible fixed assets are stated at cost net of accumulated depreciation. Depreciation is calculated to write off the cost of tangible fixed assets evenly over their expected useful lives as follows:

Leasehold improvements	5 years
Furniture and fittings	5 years
Computer equipment	3 years

(c) *Foreign currencies*

The financial statements are expressed in sterling (Stg£), the functional currency of the company.

Transactions during the period denominated in foreign currencies have been translated at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to sterling at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

(d) *Pension costs*

Pension benefits are funded over the employees' period of service by way of contributions to a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

(e) *Deferred taxation*

The company uses the liability method for deferred tax. Under this method, deferred taxation is determined based on differences between financial reporting the tax bases of assets and liabilities and is measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(f) *Leases*

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(g) *Turnover*

Turnover represents the amounts, excluding value added tax, receivable during the year for the provision of sales and marketing services to Juniper Networks Ireland Limited.

(h) *Cash flow statement*

Financial Reporting Standard Number 1 (Revised 1996), "Cash Flow Statements", exempts subsidiary undertakings from the requirement to prepare a cash flow statement where 90% or more 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 company has availed of this exemption.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2001 (Continued)

2. EMPLOYEES

The average number of persons employed by the company (including directors) during the period was as follows:

	2001 (12 months) Number	2000 (15.5 months) Number
Administration	20	3
Sales	30	15
	<u>50</u>	<u>18</u>

The staff costs comprise:

	Stg£	Stg£
Salaries	4,587,783	2,485,563
Social security costs	1,268,756	956,582
Other pension costs	236,440	39,512
	<u>6,092,979</u>	<u>3,481,657</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 (12 months) Stg£	2000 (15.5 months) Stg£
Bank overdraft interest	<u>5,974</u>	<u>1,750</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 (12 months) Stg£	2000 (15.5 months) Stg£
--	-----------------------------	-------------------------------

The profit on ordinary activities before taxation, all of which arises from continuing operations, is stated after charging:

Directors' remuneration	115,900	81,300
Auditors' remuneration	25,700	10,000
Depreciation	549,825	82,173
Operating lease rentals – Premises	178,676	35,215
Net foreign exchange loss	<u>20,484</u>	<u>229,195</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 (12 months) Stg£	2000 (15.5 months) Stg£
Taxation based on the profit for the period:		
UK Corporation tax at 30% (2000: 30%)	<u>465,718</u>	<u>290,000</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2001 (Continued)

6.	TANGIBLE FIXED ASSETS	Leasehold improvements Stg£	Furniture and fittings Stg£	Computer equipment Stg£	Total Stg£
	Cost				
	At 1 January 2001	505,724	5,300	687,258	1,198,282
	Additions during period	67,392	6,630	982,955	1,056,977
	At 31 December 2001	573,116	11,930	1,670,213	2,255,259
	Depreciation				
	At 1 January 2001	24,285	176	57,712	82,173
	Charged in period	114,170	2,166	433,489	549,825
	At 31 December 2001	138,455	2,342	491,201	631,998
	Net book amounts				
	At 31 December 2001	434,661	9,588	1,179,012	1,623,261
	At 31 December 2000	481,439	5,124	629,546	1,116,109

7.	DEBTORS	2001 Stg£	2000 Stg£
	<i>Amounts falling due within one year</i>		
	Prepayments	1,346	1,346
	Amounts owed from group companies	—	6,225,865
	VAT receivable	215,954	237,222
		217,300	6,464,433

8.	CREDITORS (amounts falling due within one year)	2001 Stg£	2000 Stg£
	Trade creditors	136,049	231,736
	Accruals	768,485	832,860
	Amounts owed to group undertaking	51,702	5,891,038
	Corporation tax	272,358	265,160
	Other taxation and social security	30,955	66,502
		1,259,549	7,287,296

NOTES TO THE FINANCIAL STATEMENTS

31 December 2001 (Continued)

9.	CALLED UP SHARE CAPITAL	2001	2000
		Stg£	Stg£
	<i>Authorised</i>		
	50,000 Ordinary shares of Stg£1 each	50,000	50,000
		<u> </u>	<u> </u>
	<i>Allotted, called up and fully paid</i>		
	100 Ordinary shares of Stg£1 each	100	100
		<u> </u>	<u> </u>
10.	NON DISTRIBUTABLE RESERVES	2001	2000
		Stg£	Stg£
	Balance at beginning of period	54,459	—
	Transfer of funds from parent undertaking	—	54,459
		<u> </u>	<u> </u>
		54,459	54,459
		<u> </u>	<u> </u>

In the period to 31 December 2000, Juniper Networks Inc. the company's parent undertaking, paid the initial set up costs of the business activity in the United Kingdom and in agreement with the Directors of the Company, an equivalent amount was transferred to non distributable reserves.

11.	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2001	2000
		Stg£	Stg£
	Shareholders' funds at beginning of period	441,244	—
	Share capital issued	—	100
	Profit for the financial period	443,910	386,685
	Non-distributable reserve	—	54,459
		<u> </u>	<u> </u>
	Shareholders' funds at end of period	885,154	441,244
		<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2001 (Continued)

12. COMMITMENTS

*Operating leases**Payable on leases on which the commitment expires*

*Land and
buildings
Stg£*

After more than five years

222,632

13. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to Stg\$236,440 (2000: Stg£39,512). Pension payment due to the scheme at the period end amounted to Stg£65,019 (2000: Stg£39,512).

14. RELATED PARTY TRANSACTIONS

The company has availed of the exemption provided in Financial Reporting Standard Number 8, "Related Party Disclosures", for subsidiary undertakings 90% or more of whose voting rights are controlled within the group, from the requirement to give details of transactions with entities that are part of the group or investees of the group qualifying as related parties.

15. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The ultimate controlling party and parent undertaking of the smallest and largest group of undertakings of which the company is a member, and for which group financial statements are drawn up, is Juniper Networks Inc., a company incorporated in the United States of America. Copies of its group financial statements are available from 1194 North Matilda Avenue, Sunnyvale, CA 94089, United States of America.

The company's immediate controlling party is Juniper Networks International Inc., a company incorporated in the United States of America.