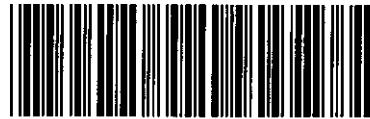


Packeteer UK, Limited
Director's Report and Financial Statements
For the year ended 31 December 2005

WEDNESDAY



A03X6LBC

A11

13/12/2006

394

COMPANIES HOUSE

Packeteer UK, Limited

Company Information

Directors	David Yntema Michael Myhre
Secretary	Nair Commercial Services Limited
Company Number	4070140
Registered Office	c/o Nair & Co Whitefriars Lewins Mead Bristol BS1 2NT
Auditors	Baker Tilly 1 Georges Square Bath Street Bristol BS1 6BP
Bankers	Barclays Bank Plc. Swindon Business Centre PO Box 1155 Chippenham SN15 3XR

Packeteer UK, Limited

Contents

	Page
Directors' report	1 - 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 – 12

Packeteer UK, Limited

Directors' Report For the year ended 31 December 2005

The directors present their report and the financial statements for the year ended 31 December 2005.

Principal activity and review of the business

The principal activity of the company is providing marketing services to its parent company, Packeteer Europe BV. The directors considered the results for the year to be satisfactory and anticipate similar levels of activity during 2006.

Results and dividends

The results for the year are set out on page 4. The directors do not recommend payment of a final dividend.

Directors and their interests

The directors who held office during the year were as follows :

- David Yntema
- Danielle Murcray (Resigned 24 October 2005)
- Michael Myhre (Appointed 24 October 2005).

None of the directors held shares in the company during the financial year.

Political and charitable contributions

The company made no political or charitable contributions during the year

Directors' responsibilities

UK Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 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 the system of internal controls, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Packeteer UK, Limited


**Directors' Report
For the year ended 31 December 2005**

continuation...

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Baker Tilly be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on October 27, 2006 and signed on its behalf by:


..... Secretary - Nair Commercial Services Limited
Nair Commercial Services Limited
Secretary

Independent Auditors' report to the shareholders of Packeteer UK, Limited

We have audited the financial statements on pages 4 to 12.

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 auditor's 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

The directors responsibilities for preparing the Annual Report and the financial statement in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bake Tilly
.....

Registered Auditor
Chartered Accountants
1 Georges Square
Bath Street
Bristol
BS1 6BP

27 October 2006

Packeteer UK, Limited

**Profit and Loss account
for the year ended 31 December 2005**

		31 December 2005	31 December 2004
	Notes	£	£
Turnover	2	1,287,102	1,558,973
Administrative expenses		<u>(1,249,445)</u>	<u>(1,512,259)</u>
Operating profit	3	37,657	46,714
Interest receivable and similar income	4	<u>25,447</u>	<u>848</u>
Profit on ordinary activities before taxation		<u>63,104</u>	<u>47,562</u>
Tax on profit on ordinary activities	8	<u>(22,793)</u>	<u>(13,955)</u>
Retained profit for the year		<u><u>40,311</u></u>	<u><u>33,607</u></u>

There are no recognized gains or losses in the period other than those disclosed in the profit and loss account.

All operations of the company continued throughout the period and no operations were acquired or discontinued.

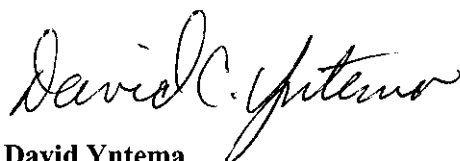
The notes on pages 6 – 12 form an integral part of the financial statements

Packeteer UK, Limited

Balance Sheet
as at 31 December 2005

		31 December 2005		31 December 2004	
	Notes	£	£	£	£
Fixed Assets	9		1,801		913
Current assets					
Debtors	10	759,066		571,418	
Cash at bank and in hand		6,622		52,438	
		<u>765,688</u>		<u>623,856</u>	
Creditors: amounts falling due within one year	12	(632,098)		(538,954)	
Net current assets			<u>133,590</u>		<u>84,902</u>
Total assets less current liabilities			<u>135,391</u>		<u>85,815</u>
Capital and reserves					
Called up share capital	13		10		10
Profit and loss account	15		<u>135,381</u>		<u>85,805</u>
Shareholders' funds	15		<u>135,391</u>		<u>85,815</u>

The financial statements were approved and authorized for issue by the Board on October 23, 2006 and signed on its behalf by



David Yntema
Director

Packeteer UK, Limited
Notes to the Financial Statement
for the year ended 31 December 2005

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

1.1 Basis of preparation

The financial statements are prepared under the historical cost accounting rules and in accordance with applicable accounting standards.

The directors have prepared the accounts on a going concern basis, which assumes that the company will achieve sufficient financial resources, in order to meet its short and medium term liability requirements. The company relies on the support of its parent company, Packeteer Europe BV who have confirmed that they will continue to do this for the foreseeable future.

Packeteer UK Limited is included in the consolidated financial statements of Packeteer Europe BV which are publicly available. Consequently the company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996).

1.2 Turnover

Turnover represents the amounts (excluding value added tax) derived from its principal activity wholly undertaken in the UK.

1.3 Leasing

When the company has substantially all the risk and rewards of ownership of an asset subject to lease, the lease is treated as a financial lease with the equivalent of cost recorded as a fixed asset and a liability. Depreciation is provided in line with the company accounting policy for the underlying assets. Finance charges, included interest, are allocated over each lease to produce a constant rate of charge on the outstanding balance.

Other leases are classified as operating leases and lease payments are charged to the profit and loss account in the period during which they are incurred.

1.4 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

1.5 Deferred taxation

Deferred taxation is provided in full on the timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallize based on current tax rates and law. Deferred tax assets and liabilities are not discounted.

Packeteer UK, Limited
Notes to the Financial Statement
for the year ended 31 December 2005

1.6 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. All differences are taken to the Profit and Loss Account.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less residual value over the expected useful life of each asset as follows:

Computers & Equipment – 3 years straight line basis

1.8 Pension costs

The company makes monthly contributions into the personal pension schemes of certain employees. The pension costs are charged to the profit and loss account as they become due.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK

3. Operating profit

	31 December 2005 £	31 December 2004 £
Operating profit is stated after charging/ (crediting):		
Auditors' remuneration	4,000	3,850
Foreign currency gain	(5,829)	(73,999)
Hire of plant and machinery – rentals payable under operating leases	22,080	18,640
Hire of other assets – operating leases	1,806	1,733
	<u> </u>	<u> </u>

4. Interest receivable and similar income

	31 December 2005 £	31 December 2004 £
Bank interest	963	848
Interest on Intercompany balances	24,484	-
	<u>25,447</u>	<u>848</u>

Packeteer UK, Limited
Notes to the Financial Statement
for the year ended 31 December 2005

5. Employees

Number of employees

The average monthly number of employees during the year, analysed by category, was as follows:

	31 December 2005	31 December 2004
Sales and marketing	5	6
Technical support	3	1
Total	<u>8</u>	<u>7</u>

	31 December 2005	31 December 2004
Employment costs	£	£
Wages and salaries	700,718	997,027
Social Security cost	91,086	136,914
	<u>791,804</u>	<u>1,133,941</u>

6. Directors' emoluments

The directors did not receive any emoluments from the company during the year.

7. Pension costs

The total pension contribution for the year was £34,000 (2004: £40,378), £3,336 of which was unpaid at the year end (2004: £Nil).

8. Taxation

	31 December 2005	31 December 2004
a. UK current year taxation	£	£
UK corporation tax charge for the year	15,334	2,661
Tax relief on employee shares (refer to note 18)	9,264	14,590
Over provision of corporation tax for previous year	(1,043)	(3,195)
	<u>23,555</u>	<u>14,056</u>
Deferred taxation		
Movement on deferred tax asset	(762)	(101)
	<u>22,793</u>	<u>13,955</u>
Tax on profit on ordinary activities	<u>22,793</u>	<u>13,955</u>

Packeteer UK, Limited
Notes to the Financial Statement
for the year ended 31 December 2005

b. Factors affecting tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

Current tax reconciliation:	31 December 2005 £	31 December 2004 £
Profit on ordinary activities before tax	63,104	47,562
Tax at 30% (2004: 30%)	18,931	14,269
Effects of:		
Capital allowance in excess of depreciation	25	(76)
Expenses not deductible for tax purposes	6,483	4,499
Marginal relief	(841)	(1,441)
Adjustments in respect of prior periods	(1,043)	(3,195)
Total current tax charge	<u>23,555</u>	<u>14,056</u>

9. Fixed assets

	Computer Equipment £
Original Cost	
As at 1 January 2005	2,265
Additions	<u>2,321</u>
As at 31 December 2005	4,586
Depreciation	
As at 1 January 2005	1,352
Charge for the year	<u>1,433</u>
As at 31 December 2005	2,785
NBV as at 31 December 2005	1,801
NBV as at 31 December 2004	<u>913</u>

10. Debtors

	31 December 2005 £	31 December 2004 £
Amounts owed by group undertakings	736,463	548,035
Other debtors	15,708	15,440
Prepayments and accrued income	6,895	6,158
Corporation tax	-	1,785
	<u>759,066</u>	<u>571,418</u>

Other debtors includes an amount of £1,395 (2004: £633) recoverable after more than one year (refer to note 11).

Packeteer UK, Limited
Notes to the Financial Statement
for the year ended 31 December 2005

11. Long term debtor

This balance relates wholly to deferred taxation. The movement in deferred taxation during the current year was as follows :

Deferred taxation asset

	Provided 31 December 2005 £	Provided 31 December 2004 £
Balance at 1 January 2005	633	532
Profit and loss account	<u>762</u>	<u>101</u>
Balance at 31 December 2005	<u>1,395</u>	<u>633</u>

12. Creditors: amounts falling due within one year

	31 December 2005 £	31 December 2004 £
Amounts owed to parent undertaking	424,934	231,806
Social security and other taxes	45,347	113,108
Corporation tax	15,182	-
Accruals and deferred income	143,299	191,538
Other creditors	<u>3,336</u>	<u>2,502</u>
	<u>632,098</u>	<u>538,954</u>

13. Share capital

	31 December 2005 £	31 December 2004 £
Authorised		
Equity: 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
Equity: 10 Ordinary shares of £1 each	<u>10</u>	<u>10</u>

Packeteer UK, Limited
Notes to the Financial Statement
for the year ended 31 December 2005

14. Financial commitments

At 31 December 2005, the company had commitments under non-cancellable operating leases expiring as follows:

	31 December 2005		31 December 2004	
	Land & Buildings £	Others £	Land & Buildings £	Others £
2 – 5 years	<u>1,806</u>	<u>12,764</u>	<u>1,806</u>	<u>19,247</u>

15. Reconciliation of movements in shareholder funds

	31 December 2005 £	31 December 2005 £	31 December 2005 £	31 December 2004 £
	Share Capital	Profit & Loss Reserve	Total	Total
Profit for the year	-	40,311	40,311	33,607
Tax relief on employee shares	-	9,265	9,265	17,836
Net addition to shareholders' funds	-	49,576	49,576	51,443
Opening shareholder's funds	<u>10</u>	<u>85,805</u>	<u>85,815</u>	<u>34,372</u>
Closing shareholders' funds	<u>10</u>	<u>135,381</u>	<u>135,391</u>	<u>85,815</u>

16. Related party transactions

Packeteer UK Limited, a wholly owned subsidiary of Packeteer Europe BV has taken advantage of the exemption available under Financial Reporting Standard No. 8 not to disclose transactions with other 90% members of the group.

The whole of the company's turnover arises from transactions with Packeteer Europe BV.

17. Ultimate parent company and parent undertaking of larger group of which the company is a member.

The company is a subsidiary undertaking of Packeteer Europe BV, incorporated in The Netherlands.

The largest group in which the results of the company are consolidated is that headed by Packeteer, Inc incorporated in the United States of America. The consolidated accounts of this company are available to the public and may be obtained from 10210 N. De Anza Boulevard, Cupertino, CA 95014 USA. No other group accounts include the results of the company.

Packeteer UK, Limited
Notes to the Financial Statement
for the year ended 31 December 2005

18 ESPP SCHEME

The company operates an ESPP (Employee Share Purchase Plan) whereby the employees of the company are given the option to purchase shares in the ultimate parent company, Packeteer Inc., at a discounted price.

The scheme operates so that employees can purchase the shares at 6 monthly intervals (Jan and July). During the year ended 31 December 2005 the employees acquired a total of 8,244 shares (2004: 6,375 shares) in Packeteer, Inc.