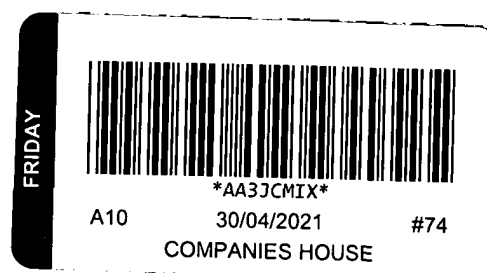


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**FORTINET UK LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



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**FORTINET UK LIMITED**

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**COMPANY INFORMATION**

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**Directors**

J L Whittle  
K F Jensen  
L M Cayanan (appointed 20 June 2019)

**Registered number**

04570027

**Registered office**

Gainsborough House 2 Manor Park  
Manor Farm Road  
Reading  
Berkshire  
RG2 0NA

**Independent auditors**

Mazars LLP  
Chartered Accountants & Statutory Auditor  
The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

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**FORTINET UK LIMITED**

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## **FORTINET UK LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **Introduction**

The Directors present their Strategic Report for Fortinet UK Limited ("the Company") for the year ended 31 December 2019.

#### **Business review**

The Company continued its principal activities throughout the current year as providing marketing, pre-sales and sales support for Fortinet Inc. Group.

As reported in the Company's Statement of Comprehensive Income, the Company's revenue has increased to £79.95m (2019) from £69.17m (2018), showing 15.6% growth year over year. The entire revenue for Fortinet UK Limited is derived from services provided to Fortinet Inc., the ultimate parent company. The increase in revenue is primarily due to the increase in services provided by the Company to Fortinet Inc., as the group as a whole continues to expand its operations.

Results after tax reported a loss of £4.75m which compares with a loss of £6.27m in 2018.

The Statement of Financial Position shows that the Company's net assets at the year end of 31 December 2019 have increased to £20m (2019) from £14.64m (2018).

#### **Principal risks and uncertainties**

The management continually monitor the key risks facing the Company together with assessing controls used for managing these risks. The Board of Directors formally reviews and documents the principal risks facing the business at least annually.

The principal risks and uncertainties facing the Company are as follows:

- Future circumstances may differ to include general economic risks as well as specific economic risks, uncertainty regarding increased business;
- Technological changes that make the Group's products and services less competitive, as well as the risk associated with the adoption of and the demand for UTM model in general;
- The entire revenue for Fortinet UK Limited is derived from services provided to Fortinet Inc., the ultimate parent company. The Directors are aware of this arrangement and consider it to be the most appropriate business model.

The financial statements of Fortinet Inc. are publicly available in the United States of America. These state the key risks to the group as a whole.

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## **FORTINET UK LIMITED**

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### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **Financial key performance indicators**

Management use a range of performance measures to monitor and manage the business. The financial key performance indicators as set out below:

- Working capital - The Company defines working capital as current assets less current liabilities. This financial metric represents operating liquidity available to the business.
- Free cash flow - The Company defines free cash flow as net cash provided by operating activities less capital expenditures. The Company considers free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after the acquisition of property and equipment, can be used for strategic opportunities, including investing in business, making strategic acquisitions, and strengthening the financial position of the Company.

#### **Section 172 Statement**

We understand that, as a business, we affect the lives of people both within and outside the business and have an impact on society and our local communities. We try to understand and contribute positively to these and to take their interests into account in our business decisions.

In this section we describe who our key stakeholders are and how the business has engaged with them.

#### **Employees**

Our employees are our key resource and at Fortinet, we are focused on ensuring a culture of ethical business practices, and we expect all employees to do their part to continue to build an extremely ethical, highly reputable business.

In keeping with our commitment to the communities in which we do business, Fortinet is an equal employment opportunity employer. We comply with laws regarding the employment of persons on the basis of merit and business needs, and we do not make employment decisions on the basis of factors that are protected by applicable laws.

To support our employees we are building a diverse, inclusive and fair workplace, a true meritocracy which empowers individuals to reach their full potential.

We also seek to provide a safe and supportive working environment. In particular, as the COVID -19 situation has evolved, we have taken a number of actions to protect our employees, including restricting travel and encouraging our employees to work from home. Where onsite work is permitted, we have implemented measures such as rotational work patterns, social distancing, health safety awareness training and frequent disinfection of shared spaces. We have implemented our readiness plans, which include steps to maintain critical internet infrastructure with most employees working remotely. We have neither used the furlough scheme nor laid off any employees as a direct result of the COVID-19 pandemic, and we do not anticipate any COVID-19 related layoffs for the foreseeable future.

We engage with employees on an ongoing basis through our annual appraisal system, regular team meetings, and company communications. Every quarter-end there is a worldwide company meeting. Through our company intranet we deliver leadership communications, employees' resources and sales and training tools. During 2020 we have also rolled out training on health and safety measures and on-line safety precautions during COVID.

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**FORTINET UK LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Section 172 Statement (continued)**

**Partners**

Fortinet Inc. operates a two tier distribution model. The company supports its distribution partners to assist them in promoting their own sales to end customers. Our partners are the resellers and distributors who sell Fortinet Group's products to end customers. Fortinet Group's products are highly technical and our support is vital to the sales process. We regularly engage with our partners throughout the end to end sales process. We continually engage with our partners and their comments and feedback are taken into account in the development and evolution of our service and the group's products.

**Communities**

Fortinet supports its local communities through our philanthropic contributions, matching of employee contributions to charities, and offering employees the opportunity to volunteer during working time. During 2020, in response to COVID, we have expanded our charitable gift matching scheme substantially, matching contributions by employees to organisations dealing with the effects of COVID up to \$2,000 per employee. We have also provided free information technology security training to the public, aimed at helping students and professionals augment their security skill sets to open career opportunities and to help narrow the security skills gap. As of August 6, 2020, there have been over 500,000 registrations globally for our free online trainings since we launched the program.

**Environment**

The company's direct environmental impact is limited, comprising mainly energy use in the office and travel. Nevertheless the company seeks to minimise energy use where this is possible and to minimise waste and energy use and to maximise recycling. We extend our stringent requirements in regard to packaging and recycling to our supply chain partners.

**Shareholder**

The directors of Fortinet UK Ltd are also the directors of Fortinet Inc. Engagement with the company's shareholder is therefore continuous. When acting as directors of Fortinet UK Ltd however, the board's principal considerations are for their duties to the company, taking regard of the factors noted in s172.

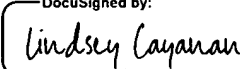
The company provides a return to its shareholder through its marketing support activities which are financed on a cost recovery basis and does not expect to pay dividends.

**Decisions**

During 2020 as the severity of the impact of Coronavirus became apparent, the company considered the application of the UK's furlough scheme, however the directors decided against this having taken into account the interests of the company's employees and the strength of the company's business.

This report was approved by the board and signed on its behalf.

**L M Cayan**  
Director

DocuSigned by:  
  
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Date:

4/29/2021

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## **FORTINET UK LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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The Directors present their report and the financial statements for the year ended 31 December 2019.

#### **Directors' responsibilities statement**

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

#### **Branches outside the UK**

The Company operated during the year through payroll offices in Poland, Austria and Finland and branches in Saudi Arabia, Italy, Sweden and Switzerland. The Italian Branch has not been active during the year and it will be liquidated in 2021.

#### **Results and dividends**

The loss for the year, after taxation, amounted to :£4.75m (2018 - loss of £6.27m).

#### **Directors**

The Directors who served during the year were:

J L Whittle  
K F Jensen  
L M Cayan (appointed 20 June 2019)

#### **Future developments**

The Directors consider that the forthcoming financial year will be another year of increased operational growth. The aim is to expand brand awareness and sales capacity. Overall, the Directors believe that the Company will be able to support business growth of Fortinet Inc., the ultimate parent company.

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**FORTINET UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Disclosure in the strategic report**

As permitted by paragraph 1A of Schedule 7 to the Large and Medium sized companies and groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on page 1-3. These matters relate to the principal activity, business review, principal risks and uncertainties and financial key performance indicators.

**Employee involvement**

The Company is an equal opportunities employer and its policies for recruitment, training, career development and promotion of employees are based on the relevant merits and abilities of the individuals concerned.

Details of the number of employees and related costs can be found in notes 6 and 7 to the financial statements.

**Disabled employees**

Disabled employees are given full and fair consideration for all types of vacancy. Should an existing employee become disabled, such steps as are practical and reasonable are taken to retain him or her in employment. Where appropriate, assistance with rehabilitation and suitable training are given. Disabled persons have equal opportunities for training, career development and promotion, except insofar as those may be constrained by the practical limitations of their disability

**Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company, its cashflow and liquidity position are outlined in the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity on pages 10-12.

The Company has sufficient financial resources for its operations given the ongoing parental support and, as a consequence, the Directors believe that the Company is well placed to manage the business risks despite the current uncertain economic climate. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Disclosure of information to auditors**

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



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**FORTINET UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Impact of Covid-19**

The global community is facing unprecedented challenges posed by the COVID-19 pandemic. In response to the pandemic, the top management has taken a number of actions to protect the employees, including restricting travel and directing most of the employees to work from home. Where onsite work is permitted, we have implemented measures such as staggered work shifts, social distancing, the use of face coverings, health safety awareness training and frequent disinfection of shared spaces. We have implemented our readiness plans, which include steps to maintain critical internet infrastructure with many employees working remotely.

While the broader implications of the COVID-19 pandemic on our employees and overall financial performance remain uncertain, we have seen certain impacts on our business and operations, results of operations, financial condition, cash flows, liquidity and capital and financial resources as of and during the year ended December 31, 2020. Conversely, some aspects of our business do not appear to have been significantly affected. During the year ended December 31, 2020, we have observed the following:

In most countries, our employees ability to travel was reduced. In-person sales and marketing events or meetings that would normally have been held were canceled, postponed or converted into virtual events. As a result, expenses related to travel and marketing events decreased significantly. To the extent that it becomes safe for our employees to travel and for us to hold or attend marketing events, these expenses may increase in the future, although we cannot predict if or when such expenses will increase or return to pre-pandemic levels.

Going forward, however, the situation is uncertain, rapidly changing, and hard to predict, and the COVID-19 pandemic may have a material negative impact on our future periods. The broader implications of the pandemic on our business and operations and our financial results, including the extent to which the effects of the pandemic will impact future results and growth in the cybersecurity industry, remain uncertain. The duration and severity of the economic downturn from the pandemic may negatively impact our business and operations, results of operations, financial condition, cash flows, liquidity and capital and financial resources in a material way. As a result, the effects of the pandemic may not be fully reflected in our results of operations until future periods.

**Post balance sheet events**

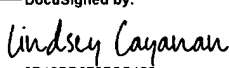
There is uncertainty relating to the outcome of Covid-19, however management has not made any provision or adjustment regarding this as this is a non-adjusting event. For further information on the impact of Covid-19 in the year, please see above.

**Auditors**

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

**L M Cayan**  
Director

DocuSigned by:  
  
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Date:

4/29/2021

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**FORTINET UK LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTINET UK LIMITED**

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**Opinion**

We have audited the financial statements of Fortinet UK Limited (the 'Company') for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements**

In forming our opinion on the Company financial statements, which is not modified, we draw your attention to the Directors' view on the impact of COVID-19 as disclosed on page 6, and the consideration in the going concern basis of preparation on page 14 and non-adjusting post balance sheet events on page 30.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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**FORTINET UK LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTINET UK LIMITED**

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**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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**FORTINET UK LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTINET UK LIMITED**

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**Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.


**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of the audit report**

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

  
Stephen Brown (Apr 29, 2021 18:58 GMT+1)

Stephen Brown (Senior statutory auditor)

for and on behalf of

Mazars LLP  
Chartered Accountants and Statutory Auditor  
The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

Date: Apr 29, 2021

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**FORTINET UK LIMITED**


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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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	<b>Note</b>	<b>2019 £000</b>	<b>2018 £000</b>
Turnover	<b>3</b>	79,950	69,165
<b>Gross profit</b>		<u>79,950</u>	<u>69,165</u>
Administrative expenses		(84,060)	(74,937)
<b>Operating loss</b>	<b>4</b>	<u>(4,110)</u>	<u>(5,772)</u>
Interest receivable and similar income	<b>8</b>	1	3
Interest payable and expenses	<b>9</b>	(9)	-
<b>Loss before tax</b>		<u>(4,118)</u>	<u>(5,769)</u>
Tax on loss	<b>10</b>	(628)	(496)
<b>Loss for the financial year</b>		<u>(4,746)</u>	<u>(6,265)</u>
<b>Other comprehensive income for the year</b>			
Exchange difference on reserves		(173)	30
<b>Other comprehensive (loss)/income for the year</b>		<u>(173)</u>	<u>30</u>
<b>Total comprehensive loss for the year</b>		<u>(4,919)</u>	<u>(6,235)</u>

The notes on pages 13 to 30 form part of these financial statements.

**FORTINET UK LIMITED**  
**REGISTERED NUMBER: 04570027**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Tangible assets	11	1,868	820
Investments	12	807	42
		<u>2,675</u>	<u>862</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	11,057	9,587
Cash at bank and in hand	14	16,145	13,863
		<u>27,202</u>	<u>23,450</u>
Creditors: amounts falling due within one year	15	(9,902)	(9,672)
<b>Net current assets</b>		<u>17,300</u>	<u>13,778</u>
<b>Total assets less current liabilities</b>		<u>19,975</u>	<u>14,640</u>
<b>Net assets</b>		<u><u>19,975</u></u>	<u><u>14,640</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	100	100
Other reserves	18	43,306	33,052
Profit and loss account	18	(23,431)	(18,512)
		<u>19,975</u>	<u>14,640</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

**L M Cayanan**  
 Director

DocuSigned by:

*Lindsey Cayanan*  
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Date: 4/29/2021

The notes on pages 13 to 30 form part of these financial statements.

**FORTINET UK LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Called up share capital</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2019	100	33,052	(18,512)	14,640
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(4,746)	(4,746)
Currency translation differences	-	-	(173)	(173)
<b>Total comprehensive income for the year</b>	-	-	(4,919)	(4,919)
Movement in share option reserve	-	10,254	-	10,254
<b>Total transactions with owners</b>	-	10,254	-	10,254
<b>At 31 December 2019</b>	<b>100</b>	<b>43,306</b>	<b>(23,431)</b>	<b>19,975</b>

The notes on pages 13 to 30 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Called up share capital</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2018	100	23,718	(12,277)	11,541
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(6,265)	(6,265)
Currency translation differences	-	-	30	30
<b>Total comprehensive income for the year</b>	-	-	(6,235)	(6,235)
Movement in share option reserve	-	9,334	-	9,334
<b>Total transactions with owners</b>	-	9,334	-	9,334
<b>At 31 December 2018</b>	<b>100</b>	<b>33,052</b>	<b>(18,512)</b>	<b>14,640</b>

The notes on pages 13 to 30 form part of these financial statements.

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## **FORTINET UK LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **1. Accounting policies**

##### **1.1 General Information**

Fortinet UK Limited is a private company, limited by shares and incorporated in England and Wales. The address of its registered office and principal place of business is Gainsborough House 2 Manor Park, Manor Farm Road, Reading, Berkshire, RG2 0NA. The Company's registered number is 04570027.

Fortinet UK does not perform any sales directly to the end-users but serves as a sales representative and technical support provider on behalf of Fortinet Inc. The Company has branches in Sweden, Saudi Arabia, Italy and Switzerland.

These financial statements have been presented in Pounds Sterling (£), as this is the currency of the primary economic environment in which the Company operates.

Fortinet UK Limited is included in the consolidated financial statements of Fortinet Inc. Fortinet UK Limited has taken advantage of the exemption available under section 401 of Companies Act 2006 not to prepare consolidated financial statements.

##### **1.2 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

##### **1.3 Financial reporting standard 102 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Fortinet Inc. as at 31 December 2019 and these financial statements may be obtained from 899 Kifer Road, Sunnyvale, CA 94086, USA. This is the smallest and largest group the Company is consolidated in.



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**FORTINET UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. Accounting policies (continued)**

**1.4 Going concern**

These financial statements have been prepared on a going concern basis.

The Directors have carefully considered the risks they are exposed to, including an assessment of uncertainty on future trading projection for a period of at least twelve months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis.

Based on this assessment, the Directors consider that the Company maintains an appropriate level of liquidity, sufficient to meet the demands of the business.

The Company's assets are assessed for recoverability on a regular basis, and the Directors consider that the Company is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The Directors have considered the impact of the continuation of the Covid-19 pandemic on the business based on their understanding of its likely effect and duration at this point of time and consider it appropriate to prepare these accounts on a going concern basis.

**1.5 Revenue**

The Company acts as a sales representative and technical support provider on behalf of Fortinet Inc. The Company does not perform any sales to the end users.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The Company continued its principal activities throughout the current year as a sales representative and technical support provider on behalf of Fortinet Inc. The Company does not perform any sales to the end users, distributors or partners. The entire revenue for the Company is derived from services provided to Fortinet Inc. The Company is an indirect subsidiary of Fortinet Inc. (listed company based in USA).

From the start, the Fortinet Group vision has been to deliver broad, truly integrated, high-performance security across the IT infrastructure. Fortinet Group provides top-rated network and content security, as well as secure access products that share intelligence and work together to form a cooperative fabric. Fortinet unique security fabric combines purpose-built ASICs, an intuitive operating system, and applied threat intelligence to give proven security, exceptional performance, and better visibility and control-while providing easier administration.

**1.6 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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**FORTINET UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. Accounting policies (continued)**

**1.6 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following bases.

Leasehold Improvements	- Shorter of useful life or term of the lease
Computer equipment	- 50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Depreciation is charged to administrative expenses in the Statement of Comprehensive Income.

**1.7 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

**1.8 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

**1.9 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**1.10 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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**FORTINET UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. Accounting policies (continued)****1.11 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an assets carrying amount and the present value of estimated cash flows discounted at the assets original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an assets carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**1.12 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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**FORTINET UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. Accounting policies (continued)**

**1.13 Foreign currency translation**

*Functional and presentation currency*

The Company's functional and presentational currency is Pounds Sterling (£).

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using daily average exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

**1.14 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**1.15 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

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**FORTINET UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. Accounting policies (continued)**

**1.15 Share based payments (continued)**

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

**1.16 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**1.17 Taxation**

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

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**FORTINET UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Judgements in applying accounting policies and key sources of estimation uncertainty**

The critical judgements that the Directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

**(i) Assessing indicators of impairment**

In assessing whether there have been any indicators of impairment assets, the Directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(ii) Estimating value in use**

Where an indication of impairment exists the Directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

**(iii) Determining residual values and useful economic lives of property, plant and equipment**

The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

The Company uses the Black-Scholes option pricing model, on Non-qualified stock options, which employs assumptions based on expected dividend, expected volatility, risk-free interest rate and expected term. More details of these assumption are disclosed in Note 17.

**(iv) Determining fair value of the stock options**

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the Company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

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**FORTINET UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**3. Turnover**

The whole of the turnover is attributable to the principal activity of the business.

Analysis of turnover by country of destination:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
United States of America with Fortinet Inc	79,950	69,165

In the prior year, the revenue was all attributable to Fortinet Singapore PTE.

**4. Operating loss**

The operating loss is stated after charging/(crediting):

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Depreciation of tangible fixed assets	483	501
Operating lease rentals	1,718	1,629
Share based payments	10,254	9,334
Exchange differences	(1,396)	463

**5. Auditors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	18	15
<b>Fees payable to the Company's auditor in respect of:</b>		
Non-audit fees	29	9

**6. Employees**

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Administration and sales support and account management	433	368

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**FORTINET UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**7. Staff costs**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Wages and Salaries	50,387	43,359
Social Security costs	6,366	5,728
Pension costs	2,711	2,342
	<u>59,464</u>	<u>51,429</u>

No Director received any emoluments from the Company (2018 - £Nil). The emoluments of the Directors are disclosed in the financial statements of the parent company, Fortinet Inc.

**8. Interest receivable**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Other interest receivable	<u>1</u>	<u>3</u>

**9. Interest payable and similar expenses**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Bank interest payable	<u>9</u>	<u>-</u>



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**FORTINET UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**10. Taxation**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation tax</b>		
Current tax on loss for the year	628	295
	<u>628</u>	<u>295</u>
Double taxation relief	(69)	(295)
	<u>559</u>	<u>-</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	69	528
	<u>69</u>	<u>528</u>
<b>Total current tax</b>	<u>628</u>	<u>528</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(32)
<b>Total deferred tax</b>	<u>-</u>	<u>(32)</u>
<b>Taxation on profit on ordinary activities</b>	<u>628</u>	<u>496</u>

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**FORTINET UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**10. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	<b>2019 £000</b>	<b>2018 £000</b>
Loss on ordinary activities before tax	(4,118)	(5,769)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(778)	(1,096)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(884)	1,321
Capital allowances for year in excess of depreciation	(27)	65
Foreign tax credits	(69)	233
Deferred tax not recognised	(4)	(27)
Double taxation relief	69	-
Transfer Pricing adjustments	2,321	-
<b>Total tax charge for the year</b>	<b>628</b>	<b>496</b>

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**FORTINET UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**11. Tangible fixed assets**

	<b>Leasehold improvements £000</b>	<b>Computer equipment £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 January 2019	2,133	260	2,393
Additions	1,454	15	1,469
Exchange adjustments	69	7	76
At 31 December 2019	<u>3,656</u>	<u>282</u>	<u>3,938</u>
<b>Depreciation</b>			
At 1 January 2019	1,339	234	1,573
Charge for the year on owned assets	459	24	483
Exchange adjustments	6	8	14
At 31 December 2019	<u>1,804</u>	<u>266</u>	<u>2,070</u>
<b>Net book value</b>			
At 31 December 2019	<u>1,852</u>	<u>16</u>	<u>1,868</u>
At 31 December 2018	<u>794</u>	<u>26</u>	<u>820</u>

**12. Fixed asset investments**

	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 January 2019	42
Additions	765
At 31 December 2019	<u>807</u>

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**FORTINET UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**12. Fixed asset investments (continued)****Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Fortinet Sarl	905 rue Albert Einstein, 06560, Valbonne, France.	Ordinary	100%
Fortinet GmbH	Furstenrieder Str. 273, 81377 Munchen, Germany.	Ordinary	100%
Fortinet Security Italy SRL	Via del Casale Solaro, 119, 00143, Roma, Italy.	Ordinary	100%
Fortinet Security Spain S.L.	Avenida Europe, 24-Edif.B,Pt.2-B,28108 Alcobendas, Madrid, Spain.	Ordinary	100%
Fortinet Security Israel Ltd	25 Efal Street, Petah Tikva, 46722, Israel.	Ordinary	100%
Fortinet Korea	15th Fl. Haeam Bldg., 983-1, Daechi-dong, Gangnam Gu, Seoul, Korea 135-280.	Ordinary	100%
Fortinet Security LLC (Qatar)	Office 924, 9th Floor, Al Fardan Office Tower, Al Funduq 61, West Bay.	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

<b>Name</b>	<b>Aggregate of share capital and reserves £000</b>	<b>Profit/(Loss) £000</b>
Fortinet Sarl	9,331	1,236
Fortinet GmbH	3,352	749
Fortinet Security Italy SRL	1,491	122
Fortinet Security Spain S.L.	1,353	(560)
Fortinet Security Israel Ltd	1,214	223
Fortinet Security Korea Ltd *	-	-
Fortinet Security LLC (Qatar)	12	226

\* Dormant company with no trading in the current or prior year.

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**FORTINET UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**13. Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by group undertakings	9,175	8,494
Other debtors	1,240	584
Prepayments and accrued income	642	509
	<u>11,057</u>	<u>9,587</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

**14. Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	16,145	13,863
	<u>16,145</u>	<u>13,863</u>

The Company had the following guarantees in effect at year end:

- Guarantee dated 11 December 2014 in favour of Giambelli Spa for EUR 50k
- Guarantee dated 02 April 2015 in favour of Propco Citygate S.A.R.L for EUR 37k

The Company had the following securities held at year end:

- Agreement regarding specific Credit Balance(s) dated 26 November 2014
- Letter of set-off dated 26 April 2004
- Composite Company Limited Multilateral Guarantee dated 11 May 2017 given by Fortinet Inc.

The Company had the following loans, overdrafts and limits at year end:

- Class guarantee facility of £87k
- Facilities due for review June 2020

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**FORTINET UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**15. Creditors: Amounts falling due within one year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	274	103
Taxation and social security	995	2,116
Other creditors	67	9
Accruals and deferred income	8,566	7,444
	<u>9,902</u>	<u>9,672</u>

**16. Share capital**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Allotted, called up and fully paid</b>		
100,000 (2018 - 100,000) Ordinary shares shares of £1.00 each	<u>100</u>	<u>100</u>

The Company has one class of ordinary shares which carry voting rights but no right to fixed income.

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## **FORTINET UK LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **17. Share based payments**

The parent company, Fortinet Inc, operates an Employee non-qualified share option scheme which is open to group employees. For the employee share option scheme the options are exercisable at a price equal to the Company's share price at the date of grant.

There are also restricted stock unit award schemes in place for employees.

#### **Non-qualified stock options**

The fair value of the share options has been determined by applying a Black-Scholes model which has no vesting restrictions and is fully transferable. For all share options the Company recognises an expense over the requisite service period using the straight line method.

Share options are cancelled if the employee leaves the Company before the options vest. To allow for the effects of early exercise, the expected life has been adjusted based on management's best estimate for exercise restrictions and behavioural considerations.

In determining the fair value of the stock options, the Black-Scholes option pricing model, which employs the following assumptions:

**Expected Dividend** — The expected dividend weighted-average assumption is zero.

**Expected Volatility** — The computation of expected volatility for the periods presented includes the historical and implied stock volatility of comparable companies from a representative peer group. The group is selected based on industry and market capitalization data and weighted historical volatility following the initial public offering in November 2009.

**Risk-Free Interest Rate** — This is based on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term.

**Expected Term** — The expected term represents the period that the stock-based awards are expected to be outstanding. As there is not sufficient historical experience for determining the expected term of the stock option awards granted, therefore it is based on the expected term on the simplified method, which is calculated as the average weighted vesting period and contractual life.

#### **Restricted stock units**

The fair value of each restricted stock unit is the market price of the parent company's stock on the date of grant.

The restricted stock units held in the Saudi Arabia branch are cash settled rather than equity settled, and the fair value of these is the market price of the parent company's stock as at the balance sheet date.

#### **Employee Share Purchase Plan**

The Employee Share Purchase Plan (the "ESPP") enables eligible employees to purchase the ultimate parent company's common stock through periodic payroll deductions at a price per share equal to 85% of the lower of the fair market value of the common stock at the beginning or end of each offering period. Each offering period of the ESPP lasts 6 months.

The ESPP scheme was closed in 2018.

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**FORTINET UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**18. Reserves****Other reserves**

This reserve represents the share based payment reserve in accordance with FRS 102.

**Profit & loss account**

This reserves represents cumulative profits and losses, after deductions of dividends paid.

**19. Contingent liabilities**

On 21 November 2018, HMRC opened an initial investigation regarding their concerns about the intra group transactions on a global basis. The Directors, and their external advisors, believe that the investigation will be settled satisfactorily but discussions are ongoing. Therefore, the Directors have not recognised any provision for any potential liability in the financial statements. A conclusion is expected to be reached during 2021

**20. Pension commitments**

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund, during the year these amount to £2,711k (2018 - £2,342k). At 31 December 2019, there were outstanding contributions of £569k (2018 - £610k).

**21. Commitments under operating lease**

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Not later than 1 year	1,603	969
Later than 1 year and not later than 5 years	3,676	609
Later than 5 years	3,266	32
<b>Total</b>	<u>8,545</u>	<u>1,610</u>

Lease expenses during the year totalled £1,718k (2018 - £1,629k).

**22. Related party transactions**

The Company is a wholly owned member of Fortinet Inc. and as such has taken advantage of the exemption permitted by Section 33 of FRS 102, Related Party Disclosures, not to provide disclosures of transactions entered into with other wholly owned members of the Group.



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**FORTINET UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**23. Post balance sheet events**

There is uncertainty relating to the outcome of Covid-19, however management has not made any provision or adjustment regarding this as this is a non-adjusting event. For further information on the impact of Covid-19 in the year, please see page 6.

**24. Controlling party**

The immediate parent company is Fortinet B.V., a company registered in the Netherlands and the ultimate parent company is Fortinet Inc., a company registered in the United States of America. Copies of the consolidated financial statements of Fortinet Inc. are available from 899 Kifer Road, Sunnyvale, CA 94086, USA. This is the smallest and largest group the Company is consolidated in.