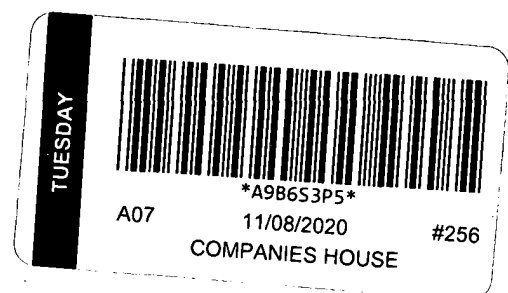


Company Registration No. 00887400 (England and Wales)

**VIAVI SOLUTIONS UK LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED**  
**29 JUNE 2019**



# VIAVI SOLUTIONS UK LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr M T Taylor Mr A M Maletira Mr K C Siebert
<b>Secretary</b>	Mr M T Taylor
<b>Company number</b>	00887400
<b>Registered office</b>	Astor House Newbury Business Park London Road Newbury Berkshire RG14 2PZ
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Davidson House Forbury Square Reading Berkshire RG1 3EU
<b>Bankers</b>	Bank of America Merrill Lynch 2 King Edward Street London EC1A 1HQ
<b>Solicitors</b>	Shoosmiths LLP Waterfront House Waterfront Plaza 35 Station Street Nottingham NG2 3DQ

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# **VIAVI SOLUTIONS UK LIMITED**

## **STRATEGIC REPORT**

### **FOR THE PERIOD ENDED 29 JUNE 2019**

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The directors present the strategic report for the period ended 29 June 2019.

#### **Principal activity and fair review of the business**

Viavi Solutions UK Limited is a wholly owned subsidiary of TTC Internationals Holdings, Inc. The principal activity consists of two components:

- Distribution of the Viavi Solutions Network and Service Enablement Products and Solutions within the United Kingdom, Ireland and Israel.
- Product Support and Program Services including tailor made managed solutions for major customers within the United Kingdom, Ireland and Israel.

Turnover consists of three income streams; product sales, service group and intercompany cost plus income. The company also receives royalties for Arieso software sales not direct from the United Kingdom. The business functions consist of the distribution of products. The sales approach is an effective balance of both direct sales to the end consumer, and an indirect approach using other third parties to penetrate the market. The only significant movement from the statement of financial position in the prior year is an increase in debtors due to an increase in trade debtors balance outstanding at the year-end

The company currently operates from two sites within the United Kingdom. The company's Head Office is based in Newbury and houses the administration and sales teams. The second site is based in Edinburgh and provides contract engineering for the group's factories and was opened following the worldwide acquisition of a branch of business from Agilent Technologies in May 2011.

In addition, the company has two wholly owned subsidiaries, Viavi Solutions Italia Srl and Viavi Solutions Singapore Pte Ltd. Viavi Solutions Italia Srl and Viavi Solutions Singapore Pte Ltd. are sales offices, which distribute Viavi Solutions NSE products on a regional basis.

Risks arising from management liability are covered by a global insurance policy.

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

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to competition from both national and independent telecommunications equipment providers, employee retention, and on-time product availability (especially for newly developed products). Further discussions of these risks and uncertainties, in the context of the group as a whole, is provided on pages 14 to 22 in the Viavi Solutions Inc. (formerly JDS Uniphase Corporation) group's annual report (US SEC 10-K annual filing), which does not form part of this report.

#### **Future developments**

The telecommunication market in the United Kingdom is still highly competitive. In addition, the consolidation within the community of equipment providers is still in progress. However, we remain confident that we will maintain our current level of performance in the future.

# **VIAVI SOLUTIONS UK LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE PERIOD ENDED 29 JUNE 2019**

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### **Financial risk management objectives and policies**

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate cash flow risk, and foreign exchange risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of directors are implemented by the company's finance department.

#### ***Credit risk***

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

#### ***Liquidity risk***

The company, as part of a larger group, actively maintains an appropriate level of debt finance through the ultimate parent company, designed to ensure the company has sufficient available funds for operations and planned expansions.

#### ***Interest rate cash flow risk***

The company has interest bearing assets, being the bank balances and amounts due to and from other group undertakings. Interest rates on amounts due to and from group undertakings are set as part of a group-wide funding strategy.

#### ***Foreign exchange risk***

The company has some significant overseas customers including amounts receivable from fellow group undertakings which are denominated in foreign currency. As a result, it is subject to fluctuations in foreign exchange rates, which could affect the company's results. The majority of the potential foreign exchange exposure with both fellow group undertakings and overseas customers is to the Euro and United States Dollar.

The directors will continue to evaluate the risks and uncertainties facing the company and implement commercially reasonable plans and measures to mitigate such known risks/factors although, as referred to above and consistent with most businesses, it may not always be possible to identify all the risks and uncertainties we face.

### **Key performance indicators**

External customer invoicing for the period ended 30 June 2019 was at a higher level to the period ended 1 July 2018 from £17.0m as restated to £25.9m because of strong sales made during Q4 of the current year and deferred income rose from £3.5m as restated to £3.7m.

The directors of Viavi Solutions Inc. manage the group's operations on a divisional basis. For this reason, the company's directors believe that further analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Viavi Solutions UK Limited. The development, performance and position of the Network and Service Enablement segment of Viavi Solutions Inc., which includes the company, is discussed on page 5 of the group's annual report (US SEC 10-K annual filing), which does not form part of this report.

# VIABI SOLUTIONS UK LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 29 JUNE 2019

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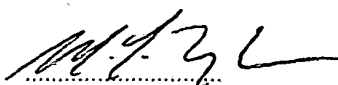
### Going concern

The financial statements have been prepared on the going concern basis. Viavi Solutions UK Limited has prepared forecasts covering a period of at least 12 months from the date of approval of these financial statements which take into consideration the possible impact of the current Coronavirus (Covid-19) global pandemic on the company's operations. These forecasts indicate that the company has sufficient funding and resources available to it to enable the company to meet its forecasted operating expenditure for at least 12 months from the date of signing these financial statements. In addition, Viavi Solutions Inc, has provided written confirmation of their willingness to provide continued financial support to the company for the foreseeable future, defined as at least 12 months from the date of signing of Viavi Solutions UK Limited financial statements for the period ended 29 June 2019. On this basis, the directors consider it appropriate to prepare these financial statements on the going concern basis.

### Events after the reporting date

Subsequent to the company's financial year end, the World Health Organization (WHO) announced on 31 January 2020 a global health emergency related to a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the associated risks to international communities, and the global economy, as the virus spreads beyond its point of origin. On 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic due to a rapid increase in global exposures. These events are having a significant negative impact on global stock markets, currencies, and general business activities. The timing and extent of the impact and recovery from the COVID-19 outbreak is unknown but may have an impact on the company's activities in an uncertain global market.

On behalf of the board



Mr M T Taylor  
Director

Date: 17/07/20

# VIAVI SOLUTIONS UK LIMITED

## DIRECTORS' REPORT

### FOR THE PERIOD ENDED 29 JUNE 2019

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The directors present their report and financial statements for the 52 week period ended 29 June 2019. The comparative information is for the 52 week period from 2 July 2017 to 30 June 2018.

#### Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr M T Taylor  
Mr P Maveddat  
Mr A M Maletira  
Mr K C Siebert

(Resigned 28 May 2019)

#### Results and dividends

The results for the period are set out on page 8.

The profit before taxation was £284,000 (2018 as restated: £1,141,000). The company has net liabilities, including the pension liability, of £43,581,000 (2018 as restated: £42,728,000).

No ordinary dividends were paid. The directors are precluded from recommending payment of a final dividend.

#### Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the period. These provisions remain in force at the reporting date.

#### Research and development

The company focuses its development on extending the direct and indirect sales channels throughout its sales region. The company's goal is to increase its market share within its region, which includes the United Kingdom, Ireland and Israel. Costs incurred in relation to research and development total £5,715,000 (2018: £5,298,000).

Viavi Solutions Inc., in particular the NSE Division, invests a major share of its revenue in the development of the products that the company sells within its respective region.

#### Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

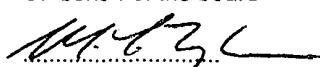
#### Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of business activities, risk, and future developments.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Mr M T Taylor

Director

Date: 17/07/20

# **VIAVI SOLUTIONS UK LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE PERIOD ENDED 29 JUNE 2019**

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The directors are responsible for preparing the Strategic Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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;
- 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 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.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIAVI SOLUTIONS UK LIMITED**

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## **Opinion**

We have audited the financial statements of Viavi Solutions UK Limited (the 'company') for the period ended 29 June 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 29 June 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

## **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.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 period 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.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIAVI SOLUTIONS UK LIMITED (CONTINUED)

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

In the 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 and the directors' report.

We have nothing to report in respect of the following matters where 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.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on , 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 either 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our 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.

RSM UK Audit LLP

Neil Mellor (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Davidson House

Forbury Square

Reading

Berkshire, RG1 3EU

20 July 2020

# VIAVI SOLUTIONS UK LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 29 JUNE 2019

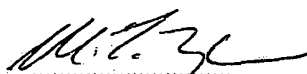
		Period ended 29 June 2019	Period ended 30 June 2018 as restated
	Notes	£'000	£'000
<b>Turnover</b>	<b>4</b>	41,464	30,313
Cost of sales		(22,578)	(14,137)
<b>Gross profit</b>		18,886	16,176
Distribution costs		(15,276)	(13,877)
Administrative expenses		(1,936)	(416)
Other operating income		832	1,402
<b>Operating profit</b>	<b>10</b>	2,506	3,285
Interest receivable and similar income	<b>11</b>	31	-
Interest payable and similar expenses	<b>12</b>	(2,253)	(2,144)
<b>Profit before taxation</b>		284	1,141
Tax on profit	<b>13</b>	(628)	54
<b>(Loss)/profit for the financial period</b>		(344)	1,195
<b>Other comprehensive income</b>			
Actuarial (loss)/gain on defined benefit pension schemes		(1,415)	1,428
<b>Total comprehensive income for the period</b>		(1,759)	2,623

## VIAVI SOLUTIONS UK LIMITED

STATEMENT OF FINANCIAL POSITION  
AS AT 29 JUNE 2019

		2019		2018 as restated	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	14		42		2
Tangible assets	15		905		455
Investments	16		1,957		1,957
			<u>2,904</u>		<u>2,414</u>
<b>Current assets</b>					
Stocks	18	1,289		1,495	
Debtors	19	13,222		10,150	
Cash at bank and in hand		22,132		23,766	
		<u>36,643</u>		<u>35,411</u>	
<b>Creditors: amounts falling due within one year</b>	20	(8,941)		(6,693)	
<b>Net current assets</b>			<u>27,702</u>		<u>28,718</u>
<b>Total assets less current liabilities</b>			30,606		31,132
<b>Creditors: amounts falling due after more than one year</b>	21		(60,692)		(61,858)
<b>Net assets excluding pension liability</b>			<u>(30,086)</u>		<u>(30,726)</u>
<b>Defined benefit pension liability</b>	25		(13,495)		(12,002)
<b>Net liabilities</b>			<u>(43,581)</u>		<u>(42,728)</u>
<b>Capital and reserves</b>					
Called up share capital	26		1,000		1,000
Profit and loss reserves	27		(44,581)		(43,728)
<b>Total equity</b>			<u>(43,581)</u>		<u>(42,728)</u>

The financial statements were approved by the board of directors and authorised for issue on 17/07/20 and are signed on its behalf by:



Mr M T Taylor  
Director

# VIAVI SOLUTIONS UK LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 29 JUNE 2019

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
<b>As restated for the period ended 30 June 2018:</b>				
<b>Balance at 2 July 2017</b>		1,000	(47,195)	(46,195)
<b>Period ended 30 June 2018:</b>				
Profit for the period		-	1,195	1,195
Other comprehensive income:				
Actuarial gains on defined benefit plans		-	1,428	1,428
Total comprehensive income for the period		-	2,623	2,623
Credit to equity for equity settled share-based payments	7	-	844	844
<b>Balance at 30 June 2018</b>		1,000	(43,728)	(42,728)
<b>Period ended 29 June 2019:</b>				
Loss for the period		-	(344)	(344)
Other comprehensive income:				
Actuarial losses on defined benefit plans		-	(1,415)	(1,415)
Total comprehensive income for the period		-	(1,759)	(1,759)
Credit to equity for equity settled share-based payments	7	-	906	906
<b>Balance at 29 June 2019</b>		1,000	(44,581)	(43,581)

# **VIAVI SOLUTIONS UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE PERIOD ENDED 29 JUNE 2019**

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#### **1 Accounting policies**

##### **Company information**

Viavi Solutions UK Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Astor House, Newbury Business Park, London Road, Newbury, Berkshire, RG14 2PZ.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

##### **Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares.
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

Viavi Solutions UK Limited is a wholly owned subsidiary of Viavi Solutions Inc. and the results of Viavi Solutions UK Limited are included in the consolidated financial statements of Viavi Solutions Inc. which are available from 6001 America Center Drive, San Jose, California, 95002, United States of America, or [investor.viavisolutions.com](http://investor.viavisolutions.com).

##### **Going concern**

The financial statements have been prepared on the going concern basis. Viavi Solutions UK Limited has prepared forecasts covering a period of at least 12 months from the date of approval of these financial statements which take into consideration the possible impact of the current Coronavirus (Covid-19) global pandemic on the company's operations. These forecasts indicate that the company has sufficient funding and resources available to it to enable the company to meet its forecasted operating expenditure for at least 12 months from the date of signing these financial statements. In addition, Viavi Solutions Inc. has provided written confirmation of their willingness to provide continued financial support to the company for the foreseeable future, defined as at least 12 months from the date of signing of Viavi Solutions UK Limited financial statements for the period ended 29 June 2019. On this basis, the directors consider it appropriate to prepare these financial statements on the going concern basis.

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

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### 1 Accounting policies (Continued)

#### Reporting period

The accounting period of the company closes on the Saturday nearest the end of June each year. Therefore, the current period is for the 52 week period from 1 July 2018 to 29 June 2019 and the comparative information is for the 52 week period from 2 July 2017 to 30 June 2018.

#### Turnover

Turnover comprises the value of sales (excluding value added tax and trade discounts) of goods and services delivered or provided in the normal course of business. For the sale of goods, revenue is recognised upon delivery, provided all shipment obligations have been met, the price is fixed or determinable, collection is probable and all risks and rewards have passed to the buyer. Revenue from service contracts or sale of extended warranties is recognised immediately on the date of transfer of software.

The licence fee income is recognised over the period from signing the licence agreement or an equivalent written communication to the installation completion date.

Fee income from consultancy, maintenance and management services is recognised over the period in which the service is provided.

Income billed in the period for goods that were not delivered as at the period end date or where the recognition criteria above has not been met, has been deferred and included on the statement of financial position as deferred income. Unbilled revenue is included in accrued income.

Intercompany revenues from cost plus arrangements is calculated as attributable costs plus a mark up in accordance with the intercompany agreement between Viavi Solutions UK Limited and Viavi Solutions Inc.

#### Other operating income

Royalty revenue represents royalty payments from a fellow group company in respect of sales arising from its intellectual property rights.

#### Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which was 5 years.

#### Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	10-33% straight line
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# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

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### 1 Accounting policies (Continued)

#### **Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets over their useful lives on the following bases:

Leasehold improvements	20% straight line
Fixtures, fittings and equipment	10-33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### **Fixed asset investments**

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### **Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### **Stocks**

Stock represents work in progress which is stated at estimated realisable value, after providing for non-recoverable amounts. Work in progress represents deferred costs on items not delivered to customers at the year-end.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### **Cash and cash equivalents**

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

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### 1 Accounting policies (Continued)

#### **Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

#### **Basic financial assets**

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

#### **Equity instruments**

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.



# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 29 JUNE 2019

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#### 1 Accounting policies (Continued)

##### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

##### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **Retirement benefits**

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

# **VIAVI SOLUTIONS UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE PERIOD ENDED 29 JUNE 2019**

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#### **1 Accounting policies (Continued)**

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

#### **Share-based payments**

The ultimate parent company, Viavi Solutions Inc., operates an equity-settled share-based compensation plan. Certain employees of the company are awarded options over the shares in the ultimate parent. The fair value of the employee services received in exchange for these grants of options is recognised as an expense, with a corresponding increase in profit and loss reserves (representing a capital contribution by the parent).

The fair value is measured at the grant date with reference to the market value of the shares of Viavi Solutions Inc. The company has elected to recognise and measure its share-based payment expense on the basis of a reasonable allocation of the expense for the group.

#### **Leases**

Rentals payable under operating leases, including any lease incentives received, are charged as an expense on a straight line basis over the term of the relevant lease.

#### **Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 29 JUNE 2019

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#### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### **Revenue recognition**

The company recognises revenue when it is realised or realisable and earned. The company consider revenue realised or realisable and earned when there is persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. Delivery does not occur until products have been shipped or services have been provided, risk of loss has transferred and in cases where formal acceptance is required, customer acceptance has been obtained or customer acceptance provisions have lapsed. In situations where a formal acceptance is required but the acceptance only relates to whether the product meets its published specifications, revenue is recognised upon delivery provided all other revenue recognition criteria are met. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved.

The company reduce revenue for rebates and other similar allowances. Revenue is recognised only if these estimates can be reliably determined. Estimates are based on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

In addition to the aforementioned general policies, the following are the specific revenue recognition policies for multiple-element arrangements and for each major category of revenue.

# VIAMI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 29 JUNE 2019

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#### 2 Judgements and key sources of estimation uncertainty (Continued)

##### *Steps of revenue recognition*

The Company accounts for revenue in accordance with the revenue standard, in which the following five steps are applied to recognize revenue:

1. *Identify the contract with a customer:* Generally, the Company considers customer purchase orders which, in some cases are governed by master sales or other purchase agreements, to be the customer contract. All of the following criteria must be met before the Company considers an agreement to qualify as a contract with a customer under the revenue standard: (i) it must be approved by all parties; (ii) each party's rights regarding the goods and services to be transferred can be identified; (iii) the payment terms for the goods and services can be identified; (iv) the customer has the ability and intent to pay and collection of substantially all of the consideration is probable; and, (v) the agreement has commercial substance. The Company utilizes judgment to determine the customer's ability and intent to pay, which is based upon various factors including the customer's historical payment experience or credit and financial information and credit risk management measures implemented by the Company.

2. *Identify the performance obligations in the contract:* The Company assesses whether each promised good or service is distinct for the purpose of identifying the various performance obligations in each contract. Promised goods and services are considered distinct provided that: (i) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and, (ii) the Company's promise to transfer the good or service to the customer is separately identifiable or distinct from other promises in the contract. The Company's performance obligations consist of a variety of products and services offerings which include networking equipment; proprietary pigment, optical filters, proprietary software licenses; support and maintenance which includes hardware support that extends beyond the Company's standard warranties, software maintenance, installation, professional and implementation services, and training.

Determining whether products and services are considered distinct performance obligations may require significant judgment. The Company may enter into contracts that involve a significant level of integration and interdependency between a software license and installation services. Judgment may be required to determine whether the software license is considered distinct in the context of the contract and accounted for separately, or not distinct in the context of the contract and accounted for together with the installation service.

3. *Determine the transaction price:* Transaction price reflects the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to the customer. The Company's contracts may include terms that could cause variability in the transaction price including rebates, sales returns, market incentives and volume discounts. Variable consideration is generally accounted for at the portfolio level and estimated based on historical information. If a contract includes a variable amount, the price adjustments are estimated at contract inception. In both cases, estimates are updated at the end of each reporting period as additional information becomes available.

4. *Allocate the transaction price to performance obligations in the contract:* If the contract contains a single performance obligation, the entire transaction price is allocated to that performance obligation. Many of the Company's contracts include multiple performance obligations with a combination of distinct products and services, maintenance and support, professional services and/or training. Contracts may also include rights or options to acquire future products and/or services, which are accounted for as separate performance obligations by the Company, only if the right or option provides the customer with a material right that it would not receive without entering into the contract. For contracts with multiple performance obligations, the Company allocates the total transaction value to each distinct performance obligation based on relative standalone selling price ("SSP"). Judgment is required to determine the SSP for each distinct performance obligation. The best evidence of SSP is the observable price of a good or service when the Company sells that good or service separately under similar circumstances to similar customers. If a directly observable price is not available, the SSP must be estimated based on multiple factors including, but not limited to, historical pricing practices, internal costs, and profit objectives as well as overall market conditions.

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 29 JUNE 2019

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#### 2 Judgements and key sources of estimation uncertainty (Continued)

*5. Recognize revenue when (or as) performance obligations are satisfied:* Revenue is recognized at the point in time control is transferred to the customer. For hardware sales, transfer of control to the customer typically occurs at the point the product is shipped or delivered to the customer's designated location. For software license sales transfer of control to the customer typically occurs upon shipment, electronic delivery, or when the software is available for download by the customer. For sales of implementation service and solution contracts or in instances where software is sold along with essential installation services, transfer of control occurs and revenue is typically recognized upon customer acceptance. In certain instances, acceptance is deemed to have occurred if all acceptance provisions lapse, or if the Company has evidence that all acceptance provisions will be, or have been, satisfied. For fixed-price support and extended warranty contracts, or certain software arrangements which provide customers with a right to access over a discrete period, control is deemed to transfer over time and revenue is recognized on a straight-line basis over the contract term due to the stand-ready nature of the performance obligation. Revenue from hardware repairs and calibration services outside of an extended warranty or support contract is recognized at the time of completion of the related service. For other professional services or time-based labor contracts, revenue is recognized as the Company performs the services and the customers receive and/or consume the benefits.

#### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### ***Allowances for doubtful accounts***

The company perform credit evaluations of customers' financial condition. The company maintain allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. The company record bad debt expenses as an administrative expense. When the company become aware that a specific customer is unable to meet its financial obligations, for example, as a result of bankruptcy or deterioration in the customer's operating results or financial position, the company record a specific allowance to reflect the level of credit risk in the customer's outstanding receivable balance. In addition, the company record additional allowances based on certain percentages of aged receivable balances. These percentages are determined by a variety of factors including, but not limited to, current economic trends, historical payment and bad debt write-off experience. The company are not able to predict changes in the financial condition of customers, and if circumstances related to customers deteriorate, estimates of the recoverability of trade receivables could be materially affected and the company may be required to record additional allowances. Alternatively, if the company provide more allowances than the company need, the company may reverse a portion of such provisions in future periods based on actual collection experience.

#### ***Pension benefits***

The measurement of the defined benefit pension plan is based on the company estimates and actuarial valuations, provided by third party actuaries, which are approved by the company management. These valuations reflect the terms of the plans and use participant-specific information such as compensation, age and years of service, as well as certain assumptions, including estimates of discount rates, expected return on plan assets, rate of compensation increases, and mortality rates. The company evaluate these assumptions annually at a minimum. In estimating the expected return on plan assets, the company consider historical returns on plan assets, adjusted for forward-looking considerations, inflation assumptions and the impact of the active management of the plan's invested assets.

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 29 JUNE 2019

#### 3 Prior period adjustment

During the year ended 29 June 2019, the ultimate parent company of Viavi Solutions UK Limited, Viavi Inc., transitioned to the new US GAAP accounting standard ASC 606 from the revenue standard previously followed of ASC 605. The new revenue recognition policy in place in line with the requirements of ASC 606 has been adopted by Viavi Solutions UK Limited in the period. This main change in the revenue recognition policy is the timing of the revenue recognised on software licence revenue.

Under the prior US GAAP standard, as vendor specific objective evidence has not been established for the post contract support which was sold with the software revenue, the software revenue was recognised over the life of the contracted support period. Under ASC 606, revenue related to these sales is recognised when control transfers which is usually at the time of billing. Therefore revenue on software licences which was deferred in the prior periods, has not been recognised in full at the billing date. The revenue for the contracted support continues to be recognised over the contracted period.

In line with the requirements of FRS102, where there is a change in accounting policy the comparative accounting period is required to be restated to reflect that accounting policy. As a result a prior period adjustment has been posted to the prior period which has increased revenue and net assets by £1,367k against the balances previously reported and as detailed below.

#### Changes to the statement of financial position

	At 30 June 2018		
	As previously reported	Adjustment	As restated
	£'000	£'000	£'000
<b>Current assets</b>			
Stocks	1,432	63	1,495
Debtors due within one year	9,865	285	10,150
<b>Creditors due within one year</b>			
Other creditors	(5,822)	(86)	(5,908)
Deferred income	(784)	1,105	321
Net assets	(44,095)	1,367	(42,728)
<b>Capital and reserves</b>			
Profit and loss	(45,095)	1,367	(43,728)

#### Changes to the income statement

	Period ended 30 June 2018		
	As previously reported	Adjustment	As restated
	£'000	£'000	£'000
Turnover	28,946	1,367	30,313

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 4 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019	2018
		as restated
	£'000	£'000
<b>Turnover analysed by class of business</b>		
Product sales	26,672	15,335
Service group	-	1,609
Intercompany cost plus	14,792	13,369
	<u>41,464</u>	<u>30,313</u>
	<u><u>41,464</u></u>	<u><u>30,313</u></u>
	2019	2018
		as restated
	£'000	£'000
<b>Turnover analysed by geographical market</b>		
EMEA	25,986	15,392
Latin America	868	1,566
North America	14,610	13,355
	<u>41,464</u>	<u>30,313</u>
	<u><u>41,464</u></u>	<u><u>30,313</u></u>

### 5 Employees

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

	2019	2018
	Number	Number
Development and production	55	48
Services	30	39
Selling and marketing	48	53
Administration	8	9
	<u>141</u>	<u>149</u>
	<u><u>141</u></u>	<u><u>149</u></u>

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 5 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	11,326	11,118
Social security costs	1,400	1,411
Pension costs	883	802
Share-based payments	906	844
	<u>14,515</u>	<u>14,175</u>
Additional redundancy payments made or committed not included above	<u>283</u>	<u>108</u>

### 6 Directors' remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	235	277
Company pension contributions to defined contribution schemes	11	10
	<u>246</u>	<u>287</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £'000	2018 £'000
Remuneration for qualifying services	235	277
Company pension contributions to defined contribution schemes	11	10

One director (2018: one) was paid by a fellow subsidiary company. It was not possible to make an accurate apportionment of their emoluments in respect of this company and no recharge was made. Accordingly no emoluments are disclosed in respect of this director.



# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 7 Share-based payment transactions

The company participates in the share-based compensation plans operated by the ultimate parent company, Viavi Solutions Inc., throughout the Group. Below are descriptions of the active share-based plans, under which a significant number of share options remain outstanding.

#### Stock option plans

At the period end, the ultimate parent company had stock options issued and outstanding to employees and directors under the parent company's 2005 Acquisition Equity Incentive Plan (the "2005 Plan") and the Amended and Restated 2003 Equity Incentive Plan (the "2003 Plan"). The exercise price for stock options is equal to the fair value of the underlying stock at the date of grant. Options generally become exercisable over a four-period phase and, if not exercised, expire from five to ten periods after the date of grant.

On 14 November 2006, the parent company's stockholders approved an amendment and restatement of the 2003 Plan, under which (1) 12,500,000 shares of common stock were added to the pool of shares reserved for issuance under the 2003 Plan and (2) all future grants of "Full Value Awards" (as defined below) will reduce the share reserve by one and one-half shares for each share subject to such Awards.

On 17 August 2005, the parent company's Board of directors adopted and approved the Flexible Stock Incentive - 2005 Plan (the "2005 Plan"). The adoption and approval of the 2005 Plan did not affect any of the options granted under the Amended and Restated 1993 Plan, as amended, and currently outstanding, all of which remain exercisable in accordance with their terms.

### 8 Other operating income

	2019 £'000	2018 £'000
Royalty income	752	1,326
Grants received	80	76
	<u>832</u>	<u>1,402</u>

### 9 Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	38	38
<b>For other services</b>		
Other assurance services	-	16
Taxation compliance services	10	10
Other taxation services	14	14
All other non-audit services	12	11
	<u>36</u>	<u>51</u>

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 10 Operating profit

	2019 £'000	2018 £'000
Operating profit for the period is stated after charging/(crediting):		
Exchange losses/(gains)	360	(951)
Research and development costs	5,715	6,300
Government grants	(80)	(76)
Depreciation of owned tangible fixed assets	304	285
(Profit)/loss on disposal of tangible fixed assets	-	15
Amortisation of intangible assets	13	2
Cost of stocks recognised as an expense	19,625	10,635
Share-based payments	906	844
Operating lease charges	312	357
	<u>          </u>	<u>          </u>

### 11 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest income		
Interest on bank deposits	31	-
	<u>          </u>	<u>          </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	31	-
	<u>          </u>	<u>          </u>

### 12 Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	1,934	1,760
Other finance costs:		
Net interest on the net defined benefit liability	319	349
Other interest	-	35
	<u>          </u>	<u>          </u>
	2,253	2,144
	<u>          </u>	<u>          </u>

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 13 Taxation

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	498	29
Adjustments in respect of prior periods	-	(258)
Double tax relief	(137)	(29)
Total UK current tax	361	(258)
Foreign current tax on profits for the current period	137	139
Total current tax	498	(119)
<b>Deferred tax</b>		
Origination and reversal of timing differences	130	65
Total tax charge/(credit)	628	(54)

Legislation has been enacted so as to reduce the corporation tax rate to 17% for the financial year 2020. Deferred tax assets and liabilities reflect this rate.

The total tax charge/(credit) for the period included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2019 £'000	2018 as restated £'000
Profit before taxation	284	1,141
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	54	217
Tax effect of expenses that are not deductible in determining taxable profit	482	356
Tax effect of income not taxable in determining taxable profit	-	(154)
Change in unrecognised deferred tax assets	-	(275)
Adjustments in respect of prior years	-	(258)
Research and development tax credit	-	47
Share based payment charge	88	(68)
Foreign taxation	-	110
Amounts charged directly to equity	(269)	271
Adjust deferred tax to average rate	254	(40)
Other	19	(260)
Taxation charge/(credit) for the period	628	(54)

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 14 Intangible fixed assets

	Goodwill £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 July 2018	50,790	20	50,810
Additions - separately acquired	-	53	53
At 29 June 2019	50,790	73	50,863
<b>Amortisation and impairment</b>			
At 1 July 2018	50,790	18	50,808
Amortisation charged for the period	-	13	13
At 29 June 2019	50,790	31	50,821
<b>Carrying amount</b>			
At 29 June 2019	-	42	42
At 30 June 2018	-	2	2

Amortisation is included in administrative expenses.

### 15 Tangible fixed assets

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
At 1 July 2018	547	2,323	2,870
Additions	120	634	754
Disposals	-	(91)	(91)
At 29 June 2019	667	2,866	3,533
<b>Depreciation and impairment</b>			
At 1 July 2018	401	2,014	2,415
Depreciation charged in the period	87	217	304
Eliminated in respect of disposals	-	(91)	(91)
At 29 June 2019	488	2,140	2,628
<b>Carrying amount</b>			
At 29 June 2019	179	726	905
At 30 June 2018	146	309	455

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 16 Fixed asset investments

	Notes	2019 £'000	2018 £'000
Investments in subsidiaries	17	1,957	1,957

#### Movements in fixed asset investments

	Shares in group undertakings £'000
<b>Cost or valuation</b>	
At 1 July 2018 & 29 June 2019	1,957
<b>Carrying amount</b>	
At 29 June 2019	1,957
At 30 June 2018	1,957

### 17 Subsidiaries

Details of the company's subsidiaries at 29 June 2019 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held Direct Indirect	
Viavi Solutions Italia S.R.L.	a)	Sales and marketing of Viavi Solutions products	Ordinary	100.00	0.00
Viavi Solutions Singapore Pte. Ltd.	b)	Sales and marketing of Viavi Solutions products	Ordinary	100.00	0.00

#### Registered Office addresses:

- a) Via Torri Bianche, 10, Palazzo Betulla, Vimercate, MI 20059, Italy.
- b) 10 Ang Mo Kio Street 65, 04-11 Techpoint, Singapore, 569059.

### 18 Stocks

	2019 £'000	2018 as restated £'000
Work in progress	1,289	1,495

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 19 Debtors

	2019	2018 as restated
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade debtors	10,604	7,030
Corporation tax recoverable	767	1,257
Amounts owed by group undertakings	19	230
Other debtors	101	16
Prepayments and accrued income	1,262	1,018
	<u>12,753</u>	<u>9,551</u>
Deferred tax asset (note 24)	469	599
	<u>13,222</u>	<u>10,150</u>

### 20 Creditors: amounts falling due within one year

		2019	2018 as restated
	Notes	£'000	£'000
Other borrowings	22	350	350
Trade creditors		669	417
Amounts due to group undertakings		5,161	3,926
Other taxation and social security		645	756
Deferred income		848	(321)
Other creditors		-	79
Accruals		1,268	1,486
		<u>8,941</u>	<u>6,693</u>

### 21 Creditors: amounts falling due after more than one year

		2019	2018 as restated
	Notes	£'000	£'000
Other borrowings	22	58,696	58,056
Deferred income		1,996	3,802
		<u>60,692</u>	<u>61,858</u>

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 22 Borrowings

	2019 £'000	2018 £'000
Preference shares	350	350
Loans from group undertakings	58,696	58,056
	<u>59,046</u>	<u>58,406</u>
Payable within one year	350	350
Payable after one year	58,696	58,056
	<u>59,046</u>	<u>58,406</u>

The intercompany balance accrues interest at 100 basis points over the 12 months US LIBOR rate. Interest is payable quarterly. The loan is initially for 5 years extendable for 2 year periods thereafter. The parent company consider the loan to be a permanent investment in the UK as repayment is not foreseeable.

### 23 Financial instruments

	2019 £'000	2018 £'000
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	10,724	7,276
	<u>10,724</u>	<u>7,276</u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	7,448	64,314
	<u>7,448</u>	<u>64,314</u>

### 24 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2019 £'000	Assets 2018 £'000
<b>Balances:</b>		
Accelerated capital allowances	267	272
Share based payments	202	327
	<u>469</u>	<u>599</u>

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 24 Deferred taxation (Continued)

	2019 £'000
<b>Movements in the period:</b>	
Liability/(Asset) at 1 July 2018	(599)
Charge to profit or loss	130
	<u>          </u>
Liability/(Asset) at 29 June 2019	(469)
	<u>          </u>

The deferred tax asset set out above is expected to reverse within 12 months.

The company has an unrecognised deferred tax asset of approximately £2,291,150 (2018: £2,040,000) in relation to the defined benefit pension liability. The directors have not recognised this asset as it is not probable that it will be recoverable against future taxable profits in the foreseeable future. All losses may be carried forward indefinitely.

### 25 Retirement benefit schemes

	2019 £'000	2018 £'000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	624	817
	<u>          </u>	<u>          </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Amounts outstanding at 29 June 2019 totalled £127,000 (2018: £189,000) and are included within accruals.

#### Defined benefit schemes

The company participates in the Wandel & Golterman Retirement Benefits Scheme. The pension cost for this defined benefit scheme is assessed in accordance with the advice of an independent qualified actuary. The most recent full actuarial valuation was carried out as at 5 April 2013 by a qualified independent actuary. To take account of the requirements of FRS 102 Section 28 'Employee benefits' in order to assess the liabilities of the fund as at the period end the actuarial valuation was updated to 29 June 2019 by a qualified independent actuary. Liabilities are valued on an actuarial basis, using the projected unit method, which assesses the future liabilities discounted to their present value.

Under this method the current service cost will increase as the members of the scheme approach retirement. The scheme is now closed to new entrants and, with effect from the 31 March 2003, future accruals ceased.

During the period, the company's contribution to the UK pension plan was £500,000 (2018: £760,000). These contributions allowed the company to substantially comply with regulatory funding requirements.

The employer's best estimate of contributions to be paid to the scheme by the company in the next period is £500,000 (2018: £500,000).



# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 25 Retirement benefit schemes (Continued)

	2019 %	2018 %
<i>Key assumptions</i>		
Discount rate	2.3	2.70
Expected rate of increase of pensions in payment		
Post 1988 GMP	1.90	1.80
Post 1997 pension	3.10	3.00
Rectification pension	3.60	3.50
Inflation (RPI)	3.2	3.10
Inflation (CPI)	2.1	2.00
	<u>          </u>	<u>          </u>
<i>Mortality assumptions</i>	2019	2018
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	21.9	22.6
- Females	23.8	24.7
	<u>          </u>	<u>          </u>
Retiring in 20 years		
- Males	23.6	24.8
- Females	25.7	27.0
	<u>          </u>	<u>          </u>

Mortality assumptions are based on 100% of the S2PXA tables with improvements in line with the CMI 2018 projections and a long-term rate of improvement of 1.5% per annum, Sk of 7.5 and A of 0%.

	2019 £'000	2018 £'000
<i>Amounts recognised in the statement of comprehensive income</i>		
Net interest on defined benefit liability/(asset)	319	349
Other costs and income	259	138
	<u>          </u>	<u>          </u>
Total costs	578	487
	<u>          </u>	<u>          </u>
	2019	2018
<i>Amounts taken to other comprehensive income</i>	£'000	£'000
Actual return on scheme assets	(1,216)	(765)
Less: calculated interest element	604	566
	<u>          </u>	<u>          </u>
Return on scheme assets excluding interest income	(612)	(199)
Actuarial changes related to obligations	2,027	(1,229)
	<u>          </u>	<u>          </u>
Total (income)/costs	1,415	(1,428)
	<u>          </u>	<u>          </u>

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 25 Retirement benefit schemes (Continued)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Present value of defined benefit obligations	36,892	34,548
Fair value of plan assets	(23,397)	(22,546)
Deficit in scheme	<u>13,495</u>	<u>12,002</u>

	<b>2019</b> <b>£'000</b>
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 July 2018	34,548
Past service cost	100
Benefits paid	(706)
Actuarial gains and losses	2,027
Interest cost	923
At 29 June 2019	<u>36,892</u>

The defined benefit obligations arise from plans which are wholly or partly funded.

	<b>2019</b> <b>£'000</b>
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 July 2018	22,546
Interest income	604
Return on plan assets (excluding amounts included in net interest)	612
Benefits paid	(706)
Contributions by the employer	500
Other	(159)
At 29 June 2019	<u>23,397</u>

The actual return on plan assets was £1,216,000 (2018 - £765,000).

# VIAVI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 25 Retirement benefit schemes (Continued)

	2019 £'000	2018 £'000
<i>The analysis of the scheme assets at the reporting date were as follows:</i>		
Equity instruments	9,123	9,088
Debt instruments	9,083	8,431
Absolute return	5,109	4,944
Cash and other	82	83
	<u>23,397</u>	<u>22,546</u>

### 26 Share capital

	2019 £'000	2018 £'000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1,000,000 Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

#### *Ordinary share rights*

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

#### *Preference share rights*

The company's preference shares, which carry a right to dividends at the fixed rate of 5% per annum, are redeemable following six months' notice from either the company or the shareholder. The preference shares carry no voting rights, and are entitled to repayment of the capital and accrued unpaid interest in priority to any return to the ordinary share holders in the event of a winding up of the company.

The 350,000 Preference shares of £1 each in issue at the reporting date have been classified as a liability, and the balance is disclosed within note 22.

### 27 Reserves

#### **Profit and loss reserves**

Profit and loss reserves represent cumulative profit and loss net of distributions to owners.

# VIAMI SOLUTIONS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019

### 28 Financial commitments, guarantees and contingent liabilities

The company participated in the Wandel and Goltermann retirement benefits scheme (the "Scheme"), details of which are within note 25.

In 1999, a UK law firm acting on behalf of the Trustees prepared a trust deed for the Scheme which was signed by the Trustees and the company (under its previous name of Wandel & Goltermann Management Ltd). The trust deed as prepared by the UK law firm incorrectly provided for certain future minimum increases in pensions. Upon learning that this incorrect term was included in the trust deed, the company and the Trustees instructed the UK law firm to take actions to correct the UK law firm's error, but to date these actions have failed to remove the relevant increases. The impact of the UK law firm's error, were it to remain in place, would be to increase the Scheme liabilities recognised on the company statement of financial position by an amount of up to £6,000,000 as at 27 June 2015, as estimated by the Scheme actuary.

The Scheme Trustees have instructed a separate UK law firm to represent their interests in pursuing an application for rectification to remove all such liabilities, or a legal action against the UK law firm it believes is responsible for the mistake and to recover damages equivalent to the level of additional liabilities.

There is uncertainty as to how the matter will be resolved but the company has not recognised any related provision in the financial statements as it does not consider it probable that it will need to make any payments in respect of this matter.

### 29 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	216	344
Between one and five years	179	391
	<u>395</u>	<u>735</u>

### 30 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019 £'000	2018 £'000
Acquisition of tangible fixed assets	-	182
	<u>-</u>	<u>182</u>

# **VIAVI SOLUTIONS UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JUNE 2019**

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### **31 Events after the reporting date**

Subsequent to the company's financial year end, the World Health Organization (WHO) announced on 31 January 2020 a global health emergency related to a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the associated risks to international communities, and the global economy, as the virus spreads beyond its point of origin. On 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic due to a rapid increase in global exposures. These events are having a significant negative impact on global stock markets, currencies, and general business activities. The timing and extent of the impact and recovery from the COVID-19 outbreak is unknown but may have an impact on the company's activities in an uncertain global market.

After the reporting date, the company issued 1,000 ordinary shares in exchange for the acquisition of shares in Aeroflex Limited.

### **32 Ultimate controlling party**

The immediate parent company is TTC Internationals Holdings, Inc. (registered office: 6001 America Center Drive, Sa Jose, California, 95002, United States of America). The ultimate parent undertaking is Viavi Solutions Inc. (registered office: 6001 America Center Drive, Sa Jose, California, 95002, United States of America).

Viavi Solutions Inc. is the smallest and largest group of which the company is a member and for which group financial statements are prepared. Copies of the financial statements can be obtained from its registered office, or [investor.viavisolutions.com](mailto:investor.viavisolutions.com).

The directors do not consider there to be one ultimate controlling party.