

Company Registration No. 00887400 (England and Wales)

VIAVI SOLUTIONS UK LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
1 JULY 2017

WEDNESDAY



L72OELG2

LD4

28/03/2018

#195

COMPANIES HOUSE

VIAVI SOLUTIONS UK LIMITED

COMPANY INFORMATION

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

VIABI SOLUTIONS UK LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 1 JULY 2017

The directors present the strategic report for the period ended 1 July 2017.

Fair review of the business

Viavi Solutions UK Limited is a wholly owned subsidiary of JDSU International GmbH in Germany. 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 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 12 to 19 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.

VIABI SOLUTIONS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 1 JULY 2017

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

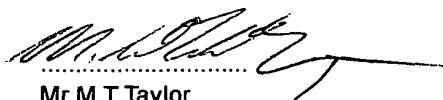
The company has some significant overseas customers including amounts receivable from fellow group undertakings which are denominated in foreign currency. As a result, it is subject to fluctuations in foreign exchange rates, which could affect the company's results. The majority of the potential foreign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

The directors of Viavi Solutions Inc. manage the group's operations on a divisional basis. For this reason, the company's directors believe that 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 3 of the group's annual report (US SEC 10-K annual filing), which does not form part of this report.

On behalf of the board



Mr M T Taylor
Director
9/2/2018

VIAVI SOLUTIONS UK LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 1 JULY 2017

The directors present their report and financial statements for the 52 week period ended 1 July 2017. The comparative information is for the 52 week period from 28 June 2015 to 2 July 2016.

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

Results and dividends

The results for the period are set out on page 7.

The loss before taxation was £9,713,000 (2016: £21,081,000). The company has net liabilities, including the pension liability, of £46,195,000 (2016: £35,395,000).

No ordinary dividends were paid. The directors do not recommend 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 £6,300,000 (2016: £5,918,000).

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 and risk and future developments.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors 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

9/2/2018

VIAVI SOLUTIONS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 1 JULY 2017

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

Opinion

We have audited the financial statements of Viavi Solutions UK Limited for the period ended 1 July 2017 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 1 July 2017 and of its loss for the period 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.

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)

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 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 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.

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

13/2/2018

VIAVI SOLUTIONS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 1 JULY 2017

		Period ended 1 July 2017 £'000	Period ended 2 July 2016 £'000
	Notes		
Turnover	3	35,838	34,378
Cost of sales		(17,945)	(15,558)
Gross profit		17,893	18,820
Distribution costs		(16,668)	(16,906)
Administrative expenses		(11,801)	(25,716)
Other operating income	9	2,805	4,090
Operating loss before exceptional items		(7,771)	(14,012)
Defined benefit scheme - change in benefit		-	(5,700)
Operating loss	10	(7,771)	(19,712)
Interest receivable and similar income	12	-	55,892
Amounts written off investments	13	-	(55,889)
Interest payable and similar expenses	14	(1,942)	(1,372)
Loss on ordinary activities before taxation		(9,713)	(21,081)
Taxation	15	(556)	(1,765)
Loss for the financial period	28	(10,269)	(22,846)
Other comprehensive income			
Actuarial loss on defined benefit pension schemes	7	(1,760)	(1,533)
Total comprehensive income for the period		(12,029)	(24,379)

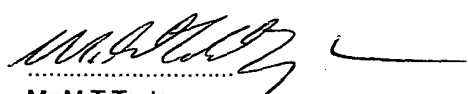
VIAVI SOLUTIONS UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 1 JULY 2017

		2017	2016
	Notes	£'000	£'000
Fixed assets			
Goodwill	16	-	10,158
Other intangible assets	16	4	-
Total intangible assets		4	10,158
Tangible assets	17	580	845
Investments	18	1,957	1,957
		2,541	12,960
Current assets			
Stocks	20	1,250	2,715
Debtors	21	5,711	9,368
Cash at bank and in hand		23,815	20,222
		30,776	32,305
Creditors: amounts falling due within one year	22	(6,539)	(8,959)
Net current assets		24,237	23,346
Total assets less current liabilities		26,778	36,306
Creditors: amounts falling due after more than one year	23	(59,270)	(59,970)
Net assets excluding pension liability		(32,492)	(23,664)
Defined benefit pension liability	7	(13,703)	(11,731)
Net liabilities		(46,195)	(35,395)
Capital and reserves			
Called up share capital	27	1,000	1,000
Profit and loss reserves	28	(47,195)	(36,395)
Total equity		(46,195)	(35,395)

The financial statements were approved by the board of directors and authorised for issue on 9/2/2018 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 1 JULY 2017

		Share capital	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000
Balance at 28 June 2015		1,000	(12,771)	(11,771)
Period ended 2 July 2016:				
Loss for the period		-	(22,846)	(22,846)
Other comprehensive income:				
Actuarial losses on defined benefit plans		-	(1,533)	(1,533)
Total comprehensive income for the period		-	(24,379)	(24,379)
Credit to equity for equity settled share-based payments	6	-	755	755
Balance at 2 July 2016		1,000	(36,395)	(35,395)
Period ended 1 July 2017:				
Loss for the period		-	(10,269)	(10,269)
Other comprehensive income:				
Actuarial losses on defined benefit plans		-	(1,760)	(1,760)
Total comprehensive income for the period		-	(12,029)	(12,029)
Credit to equity for equity settled share-based payments	6	-	1,229	1,229
Balance at 1 July 2017		1,000	(47,195)	(46,195)

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JULY 2017

1 Accounting policies

Company information

Viavi Solutions UK Limited is a private company limited by shares incorporated in England and Wales. The registered office and principal place of business 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 Strategic 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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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 accounts. 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 430 North McCarthy, Milpitas CA95035, United States of America.

Going concern

The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. However, they are aware of certain material uncertainties which may cause doubt on the company's ability to continue as a going concern.

At the period end the company has net current assets of £24,237,000 (2016: £23,346,000) and net liabilities of £46,195,000 (2016: £35,395,000).

Net liabilities have arisen due to an intercompany loan of £58,867,000 (2016: £57,813,000). The company has received assurances of continued support from its parent company that this amount is considered a permanent investment and is not repayable in the foreseeable future. Therefore the directors consider it appropriate to prepare the financial statements on a going concern basis.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JULY 2017

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 3 July 2016 to 1 July 2017 and the comparative information is for the 52 week period from 28 June 2015 to 2 July 2016.

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 rateably over the contracted period.

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 is 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 if the fair value 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
----------	----------------------

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JULY 2017

1 Accounting policies (Continued)

Tangible fixed assets

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

Depreciation is recognised so as to write off the cost or valuation 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

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

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 include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JULY 2017

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 direct issue 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 1 JULY 2017

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 period.

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, associates, branches and interests in jointly controlled entities, 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 1 JULY 2017

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 except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Grant income

Grants towards capital expenditure are released to profit or loss over the expected useful life of the assets. Grants towards revenue expenditure are released to profit or loss as the related expenditure is incurred.

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 1 JULY 2017

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

We recognise revenue when it is realised or realisable and earned. We 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.

We reduce revenue for rebates and other similar allowances. Revenue is recognised only if these estimates can be reliably determined. Our 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 1 JULY 2017

2 Judgements and key sources of estimation uncertainty (Continued)

Multiple-Element Arrangements

When a sales arrangement contains multiple deliverables, such as sales of products that include services, the multiple deliverables are evaluated to determine whether there are one or more units of accounting. Where there is more than one unit of accounting, then the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price. Under this approach, the selling price of a unit of accounting is determined by using a selling price hierarchy which requires the use of vendor-specific objective evidence ("VSOE") of fair value if available, third-party evidence ("TPE") if VSOE is not available, or management's best estimate of selling price ("BESP") if neither VSOE nor TPE is available. Revenue is recognised when the revenue recognition criteria for each unit of accounting are met.

We establish VSOE of selling price using the price charged for a deliverable when sold separately. TPE of selling price is established by evaluating similar and interchangeable competitor goods or services in sales to similarly situated customers. When VSOE or TPE are not available then we use BESP. Generally, we are not able to determine TPE because our product strategy differs from that of others in our markets, and the extent of customisation varies among comparable products or services from our peers. We establish BESP using historical selling price trends and considering multiple factors including, but not limited to geographies, market conditions, competitive landscape, internal costs, gross margin objectives, and pricing practices. When determining BESP, we apply significant judgment in establishing pricing strategies and evaluating market conditions and product lifecycles.

The determination of BESP is made through consultation with, and approval by, the segment management. Segment management may modify or develop new pricing practices and strategies in the future. As these pricing strategies evolve, we may modify our pricing practices in the future, which may result in changes in BESP. The aforementioned factors may result in a different allocation of revenue to the deliverables in multiple element arrangements from the current fiscal year, which may change the pattern and timing of revenue recognition for these elements but will not change the total revenue recognised for the arrangement.

Hardware

Revenue from hardware sales is typically recognised when the product meet delivery criteria.

Services

Revenue from services and system maintenance is recognised on a straight-line basis over the term of the contract. Revenue from professional service engagements is recognised once its delivery obligation is fulfilled. Revenue related to extended warranty and product maintenance contracts is deferred and recognised on a straight-line basis over the delivery period. We also generate service revenue from hardware repairs and calibration which is recognised as revenue upon completion of the service.

Software

Our software arrangements generally consist of a perpetual license fee and Post-Contract Support ("PCS"). Where we have established VSOE of fair value for PCS contracts, it is based on the renewal rate or the bell curve methodology. Revenue from maintenance, unspecified upgrades and technical support is recognised over the period such items are delivered. In multiple-element revenue arrangements that include software, software-related and nonsoftware-related elements are accounted for in accordance with the following policies:

- Non-software and software-related products are bifurcated based on a relative selling price.
- Software-related products are separated into units of accounting if all of the following criteria are met:
 - The functionality of the delivered element(s) is not dependent on the undelivered element(s);
 - There is VSOE, TPE or BESP of fair value of the undelivered element(s); and
 - Delivery of the delivered element(s) represents the culmination of the earnings process for that element(s).

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JULY 2017

2 Judgements and key sources of estimation uncertainty (Continued)

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

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

Pension benefits

The measurement of the defined benefit pension plan is based on our estimates and actuarial valuations, provided by third party actuaries, which are approved by our 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. We evaluate these assumptions annually at a minimum. In estimating the expected return on plan assets, we 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.

3 Turnover

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

	2017	2016
	£'000	£'000
Turnover analysed by class of business		
Product sales	16,997	14,960
Service group	1,796	2,078
Intercompany cost plus	17,045	17,340
	<u>35,838</u>	<u>34,378</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JULY 2017

3 Turnover (Continued)

Turnover analysed by geographical market

	2017	2016
	£'000	£'000
Europe	16,108	13,106
Latin America	1,075	640
Asia	226	1,337
Middle East	1,309	1,819
Africa	75	136
North America	17,045	17,340
	<u>35,838</u>	<u>34,378</u>

4 Employees

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

	2017	2016
	Number	Number
Development and production	58	62
Services	43	45
Selling and marketing	62	69
Administration	11	12
	<u>174</u>	<u>188</u>

Their aggregate remuneration comprised:

	2017	2016
	£'000	£'000
Wages and salaries	12,018	12,939
Social security costs	1,508	1,710
Pension costs	1,069	6,749
Share-based payments	1,229	755
	<u>15,824</u>	<u>22,153</u>
Redundancy payments made or committed	<u>1,854</u>	<u>376</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JULY 2017

5 Directors' remuneration

	2017 £'000	2016 £'000
Remuneration for qualifying services	220	202
Company pension contributions to defined contribution schemes	10	10
	<u>230</u>	<u>212</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to one (2016: one).

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

	2017 £'000	2016 £'000
Remuneration for qualifying services	220	202
Company pension contributions to defined contribution schemes	10	10
	<u>230</u>	<u>212</u>

One director (2016: 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.

6 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.

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JULY 2017

6 Share-based payment transactions (Continued)

Full Value Awards

"Full Value Awards" are Restricted Stock, Restricted Stock Units, Performance Units, and Performance Shares that are granted with a per share or unit purchase price below 100% of fair market value on the date of grant. They are exercised immediately upon vesting. Prior to the fourth quarter of fiscal 2007, they were granted under the 2005 Plan and 2003 Plan to a limited number of employees. Beginning in the fourth quarter of fiscal 2007, the intent is to use Full Value Awards as the parent company's predominant equity compensation vehicle. These Full Value Awards are performance based, time based, or a combination of performance and time based. These awards are expected to vest over one to five periods and except with respect to awards with performance conditions, such conditions are achieved on a different timeline. The fair value of the Full Value Awards is based on the closing market price of the company's common stock on the date of award.

Share-based payment expense

The Company participates in a group share-based payment plan, and recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The allocation is based on the employees benefiting from the share-based payment plan employed by each group entity. During the year a charge of £1,229,000 (2016: £755,000) was posted through the Statement of Comprehensive Income.

7 Retirement benefit schemes

Defined contribution schemes

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.

The charge to profit or loss in respect of defined contribution schemes was £817,000 (2016: £764,000). Amounts outstanding at 1 July 2017 totalled £197,000 (2 July 2016: £139,000) and is included within other creditors.

Defined benefit schemes

The company participates in the Wandel & Goltermann 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 1 July 2017 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 £460,000 (2016: £6,160,000). The prior period contribution includes a one off cost of £5,700,000 relating to a benefit change following the Part 8 legal judgement. 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 £760,000.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 1 JULY 2017**

7 Retirement benefit schemes (Continued)

	2017	2016
<i>Key assumptions</i>	%	%
Discount rate	2.60	2.80
Expected rate of increase of pensions in payment		
<i>Post 1988 GMP</i>	1.90	1.60
<i>Post 1997 pension</i>	3.10	2.70
<i>Rectification pension</i>	3.60	3.50
Inflation (RPI)	3.30	2.80
Inflation (CPI)	2.20	1.70

<i>Mortality assumptions</i>	2017	2016
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	22.5	22.8
- Females	24.6	25.3
Retiring in 20 years		
- Males	24.7	25.1
- Females	26.9	27.6

Mortality assumptions are based on 100% of the S2PXA tables with improvements in line with the CMI 2015 projections and a long-term rate of improvement of 1.5% per annum.

<i>Amounts recognised in the statement of comprehensive income</i>	2017	2016
	£'000	£'000
Net interest on defined benefit liability/(asset)	320	162
Other costs and income	352	5,985
Total costs	672	6,147

<i>Amounts taken to other comprehensive income</i>	2017	2016
	£'000	£'000
Actual return on scheme assets	(1,925)	(1,480)
Less: calculated interest element	567	728
Return on scheme assets excluding interest income	(1,358)	(752)
Actuarial changes related to obligations	3,118	2,285
Total costs	1,760	1,533

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 1 JULY 2017**

7 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:

	2017	2016
	£'000	£'000
Present value of defined benefit obligations	35,495	32,102
Fair value of plan assets	(21,792)	(20,371)
Deficit in scheme	<u>13,703</u>	<u>11,731</u>

	2017
	£'000
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 3 July 2016	32,102
Benefits paid	(612)
Actuarial gains and losses	3,118
Interest cost	887
At 1 July 2017	<u>35,495</u>

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

	2017
	£'000
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 3 July 2016	20,371
Interest income	567
Return on plan assets (excluding amounts included in net interest)	1,358
Benefits paid	(612)
Contributions by the employer	460
Other	(352)
At 1 July 2017	<u>21,792</u>

	2017	2016
	£'000	£'000
<i>The analysis of the scheme assets at the reporting date were as follows:</i>		
Equity instruments	8,961	7,860
Debt instruments	8,237	8,057
Absolute return	4,483	4,024
Cash and other	111	430
	<u>21,792</u>	<u>20,371</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JULY 2017

8 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2017 £'000	2016 £'000
In respect of:		
Goodwill	-	2,872
Recognised in:		
Administrative expenses	-	2,872

The impairment losses in respect of financial assets are recognised in administration expenses in the income statement.

9 Other operating income

	2017 £'000	2016 £'000
Royalty income	2,706	3,742
Grants received	99	348
	2,805	4,090

10 Operating loss

	2017 £'000	2016 £'000
Operating loss for the period is stated after charging/(crediting):		
Exchange losses	20	4,895
Research and development costs	6,300	5,918
Government grants	(99)	(348)
Depreciation of owned tangible fixed assets	505	571
Loss on disposal of tangible fixed assets	11	2
Amortisation of intangible assets	10,161	10,158
Impairment of goodwill	-	2,872
Cost of stocks recognised as an expense	13,966	12,004
Share-based payments	1,229	755
Operating lease charges	399	400

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 1 JULY 2017**

11 Auditor's remuneration

	2017	2016
	£'000	£'000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	37	38
For other services		
Taxation compliance services	9	10
Other taxation services	16	15
All other non-audit services	11	17
	<u>36</u>	<u>42</u>

12 Interest receivable and similar income

	2017	2016
	£'000	£'000
Interest income		
Interest on bank deposits	-	2
Other interest income	-	3
Total interest revenue	<u>-</u>	<u>5</u>
Income from fixed asset investments		
Income from shares in group undertakings	-	55,887
Total income	<u>-</u>	<u>55,892</u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	<u>-</u>	<u>2</u>

13 Amounts written off investments

	2017	2016
	£'000	£'000
Amounts written off financial assets held at cost	<u>-</u>	<u>(55,889)</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 1 JULY 2017**

14 Interest payable and similar expenses

	2017	2016
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	1,622	1,210
Other finance costs:		
Net interest on the net defined benefit pension liability	320	162
	<u>1,942</u>	<u>1,372</u>

15 Taxation

	2017	2016
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	905	761
Adjustments in respect of prior periods	(301)	398
Double tax relief	(273)	-
Total UK current tax	<u>331</u>	<u>1,159</u>
Foreign current tax on profits for the current period	273	410
Adjustments in foreign tax in respect of prior periods	(7)	-
Total current tax	<u>597</u>	<u>1,569</u>
Deferred tax		
Origination and reversal of timing differences	(76)	196
Changes in tax rates	35	-
Total deferred tax	<u>(41)</u>	<u>196</u>
Total tax charge	<u>556</u>	<u>1,765</u>

During the year, the Finance (No 2) Act 2015 was enacted so as to reduce the corporation tax rate to 18% for the financial year 2020. The Finance Bill 2016 reduces the rate by a further 1% for that year to 17%.

The deferred tax assets and liabilities reflect these rates.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 1 JULY 2017**

15 Taxation (Continued)

The charge for the period can be reconciled to the loss per the statement of comprehensive income as follows:

	2017	2016
	£'000	£'000
Loss before taxation	(9,713)	(21,081)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.75% (2016: 20.00%)	(1,918)	(4,216)
Tax effect of expenses that are not deductible in determining taxable profit	537	13,391
Tax effect of income not taxable in determining taxable profit	(9)	(11,177)
Change in unrecognised deferred tax assets	247	840
Adjustments in respect of prior years	(308)	-
Amortisation on assets not qualifying for tax allowances	2,006	2,606
Research and development tax credit	74	45
Other permanent differences	-	(360)
Share based payment charge	(167)	(184)
Under/(over) provided in prior years	-	398
Foreign taxation	-	410
Amounts charged directly to equity	(348)	-
Adjust deferred tax to average rate	221	12
Other	221	-
Taxation charge for the period	556	1,765

16 Intangible fixed assets

	Goodwill	Software	Total
	£'000	£'000	£'000
Cost			
At 3 July 2016	50,790	594	51,384
Additions - internally developed	-	7	7
At 1 July 2017	50,790	601	51,391
Amortisation and impairment			
At 3 July 2016	40,632	594	41,226
Amortisation charged for the period	10,158	3	10,161
At 1 July 2017	50,790	597	51,387
Carrying amount			
At 1 July 2017	-	4	4
At 2 July 2016	10,158	-	10,158

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 1 JULY 2017**

16 Intangible fixed assets (Continued)

More information on the impairment arising in the period is given in note 8.

Amortisation is included in administrative expenses.

17 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000
Cost			
At 3 July 2016	425	3,163	3,588
Additions	36	215	251
Disposals	-	(251)	(251)
At 1 July 2017	461	3,127	3,588
Depreciation and impairment			
At 3 July 2016	345	2,398	2,743
Depreciation charged in the period	27	478	505
Eliminated in respect of disposals	-	(240)	(240)
At 1 July 2017	372	2,636	3,008
Carrying amount			
At 1 July 2017	89	491	580
At 2 July 2016	80	765	845

18 Fixed asset investments

	Notes	2017 £'000	2016 £'000
Investments in subsidiaries	19	1,957	1,957

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 1 JULY 2017**

18 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings £'000
Cost or valuation	
At 3 July 2016	57,846
Disposals	(55,889)
	<u>1,957</u>
At 1 July 2017	<u>1,957</u>
Impairment	
At 3 July 2016	55,889
Disposals	(55,889)
	<u>-</u>
At 1 July 2017	<u>-</u>
Carrying amount	
At 1 July 2017	<u>1,957</u>
At 2 July 2016	<u>1,957</u>

19 Subsidiaries

Details of the company's subsidiaries at 1 July 2017 are as follows:

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

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.

During the period the company's wholly owned subsidiary, Arieso Limited, underwent voluntary liquidation and has subsequently been disposed of in these financial statements.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JULY 2017

20 Stocks

	2017 £'000	2016 £'000
Work in progress	1,250	2,715

21 Debtors

Amounts falling due within one year:	2017 £'000	2016 £'000
Trade debtors	4,182	6,046
Corporation tax recoverable	453	-
Amounts owed by group undertakings	-	1,937
Other debtors	15	54
Prepayments and accrued income	397	708
	5,047	8,745
Deferred tax asset (note 26)	664	623
	5,711	9,368

22 Creditors: amounts falling due within one year

	Notes	2017 £'000	2016 £'000
Other borrowings	24	350	350
Trade creditors		280	341
Amounts due to group undertakings		1,848	2,137
Corporation tax		-	58
Other taxation and social security		264	801
Deferred income		1,837	3,812
Other creditors		135	94
Accruals		1,825	1,366
		6,539	8,959

23 Creditors: amounts falling due after more than one year

	Notes	2017 £'000	2016 £'000
Other borrowings	24	58,867	57,813
Deferred income		403	2,157
		59,270	59,970

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JULY 2017

24 Borrowings

	2017 £'000	2016 £'000
Preference shares	350	350
Loans from group undertakings	58,867	57,813
	<u>59,217</u>	<u>58,163</u>
Payable within one year	350	350
Payable after one year	58,867	57,813
	<u>59,217</u>	<u>58,163</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.

25 Financial instruments

	2017 £'000	2016 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	4,197	8,037
	<u>4,197</u>	<u>8,037</u>
Carrying amount of financial liabilities		
Measured at amortised cost	63,305	62,101
	<u>63,305</u>	<u>62,101</u>

26 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 2017 £'000	Assets 2016 £'000
Balances:		
Accelerated capital allowances	329	351
Share based payments	335	230
Other timing differences	-	42
	<u>664</u>	<u>623</u>

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JULY 2017

26 Deferred taxation (Continued)

	2017 £'000
Movements in the period:	
Liability/(Asset) at 3 July 2016	(623)
Credit to profit or loss	(76)
Effect of change in tax rate - profit or loss	35
	<u> </u>
Liability/(Asset) at 1 July 2017	<u>(664)</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 £2,330,000 (2016: £2,111,000) in relation to the defined benefit pension liability, approximately £nil (2016: £413,000) in relation to unutilised trading losses and approximately £nil (2016: £560,000) in relation to unutilised capital losses. The total unrecognised deferred tax asset is approximately £2,330,000 (2016: £3,085,000). The directors have not recognised these assets as it is not probable that they will be recoverable against future taxable profits in the foreseeable future. All losses may be carried forward indefinitely.

27 Share capital

	2017 £'000	2016 £'000
Ordinary share capital		
Issued and fully paid		
1,000,000 Ordinary shares of £1 each	<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 24.

28 Reserves

Profit and loss reserves

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

VIABI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JULY 2017

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:

	2017 £'000	2016 £'000
Within one year	344	344
Between one and five years	735	1,038
In over five years	-	61
	<u>1,079</u>	<u>1,443</u>

30 Controlling party

The immediate parent company is JDSU International GmbH (registered office: Muhleweg 5, Eningen Unter Achalm, 72800, Germany). The ultimate parent undertaking is Viavi Solutions Inc. (registered office: 430 North McCarthy, Milpitas CA95035, 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.

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

VIAVI SOLUTIONS UK LIMITED

MANAGEMENT INFORMATION

FOR THE PERIOD ENDED 1 JULY 2017

THE FOLLOWING PAGES DO NOT FORM PART OF THE FINANCIAL STATEMENTS

VIAVI SOLUTIONS UK LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 1 JULY 2017

		Period ended 1 July 2017 £'000	Period ended 2 July 2016 £'000
Turnover	£'000	£'000	£'000
Sales of goods		18,904	17,039
Sales of services		16,934	17,339
		<u>35,838</u>	<u>34,378</u>
Cost of sales			
Finished goods purchases	13,966	12,004	
Wages and salaries	2,960	2,926	
Social security costs	385	356	
Staff pension costs defined contribution	171	162	
Redundancy costs	326	-	
Leasing - plant and machinery	3	3	
Depreciation	134	107	
		<u>(17,945)</u>	<u>(15,558)</u>
Gross profit		17,893	18,820
Other operating income			
Research and development grants receivable and released	99	348	
Royalties receivable	2,706	3,742	
		<u>2,805</u>	<u>4,090</u>
Distribution costs	16,668	16,906	
Administrative expenses	11,801	25,716	
		<u>(28,469)</u>	<u>(42,622)</u>
Operating loss		(7,771)	(19,712)
Investment revenues			
Bank interest received	-	2	
Other interest received on financial instruments	-	3	
Dividends receivable from group companies	-	55,887	
		<u>-</u>	<u>55,892</u>
Interest payable and similar expenses			
Interest payable to group companies	1,622	1,210	
Net interest on defined benefit liability	320	162	
		<u>(1,942)</u>	<u>(1,372)</u>
Other gains and losses			
Amounts written off financial assets measured at cost		-	(55,889)
Loss before taxation		<u>(9,713)</u>	<u>(21,081)</u>

VIAMI SOLUTIONS UK LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE PERIOD ENDED 1 JULY 2017

	Period ended 1 July 2017 £'000	Period ended 2 July 2016 £'000
Distribution costs		
Wages and salaries	8,155	8,999
Social security costs	1,006	1,255
Staff recruitment costs	51	204
Staff training	7	11
Staff pension costs defined contribution	503	554
Redundancy costs - staff	1,528	376
Equity-settled share-based payment costs	1,229	755
Directors' remuneration	219	201
Directors' social security costs	29	-
Directors' pension costs - defined contribution scheme	10	10
Premises insurance	264	242
Computer running costs	131	154
Other outside services	3	-
Leasing - motor vehicles	18	26
Travelling expenses	785	950
Accommodation and subsistence	51	68
Legal and professional fees	1,428	1,176
Printing and stationery	29	29
Advertising	258	836
Telecommunications	124	108
Other distribution costs	517	591
Amortisation	3	-
Depreciation	320	361
	<hr/>	<hr/>
	16,668	16,906
	<hr/>	<hr/>

VIAVI SOLUTIONS UK LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES (CONTINUED) FOR THE PERIOD ENDED 1 JULY 2017

	Period ended 1 July 2017 £'000	Period ended 2 July 2016 £'000
Administrative expenses		
Wages and salaries	684	813
Social security costs	88	99
Staff welfare	5	9
Staff training	-	6
Staff pension costs defined contribution	33	38
Staff pension costs defined benefit (allocation)	352	285
Defined benefit scheme - benefit change	-	5,700
Management charge - group	(887)	(1,040)
Rent re operating leases	378	371
Rent re licences and other	259	208
Rates	142	171
Cleaning	17	14
Power, light and heat	224	206
Property repairs and maintenance	85	175
Premises insurance	39	37
Computer running costs	(26)	37
Other outside services	2	67
Hire of equipment (not operating lease)	6	10
Travelling expenses	71	74
Legal and professional fees	28	40
Consultancy fees	15	14
Accountancy	43	43
Audit fees	37	38
Bank charges	10	10
Bad and doubtful debts	(86)	12
Printing and stationery	8	17
Advertising	-	6
Telecommunications	(24)	110
Sundry expenses	58	116
Amortisation	10,158	10,158
Depreciation	51	103
Impairment losses	-	2,872
Loss on sale of tangible assets	11	2
Loss on foreign exchange	20	4,895
	<u>11,801</u>	<u>25,716</u>