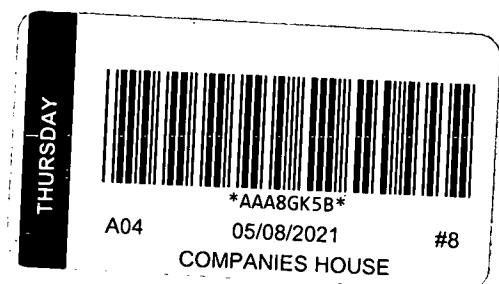


Company Registration No. 00887400 (England and Wales)

VIAVI SOLUTIONS UK LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
27 JUNE 2020



VIAVI SOLUTIONS UK LIMITED

COMPANY INFORMATION

Directors	Mr M T Taylor Mr K C Siebert Mr H P C Derksen
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 Merrill Lynch 2 King Edward Street London EC1A 1HQ
Solicitors	Shoosmiths LLP Waterfront House Waterfront Plaza 35 Station Street Nottingham NG2 3DQ

VIAVI SOLUTIONS UK LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 27 JUNE 2020

The directors present the strategic report for the period ended 27 June 2020.

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 three 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.

During the year, the company acquired the entire share capital of Aeroflex Ltd, for consideration of £259,624,000. Aeroflex Ltd is a developer, manufacturer and distributor of wireless test solutions for the 5G mobile communications market.

Equity funding was strengthened through the issue of 1,000 ordinary shares for consideration of £112,667,000. Loans from group undertakings were refinanced and extended by £134,456,000.

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 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.

VIABI SOLUTIONS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2020

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 27 June 2020 was at a higher level to the period ended 30 June 2019 from £25.9m to £47.2m because of strong sales made during Q4 of the current year and deferred income reduced from £3.7m to £1.8m.

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 pages 5 to 6 of the group's annual report (US SEC 10-K annual filing), which does not form part of this report.

VIAMI SOLUTIONS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2020

Section 172 Statement

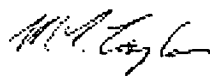
The directors of the company perform their duties in accordance with s172 of the Companies Act 2006, acting in good faith to promote the success of the Company for the benefit of its members as a whole and having regard to the following matters:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly between members of the Company.

The board receives regular updates on financial performance, risk, compliance with laws and regulations, customer and supplier engagement, staff engagement and corporate social responsibility. Where appropriate, papers and briefings presented to the board draw out directors' responsibilities and duties under the Companies Act.

During the year, the directors took into account the views and the best long-term interests of the Company's employees, suppliers and customers as well as the wider Viavi group as a whole when making key decisions regarding the Company. The board considered the likely impact of these decisions on this wide range of stakeholders.

On behalf of the board



.....
Mr M T Taylor
Director

30 July 2021
Date:

VIABI SOLUTIONS UK LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 27 JUNE 2020

The directors present their report and financial statements for the 52 week period ended 27 June 2020. The comparative information is for the 52 week period from 1 July 2018 to 29 June 2019.

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 A M Maletira

Mr K C Siebert

Mr H P C Derksen

(Resigned 20 November 2020)

(Appointed 1 May 2021)

Results and dividends

The results for the period are set out on page 9.

The profit before taxation was £1,797,000 (2019: £284,000). The company has net assets, including the pension liability, of £68,016,000 (2019: £43,581,000).

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 £5,860,284 (2019: £5,715,000).

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.

Energy and carbon reporting

Viavi Solutions (UK) Limited has an ongoing responsibility to both the local and global environment. We are committed to the continuous improvement of managing environmental issues including the responsible management and monitoring of energy use with the objective of reducing the amount consumed.

Environmental objectives

The company adopts to minimise its energy use and reduce its impact on the environment are:

- Continual review of possible energy saving measures that may be feasible.
- Continual monitoring of energy consumption data.
- Regular reporting of consumption data to Board of Directors.
- Ongoing investigations of technology and equipment available to further reduce energy usage.
- Ongoing strategy to increase employee awareness and provide training with respect to energy saving processes and techniques.

VIAMI SOLUTIONS UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 27 JUNE 2020

<i>Energy consumption</i>	kWh
- Aggregate of energy consumption in the year	354,474

<i>Emissions of CO2 equivalent</i>	Metric tonnes
- Electricity purchased	60

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have obtained the above information from the following sources:

- Electricity used - taken from utility bill.
- Carbon dioxide emitted - IEA (2020), CO2 Emissions from Fuel Combustion report.

Commentary

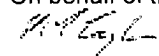
The electricity usage reduced by 20% this year compared with last year, this is due to remote work from the first covid wave in 2020.

Our CO2 output reduced by 25% this year compared with last year, this is due to remote work from the first covid wave in 2020.

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 30 July 2021

Date:

VIAVI SOLUTIONS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 27 JUNE 2020

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 (the 'company') for the period ended 27 June 2020 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 27 June 2020 and of its profit 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)

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 or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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: <https://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

2 August 2021

VIAVI SOLUTIONS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 27 JUNE 2020

		Period ended 27 June 2020 £'000	Period ended 29 June 2019 £'000
	Notes		
Turnover	3	63,878	41,464
Cost of sales		(41,776)	(22,578)
Gross profit		22,102	18,886
Distribution costs		(16,392)	(15,276)
Administrative expenses		(1,004)	(1,936)
Other operating income		562	832
Operating profit	9	5,268	2,506
Interest receivable and similar income	10	5,820	31
Interest payable and similar expenses	11	(9,291)	(2,253)
Profit before taxation		1,797	284
Tax on profit	12	(1,354)	(628)
Profit/(loss) for the financial period		443	(344)
Other comprehensive income			
Actuarial loss on defined benefit pension schemes		(2,828)	(1,415)
Total comprehensive income for the period		(2,385)	(1,759)

VIAVI SOLUTIONS UK LIMITED

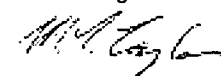
STATEMENT OF FINANCIAL POSITION

AS AT 27 JUNE 2020

		2020	2019
	Notes	£'000	£'000
Fixed assets			
Intangible assets	13	31	42
Tangible assets	14	1,253	905
Investments	15	261,581	1,957
		<u>262,865</u>	<u>2,904</u>
Current assets			
Stocks	17	1,396	1,289
Debtors	18	14,643	13,222
Cash at bank and in hand		18,053	22,132
		<u>34,092</u>	<u>36,643</u>
Creditors: amounts falling due within one year	19	(18,132)	(8,941)
Net current assets		<u>15,960</u>	<u>27,702</u>
Total assets less current liabilities		<u>278,825</u>	<u>30,606</u>
Creditors: amounts falling due after more than one year	20	(194,502)	(60,692)
Net assets excluding pension liability		<u>84,323</u>	<u>(30,086)</u>
Defined benefit pension liability	23	(16,307)	(13,495)
Net assets/(liabilities)		<u>68,016</u>	<u>(43,581)</u>
Capital and reserves			
Called up share capital	24	1,001	1,000
Share premium account	25	112,666	-
Profit and loss reserves	25	(45,651)	(44,581)
Total equity		<u>68,016</u>	<u>(43,581)</u>

30 July 2021

The financial statements were approved by the board of directors and authorised for issue on
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 27 JUNE 2020

		Share capital	Share premium account	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000	£'000
Balance at 1 July 2018		1,000	-	(43,728)	(42,728)
Period ended 29 June 2019:					
Loss for the period		-	-	(344)	(344)
Other comprehensive income:					
Actuarial gains 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	6	-	-	906	906
Balance at 29 June 2019		1,000	-	(44,581)	(43,581)
Period ended 27 June 2020:					
Profit for the period		-	-	443	443
Other comprehensive income:					
Actuarial losses on defined benefit plans		-	-	(2,828)	(2,828)
Total comprehensive income for the period		-	-	(2,385)	(2,385)
Issue of share capital	24	1	112,666	-	112,667
Credit to equity for equity settled share-based payments	6	-	-	1,315	1,315
Balance at 27 June 2020		1,001	112,666	(45,651)	68,016

VIABI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 27 JUNE 2020

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 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.

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 27 June 2020. On this basis, the directors consider it appropriate to prepare these financial statements on the going concern basis.

VIABI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2020

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 30 June 2019 to 27 June 2020 and the comparative information is for the 52 week period from 1 July 2018 to 29 June 2019.

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; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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 27 JUNE 2020

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 27 JUNE 2020

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.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2020

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 27 JUNE 2020

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 27 JUNE 2020

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.

Recoverability of investments

During the period, the company made an investment of £259.6m in a subsidiary company Aeroflex Limited. In line with the accounting policies, the Company assesses its subsidiaries for impairment at each reporting date. The Directors have considered whether there are any material indicators of impairment against the value of the investment in Aeroflex. Given the financial performance and position of Aeroflex, no material indicators of impairment have been identified against the balance of the investment.

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.

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2020

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 utilises 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 27 JUNE 2020

2 Judgements and key sources of estimation uncertainty (Continued)

5. Recognise revenue when (or as) performance obligations are satisfied: Revenue is recognised 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 labour contracts, revenue is recognised 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 27 JUNE 2020

3 Turnover and other revenue

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

	2020 £'000	2019 £'000
Turnover analysed by class of business		
Product sales	47,078	26,672
Intercompany cost plus	16,800	14,792
	<u>63,878</u>	<u>41,464</u>
	2020 £'000	2019 £'000
Other revenue		
Interest income	15	31
Royalty income	162	752
Dividends received	5,805	-
Grants received	400	80
	<u></u>	<u></u>
	2020 £'000	2019 £'000
Turnover analysed by geographical market		
EMEA	44,279	25,986
Latin America	2,638	868
North America	16,961	14,610
	<u>63,878</u>	<u>41,464</u>

4 Employees

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

	2020 Number	2019 Number
Development and production	53	55
Services	33	30
Selling and marketing	51	48
Administration	9	8
	<u>146</u>	<u>141</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 JUNE 2020

4 Employees (Continued)

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	12,567	11,326
Social security costs	1,693	1,400
Pension costs	634	883
Share-based payments	1,315	906
Redundancy payments	53	283
	<u>16,262</u>	<u>14,798</u>

5 Directors' remuneration

	2020 £'000	2019 £'000
Remuneration for qualifying services	270	235
Company pension contributions to defined contribution schemes	11	11
	<u>281</u>	<u>246</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 1).

The number of directors who exercised share options during the period was 1 (2019 - 0).

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

	2020 £'000	2019 £'000
Remuneration for qualifying services	270	235
Company pension contributions to defined contribution schemes	11	11
	<u></u>	<u></u>

The highest paid director has exercised share options during the period.

One director (2019: 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 27 JUNE 2020

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.

7 Other operating income

	2020 £'000	2019 £'000
Royalty income	162	752
Grants received	400	80
	<u>562</u>	<u>832</u>

8 Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	42	38
For other services		
Taxation compliance services	6	10
Other taxation services	31	14
All other non-audit services	13	12
	<u>50</u>	<u>36</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 JUNE 2020

9 Operating profit

	2020 £'000	2019 £'000
Operating profit for the period is stated after charging/(crediting):		
Exchange (gains)/losses	(234)	360
Research and development costs	5,860	5,715
Government grants	(400)	(80)
Depreciation of owned tangible fixed assets	386	304
Amortisation of intangible assets	33	13
Share-based payments	1,315	906
Operating lease charges	529	312
	<u> </u>	<u> </u>

10 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest income		
Interest on bank deposits	6	31
Other interest income	9	-
	<u> </u>	<u> </u>
Total interest revenue	15	31
 Income from fixed asset investments		
Income from shares in group undertakings	5,805	-
	<u> </u>	<u> </u>
Total income	5,820	31
	<u> </u>	<u> </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	6	31
	<u> </u>	<u> </u>

11 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	8,955	1,934
 Other finance costs:		
Net interest on the net defined benefit liability	307	319
Other interest	29	-
	<u> </u>	<u> </u>
	9,291	2,253
	<u> </u>	<u> </u>

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2020

12 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current period	1,152	498
Adjustments in respect of prior periods	116	-
Double tax relief	-	(137)
Total UK current tax	1,268	361
Foreign current tax on profits for the current period	-	137
Total current tax	1,268	498
Deferred tax		
Origination and reversal of timing differences	141	130
Changes in tax rates	(55)	-
Total deferred tax	86	130
Total tax charge	1,354	628

The Finance Act 2016 was enacted so as to reduce the corporation tax rate from 19% to 17% with effect from 1 April 2020. In March 2020 the Chancellor announced that tax rate would remain at 19%. In March 2021 the Chancellor announced that the corporation tax rate would increase from 19% to 25% from 1 April 2023, however as this was not substantively enacted at the reporting date, this rate has not been used to measure deferred tax.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2020

12 Taxation (Continued)

The total tax charge 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:

	2020	2019
	£'000	£'000
Profit before taxation	1,797	284
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	341	54
Tax effect of expenses that are not deductible in determining taxable profit	67	482
Adjustments in respect of prior years	116	-
Effect of change in corporation tax rate	(325)	-
Group relief surrendered	1,654	-
Research and development tax credit	64	-
Share based payment charge	-	88
Amounts charged directly to equity	(537)	(269)
Deferred tax not recognised	804	254
Other	273	19
Exempt ABGH distributions	(1,103)	-
Taxation charge for the period	1,354	628

13 Intangible fixed assets

	Goodwill	Software	Total
	£'000	£'000	£'000
Cost			
At 30 June 2019	50,790	73	50,863
Additions	-	22	22
At 27 June 2020	50,790	95	50,885
Amortisation and impairment			
At 30 June 2019	50,790	31	50,821
Amortisation charged for the period	-	33	33
At 27 June 2020	50,790	64	50,854
Carrying amount			
At 27 June 2020	-	31	31
At 29 June 2019	-	42	42

Amortisation is included in administrative expenses.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2020

14 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000
Cost			
At 30 June 2019	667	2,866	3,533
Additions	5	729	734
Disposals	-	(1)	(1)
At 27 June 2020	672	3,594	4,266
Depreciation and impairment			
At 30 June 2019	488	2,140	2,628
Depreciation charged in the period	77	309	386
Eliminated in respect of disposals	-	(1)	(1)
At 27 June 2020	565	2,448	3,013
Carrying amount			
At 27 June 2020	107	1,146	1,253
At 29 June 2019	179	726	905

15 Fixed asset investments

	Notes	2020 £'000	2019 £'000
Investments in subsidiaries	16	261,581	1,957

Movements in fixed asset investments

	Shares in group undertakings £'000
Cost or valuation	
At 30 June 2019	1,957
Additions	259,624
At 27 June 2020	261,581
Carrying amount	
At 27 June 2020	261,581
At 29 June 2019	1,957

During the year, the company acquired the entire share capital of Aeroflex Ltd, for consideration of £259,624,000. Aeroflex Ltd is a developer, manufacturer and distributor of wireless test solutions for the 5G mobile communications market.

VIABI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 27 JUNE 2020**

16 Subsidiaries

Details of the company's subsidiaries at 27 June 2020 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
Aeroflex Limited	c)	Development, manufacture and distribution of wireless test solutions	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.
- c) Longacres House, Six Hills Way, Stevenage, SG1 2AN

17 Stocks

	2020 £'000	2019 £'000
Work in progress	1,396	1,289

18 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	10,417	10,604
Corporation tax recoverable	-	767
Amounts owed by group undertakings	2,923	19
Other debtors	79	101
Prepayments and accrued income	841	1,262
	14,260	12,753
Deferred tax asset (note 22)	383	469
	14,643	13,222

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2020

19 Creditors: amounts falling due within one year

	Notes	2020 £'000	2019 £'000
Other borrowings	21	350	350
Trade creditors		436	669
Amounts owed to group undertakings		12,750	5,161
Corporation tax		287	-
Other taxation and social security		1,073	645
Deferred income		1,826	848
Accruals and deferred income		1,410	1,268
		<u>18,132</u>	<u>8,941</u>

20 Creditors: amounts falling due after more than one year

	Notes	2020 £'000	2019 £'000
Other borrowings	21	193,152	58,696
Deferred income		1,350	1,996
		<u>194,502</u>	<u>60,692</u>

21 Borrowings

	2020 £'000	2019 £'000
Preference shares	350	350
Loans from group undertakings	193,152	58,696
	<u>193,502</u>	<u>59,046</u>
Payable within one year	350	350
Payable after one year	193,152	58,696
	<u>193,502</u>	<u>59,046</u>

The intercompany loan accrues interest at a fixed rate of 5.7% per annum. Final repayment shall be made after 7 years. The group undertaking consider the loan to be a permanent investment as repayment is not foreseeable.

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 JUNE 2020

22 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 2020 £'000	Assets 2019 £'000
Balances:		
Accelerated capital allowances	144	267
Share based payments	239	202
	<u>383</u>	<u>469</u>
Movements in the period:		2020 £'000
Asset at 30 June 2019		(469)
Charge to profit or loss		86
Asset at 27 June 2020		<u>(383)</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 £3,098,330 (2019: £2,291,150) 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.

23 Retirement benefit schemes

	2020 £'000	2019 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>457</u>	<u>817</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 27 June 2020 totalled £135,000 (2019: £127,000) and are included within accruals.

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2020

23 Retirement benefit schemes (Continued)

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 27 June 2020 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 (2019: £500,000). 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 £1,500,000 (2019: £500,000).

	2020	2019
	%	%
<i>Key assumptions</i>		
Discount rate	1.5	2.3
Expected rate of increase of pensions in payment		
Post 1988 GMP	2.00	1.90
Post 1997 pension	2.80	3.10
Rectification pension	3.50	3.60
Inflation (RPI)	2.9	3.2
Inflation (CPI)	2.3	2.1
	=====	=====
<i>Mortality assumptions</i>	2020	2019
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	22.3	21.9
- Females	24.0	23.8
	=====	=====
Retiring in 20 years		
- Males	23.6	23.6
- Females	25.5	25.7
	=====	=====

Mortality assumptions are based on 100% of the S2PXA tables with improvements in line with the CMI 2019 projections and a long-term rate of improvement of 1.25% per annum, Sk of 7.0 and A of 0.5%.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 27 JUNE 2020**

23 Retirement benefit schemes (Continued)

	2020	2019
	£'000	£'000
<i>Amounts recognised in the statement of comprehensive income</i>		
Net interest on defined benefit liability/(asset)	307	319
Other costs and income	177	259
	<u>484</u>	<u>578</u>
	2020	2019
	£'000	£'000
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	(356)	(1,216)
Less: calculated interest element	534	604
	<u>178</u>	<u>(612)</u>
Return on scheme assets excluding interest income	2,650	2,027
Actuarial changes related to obligations	<u>2,828</u>	<u>1,415</u>
Total costs	<u>2,828</u>	<u>1,415</u>

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

	2020	2019
	£'000	£'000
Present value of defined benefit obligations	39,705	36,892
Fair value of plan assets	(23,398)	(23,397)
	<u>16,307</u>	<u>13,495</u>
Deficit in scheme	<u>16,307</u>	<u>13,495</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 JUNE 2020

23 Retirement benefit schemes (Continued)

	2020 £'000
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 30 June 2019	36,892
Benefits paid	(678)
Actuarial gains and losses	2,650
Interest cost	841
At 27 June 2020	<u>39,705</u>

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

	2020 £'000
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 30 June 2019	23,397
Interest income	534
Return on plan assets (excluding amounts included in net interest)	(178)
Benefits paid	(678)
Contributions by the employer	500
Other	(177)
At 27 June 2020	<u>23,398</u>

The actual return on plan assets was £356,000 (2019 - £1,216,000).

	2020 £'000	2019 £'000
<i>The analysis of the scheme assets at the reporting date were as follows:</i>		
Equity instruments	9,398	9,123
Debt instruments	8,877	9,083
Absolute return	5,029	5,109
Cash and other	94	82
	<u>23,398</u>	<u>23,397</u>

24 Share capital

	2020 Number	2019 Number	2020 £'000	2019 £'000
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>1,001,100</u>	<u>1,000,000</u>	<u>1,001</u>	<u>1,000</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 JUNE 2020

24 Share capital (Continued)

Preference shares of £1 each	350,000	350,000	-	-
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On 13 September 2019 company issued 1,000 Ordinary Shares with a nominal value of £1 for a consideration of £112,667,000.

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 21.

25 Reserves

Profit and loss reserves

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

26 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 23.

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.

VIABI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 JUNE 2020

27 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:

	2020 £'000	2019 £'000
Within one year	144	216
Between one and five years	42	179
	<u>186</u>	<u>395</u>

28 Events after the reporting date

On 4th October 2020, the trade, business and specific assets of Aeroflex Ltd, a wholly owned subsidiary, were purchased by the Company for consideration of £102m.

On 31st December 2020, Viavi Solutions UK LLC was struck off under the Delaware limited liability Company Act. The £193m the loan payable to Viavi Solutions UK LLC was cancelled and the investment of £193m investment in LLC that was hived up from Aeroflex Ltd was also cleared.

29 Ultimate controlling party

The immediate parent company is TTC International Holdings LLC. (registered office: 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, 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.

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