Registered no: 02795233

Fibercore Limited
Annual report
for the period ended 24 July 2009

Fibercore Limited

Annual report
for the period ended 24 July 2009

Directors' report for the period ended 24 July 2009

The directors present their report and the audited financial statements for the period ended 24 July 2009

Business review and principal activities

Fibercore Limited ("the company") undertakes the design, manufacture and sale of special purpose optical fibres The company has a broad customer base but has a strong focus on the fibre-optic gyroscope and fibre-amplifier markets

Future outlook

We believe the company's continued investment in improvement on existing and development of new product lines will enable us to maintain our customer base and continue our growth in targeted sectors of the market

We anticipate a continuing demand for our services and products

Key performance indicators

The directors of the company manage its operations on a product 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 Fibercore Limited

Principal risks and uncertainties

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

Risks are formally reviewed by the board and key management and appropriate processes are put in place to monitor and mitigate them If more than one event occurs it is possible that the overall effect of such events would compound the possible adverse effects on the company

Competition risk - The company competes on quality over price of product If quality improves in the market as a whole then downwards pressure is placed upon the margins of the company, furthermore its customers would have alternative source options open for consideration. The company carries out extensive research and development to ensure the highest quality of product is available to the customer base to ensure that the expectation of the customer are met or exceeded

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk, foreign currency risk and interest rate risk The company has in place a risk management programme that seeks to limit the adverse effects of these risks on the performance of the company

Price risk - Where the company is exposed to commodity price risk as a result of its operations, the costs of managing this exposure exceed any potential benefits The directors will revisit the appropriateness of this policy should the company's operations change in size or nature The company has no exposure to equity securities price risk, as it holds no listed or other equity investments

Credit risk - The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly

Liquidity risk - The company does not hold significant levels of external long-term or short-term debt

Directors' report for the period ended 24 July 2009 (continued)

Financial risk management (continued)
finance and as such is not exposed to liquidity risk

Interest rate cash flow risk - The company has both interest bearing assets and interest bearing liabilities Interest bearing assets include only cash balances, which earn interest at a fixed rate

Foreign exchange risk - The company has both expenditures and revenue denominated in a foreign currency; however as the company operates a strict credit control policy the level of exposure to foreign exchange risk is considered to be minimal

Results and dividends
The profit after tax for the period amounted to £1,022,178 (period from 29 July 2007 to 25 July 2008 - £1,007,449) A dividend of £nil (period from 29 July 2007 - 25 July 2008 - £nil) was paid during the period

Research and development
The company continues to invest in the development of new products to support existing applications based upon the needs of our customers and diversification into new applications by working with new customers The directors regard the investment in research and development as essential to facilitate the continuing success of the company

Qualifying third party indemnity provisions
At the time the report is approved there are no qualifying third party indemnity provisions in place for the benefit of one or more of the directors

Directors
The directors of the company during the period and up to the date of signing the financial statements are set out as follows

Dr C Emslie
Mr B Benfield
Mr J Wharton
Mr S Dunlop (Appointed 29 March 2010)

Charitable and political donations
No donations were made during the period to political or charitable organisations (2008 - £nil)

Statement of directors' responsibilities
The directors are responsible for preparing 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

Directors' report for the period ended 24 July 2009 (continued)

Statement of directors' responsibilities (continued)

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

Statement of disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting

By order of the Board

Bryan P Benfield
Director

Date 1 July 2010

Independent auditors' report to the members of Fibercore Limited

We have audited the financial statements of Fibercore Limited for the period ended 24 July 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 24 July 2009 and of its profit 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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
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

Christopher Boreham (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

13 July 2010

Profit and loss account for the period ended 24 July 2009

	Note	**Period ended 24 July 2009 £**	Period ended 25 July 2008 £
Turnover	2	**8,562,019**	9,051,947
Cost of sales		**(6,339,585)**	(6,661,240)
Gross profit		**2,222,434**	2,390,707
Administrative expenses		**(1,311,284)**	(1,654,057)
Other income		**298,043**	416,160
Operating profit	3	**1,209,193**	1,152,810
Interest receivable and similar income	6	**228,922**	288,755
Interest payable and similar charges	7	**(135)**	(40,222)
Profit on ordinary activities before taxation		**1,437,980**	1,401,343
Taxation on profit on ordinary activities	8	**(415,802)**	(393,894)
Profit on ordinary activities after taxation	16, 17	**1,022,178**	1,007,449

The results for the periods above are derived entirely from continuing activities

The company has no recognised gains and losses other than the profits above, and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the retained profit for the periods stated above, and their historical cost equivalents

Balance sheet as at 24 July 2009

	Note	**24 July 2009 £**	25 July 2008 £
Fixed assets			
Tangible assets	9	**4,668,736**	4,509,819
Current assets			
Stocks	10	**521,350**	298,865
Debtors	11	**1,527,681**	7,477,434
Cash at bank and in hand		**3,077,248**	523,851
		5,126,279	8,300,150
Creditors: amounts falling due within one year	12	**(2,481,121)**	(6,874,762)
Net current assets		**2,645,158**	1,425,388
Total assets less current liabilities		**7,313,894**	5,935,207
Provisions for liabilities and charges	13	**(464,494)**	(197,462)
Net assets		**6,849,400**	5,737,745
Capital and reserves			
Called-up share capital	15	**281,136**	281,136
Capital contribution	16	**54,710**	54,710
Profit and loss account	16	**6,513,554**	5,401,899
Equity shareholders' funds	17	**6,849,400**	5,737,745

The financial statements on pages 5 to 19 were approved by the board of directors on 1 July 2010 and were signed on its behalf by

Bryan P Benfield
Director

Notes to the financial statements for the period ended 24 July 2009

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom A summary of the principal accounting policies, which have been applied consistently, throughout the period except where noted below, are set out below

Basis of accounting
The financial statements are prepared in accordance with Companies Act 2006 under the historical cost convention and on a going concern basis

Comparatives
The comparatives are for the period from 29 July 2007 to 25 July 2008

Related party transactions
The company is a wholly owned subsidiary where the consolidated financial statements of its ultimate parent undertaking, Cisco Systems Inc , are publicly available and in which the company is included

Accordingly, the company has taken advantage of the exemption under paragraph 3(c) of FRS 8 'Related Party Disclosures' from disclosing transactions with members or investees of the Cisco Systems Inc group

Fixed assets
All fixed assets are initially recorded at cost The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition

Depreciation
Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful economic life, as follows

Long leasehold interest	Over 50 years
Building and leasehold improvements	Over the remaining life of the lease
Plant & machinery	Over 8 years
Fixtures, fittings & Equipment	Over 3 years

The carrying values of the tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

The company has changed the estimated useful economic life of building and leasehold improvements It is considered prudent for all future improvements to the building and leasehold to be depreciated over the remaining life of the lease The net book value of the existing improvements will also be written down over the remaining period of the lease

Stocks
Stocks are stated at the lower of cost and net realisable value Cost includes all costs incurred in bringing each product to its present location and condition

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Provision is made where necessary for obsolete, slow moving and defective stocks

Notes to the financial statements for the period ended 24 July 2009 (continued)

1 Principal accounting policies (continued)

Operating leases
Rentals payable under operating leases are charge in the profit and loss account on a straight line basis over the lease term

Foreign currencies
Transactions denominated in foreign currencies are translated at the rate of exchange prevailing on the transaction date Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the period All foreign exchange differences have been taken to the profit and loss account in the period in which they arise

Turnover
Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts and VAT

Revenue is only recognised if the four following criteria are met
1) There is persuasive evidence of an agreement with the customer,
2) Product is shipped and title has passed, or the services have been performed,
3) The amount due from the customer is fixed and determinable, and
4) Collectability is reasonably assured

Provision for warranty
Provision for warranty is recognised for expected warranty claims on products sold during the last period It is expected that most of these costs will be incurred in the next financial period

Lease restoration obligation
The company recognises the anticipated cost of significant re-instatement of leasehold properties at the end of the lease term in accordance with FRS 12 'Provisions, contingent liabilities and contingent assets' This anticipated cost is capitalised on a present value basis within leasehold improvements This is depreciated on a straight line basis

Deferred taxation
Deferred tax is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted

Pension scheme arrangements
The company operates a defined contribution pension scheme Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme Differences between the amounts charged to the profit and loss account and the amounts paid are held in prepayments or accruals at the period end

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised 1996) 'Cash Flow Statement' from including a cash flow statement in the financial statements on the grounds that the company is a wholly owned subsidiary and its ultimate parent, Cisco Systems Inc publishes consolidated financial statements, which are publicly available

Share based payment
The company's employees participate in its ultimate parent's share based compensation plans The fair value of the employee services received in exchange for the grant of options or participation in other share based plans is recognised as an expense The total amount to be expensed is recognised over the vesting period Non market vesting conditions are included in the assumptions about the number of options that are expected to vest

Notes to the financial statements for the period ended 24 July 2009 (continued)

2 Turnover

The turnover is attributable to the principal activity of the company arising in the United Kingdom

An analysis of turnover by geographical area and activity has not been given because in the opinion of the directors such disclosure would be seriously prejudicial to the interests of the company

3 Operating profit

	Period ended 24 July 2009	Period ended 25 July 2008
Operating profit is stated after charging:	**£**	£
Wages and salaries	**1,184,171**	1,198,872
Social security costs	**135,295**	129,571
Pension costs (see note 18)	**63,958**	62,372
Share option charge (see note 19)	**89,477**	92,550
Staff costs	**1,472,901**	1,483,365
Depreciation of owned fixed assets	**408,113**	410,099
Operating lease rentals – other	**15,830**	16,244
Net (gain)/loss on foreign currency translation	**(154,703)**	77,465
Services provided by the company's auditors		
-Fees payable for the company audit	**33,000**	30,500

4 Directors' emoluments

	Period ended 24 July 2009 £	Period ended 25 July 2008 £
Aggregate emoluments	**172,963**	213,362
Pension costs	**9,324**	9,307
	182,287	222,669

Notes to the financial statements for the period ended 24 July 2009 (continued)

4 Directors' emoluments (continued)

Durng the penod, retirement benefits were accruing to one director (2008 one) in respect of defined contribution scheme

The highest paid director received remuneration of £182,287 (2008 £222,669) The highest paid director did not exercise any share options in the penod ended 24 July 2009 or for the prior penod

Emoluments for the overseas directors have been borne by the ultimate parent company, Cisco Systems Inc

Dr C Emslie is the UK Executive Director of the company

Mr B Benfield and Mr J Wharton have been directors of the company during the period as well as directors or officers of a number of companies within the Scientific-Atlanta group Their directors' services do not occupy a significant amount of their time As such, these directors do not consider that they have received any remuneration for their incidental services to the company for the penod ended 24 July 2009 or for the prior penod

5 Employee information

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

By category	Period ended 24 July 2009 Number	Period ended 25 July 2008 Number
Production staff	17	17
Administrative staff	3	4
Engineering staff	3	3
Marketing staff	3	3
	26	27

6 Interest receivable and similar income

	Period ended 24 July 2009 £	Period ended 25 July 2008 £
Bank interest receivable	42,009	42,129
Intercompany interest receivable	186,913	246,626
	228,922	288,755

Notes to the financial statements for the period ended 24 July 2009 (continued)

7 Interest payable and similar charges

	Period ended 24 July 2009 £	Penod ended 25 July 2008 £
Interest on intercompany balances	135	40,222

8 Taxation on profit on ordinary activities

	Period ended 24 July 2009 £	Penod ended 25 July 2008 £
Current tax		
United Kingdom corporation tax on profits of the penod	470,059	428,974
Adjustment in respect of pnor penods	(8,319)	705
Total current tax	461,740	429,679
Deferred tax		
Ongination and reversal of timing differences (note 13)	(45,938)	(35,785)
Tax on profit on ordinary activities	415,802	393,894

The tax charge for the penod was higher (2008 higher) than the standard rate for corporation tax in the UK (28%) The differences are explained below

	Period ended 24 July 2009 £	Year ended 25 July 2008 £
Profit on ordinary activities before tax	1,437,980	1,401,343
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 29 3%)	402,634	411,061
Effect of expenses not deductible for tax purposes	26,486	(6,594)
Adjustment to tax charge in respect of pnor penods	(8,319)	705
Other short term timing differences	654	1,499
Accelerated capital allowances	40,285	23,008
Total current tax	461,740	429,679

Notes to the financial statements for the year ended 24 July 2009 (continued)

9 Tangible fixed assets

	Long Leasehold Interest £	Building & Leasehold Improvement £	Plant & Machinery £	Fixtures, Fittings & Equipment £	Asset in Course of Construction £	Total £
Cost						
At 25 July 2008	575,550	3,293,201	3,050,837	194,030	-	7,113,618
Additions	-	387,719	54,190	-	125,121	567,030
At 24 July 2009	**575,550**	**3,680,920**	**3,105,027**	**194,030**	**125,121**	**7,680,648**
Accumulated depreciation						
At 24 July 2008	74,821	366,762	2,000,448	161,768	-	2,603,799
Charge for period	11,511	74,867	304,469	17,266	-	408,113
At 24 July 2009	**86,332**	**441,629**	**2,304,917**	**179,034**	**-**	**3,011,912**
Net book amount						
At 24 July 2009	**489,218**	**3,239,291**	**800,110**	**14,996**	**125,121**	**4,668,736**
At 25 July 2008	500,729	2,926,439	1,050,389	32,262	-	4,509,819

10 Stocks

	24 July 2009 £	25 July 2008 £
Finished goods	**521,350**	298,865

11 Debtors

	24 July 2009 £	25 July 2008 £
Amounts falling due within one year:		
Trade debtors	**991,099**	1,157,359
Amounts owed by group undertakings	**351,616**	6,291,441
Other debtors	**181,982**	26,425
Prepayments and accrued income	**2,984**	2,209
	1,527,681	7,477,434

Amounts owed by group undertakings are unsecured, have no fixed repayment date and bear interest of Euribor plus 60 basis points

Notes to the financial statements for the period ended 24 July 2009 (continued)

12 Creditors: amounts falling due within one year

	24 July 2009 £	25 July 2008 £
Trade creditors	**48,830**	31,677
Amounts owed to group undertakings	**2,261,246**	6,485,061
Corporation tax payable	**799**	103,852
Other taxation and social security	**69,103**	88,655
Accruals and deferred income	**101,143**	165,517
	2,481,121	6,874,762

Amounts owed to group undertakings are unsecured, repayable on demand and bear interest of Euribor plus 60 basis points

13 Provisions for liabilities and charges

	Warranty claims £	Lease restoration obligation £	Deferred tax £	Total £
At 25 July 2008	45,878	81,967	69,617	197,462
Utilised in the period	(45,878)	-	-	(45,878)
Increase in provision	-	318,033	-	318,033
Charged to profit and loss account	40,815	-	(45,938)	(5,123)
At 24 July 2009	**40,815**	**400,000**	**23,679**	**464,494**

Warranty provision

Provision for warranty is recognised for expected warranty claims on products sold during the last period It is expected that most of these costs will be incurred in the next financial period

Lease restoration obligation

Provision is made for the estimated liabilities that will be incurred by the company on the termination of property leases, an equivalent amount is capitalised and written off over the period of the lease

Notes to the financial statements for the period ended 24 July 2009 (continued)

14 Deferred taxation

Deferred taxation provided in the financial statements is as follows

	24 July 2009 £	25 July 2008 £
Accelerated capital allowances	**29,028**	74,312
Other timing differences	**(5,349)**	(4,695)
Total provision for deferred tax	**23,679**	69,617

The liability for deferred taxation has been provided within note 13, provisions for liabilities and charges There are no unprovided amounts of deferred taxation

15 Share capital

	24 July 2009 £	25 July 2008 £
Authorised		
702,840 (2008 702,840) Ordinary shares of £1 each	**702,840**	702,840
Allotted, called-up and fully paid		
281,136 (2008 281,136) Ordinary shares of £1 each	**281,136**	281,136

16 Reserves

	Capital contribution £	Profit and loss account £
At 26 July 2008	54,710	5,401,899
Profit for the financial period	-	1,022,178
Adjustment in respect of employee share option plans	-	89,477
At 24 July 2009	**54,710**	**6,513,554**

17 Reconciliation of movement in shareholders' funds

	24 July 2009 £	25 July 2008 £
Opening equity shareholder's funds	**5,737,745**	4,637,746
Profit for the financial period	**1,022,178**	1,007,449
Adjustment in respect of employee share option plans	**89,477**	92,550
Closing shareholders' funds	**6,849,400**	5,737,745

Notes to the financial statements for the year ended 24 July 2009 (continued)

18 Pension costs

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge represents contributions payable by the company to the fund and amounted to £63,958 (2008 £62,372) At the balance sheet date there were no were no outstanding contributions (2008 £nil) payable to the fund

19 Share based payment

Employee stock incentive plan
As of July 24, 2009, the Company's Parent ("Cisco Systems, Inc ") had five stock incentive plans the 2005 Stock Incentive Plan (the "2005 Plan"), the 1996 Stock Incentive Plan (the "1996 Plan"), the 1997 Supplemental Stock Incentive Plan (the "Supplemental Plan"), the Cisco Systems, Inc SA Acquisition Long-Term Incentive Plan (the "SA Acquisition Plan"), and the Cisco Systems, Inc WebEx Acquisition Long-Term Incentive Plan (the "WebEx Acquisition Plan") In addition, Cisco Systems, Inc has, in connection with the acquisitions of various companies, assumed the share-based awards granted under stock incentive plans of the acquired companies or issued share-based awards in replacement thereof Under these plans, the Company's Parent issues shares of Cisco Systems, Inc upon exercise of stock options issued under the plans The issuance of shares and cash received upon exercise is solely undertaken by Cisco Systems, Inc and as a result, no dilution in shareholder's equity or cash inflows will occur for the Company (Fibercore Limited)

Cisco Systems, Inc 's share-based awards are designed to reward employees for their long-term contributions to Cisco Systems, Inc and provide incentives for them to remain with Cisco Systems, Inc The number and frequency of share-based awards are based on competitive practices, operating results of Cisco Systems, Inc , government regulations and other factors Since the inception of the stock incentive plans, Cisco Systems, Inc has granted stock options to virtually all employees, and the majority has been granted to employees below the vice president level

Cisco Systems, Inc 's primary stock incentive plans are summarized as follows

2005 Plan

As amended on November 15, 2007, the maximum number of shares issuable under the 2005 Plan over its term is 559 million shares plus the amount of any shares underlying awards outstanding on November 15, 2007 under the 1996 Plan, the SA Acquisition Plan and the WebEx Acquisition Plan that are forfeited or are terminated for any other reason before being exercised or settled However, any shares underlying awards outstanding on November 15, 2007 under the 1996 Plan, the SA Acquisition Plan, and the WebEx Acquisition Plan that expire unexercised at the end of their maximum terms will not be considered to become available for reissuance under the 2005 Plan If any awards granted under the 2005 Plan are forfeited or are terminated for any other reason before being exercised or settled, then the shares underlying the awards will again be available under the 2005 Plan The number of shares available for issuance under the 2005 Plan will be reduced by a ratio of 2 5 shares for each share awarded as stock grants or stock units The 2005 Plan permits the granting of stock options, stock, stock units, and stock appreciation rights to employees (including employee directors and officers) and consultants of Cisco Systems, Inc and its subsidiaries and affiliates, and non-employee directors of Cisco Systems, Inc Stock options granted under the 2005 Plan have an exercise price of at least 100% of the fair market value of the underlying stock on the grant date and expire no later than nine years from the grant date The stock options will generally become exercisable for 20% or 25% of the option shares one year from the date of grant and then ratably over the following 48 or 36 months, respectively Stock grants and stock units will generally vest with respect to 20% or 25% of the shares covered by the grant on each of the first through fifth or fourth anniversaries of the date of the grant, respectively The Compensation and Management

Notes to the financial statements for the period ended 24 July 2009 (continued)

19 Share based payment (continued)

Development Committee of the Board of Directors of Cisco Systems, Inc has the discretion to use different vesting schedules Stock appreciation rights may be awarded in combination with stock options or stock grants and such awards shall provide that the stock appreciation rights will not be exercisable unless the related stock options or stock grants are forfeited Stock grants may be awarded in combination with non-statutory stock options, and such awards may provide that the stock grants will be forfeited in the event that the related non-statutory stock options are exercised

1996 Plan

The 1996 Plan expired on December 31, 2006, and Cisco Systems, Inc can no longer make equity awards under the 1996 Plan The maximum number of shares issuable over the term of the 1996 Plan was 2 5 billion shares Stock options granted under the 1996 Plan have an exercise price of at least 100% of the fair market value of the underlying stock on the grant date and expire no later than nine years from the grant date The stock options generally become exercisable for 20% or 25% of the option shares one year from the date of grant and then ratably over the following 48 or 36 months, respectively Certain other grants have utilized a 60-month ratable vesting schedule In addition, the Board of Directors of Cisco Systems, Inc , or other committees administering the plan, have the discretion to use a different vesting schedule and have done so from time to time

Supplemental Plan

The Supplemental Plan expired on December 31, 2007, and Cisco Systems, Inc can no longer make equity awards under the Supplemental Plan Officers and members of Cisco System Inc 's Board of Directors were not eligible to participate in the Supplemental Plan Nine million shares were reserved for issuance under the Supplemental Plan

Acquisition Plans

In connection with Cisco System, Inc 's acquisitions of Scientific-Atlanta and WebEx, Cisco Systems, Inc adopted the SA Acquisition Plan and the WebEx Acquisition Plan, respectively, each effective upon completion of the applicable acquisition These plans constitute assumptions, amendments, restatements, and renamings of the 2003 Long-Term Incentive Plan of Scientific-Atlanta and the WebEx Communications, Inc Amended and Restated 2000 Stock Incentive Plan, respectively The plans permit the grant of stock options, stock, stock units, and stock appreciation rights to certain employees of Cisco Systems, Inc and its subsidiaries and affiliates who had been employed by Scientific-Atlanta or its subsidiaries or WebEx or its subsidiaries, as applicable As a result of the shareholder approval of the amendment and extension of the 2005 Plan, as of November 15, 2007, Cisco Systems, Inc will no longer make stock option grants or direct share issuances under either the SA Acquisition Plan or the WebEx Acquisition Plan

Employee Stock Purchase Plan

Cisco Systems, Inc has an Employee Stock Purchase Plan, which includes its sub-plan, the International Employee Stock Purchase Plan (together, the "Purchase Plan"), under which 321 4 million shares of the Cisco Systems, Inc 's stock have been reserved for issuance Effective July 1, 2009, eligible employees are offered shares through a 24-month offering period, which consists of four consecutive 6-month purchase periods Employees may purchase a limited number of shares of Cisco Systems, Inc's stock at a discount of up to 15% of the lesser of the market value at the beginning of the offering period or the end of each 6-month purchase period Prior to July 1, 2009 the offering period was six months The Purchase Plan terminates on January 3, 2010 As of July 24, 2009, 33 million shares were available for issuance under the Purchase Plan

Notes to the financial statements for the period ended 24 July 2009 (continued)

19 Share based payment (continued)

General Share-Based Award Information

A summary of share-based award activity is as follows (in thousands, except per-share amounts)

	Stock Options Outstanding			
	Number outstanding	Exercisable	Weighted average exercise price per share USD $	Remaining contractual life (Years)
Balance at 28 July 2007[1]	**84**	**65**	**19 77**	**4.2**
Granted and assumed	14	-	32 21	-
Exercised	(6)	-	19 31	-
Cancelled/forfeited/expired/transferred	(3)	-	25 64	-
Balance at 25 July 2008[1]	**89**	**65**	**21 56**	**3.9**
Granted and assumed	-	-	-	-
Exercised	(12)	-	9 86	-
Cancelled/forfeited/expired/transferred	(2)	-	24 23	-
Balance at 24 July 2009[1]	**75**	**60**	**23 36**	**2.9**

[1]As of July 24, 2009, Cisco Systems, Inc had issued shares of restricted stock and restricted stock units to employees of the Company of which 8,825 and 8,150 were outstanding as of July 24, 2009 and July 25, 2008, respectively and are not included in the above table

Total stock-based compensation expense related to employee stock options, restricted stock and restricted stock units and employee stock purchases recorded for fiscal period ended July 24, 2009 and July 25, 2008, was USD $ 141 thousand (GBP £ 89,477) and USD $185 thousand (GBP £ 92,550), respectively Upon adoption, Cisco Systems, Inc began estimating the value of employee stock options on the date of grant using a lattice-binomial model Cisco Systems, Inc is of the view that the Lattice-binomial models are more capable of incorporating the features of Cisco Systems, Inc's employee stock options than closed-form models such as the Black-Scholes model The use of a lattice-binomial model requires extensive actual employee exercise behavior data and a number of complex assumptions including expected volatility, risk-free interest rate, expected dividends, kurtosis, and skewness The weighted-average estimated values of employee stock options granted during fiscal 2009 and 2008 were USD $6 60 and USD $9 60 per share, respectively, and employee stock purchases during fiscal 2009 and fiscal 2008 were USD $5 46 and USD $6 12 per share, respectively, using the lattice-binomial model with the following weighted-average assumptions

Notes to the financial statements for the period ended 24 July 2009 (continued)

19 Share based payment (continued)

	Employee Stock Option Plans		Employee Stock Purchase Plan	
	24 July 2009	25 July 2008	24 July 2009	25 July 2008
Expected volatility	36 0%	31 0%	36 4%	32 6%
Risk-free interest rate	3 0%	4 3%	0 6%	2 7%
Expected dividend	0 0%	0 0%	0 0%	0 0%
Kurtosis	4 5	4 6	N/A	N/A
Skewness	(19)	(80)	N/A	N/A
Weighted average life expectancy in years	5 9	6 3	1 1	0 5

For employee stock options, Cisco Systems, Inc used the implied volatility for two-year traded options on Cisco Systems, Inc 's stock as the expected volatility assumption required in the lattice-binomial model For employee stock purchase rights, Cisco Systems, Inc used the implied volatility for traded options (with lives corresponding to the expected life of the employee stock purchase rights) on the Cisco Systems, Inc 's stock Selection of the implied volatility approach was based upon the availability of actively traded options on Cisco Systems, Inc 's stock and Cisco Systems, Inc 's assessment that implied volatility is more representative of future stock price trends than historical volatility

The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of Cisco Systems, Inc 's employee stock options and employee stock purchase rights The dividend yield assumption is based on the history and expectation of dividend payouts The estimated kurtosis and skewness are technical measures of the distribution of stock price returns, which affect expected employee exercise behaviors that are based on Cisco Systems, Inc 's stock price return history as well as consideration of various academic analyses

The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding and is a derived output of the lattice-binomial model The expected life of employee stock options is impacted by all of the underlying assumptions and calibration of Cisco Systems, Inc 's model The lattice-binomial model assumes that employees' exercise behavior is a function of the option's remaining vested life and the extent to which the option is in-the-money The lattice-binomial model estimates the probability of exercise as a function of these two variables based on the entire history of exercises and cancellations on all past option grants made by Cisco Systems, Inc Cisco Systems, Inc measures the fair value of restricted stock and restricted stock units as if the awards were vested and issued on the grant date

20 Financial commitments

At 24 July 2009 the company had annual commitments under non-cancellable operating leases as follows

	24 July 2009		25 July 2008	
	Land and Buildings	**Other**	Land and Buildings	Other
	£	**£**	£	£
After five years	**14,390**	**-**	14,390	-
	14,390	**-**	14,390	-

Notes to the financial statements for the period ended 24 July 2009 (continued)

21 Ultimate controlling party

The immediate parent undertaking is Scientific-Atlanta LLC , a company incorporated in the United States of America Before 1 January 2009 Scientific-Atlanta LLC had been incorporated as Scientific-Atlanta Inc

The ultimate parent undertaking and controlling party is Cisco Systems Inc., a company incorporated in the State of California, United States of America

Copies of the accounts of Cisco Systems Inc, may be obtained from 170 West Tasman Drive, San Jose, CA 95134, USA