

**JUNIPER NETWORKS (UK) LIMITED**  
**DIRECTORS' REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

REGISTRATION NUMBER 3845874

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**JUNIPER NETWORKS (UK) LIMITED**

**DIRECTORS' REPORTS AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

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**JUNIPER NETWORKS (UK) LIMITED**  
**COMPANY INFORMATION**  
**For the year ended 31 December 2016**

**DIRECTORS**

Stephen Byrne  
Johannes Wilhelmus Albers (resigned on 27/04/2017)  
Terrance Spidell  
Ketan Patel (appointed on 27/04/2017)  
Julie Appelbe (appointed on 14/08/2017)

**SECRETARY**

Abogado Nominees Limited

**REGISTERED NUMBER**

3845874

**REGISTERED OFFICE**

Building 1, Aviator Park  
Station Road  
Addlestone  
Surrey  
KT15 2PG

**SOLICITORS**

Baker & McKenzie  
100 New Bridge Street  
London  
EC4V 6JA

**BANKERS**

Bank of America  
Alie Street  
London  
E1 8DE

**AUDITORS**

Ernst & Young  
Chartered Accountants  
Harcourt Centre  
Harcourt Street  
Dublin 2  
Ireland

**JUNIPER NETWORKS (UK) LIMITED**  
**STRATEGIC REPORT**  
**For the year ended 31 December 2016**

The directors of Juniper Networks (UK) Limited ("the Company") present the annual report containing a strategic report, directors' report and the financial statements for the year ended 31 December 2016.

**THE STRATEGIC REPORT**

**PRINCIPAL ACTIVITIES**

The Company is engaged in the sales support, marketing and customer support services of internet protocol secure networking solutions for the Juniper Group in the UK. Turnover includes intercompany revenue and customer support services billed to third parties. On 1 January 2013, the Company entered into a Global Service Agreement with Juniper Networks International BV ("the parent company"), a company incorporated in The Netherlands, whereby the Company charges a service fee to the parent company for the provision of the above services.

**BUSINESS REVIEW AND RESULTS FOR THE YEAR**

The statement of profit and loss and other comprehensive income for the year ended 31 December 2016 and the statement of financial position at that date are set out on pages 7 and 9. The profit for the year before taxation amounted to £2,457,271 (2015 restated: £2,323,378). After charging tax of £ 1,106,603 (2015: £1,035,965), a surplus of £ 1,350,668 (2015 restated: £1,287,413) was carried to reserves. Shareholders' funds at 31 December 2016 amounted to a surplus of £41,041,353 (2015: £36,754,083).

The performance in 2016 is in line with the expectations of the directors, and the directors believe the results for the year reflect the ongoing activities of the Company.

During the year ended 31 December 2016 the Company identified an error in the calculation of the share-based payments expense for the years ended 31 December 2014 and 2015. As a result, the impacted comparative numbers have been restated in the current year. Details of the impact of the restatement are included in note 16 to these financial statements.

During the year, Juniper entered into a lease for a premises on 38 Threadneedle Street, London, EC2.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's principal risks and uncertainties are economic risks and competitive risks. A severe or long-term downturn in the global economy may reduce the demand for internet protocol secure networking solutions and in turn the related support services provided by the Company. Equally, competition in this sector may reduce the demand for the Juniper Group's specific products. The directors of the Company manage this risk through close attention to customer service levels and product innovation.


**FINANCIAL RISK MANAGEMENT**

The Company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange rates and creditworthiness. The Company has no exposure to debt market prices and little exposure to liquidity and interest rate risk due to the actions noted below implemented by the ultimate parent company, Juniper Networks Inc., located in the USA. Therefore, at a group level the Company has in place a risk management program that seeks to manage the financial exposures of the Company through the measurement of financial metrics, internal controls and hedge contracts for foreign exchange risk. 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 are set by the Board of Directors and are implemented by the Company's finance department. The department has policies and procedures that set out specific guidelines on managing the financial risk and the circumstances where it would be appropriate to use financial instruments.

**ANALYSIS OF FINANCIAL KEY PERFORMANCE INDICATORS**

The Company measures its performance on a number of Key Performance Indicators which are monitored at a group level, including budgets and cost variances.

By order of the Board:

  
Ketan Patel  
Director

**JUNIPER NETWORKS (UK) LIMITED**  
**DIRECTORS' REPORT**  
**For the year ended 31 December 2016**  
**Registration No. 3845874**

The directors present their report for the year ended 31 December 2016.

**REVIEW OF THE DEVELOPMENT OF THE BUSINESS**

The review of the development of the business is included in the strategic report on page 2.

**RESULTS FOR THE YEAR AND STATE OF AFFAIRS AS AT 31 DECEMBER 2016**

The results for the year and state of affairs as at 31 December 2016 are included in the strategic report on page 2.

**DIVIDENDS**

The directors do not recommend the payment of a final dividend.

**SIGNIFICANT EVENTS SINCE THE YEAR END**

As part of Juniper Networks global realignment of its legal entities and go-to-market strategy, Juniper is changing its operations in the UK and other jurisdictions. Beginning 1 August 2017, the Company will sell products and services in the UK. This event does not have any effect on the financial statements for the year end 31st December 2016.

**FUTURE DEVELOPMENTS**

During 2017, the Juniper Networks Inc. group expects continued challenges in the telecommunications sector and the overall macroeconomic situation to remain uncertain. The cloud transformation is our primary area of strategic focus as we see significant opportunities arising from the shift towards the cloud and network automation. The new buy/sell model will enable the Company to tender for government and public institution projects in the UK, sell on a try and buy basis, sell directly to customers on an acceptance basis and integrate products in the UK and sell solutions to the UK customer base.

**FINANCIAL INSTRUMENTS**

The financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

**RESEARCH AND DEVELOPMENT**

The Company is not directly engaged in the field of research and development.

**RISK STATEMENT**

A statement in relation to the risk factors affecting the business has been included in the strategic report on page 2.

**DIRECTORS' AND SECRETARY'S INTERESTS**

The directors and secretary who served throughout the year are set out on page 1 of the financial statements. There are no directors' interest requiring disclosure under the Companies Act 2006.

**HEALTH AND SAFETY**

The Company has adopted a safety statement in accordance with the requirements of the Health and Safety at Work Act 1974.

**DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

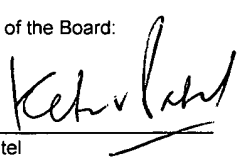
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

**AUDITORS**

Ernst & Young have expressed their willingness to continue in office in accordance with provisions of section 415 of the Companies Act 2006.

By Order of the Board:

  
Ketan Patel  
Director

**JUNIPER NETWORKS (UK) LIMITED**  
**DIRECTORS' RESPONSIBILITIES STATEMENT**  
**for the year ended 31 December 2016**

The directors are responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

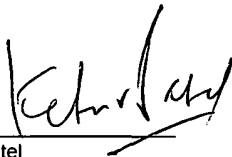
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with FRS 101 - Reduced Disclosure Framework (United Kingdom Accounting Standards and applicable law). Under company law, 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departure 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 confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which 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.

By Order of the Board:



Ketan Patel

Director

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JUNIPER NETWORKS (UK) LIMITED**

We have audited the financial statements of Juniper Networks (UK) Limited for the year ended 31 December 2016 which comprise of the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of financial position and the related notes 1 to 18. 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), including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101).

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on 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.

### **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. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JUNIPER NETWORKS (UK) LIMITED (*Continued*)**

### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records, 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; or
- the directors were not entitled to take advantage of the small companies' exemption in not preparing the Strategic Report and take advantage of the small companies' exemption in preparing the Directors' Report.

*Ernst & Young*

Marie Treacy (Senior statutory auditor)  
for and on behalf of Ernst & Young, Statutory Auditor  
Dublin, Ireland

Date: *13 September 2017*



**JUNIPER NETWORKS (UK) LIMITED**  
**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**  
For the year ended 31 December 2016

		2016	2015
	Notes	£	Restated £
Turnover	3	54,478,518	50,383,549
Administrative costs		(52,462,518)	(48,243,268)
<b>OPERATING PROFIT</b>		<u>2,016,000</u>	<u>2,140,281</u>
Interest received		77,202	105,537
Gain on foreign exchange	6	366,936	80,261
Interest payable and similar charges	5	(2,867)	(2,701)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>	6	<u>2,457,271</u>	<u>2,323,378</u>
Tax charge	7a	<u>(1,106,603)</u>	<u>(1,035,965)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>1,350,668</u>	<u>1,287,413</u>
Other comprehensive income for the year		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>1,350,668</u></u>	<u><u>1,287,413</u></u>

There were no recognised gains or losses in either year other than the profit attributable to shareholders of the company.

The notes on pages 10 to 18 form an integral part of these financial statements.

**JUNIPER NETWORKS (UK) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2016

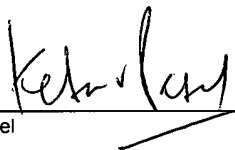
	Called up share capital presented as equity £	Retained earnings Restated £	Total Restated £
As at 1 January 2015 (as originally stated)	100	33,026,529	33,026,629
Prior year restatement			
- Impact on profit and loss account	-	(513,049)	(513,049)
- Impact on share-based payment reserve	-	513,049	513,049
As at 1 January 2015 (restated)	100	33,026,529	33,026,629
Profit for the year (restated)	-	1,287,413	1,287,413
Other comprehensive income	-	-	-
Total comprehensive income	-	1,287,413	1,287,413
Share-based payments (note 15, note 16 restated)	-	2,440,041	2,440,041
<b>At 31 December 2015</b>	<b>100</b>	<b>36,753,983</b>	<b>36,754,083</b>
Profit for the year	-	1,350,668	1,350,668
Other comprehensive income	-	-	-
Total comprehensive income	-	1,350,668	1,350,668
Share-based payments (note 15)	-	2,936,602	2,936,602
<b>At 31 December 2016</b>	<b>100</b>	<b>41,041,253</b>	<b>41,041,353</b>

The notes on pages 10 to 18 form an integral part of these financial statements.

**JUNIPER NETWORKS (UK) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2016**

		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>£</b>	<b>Restated £</b>
<b>FIXED ASSETS</b>			
Tangible assets	8	2,239,923	261,198
		<u>2,239,923</u>	<u>261,198</u>
<b>CURRENT ASSETS</b>			
Debtors	9	4,526,395	10,269,817
Cash at bank and in hand		<u>41,070,486</u>	<u>38,652,383</u>
		45,596,881	48,922,200
<b>CREDITORS (Amounts due within one year)</b>	10	<u>(6,795,451)</u>	<u>(12,429,315)</u>
<b>NET CURRENT ASSETS</b>		<u>38,801,430</u>	<u>36,492,885</u>
<b>NET ASSETS</b>		<u>41,041,353</u>	<u>36,754,083</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital presented as equity	14	100	100
Retained earnings		<u>41,041,253</u>	<u>36,753,983</u>
		<u>41,041,353</u>	<u>36,754,083</u>

The financial statements were approved by the Board on 12 September 2017  
and were signed on its behalf by

  
Ketan Patel  
Director

REGISTRATION NUMBER 3845874

**JUNIPER NETWORKS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**1 STATEMENT OF COMPLIANCE WITH FRS 101**

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The results of Juniper Networks (UK) Limited are included in the consolidated financial statements of Juniper Networks Inc., a company incorporated in Delaware, United States of America. Copies of its group financial statements are available from 1194 North Matilda Avenue, Sunnyvale, CA 94089, United States of America.

**2 ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The Company has taken advantage of the following disclosure exemptions available under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because: (i) the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures,
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- (d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1;
- (f) the requirements of IAS 7 Statement of Cash Flows;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- (h) the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

**2.2 Judgments and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

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

*Operating lease commitments*

The Company has entered into commercial property leases and as a lessee it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

*Restructuring provision*

The Company recognises a provision for restructuring costs only when it has a legal or constructive obligation at the reporting date to carry out the restructuring. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The risks and uncertainties that inevitably surround many events and circumstances is taken into account in reaching the best estimate of a provision.

*Taxation*

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

**JUNIPER NETWORKS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2016

**2.3 Significant accounting policies**

**(a) Turnover**

Juniper Networks (UK) Limited is engaged in sales support, marketing and customer support services of internet protocol secure networking solutions for the Juniper Networks Group in the UK. Turnover includes intercompany revenue and customer support services billed to third parties. On 1 January 2013, the Company entered into a Global Service Agreement with Juniper Networks International BV ("the parent company"), a company incorporated in The Netherlands, whereby the Company charges a service fee to the parent company for the provision of the above services.

**(b) Tangible fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write-off the original cost or valuation less the estimated residual value of the assets over their expected useful lives as follows:

Leasehold improvements	5 years
Furniture and fittings	3 - 5 years
Computer equipment	5 years

**(c) Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years.

A reversal of impairment loss is recognised immediately in the statement of profit and loss and other comprehensive income, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

**(d) Leases**

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of profit and loss and other comprehensive income on a straight line basis over the lease term.

**(e) Pensions**

Pension benefits are funded over the employees' period of service by way of contributions to a defined contribution scheme. Contributions are charged to the statement of profit and loss and other comprehensive income as they become payable.

**(f) Foreign currencies**

The functional currency of the Company is pound sterling ("£"). Foreign currency transactions are calculated at the spot rate. The period end rate is the spot rate as reported on a pre-designated day of each calendar month. The daily rate is set as the previous months period end rate. This is to record all accounting transactions in the current accounting month.

At each statement of financial statement date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in the statement of profit and loss and other comprehensive income in the period in which they arise.

**JUNIPER NETWORKS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2016**

**2.3 Significant accounting policies (Continued)**

**(g) Taxation**

Income tax is charged or credited to profit and loss and other comprehensive income if it relates to items that are charged or credited to profit and loss and other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the statement of profit and loss and other comprehensive income.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the exception of when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

**(h) Cash at bank and in hand**

Cash and short term deposits in the Statement of Financial Position comprise cash at bank.

**(i) Share-based payments**

The ultimate parent company, Juniper Networks Inc., operates a number of equity-settled, share-based compensation plans, under which the Company receives services from employees as consideration for equity instruments share options, Employee Stock Purchase Plan, Restricted Stock Units ("RSUs") and Performance Share Awards ("PSAs") of Juniper Networks Inc. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding credit to equity.

The fair value of stock options granted is estimated using the Black-Scholes-Merton option valuation model, which incorporates various assumptions including expected life, volatility, risk-free interest rates, and dividend yield.

**(j) Financial instruments**

The Company's financial assets consists of trade debtors, intercompany balances and VAT receivable. All financial assets are recognised initially at fair value, except in the case of investments (if applicable) at fair value through profit or loss. The Company does not have any investments at fair value through profit and loss.

The Company's financial liabilities include intercompany balances and trade and other payables which are classified as loans and borrowings.

**(k) Provision for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the statement of profit and loss and other comprehensive income net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding of the discount is recognised as a finance cost.

The Company records a provision for reinstatement costs of the lease premises with asset retirement obligation (ARO) clause included in the lease contracts. Reinstatement costs are provided at the present value of expected costs to settle the obligation using estimated cashflows and are recognised as part of the cost of the particular asset. The cashflows are discounted at a current pre-tax rate that reflects the risks specific to the reinstatement liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of reinstatement are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

**JUNIPER NETWORKS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2016**

**3 TURNOVER**

Turnover represents the amounts, excluding value added tax, receivable during the year for the provision of sales support and marketing services to Juniper Networks International BV and customer support services billed to third parties. Disclosure of turnover in respect of each class and geographical segment has not been provided as the directors believe it would be prejudicial to the interests of the business.

**4 EMPLOYEES AND REMUNERATION**

The average number of persons employed by the Company in the financial year was 221 (2015: 198) analysed as follows:

	2016 Number	2015 Number
Administration	87	80
Sales	134	118
	<u>221</u>	<u>198</u>

The staff costs are comprised of:

	2016 £	2015 Restated £
Wages and salaries	29,354,931	27,173,210
Social welfare costs	4,908,754	5,064,164
Pension costs (note 11)	1,211,123	1,105,890
Share-Based payments (note 15)	2,936,602	2,440,041
	<u>38,411,410</u>	<u>35,783,305</u>

**Directors' remuneration**

The Company did not employ any directors to whom any remuneration was paid during 2016 and 2015.

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	2016 £	2015 £
Bank interest and charges	<u>2,867</u>	<u>2,701</u>

**6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX**

The profit on ordinary activities before tax is stated after charging / (crediting):

	2016 £	2015 £
(Gain) on foreign exchange	(366,936)	(80,261)
Operating lease rentals		
- Other	817,433	774,624
Auditor's remuneration	36,869	24,436
Depreciation (note 8)	<u>199,032</u>	<u>204,059</u>

**JUNIPER NETWORKS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2016

**7 TAXATION**

**7a Tax charged in statement of profit and loss and other comprehensive income**

	2016 £	2015 £
Corporation tax	1,112,624	978,433
Deferred tax	(6,021)	57,532
Total expense in the statement of profit and loss and other comprehensive income	<u>1,106,603</u>	<u>1,035,965</u>

**7b Reconciliation of the total tax charge**

The tax expense in the statement of profit and loss and other comprehensive income for the year is higher than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The difference are reconciled as below:

	2016 £	2015 Restated £
Profit on ordinary activities before tax	<u>2,457,271</u>	<u>2,323,378</u>
Profit on ordinary activities multiplied by the corporation tax rate of 20% (2015: 20.25%)	491,454	470,484
<i>Effects of:</i>		
Expenses not deductible for tax purposes	725,004	584,497
Impact of rate changes on deferred tax charge	(109,855)	(19,016)
	<u>1,106,603</u>	<u>1,035,965</u>

**7c Deferred Tax**

At 1 January	222,727	280,259
Profit and loss account	6,021	(57,532)
At 31 December	<u>228,748</u>	<u>222,727</u>

The deferred tax asset on the Statement of Financial Position consists of the following amounts:

Excess of capital allowances over depreciation	142,218	162,198
Other temporary differences	86,530	60,529
	<u>228,748</u>	<u>222,727</u>

The deferred tax asset movement on the statement of profit and loss and other comprehensive income consists of the following amounts:

Excess of capital allowances over depreciation	8,308	20,544
Other temporary differences	(29,363)	8,962
Impact of rate change on opening balance	15,034	28,026
	<u>(6,021)</u>	<u>57,532</u>

**7d Factors affecting future tax charge**

A reduction in the UK corporation tax rate to 21% (effective from 1 April 2014) and 18% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget in July 2016, the Chancellor announced additional planned reductions to 17% by 2020. This will reduce the Company's future current tax charge accordingly.

A deferred tax asset of £228,748 (2015: £222,727) has been recognised in the accounts on the basis that the Company will continue to be profit making for the foreseeable future.

The deferred tax asset has been calculated based on the rate of 17% substantively enacted at the Statement of Financial Position date (2015: 20%).



**JUNIPER NETWORKS (UK) LIMITED**  
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For the year ended 31 December 2016

**8 TANGIBLE FIXED ASSETS**

	Leasehold improvements	Furniture and fittings	Computer equipment	Total
	£	£	£	£
<b>COST</b>				
At 1 January 2016	2,273,914	249,543	667,308	3,190,765
Additions	2,089,848	44,464	43,445	2,177,757
At 31 December 2016	<u>4,363,762</u>	<u>294,007</u>	<u>710,753</u>	<u>5,368,522</u>
<b>DEPRECIATION</b>				
At 1 January 2016	2,227,193	182,301	520,073	2,929,567
Charge for the year	104,377	44,180	50,475	199,032
At 31 December 2016	<u>2,331,570</u>	<u>226,481</u>	<u>570,548</u>	<u>3,128,599</u>
<b>NET BOOK VALUES</b>				
At 31 December 2016	<u>2,032,192</u>	<u>67,526</u>	<u>140,205</u>	<u>2,239,923</u>
At 31 December 2015	<u>46,721</u>	<u>67,242</u>	<u>147,235</u>	<u>261,198</u>

**9 DEBTORS (amounts falling due within one year)**

	2016 £	2015 £
Trade and other debtors	1,805,652	1,701,484
Amount owed by group undertakings	-	7,532,394
VAT receivable	879,101	184,252
Prepayments	1,612,894	628,960
Deferred tax asset (note 7c)	<u>228,748</u>	<u>222,727</u>
	<u>4,526,395</u>	<u>10,269,817</u>

Amounts due from group undertakings are unsecured interest free and repayable on demand.

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For the year ended 31 December 2016

<b>10 CREDITORS (amounts falling due within one year)</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Trade creditors and accruals	1,353,248	1,009,520
Accrued expenses and deferred income	4,825,860	5,461,131
Corporation tax payable	489,615	231,232
Amounts owed to group undertakings	126,728	5,727,432
	<u>6,795,451</u>	<u>12,429,315</u>

Amounts due to group undertakings are unsecured interest free and repayable on demand.

**11 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 represents contributions payable by the Company to the fund and amounted to £1,211,123 (2015: £1,105,890). Pension payments due to the scheme at the year end amounted to Nil (2015: £Nil).

**12 COMMITMENTS**

Payments committed to be made during the next year in respect of rent of land and buildings are analysed by expiry date as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Land and buildings:		
within one year	542,078	172,700
in the second to fifth year	2,911,248	-
after five years	3,395,791	-
	<u>6,849,117</u>	<u>172,700</u>

During the year, Juniper entered into a new ten year lease agreement for a premises on 38 Threadneedle Street, London, EC2, which expires in August 2026.

**13 PARENT UNDERTAKINGS AND CONTROLLING PARTIES**

The ultimate controlling party and parent undertaking of the smallest and largest group of undertakings of which the Company is a member, and for which group financial statements are drawn up, is Juniper Networks Inc., a company incorporated in Delaware, United States of America. Copies of its group financial statements are available from 1194 North Matilda Avenue, Sunnyvale, CA 94089, United States of America.

The Company's immediate controlling party as of 31 December 2016 was Juniper Networks International BV.

<b>14 SHARE CAPITAL</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Authorised:		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

**JUNIPER NETWORKS (UK) LIMITED**  
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**For the year ended 31 December 2016**

**15 SHARE-BASED PAYMENT**

The ultimate holding company of the Company operates equity incentive compensation programs which include the 2006 Equity Incentive Plan (the "2006 Plan"), the 2000 Nonstatutory Stock Option Plan (the "2000 Plan"), the Amended and Restated 1996 Stock Plan (the "1996 Plan"), various equity incentive plans assumed through acquisitions, and the 2008 Employee Stock Purchase Plan (the "ESPP"). Under these plans, the ultimate holding company of the Company has granted stock options, restricted stock units ("RSUs") and performance share awards ("PSAs") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company's operation. All awards granted to employees (including directors) are subject to approval in advance by the board of directors of the ultimate holding company. Share-based payments are equity settled transactions.

Stock Option Activities

Options expire on terms set forth in the grant notice (a maximum term of 10 years from the grant date for options granted under the 1996 Plan and 2000 Plan and a maximum term of 7 years from the grant date for options granted under the 2006 Plan) and generally vest and become exercisable over 4 years from the grant date. Vesting generally occurs at the rate of 25% after 12 months and the balance in equal installments over the following 36 months.

The range of exercise prices for options outstanding at the end of 2016 was £17.24 through £19.91 (2015: £10.46 through £19.91). The weighted average remaining contractual life for options outstanding at the end of 2015 was 0.2 years (2015: 0.85 years).

The weighted average share price of options at the date of exercise during 2016 was £17.84 (2015: £12.52).

The total income of stock options for 2016 was Nil (2015: £8,667).

Employee Stock Purchase Plan

The employee stock purchase plan permits eligible employees to acquire shares of the ultimate holding company's common stock through periodic payroll deductions of up to 10% of base compensation, subject to individual purchase limits of 6,000 shares in any twelve-month period or \$25,000 worth of stock, determined at the fair market value of the shares at the time such stock purchase option is granted, in one calendar year. The purchase plan is implemented in a series of offering periods, each six months in duration, or a shorter period as determined by the board of directors of the ultimate holding company. The price at which the common stock may be purchased is 85% of the lesser of the fair market value of the ultimate holding company's common stock on the first day of the applicable offering period or on the last day of the respective offering period.

The total expense of the employee stock purchase plan for 2016 was £299,270 (2015: £131,868).

RSU and PSA Activities

Certain employees of the Company are granted RSUs of the ultimate holding company. The RSUs generally vest over a period of three to four years from the date of grant. For RSUs that vest over 3 years, vesting generally occurs at a rate of 34% after 12 months, 33% after 24 months and 33% after 36 months from the date of grant. For RSUs that vest over 4 years, vesting generally occurs at a rate of 50% after 24 months, 25% after 36 months, and 25% after 48 months from the date of grant. Generally, PSAs granted vest from 2012 through 2016 provided that certain annual performance targets and other vesting criteria are met. Until vested, RSUs and PSAs do not have the voting and dividend participation rights of common stock and the shares underlying the awards are not considered issued and outstanding.

The weighted average fair value of RSUs and PSAs at the date of grant was £18.1 in 2016 (2015: £15.96).

The total expense of RSUs and PSAs for 2016 was £2,637,332 (2015 restated: £2,316,840).

**JUNIPER NETWORKS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2016**

**16 PRIOR YEAR RESTATEMENT**

During the year ended 31 December 2016 the Company identified an error in the calculation for the share-based payments expense for the years ended 31 December 2014 and 2015. As a result the Company is required to provide for additional stock option expense amounting to £513,049 and £1,762,756 for the years ended 31 December 2014 and 2015 respectively.

The above adjustments have resulted in the profit before tax for the respective years to be restated with a corresponding adjustment to the share-based payments reserves which is included within retained earnings. The Company has also ascertained that there will be no impact on the tax expense for the respective years.

The impact of the restatement is summarised below:

*Statement of profit and loss and other comprehensive income for the year ended 31 December 2015*

	<b>2015 Previously stated</b>	<b>Impact of restatement</b>	<b>2015 Restated</b>
Turnover	50,383,549		50,383,549
Administrative costs	(46,480,512)	(1,762,756)	(48,243,268)
Operating profit	3,903,037	(1,762,756)	2,140,281
Interest received	105,537	-	105,537
(Loss) on foreign exchange	80,261	-	80,261
Interest payable and similar charges	(2,701)	-	(2,701)
Profit on ordinary activities before tax	4,086,134	(1,762,756)	2,323,378
Tax charge	(1,035,965)	-	(1,035,965)
Profit for the financial year	<b>3,050,169</b>	<b>(1,762,756)</b>	<b>1,287,413</b>

As the share based payment reserve is accounted for directly within Retained Earnings, the prior year restatement has a net Nil impact on Retained Earnings as at 1 January 2015 and 31 December 2015, therefore, no change in the Statement of Financial Position line item has been required.

**17 SUBSEQUENT EVENTS**

As part of Juniper Networks global realignment of its legal entities and go-to-market strategy, Juniper is changing its operations in the UK and other jurisdictions. Beginning 1 August 2017, the Company will sell products and services in the UK. This event does not have any affect on the financial statements for the year end 31st December 2016.

**18 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board on 12 September 2017