

JUNIPER NETWORKS (UK) LIMITED
DIRECTORS' REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

REGISTRATION NUMBER 3845874



JUNIPER NETWORKS (UK) LIMITED

DIRECTORS' REPORTS AND FINANCIAL STATEMENTS
For the year ended 31 December 2017

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JUNIPER NETWORKS (UK) LIMITED
COMPANY INFORMATION
For the year ended 31 December 2017

DIRECTORS

Stephen Byrne (resigned on 13/09/2017)
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

03845874

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 2017

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 2017.

THE STRATEGIC REPORT

PRINCIPAL ACTIVITIES

From 1 January to 31 July 2017, the Company engaged in the sales support, marketing and customer support services of internet protocol secure networking solutions for Juniper Networks Inc., Juniper Networks International BV. and its subsidiaries (hereinafter collectively referred to as 'Juniper Group'). Turnover includes intercompany revenue and customer support services billed to third parties.

Effective from 1 August 2017, the Company was appointed as a distributor of sales and provides support services of Juniper Group to customers in the UK. There was a change in functional currency and presentation currency from Great British Pounds ("GBP") to US Dollars ("USD" or "\$") from that date. The Company is currently engaged in the sale and distribution of routers and internet infrastructure solutions and the provision of maintenance, training and professional services.

BUSINESS REVIEW AND RESULTS FOR THE YEAR

The statement of profit and loss and other comprehensive income for the year ended 31 December 2017 and the statement of financial position at that date are set out on pages 8 and 10. The profit for the year before taxation amounted to \$10,221,011 (2016 re-presented: \$3,323,369). After charging tax of \$4,382,263 (2016 re-presented: \$1,496,640), a surplus of \$5,838,748 (2016 re-presented: \$1,826,729) was carried to reserves. Shareholders' funds at 31 December 2017 amounted to a surplus of \$ 64,392,343 (2016 re-presented: \$50,870,757).

The performance in 2017 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. The increase in profit for the year before taxation is due to the Company commencing direct sales of products and support services to customers in the UK.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principle 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 Company's products. The directors of the Company manage this risk through close attention to customer service levels and product innovation.

FINANCIAL RISK MANAGEMENT

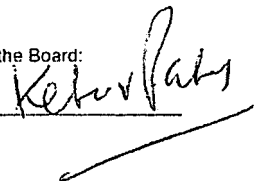
The Company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange rates and creditworthiness. The Company has no exposure to debt market prices and little exposure to liquidity and interest rate risk due to the actions noted below implemented by 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.

A statement in relation to financial risk management is set out in note 16 to the financial statements.

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:


Kelan Patel
Director

JUNIPER NETWORKS (UK) LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2017
Registration No. 03845874

The directors present their report for the year ended 31 December 2017.

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 2017

The results for the year and state of affairs as at 31 December 2017 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

There have been no significant events since 31 December 2017.

FUTURE DEVELOPMENTS

During 2018, the Juniper Networks Inc. group expects continued challenges in the telecommunications sector and the overall macroeconomic situation to remain uncertain. The cloud transformation is the primary area of strategic focus as the Company sees 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.

The Company uses derivatives to partially offset its market exposure to fluctuations in certain foreign currencies. The Company does not enter into derivatives for speculative or trading purposes.

A statement in relation to the financial instruments is set out in note 16 to the financial statements.

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.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company, therefore, continues to adopt the going concern basis in preparing its financial statements.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The ultimate holding company of the Company, Juniper Networks Inc., has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report and financial statements.

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

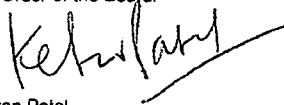
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- 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 2017

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

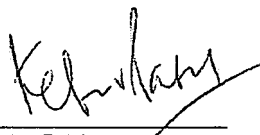
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with FRS 101 - Reduced Disclosure Framework (United Kingdom Accounting Standards and applicable law). Under company law,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

Opinion

We have audited the financial statements of Juniper Networks (UK) Limited ('the Company') for the year ended 31 December 2017, which comprise the Statement of Profit and Loss and Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 24, including the 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 101 "Reduced Disclosure Framework".

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly 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 ethical requirements that are relevant to our audit of financial statements in the UK, including 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 director's 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.

Continued .../

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

Other information

The other information comprises the information included in the strategic report and the directors' 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 this 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and director's report have been prepared in accordance with applicable legal requirements.

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 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
- 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.

Continued .../

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they 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 management either intends to liquidate the Company or to cease operations, or has 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.

Ernst & Young

Marie Treacy
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Dublin

Date: *05 November 2018*

JUNIPER NETWORKS (UK) LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

			(Re-presented - note 21)
	Notes	2017 \$	2016 \$
Turnover	3	129,381,171	73,680,207
Cost of sales		(47,585,511)	-
GROSS PROFIT		81,795,660	73,680,207
Distribution costs		(851,120)	-
Administrative costs		(71,463,890)	(70,953,641)
OPERATING PROFIT		9,480,650	2,726,566
Interest received		283,609	104,413
Interest payable and similar charges	5	(270,762)	(3,878)
Gain on foreign exchange	6	727,514	496,268
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	6	10,221,011	3,323,369
Tax on profit on ordinary activities	7a	(4,382,263)	(1,496,640)
PROFIT FOR THE FINANCIAL YEAR		5,838,748	1,826,729
OTHER COMPREHENSIVE INCOME			
Items that can be reclassified to profit or loss			
Gain arising during the year		1,346,879	-
Reclassification adjustments for gains included in profit and loss		(270,261)	-
Other comprehensive income for the year	16a	1,076,618	-
TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR		6,915,366	1,826,729

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

The results for the year shown above are derived entirely from continuing operations.

The notes on pages 11 to 23 form an integral part of these financial statements.

JUNIPER NETWORKS (UK) LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Called up share capital presented as equity \$	Retained earnings \$	Cash flow hedge reserve \$	Foreign currency translation reserve \$	Total \$
As at 1 January 2016 (Re-presented - note 21)	162	65,209,582	-	(10,511,937)	54,697,807
Profit for the year (Re-presented - note 21)	-	1,826,729	-	-	1,826,729
Other comprehensive income	-	-	-	-	-
Total profit and comprehensive income for the year (Re-presented - note 21)	-	1,826,729	-	-	1,826,729
Share-based payments (note 20)	-	3,971,647	-	-	3,971,647
Foreign currency translation difference	-	-	-	(9,625,426)	(9,625,426)
At 31 December 2016 (Re-presented - note 21)	162	71,007,958	-	(20,137,363)	50,870,757
Profit for the year	-	5,838,748	-	-	5,838,748
Other comprehensive income (note 16a)	-	-	1,076,618	-	1,076,618
Total profit and comprehensive income for the year	-	5,838,748	1,076,618	-	6,915,366
Share-based payments (note 20)	-	3,880,664	-	-	3,880,664
Foreign currency translation difference	-	-	-	2,725,556	2,725,556
At 31 December 2017	162	80,727,370	1,076,618	(17,411,807)	64,392,343

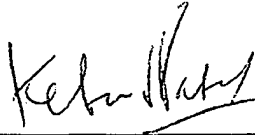
The notes on pages 11 to 23 form an integral part of these financial statements.

JUNIPER NETWORKS (UK) LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

		2017	(Re-presented note 21)
	Notes	\$	2016 \$
NON CURRENT ASSETS			
Tangible assets	8	2,570,821	2,776,385
Other debtors (amounts falling due after one year)	9	<u>1,085,402</u>	<u>1,327,511</u>
		3,656,223	4,103,896
CURRENT ASSETS			
Stocks	11	4,571,103	-
Debtors (amounts falling due within one year)	10	77,152,597	4,282,956
Cash at bank and in hand		<u>66,223,833</u>	<u>50,906,867</u>
		147,947,533	55,189,823
CURRENT LIABILITIES			
Creditors (amounts falling due within one year)	12	(60,224,021)	(7,792,060)
Provision for liabilities	14	<u>(1,225,218)</u>	<u>(163,026)</u>
		(61,449,239)	(7,955,086)
NET CURRENT ASSETS		86,498,294	47,234,737
NON CURRENT LIABILITIES			
Creditors (amounts falling due after one year)	13	(25,077,266)	-
Provision for liabilities	14	<u>(684,908)</u>	<u>(467,876)</u>
		(25,762,174)	(467,876)
NET ASSETS		<u>64,392,343</u>	<u>50,870,757</u>
CAPITAL AND RESERVES			
Called up share capital presented as equity	19	162	162
Foreign currency translation reserve		(17,411,807)	(20,137,363)
Cash flow hedge reserve		1,076,618	-
Retained earnings		<u>80,727,370</u>	<u>71,007,958</u>
		64,392,343	50,870,757

The notes on pages 11 to 23 form an integral part of these financial statements.

The financial statements were approved by the Board on 2nd November 2018 and were signed on its behalf by


Ketan Patel
Director

REGISTRATION NUMBER 3845874

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 1133 Innovation Way, 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 IFRS 7 Financial Instruments: Disclosures*;
- b) 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;
- c) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1;
- d) the requirements of IAS 7 Statement of Cash Flows;
- e) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- f) the requirements in IAS 24 Related Party Disclosures 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.
- g) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets*;
- h) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payments, because: (i) the share based payment arrangement concerns the instruments of another group entity.
- i) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but not yet effective);

* Equivalent disclosures are provided in the consolidated financial statements of Juniper Networks Inc. The consolidated accounts of Juniper Networks Inc. are available to the public and may be obtained from 1133 Innovation Way, Building A, Sunnyvale, CA 94089, United States of America.

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 (note 2.3 (d))
- Taxation (note 2.3 (m))
- Provision for accrued warranty (note 2.3 (g))
- Provision for sales return (note 2.3 (l))
- Provision for asset retirement obligation (note 2.3 (p))
- Provision for liabilities (note 2.3 (q))
- Restructuring provision (note 2.3 (r))
- Provision for doubtful debts (note 2.3 (e) i)
- Provision for obsolete inventory (note 2.3 (f))
- Impairment of non-financial assets (note 2.3 (c))

2.3 Significant accounting policies

(a) Functional currency

i) Change in functional currency

Effective 1 August 2017 the Company changed the functional currency from British Pound ("GBP") to US dollars ("USD"). This change was a result of an internal review of the functional currency following a change in the business model of the Company from a marketing and sales support services model to a buy sell model. Please see note 21 for more details.

ii) Foreign currency translation

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation, if any. These are recognised in Other Comprehensive Income ("OCI") until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

iii) Change in presentation currency

The Company's revenues, profits and majority cash flows are primarily generated in US dollars, and are expected to remain principally denominated in US dollars in the future. During the year, the Company changed the currency in which it presents its financial statements from British Pound ("GBP") to US dollars ("USD"), in order to better reflect the underlying performance of the Company.

A change in presentation currency is a change in accounting policy which is accounted for retrospectively. Statutory financial information included in the Company's financial statements for the year ended 31 December 2016 previously reported in GBP has been re-presented into USD using the procedures outlined below:

- assets and liabilities denominated in non-US dollar currencies were translated into US dollars at the closing rates of exchange on the relevant balance sheet date;
- non-US dollar income and expenditure were translated at the average rates of exchange prevailing for the relevant period;
- share capital was translated at the historic rates prevailing on the date of transaction;
- all exchange rates were extracted from the Company's underlying financial records.

2 ACCOUNTING POLICIES (Continued)

2.3 Significant accounting policies (Continued)

(b) Tangible assets and depreciation

Tangible 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 statement of profit and loss 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.

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.

(e) Financial instruments – Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39, refer to note 16a. The Company has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of

Loans and receivables

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other debtors. For more information on receivables, refer to note 10.

2 ACCOUNTING POLICIES (Continued)

2.3 Significant accounting policies (Continued)

(e) Financial instruments – initial recognition and subsequent measurement (Continued)

i) Financial assets (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the statement of profit and loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs. The Company's financial liabilities include trade creditors, corporation tax payable, amount owed to group undertakings and value added tax payable.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the finance costs.

2 ACCOUNTING POLICIES (Continued)

2.3 Significant accounting policies (Continued)

(f) *Inventories*

Inventory consists primarily of finished goods in transit for sale in ordinary course of business and component parts to be used in providing services. Inventory is stated at the lower of cost or net realisable value. Cost is computed using first-in, first-out basis. A charge is recorded to cost of product when inventory is determined to be damaged, obsolete or decline in sales price. Inventory is presented as net of provision.

(g) *Provision for accrued warranty*

The Company generally offers a one year warranty on most of its hardware products, and a 90 day warranty on the media that contains the software embedded in the products. Warranty costs are recognised as part of the Company's cost of sales based on associated material costs, logistics costs, labor costs, and overhead at the time revenue is recognised. Material costs are estimated primarily based upon the historical costs to repair or replace product returns within the warranty period. Labor, logistics and overhead costs are estimated primarily based upon historical trends in the cost to support customer cases within the warranty period.

(h) *Deferred revenue*

Income arising on contracts where the provision of the goods or services have not been completed at the statement of financial position date is deferred and recognised as the goods or services are delivered or provided.

Deferred product revenue represents unrecognised revenue related to shipments to distributors that have not sold through to end-users, undelivered product commitments, and other shipments that have not met all revenue recognition criteria. Deferred product revenue is recorded net of the related costs of product revenue such as discounts, rebates and provisions for estimated returns. Deferred service revenue represents billable amounts for service contracts, which include technical support, hardware and software maintenance, professional services, and training, for which services have not been rendered.

(i) *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.

(j) *Revenue recognition*

Revenue is recognised when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists. The Company generally relies upon sales contracts or agreements, and customer purchase orders to determine the existence of an arrangement.
- Delivery has occurred. The Company uses shipping terms and related documents, or written evidence of customer acceptance, when applicable, to verify delivery or performance.
- Sales price is fixed or determinable. The Company assesses whether the sales price is fixed or determinable based on the payment terms and whether the sales price is subject to refund or adjustment.
- Collectability is reasonably assured. The Company assesses collectability based on creditworthiness of customers as determined by its credit checks, their payment histories, or changes in circumstances that indicate that collectability is not reasonably assured.

The Company limits the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services or subject to customer-specific return or refund privileges.

The Company records reductions to revenue for estimated product returns and pricing adjustments, such as rebates and price protection, in the same period that the related revenue is recorded. The amount of these reductions is based on historical sales returns and price protection credits, specific criteria outlined in rebate agreements, and other factors known at the time.

A significant portion of the Company's sales is made through distributors under agreements allowing for pricing credits or rights of return. As reliable estimates of these credits or returns cannot be made, product revenue on sales made through these distributors is recognised upon sell-through as reported by the distributors to the Company. Deferred revenue on shipments to distributors reflects the effects of distributor pricing credits given and the amount of gross margin expected to be realised upon sell-through. Deferred revenue is recorded net of the related product costs of revenue.

Service revenues include revenue from maintenance, training, and professional services. Maintenance is offered under renewable contracts. Revenue from maintenance service contracts is deferred and recognised ratably over the contractual support period, which is generally one to five years. Revenue from training and professional services is recognised as services are completed or ratably over the contractual period, which is generally one year or less.

2 ACCOUNTING POLICIES (Continued)

2.3 Significant accounting policies (Continued)

(k) Cost of sales

Cost of sales relates to the cost of goods and services sold during the year. Costs are recognised as incurred unless the Company has shipped product or performed services for which all revenue recognition criteria have not yet been met, then costs will be deferred to match the related deferred revenue.

(l) Provision for sales return

The Company provides allowance for sales return based on historical return rate as a percentage of revenue. As the returns reserve is meant to cover future returns exposures, the historical returns data may be adjusted for current industry/economic conditions. Management adjusts the historical percentages as deemed necessary based on their knowledge of current conditions.

(m) 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.

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.

(n) Cash at bank and in hand

Cash at bank and in hand in the Statement of Financial Position comprise cash at bank.

(o) 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.

(p) Provision for asset retirement obligation ("ARO")

The Company records a provision for reinstatement costs of the lease premises with ARO clause included in the lease contracts. Reinstatement costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows, where material, 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 statement of profit and loss 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.

(q) 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.

(r) 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.

JUNIPER NETWORKS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2017

3 TURNOVER

Turnover relates to the sale of products and services for high-performance networks, which combine scale and performance with agility and efficiency, so customers can build the best networks for their businesses. Products relating to routing, switching and security address the high-performance networking requirements of global service providers, enterprises, governments, and research and public sector organisations that view the network as critical to their success. Software, silicon, and systems represent innovations that transform the experience and economics of networking, helping customers achieve superior performance, greater choice, and flexibility, while reducing overall total cost of ownership.

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 211 (2016: 221) analysed as follows:

	2017 Number	2016 Number
Administration	101	87
Sales	110	134
	<u>211</u>	<u>221</u>

The staff costs are comprised of:

	2017 \$	2016 Re-presented \$
Wages and salaries	36,359,628	39,701,473
Social welfare costs	7,792,255	6,638,911
Pension costs (note 15)	1,601,172	1,638,000
Share-Based payments (note 20)	3,880,664	3,971,647
	<u>49,633,719</u>	<u>51,950,031</u>

Director's remuneration

	2017 \$	2016 Re-presented \$
Directors' remuneration	303,595	-
Amounts receivable under long term incentive plans	-	-
Number of directors accruing benefits under:		
Defined benefit schemes	2	-
Number of directors who received shares in respect of qualifying services	2	-
Number of directors who exercised share options	2	-
In respect of the highest paid director:		
Aggregate remuneration	165,768	-
Accrued pension at the end of the year	1,031	-

The highest paid director received and exercised shares options during the year.

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2017 \$	2016 Re-presented \$
Bank interest and charges	<u>270,762</u>	<u>3,878</u>

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

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

	2017 \$	2016 Re-presented \$
Gain on foreign exchange	(727,514)	(496,268)
Operating lease rentals		
- Other	873,088	1,105,549
Auditor's remuneration	122,507	49,864
Depreciation (note 8)	802,288	269,184
Restructuring expense	<u>4,375,686</u>	<u>-</u>

In February 2017, the Juniper Networks Inc. management approved a worldwide organisational restructuring resulting in a reduction in headcount of 32 employees in the UK. The Company booked an expense of \$4.4 million during the year in this regard. An amount of \$1.04 million was payable at 31 December 2017 (31 December 2016: nil).

7 TAXATION

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

	2017 \$	2016 Re-presented \$
Corporation tax		
- Current year	2,150,350	1,504,784
- Adjustment in respect of prior years	<u>2,988,572</u>	<u>-</u>
	5,138,922	1,504,784
Deferred tax		
- Current year	(629,658)	(8,144)
- Adjustment in respect of prior years	<u>(127,001)</u>	<u>-</u>
	(756,659)	(8,144)
Total expense in the statement of profit and loss and other comprehensive income	<u>4,382,263</u>	<u>1,496,640</u>

JUNIPER NETWORKS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2017

7 TAXATION (Continued)

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 19.25% (2016: 20%). The difference are reconciled as below:

	2017	2016
	\$	Re-presented \$
Profit on ordinary activities before tax	10,221,011	3,323,369
Profit on ordinary activities multiplied by the corporation tax rate of 19.25% (2016: 20%)	1,967,545	664,674
Effects of:		
Expenses not deductible for tax purposes	125,210	980,541
Permanent differences in respect of share based payments	(582,020)	-
Impact of rate changes on deferred tax charge	9,957	(148,575)
Adjustments in respect of prior years	2,861,571	-
	<u>4,382,263</u>	<u>1,496,640</u>

The effective tax rate in 2017 was 43% (2016: 45%) and this is due to the additional tax paid in relation to prior periods.
In future years the effective tax rate will be broadly more in line with statutory rate.

7c Deferred Tax

At 1 January	284,214	276,070
Profit and loss account	756,659	8,144
At 31 December	<u>1,040,873</u>	<u>284,214</u>

The deferred tax asset on the statement of financial position consists of the following amounts:

Excess of capital allowances over depreciation	215,748	176,280
Forex on change in presentation currency	-	680
Other temporary differences	163,011	107,254
Share based payments	662,114	-
	<u>1,040,873</u>	<u>284,214</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	(25,321)	11,236
Other temporary differences	(709,277)	(39,712)
Impact of rate change on opening balance	(22,061)	20,332
	<u>(756,659)</u>	<u>(8,144)</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 \$1,040,873 (2016: \$284,214) 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 (2016: 17%).

8 TANGIBLE ASSETS

	Leasehold improvements \$	Furniture and fittings \$	Computer equipment \$	Total \$
COST				
At 1 January 2017 (Re-presented - note 21)	5,408,883	364,421	880,979	6,654,283
Additions	630,769	9,062	31,808	671,639
Disposals	(159,590)	-	(242,031)	(401,621)
Effect of movements in foreign exchange rates	55,516	21,281	45,445	122,242
At 31 December 2017	<u>5,935,578</u>	<u>394,764</u>	<u>716,201</u>	<u>7,046,543</u>
DEPRECIATION				
At 1 January 2017 (Re-presented - note 21)	2,889,981	280,723	707,194	3,877,898
Charge for the year	687,245	49,563	65,480	802,288
Disposals	(159,590)	-	(242,031)	(401,621)
Effect of movements in foreign exchange rates	144,183	9,094	43,880	197,157
At 31 December 2017	<u>3,561,819</u>	<u>339,380</u>	<u>574,523</u>	<u>4,475,722</u>
NET BOOK VALUES				
At 31 December 2017	<u>2,373,759</u>	<u>55,384</u>	<u>141,678</u>	<u>2,570,821</u>
At 31 December 2016 (Re-presented - note 21)	<u>2,518,902</u>	<u>83,698</u>	<u>173,785</u>	<u>2,776,385</u>

9 OTHER DEBTORS (amounts falling due after one year)

	2017	2016
	\$	Re-presented \$
Other debtors	1,085,402	1,327,511
	<u>1,085,402</u>	<u>1,327,511</u>

JUNIPER NETWORKS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2017

10 DEBTORS (amounts falling due within one year)	2017	2016 Re-presented
	\$	\$
Trade debtor	50,458,075	909,914
Other debtors	7,941,250	-
Amount owed by group undertakings	15,597,649	-
Other current financial assets (note 16)	993,758	-
VAT receivable	-	1,089,646
Prepayments	1,120,992	1,999,182
Deferred tax asset (note 7c)	1,040,873	284,214
	<u>77,152,597</u>	<u>4,282,956</u>

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

On 1 August 2017, other debtors amounting to \$23,389,035 were transferred from Juniper Networks International BV.

11 Stocks	2017	2016
	\$	\$
Finished goods - Goods in transit	4,494,034	-
Raw materials	77,069	-
	<u>4,571,103</u>	<u>-</u>

On 1 August 2017, spare parts, net of impairment, amounting to \$39,690 were transferred from Juniper Networks International BV.

12 CREDITORS (amounts falling due within one year)	2017	2016 Re-presented
	\$	\$
Trade creditors and accruals	1,382,633	1,677,351
Accrued expenses and deferred income	53,690,582	5,350,752
Corporation tax payable	2,354,426	606,878
Amounts owed to group undertakings	13,496	157,079
VAT payable	2,782,884	-
	<u>60,224,021</u>	<u>7,792,060</u>

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

On 1 August 2017, deferred revenue amounting to \$86,698,329 were transferred from Juniper Networks International BV.

13 CREDITORS (amounts falling due after one year)	2017	2016 Re-presented
	\$	\$
Accrued expenses and deferred income	25,077,266	-
	<u>25,077,266</u>	<u>-</u>

14 PROVISIONS FOR LIABILITIES

	Accrued warranty	Asset retirement obligation	Total
	\$	\$	\$
At 1 January 2017 (Re-presented - note 21)	-	(630,902)	(630,902)
Addition to provision	(1,225,218)	(224,818)	(1,450,036)
Utilisation of provision	-	170,812	-
At 31 December 2017	<u>(1,225,218)</u>	<u>(684,908)</u>	<u>(1,910,126)</u>
Current	(1,225,218)	-	(1,225,218)
Non Current	-	(684,908)	(684,908)
Total	<u>(1,225,218)</u>	<u>(684,908)</u>	<u>(1,910,127)</u>

	Accrued warranty	Asset retirement obligation	Asset retirement obligation
	\$	\$	\$
At 1 January 2016	-	(500,448)	(500,448)
Addition to provision	-	(214,089)	(214,089)
Utilisation of provision	-	-	-
Movement in foreign exchange rate	-	83,635	83,635
At 31 December 2016 (Re-presented - note 21)	<u>-</u>	<u>(630,902)</u>	<u>(630,902)</u>
Current (Re-presented - note 21)	-	(163,026)	(163,026)
Non Current (Re-presented - note 21)	-	(467,876)	(467,876)
Total	<u>-</u>	<u>(630,902)</u>	<u>(630,902)</u>

Accrued Warranty

The Company accrues for warranty costs based on associated material, labour for customer support at the time revenue is recognised. This accrual is reported as accrued warranty within current liabilities in the statement of financial position.

Asset retirement obligation

A provision has been recognised for reinstatement costs of the lease premises with ARO clause included in the lease contracts. The decommissioning costs are expected to be incurred at the end of the lease contract.

15 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 \$1,601,172 (2016 re-presented: \$1,638,000). Pension payments due to the scheme at the year end amounted to \$491,837 (2016: \$Nil).

JUNIPER NETWORKS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2017

16 OTHER FINANCIAL ASSETS

	2017	2016
	\$	\$
Financial instruments at fair value through OCI		
Cash flow hedges		
Foreign exchange forward contract (note 16b)	993,758	-
Total other financial assets	993,758	-
Total current	993,758	-
Total non-current	-	-
	993,758	-

Financial asset at fair value through other comprehensive income reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge foreign currency transactions relating to forecast transactions.

16a Hedging activities and derivatives

Derivative Instruments

The Company uses derivatives to partially offset its market exposure to fluctuations in certain foreign currencies and does not enter into derivatives for speculative or trading purposes.

Derivatives not designated as hedging instruments

The Company uses foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts in certain currencies are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 12 months.

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast transactions in Euro and Sterling Pound (GBP). These forecast transactions are highly probable and represent significant portions of the Company's foreign currency transactions.

While the Company also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of the forecast transactions, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The foreign exchange forward contract balances vary with the level of expected forecast transactions and changes in foreign exchange forward rates.

	2017	
	Assets	Liabilities
	\$	\$
Foreign currency forward		
Fair value	993,758	-

The effect of the hedge ineffectiveness relating to the foreign currency forward contracts was very minimal during the year. This was recognised through finance costs.

The cash flow hedges of the forecasted transactions in 2017 were assessed to be highly effective, and as at 31 December 2017, a net unrealised gain of \$ 1,076,618 (2016: \$ nil) was included in OCI in respect of these contracts. This represents an increase of \$ 1,076,618 (2016: \$ nil). The amounts retained in OCI at 31 December 2017 are expected to mature and affect the statement of profit and loss in 2018.

The Company applies the fair value hierarchy, which prioritises the inputs used to measure fair value into three levels and bases the categorisation within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. All derivatives held by the Company are determined to be Level 2. Level 2 represents quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. These inputs are valued using market based approaches.

16b Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations that derive directly from its operations.

The Company is exposed to market risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework within Juniper Group. The financial risk committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is Juniper Group's policy that no trading in derivatives for speculative purposes may be undertaken.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk include loans and receivables, deposits and derivative financial instruments.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities. The Company manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 12 month period.

When the nature of the hedge relationship is not an economic hedge, it is the Company's policy to negotiate the terms of the hedging derivatives to match the terms of the underlying hedge items to maximise hedge effectiveness.

16 OTHER FINANCIAL ASSETS (Continued)

16b Financial risk management objectives and policies (Continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including balances with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial instruments and bank balances

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and derivatives. The Company invests only in high-quality credit instruments and maintains its cash and cash equivalents in fixed income securities with several high-quality institutions.

Liquidity risk

Management of the Company's liquidity risk is achieved mostly through being a part of the larger Juniper Group, which operates group wide policies in this area. The Company holds financial assets primarily in short-term deposits that are readily convertible to known amounts of cash.

17 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:

	2017	2016
	\$	\$
Land and buildings:		
within one year	974,409	671,906
in the second to fifth year	3,900,307	3,608,492
after five years	3,574,614	4,209,083
	<u>8,449,330</u>	<u>8,489,481</u>

As of 31 December 2017, the Company had ongoing letters of credit facility with a bank amounting to \$16,414,513.

18 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 1133 Innovation Way, Sunnyvale, CA 94089, United States of America.

The Company's immediate controlling party as of 31 December 2017 was Juniper Networks International BV.

JUNIPER NETWORKS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2017

19 SHARE CAPITAL	2017	2016
	\$	\$
Authorised:		
50,000 Ordinary shares of £1 each	80,829	80,829
Issued and fully paid:		
100 Ordinary shares of £1 each	162	162

20 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.

There were no options outstanding at the end of 2017. There was no range of exercise prices for options outstanding at the end of 2017 (2016: \$25.50 through \$29.89). The weighted average remaining contractual life for options outstanding at the end of 2017 was nil (2016 0.2 years)

The weighted average share price of options at the date of exercise during 2017 was \$28.13 (2016: \$25.68).

The total income of stock options for 2017 and 2016 was \$0.

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 2017 was \$275,416 (2016: \$404,752).

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 \$27.93 in 2017 (2016: \$25.79).

The total expense of RSUs and PSAs for 2017 was \$3,605,248 (2016: \$3,566,895).

JUNIPER NETWORKS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2017

21 CHANGE IN PRESENTATION CURRENCY

Effective from 1 August 2017 Juniper Networks (UK) Limited commenced direct sales of products and support services of Juniper Networks Inc., Juniper Networks International BV, and its subsidiaries (hereinafter collectively referred to as 'Group Companies') to customers in the UK. There was a change in functional currency and presentation currency from Great British Pounds ("GBP") to US Dollars ("USD") from that date as the Company's revenues, profits and cash flows are now primarily generated in US dollars; and are expected to remain principally denominated in US dollars in the future.

Consequently, the financial results for the year ended 31 December 2017 have been presented in US Dollars. The change in presentation currency has been applied retrospectively. In re-presenting the financial statements for the year ended 31 December 2017, the reported information was converted to USD from GBP using the following procedures:

- Assets and liabilities were translated to USD at the closing rates of exchange at each respective balance sheet date (31 December 2016: \$1:£0.8068; 31 December 2015: \$1:£0.6719).
- Share capital and other reserves were translated at the historic rates prevailing at the dates of transactions.
- Income and expenses were translated to US Dollars at an average rate at each of the respective reporting periods. This has been deemed to be a reasonable approximation (31 December 2016: \$1:£0.7394; 31 December 2015: \$1:£0.6521).
- Differences resulting from the retranslation were taken to reserves.

The impact on the prior period results and closing balance sheet as originally reported is set out below:

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	2016 As originally £	2016 As re-presented \$
Turnover	54,478,518	73,680,207
Administrative costs	(52,462,518)	(70,953,641)
OPERATING PROFIT	<u>2,016,000</u>	<u>2,726,566</u>
Interest received	77,202	104,413
Gain on foreign exchange	366,936	496,268
Interest payable and similar charges	(2,867)	(3,878)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	<u>2,457,271</u>	<u>3,323,369</u>
Tax on profit on ordinary activities	(1,106,603)	(1,496,640)
PROFIT FOR THE FINANCIAL YEAR	<u>1,350,668</u>	<u>1,826,729</u>
Other comprehensive income for the year	-	-
TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR	<u>1,350,668</u>	<u>1,826,729</u>

JUNIPER NETWORKS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2017

21 CHANGE IN PRESENTATION CURRENCY (Continued)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	2016 As originally presented £	2016 As re-presented \$
NON CURRENT ASSETS		
Tangible assets	2,239,923	2,776,385
Other Debtors (amounts falling due after one year)	<u>1,071,005</u>	<u>1,327,511</u>
	3,310,928	4,103,896
CURRENT ASSETS		
Debtors (amounts falling due within one year)	3,455,390	4,282,956
Cash at bank and in hand	<u>41,070,486</u>	<u>50,906,867</u>
	44,525,876	55,189,823
CURRENT LIABILITIES		
Creditors (amounts falling due within one year)	(6,286,455)	(7,792,060)
Provisions for liabilities	<u>(131,525)</u>	<u>(163,026)</u>
	(6,417,980)	(7,955,086)
NET CURRENT ASSETS	38,107,896	47,234,737
NON CURRENT LIABILITIES		
Provisions for liabilities	<u>(377,471)</u>	<u>(467,876)</u>
	(377,471)	(467,876)
NET ASSETS	<u>41,041,353</u>	<u>50,870,757</u>
CAPITAL AND RESERVES		
Called up share capital presented as equity	100	162
Foreign currency translation reserve	-	(20,137,363)
Retained earnings	<u>41,041,253</u>	<u>71,007,958</u>
	41,041,353	50,870,757

22 SUBSEQUENT EVENT

There have been no significant events since 31 December 2017.

23 COMPARATIVES

For consistency of presentation, certain comparative balances have been reclassified.

24 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 2nd November 2018.