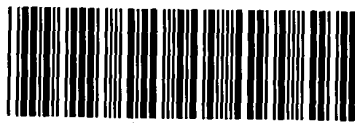


Company Registration No. 00887400 (England and Wales)

VIAVI SOLUTIONS UK LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
2 JULY 2022

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VIAVI SOLUTIONS UK LIMITED

COMPANY INFORMATION

Directors	Mr M T Taylor Mr K C Siebert Mr H P C Derksen
Secretary	Mr M T Taylor
Company number	00887400
Registered office	Astor House Newbury Business Park London Road Newbury Berkshire RG14 2PZ
Independent auditor	PricewaterhouseCoopers LLP 40 Clarendon Road Watford Hertfordshire WD17 1JJ

VIAVI SOLUTIONS UK LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 2 JULY 2022

The directors present the strategic report for the period ended 2 July 2022.

Principal activities and fair review of the business

The principal activities of the company consist of the following components:

- Development, manufacturing and distribution of wireless business test solutions for the 4G and 5G mobile communications worldwide market.
- Distribution of the Viavi Solutions Network and Service Enablement Products and Solutions ("NSE") mainly within the United Kingdom.
- Product Support and Program Services including tailor-made managed solutions for major customers mainly within the United Kingdom.

Turnover consists of distinct income streams. There are product and service sales, recharging of costs incurred on behalf of a fellow group undertaking and royalties received from a fellow group company. These royalties are for the use of Wireless Legacy intellectual property which comprise patents for wireless testing solutions that were acquired from Aeroflex Limited in the prior year. The sales approach is an effective balance of both direct sales to the end consumer, and an indirect approach using other third parties to penetrate the market.

The company operates from two main sites within the United Kingdom. The main site is based in Stevenage where wireless test solutions are developed, manufactured and distributed. The second site is based in Newbury where engineering services are provided for the group's classic NSE operations.

In addition, the company has two directly and wholly owned trading subsidiaries, Viavi Solutions Italia S.R.L and Viavi Solutions Singapore Pte Limited. These trading subsidiaries are sales offices which distribute Viavi Solutions group products on a regional basis.

During the current period, the company acquired Comtest Wireless Limited which comprises a small group of companies that are a leading provider of Drive Test systems, testing and monitoring of railway telecommunications networks and signalling network performance, with major customers in Europe. The main trading company is Comtest Wireless S.R.L. based in Turin, Italy.

On 2 July 2022, the company sold its Wireless Legacy intellectual property rights to a fellow group undertaking for cash consideration of £62.8 million.

Future Developments

Following the recent acquisitions of Aeroflex Limited and the Comtest Wireless companies, the directors will continue to implement integration plans and will focus on business growth in the 4G and 5G mobile communications markets, while maintaining momentum with customers and stakeholders.

VIAVI SOLUTIONS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 2 JULY 2022

Principal risks and uncertainties

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

Competitive global pressure is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing added value services to its customers, having fast response times not only in supplying products but also in handling all customer queries, and by maintaining strong relationships with customers.

Although the company does not sell to any customers in Russia, the Russian invasion of Ukraine could further result in increased energy costs. This could increase the cost of manufacturing, selling and delivering products and solutions; and cause higher inflation, which could result in increases in the cost of manufactured products, reduced customer power, increased price pressure and reduced or postponed sales orders.

There are risks arising from the impact of the ongoing COVID-19 pandemic in the United Kingdom and countries in which our customers and suppliers are located. The risks include regional quarantines restricting the movement of people or goods, disruptions to global supply chains and our suppliers' ability to deliver materials and products on a timely or cost-effective basis, shipment, acceptance or verification delays, the resulting overall significant volatility and disruption of financial markets, and economic instability affecting customer spending patterns.

Further discussions of these risks and uncertainties, in the context of the group as a whole, is provided on pages 14 to 27 in the Viavi Solutions Inc. group's annual report (US SEC 10-K annual filing), which does not form part of this report.

Future developments

The company's objective is to continue to be a leading provider in the markets and industry it serves, including market leadership in 5G wireless. Our near-term strategy will be more focused on growth, both organic and acquisitive. We plan to leverage major secular growth trends in 5G Wireless to achieve higher levels of revenue and profitability.

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate cash flow risk, and foreign exchange risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of directors are implemented by the company's Finance department.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The company, as part of a larger group, actively maintains an appropriate level of debt finance through the ultimate parent company, designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has interest bearing assets, being the bank balances and amounts due to and from other group undertakings. Interest rates on amounts due to and from group undertakings are set as part of a group-wide funding strategy.

Foreign exchange risk

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

The directors will continue to evaluate the risks and uncertainties facing the company and implement commercially reasonable plans and measures to mitigate such known risks/factors although, as referred to above and consistent with most businesses, it may not always be possible to identify all the risks and uncertainties we face.

VIAMI SOLUTIONS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 2 JULY 2022

Key performance indicators

Turnover for the period ended 2 July 2022 was £195.9m, increasing from £172.8m in the prior period. The results for the current period included sales of wireless business test solutions for the entire 52 weeks. These wireless solutions were part of the trading activities that were purchased from Aeroflex Limited on 4 October 2020. Therefore, in the prior period they only represented 39 weeks of sales. At 2 July 2022, the company had net assets of £33.3m (2021: net liabilities of £46.1m)

The directors of Viavi Solutions Inc. manage the group's operations on a divisional basis. For this reason, the company's directors believe that further analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Viavi Solutions UK Limited. The development, performance and position of the Network and Service Enablement segment of Viavi Solutions Inc. which includes the company, is discussed on pages 6 and 7 of the group's annual report (US SEC 10-K annual filing), which does not form part of this report.

Section 172 statement

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

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

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

Engagement with our stakeholders plays a vital role throughout our business. By understanding our stakeholders, we can factor into the boardroom discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns.

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

When the Comtest Wireless business was acquired, various meetings and discussions took place with employees and customers, to explain the change of ownership and to reassure these stakeholders that there would be continuity of employment and service delivery.

On behalf of the board

Michael Todd Taylor

Mr M T Taylor
Director

Date: 26 May 2023

VIAMI SOLUTIONS UK LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 2 JULY 2022

The directors present their report and the audited financial statements for the 52 week period ended 2 July 2022. The comparative information is for the 53 week period from 28 June 2020 to 3 July 2021.

Results and dividends

The results for the period are set out on page 10.

The profit before taxation was £93,175,000 (2021: £44,757,000). The company has net assets, after the pension liability, of £33,307,000 (2021: net liabilities £46,116,000).

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr M T Taylor
Mr K C Siebert
Mr H P C Derksen

Qualifying third party indemnity provisions

The company had qualifying third-party indemnity provisions in place for the benefit of its directors during the period. These provisions remained in force at the date of approval of the directors' report.

Research and development

The company is committed to research and development in the telecommunications testing area and has invested £30,961,000 (2021: £24,893,000) in activities during the year. All Company funded research and development expenditure is written off as it is incurred.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Post reporting date events

In July 2022, the ordinary shares of the company were acquired by Viavi Solutions Ireland Limited, a fellow group undertaking.

In September 2022, the pension scheme legal proceedings were successfully completed. The High Court approved the removal of a clause in the trust deed that provided for certain future minimum increases in pensions.

Independent auditor

The auditor, PricewaterhouseCoopers LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

VIAVI SOLUTIONS UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

Energy and carbon reporting

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

Environmental objectives

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

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

	kWh '000	
<i>Energy consumption</i>		
Aggregate of energy consumption in the year		5,124
		<hr/>
<i>Emissions of CO2 equivalent</i>	Metric tonnes	Metric tonnes
Scope 1 - direct emissions		
- Gas combustion	13.64	
- Fuel consumed for transport	4.60	
	<hr/>	18.24
Scope 2 - indirect emissions		
- Electricity purchased		977.53
Scope 3 - other indirect emissions		
- Fuel consumed for business travel in vehicles not owned by the company		2.09
		<hr/>
Total gross emissions		997.86
		<hr/>
Intensity ratio		
Kilos CO2e per square foot		9.43
		<hr/>

Quantification and reporting methodology

- The reporting year is July 2021 – June 2022.
- The method used to calculate the CO2 data is from the Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance March 2019 (Updated Introduction and Chapters 1 and 2), whilst using the conversion rates from the Greenhouse Gas Reporting: Conversion Factor 2022 (condensed set).
- The data reported for Electricity and Gas utility usage were extracted from invoice actuals apart from the small site in Edinburgh, which is estimated.
- Data for transport (company vehicles) was calculated in miles driven, not fuel used.
- The other indirect emissions relate to business travel in employee-owned vehicles where the company is responsible for purchasing the fuel.
- The chosen intensity measurement ratio is total gross emissions in kilos CO2e per square footage of site. (total Co2e/105,000 sq. ft.).
- Fuel LPG estimated based on quantity of bottles purchased.

Future developments and other information

- The company is EMS certified to ISO14001. The company has carried out a refurbishment of the property in Stevenage. This has incorporated some of the findings in the ESOS compliance report.
- There were two company vehicles for 2022. In 2023, these vehicles will be disposed and will not be replaced. The fork-lift truck will be upgraded from the current LPG to electric in 2023

VIAVI SOLUTIONS UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Strategic report

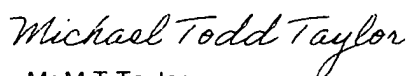
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of business activities, risk, and future developments.

Statement of disclosure to auditor

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Mr M T Taylor

Director

Date: 26 May 2023

Independent auditors' report to the members of Viavi Solutions UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Viavi Solutions UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 2 July 2022 and of its profit for the period from 4 July 2021 to 2 July 2022;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 2 July 2022; the statement of comprehensive income, the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Reporting on other information (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Consistency with the Strategic report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 2 July 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Responsibilities of the auditors for 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent auditors' report to the members of Viavi Solutions UK Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and corporate tax law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of results through manual journals or management bias in judgemental areas. Audit procedures performed by the engagement team included:

- Discussions with management which have included consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing of certain manual journal entries based on risk criteria such as unusual account combinations;
- Assessing key judgements and provisions; and
- Incorporating elements of unpredictability into our audit approach.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

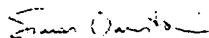
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Walford
26 May 2023

VIAVI SOLUTIONS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 2 JULY 2022

		Period ended 2 July 2022 £'000	Period ended 3 July 2021 £'000
	Notes		
Turnover	3	195,940	172,846
Cost of sales		(135,689)	(104,467)
Gross profit		60,251	68,379
Distribution costs		(15,382)	(14,231)
Administrative expenses		(3,353)	(6,973)
Other operating income	7	62,973	-
Operating profit	9	104,489	47,175
Interest receivable and similar income	10	4	11,703
Interest payable and similar expenses	11	(11,318)	(14,121)
Profit before taxation		93,175	44,757
Tax on profit	12	(19,152)	(6,211)
Profit for the financial period		74,023	38,546
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on defined benefit pension schemes		4,618	4,549
Tax relating to other comprehensive income		(1,304)	2,525
Total comprehensive income/(expense) for the period		<u>77,337</u>	<u>45,620</u>

VIAVI SOLUTIONS UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 2 JULY 2022

	Notes	As at 2 July 2022 £'000	£'000	As at 3 July 2021 £'000	£'000
Fixed assets					
Intangible assets	13		75		116
Tangible assets	14		19,132		16,962
Investments	15		104,405		99,880
			<u>123,612</u>		<u>116,958</u>
Current assets					
Stocks	17	17,188		13,247	
Debtors	18	63,701		72,621	
Cash at bank and in hand		108,821		93,173	
			189,710		179,041
Creditors: amounts falling due within one year	19	(142,653)		(136,727)	
Net current assets			<u>47,057</u>		<u>42,314</u>
Total assets less current liabilities			<u>170,669</u>		<u>159,272</u>
Creditors: amounts falling due after more than one year	20		(131,583)		(194,331)
Provisions for liabilities	22		(242)		(306)
Net assets/(liabilities) excluding pension liability			<u>38,844</u>		<u>(35,365)</u>
Defined benefit pension liability	24		(5,537)		(10,751)
Net assets/ (liabilities)			<u><u>33,307</u></u>		<u><u>(46,116)</u></u>
Capital and reserves					
Called up share capital	25		1,001		1,001
Share premium account	26		112,666		112,666
Merger reserve	26		(121,392)		(144,515)
Profit and loss reserves	26		41,032		(15,268)
Total equity/shareholders' (deficit)			<u><u>33,307</u></u>		<u><u>(46,116)</u></u>

VIAVI SOLUTIONS UK LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 2 JULY 2022

The financial statements on pages 10 to 38 were approved by the board of directors and authorised for issue on 26 May 2023 and are signed on its behalf by:

Michael Todd Taylor

.....
Mr M T Taylor
Director

VIAMI SOLUTIONS UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 2 JULY 2022

	Notes	Share capital £'000	Share premium account £'000	Merger reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 27 June 2020		1,001	112,666	-	(45,651)	68,016
Period ended 3 July 2021:						
Profit for the period		-	-	-	38,546	38,546
Other comprehensive income:						
Actuarial gains on defined benefit plans		-	-	-	4,549	4,549
Tax relating to other comprehensive income		-	-	-	2,525	2,525
Total comprehensive income for the period		-	-	-	45,620	45,620
Credit to equity for equity settled share-based payments	6	-	-	-	1,949	1,949
Debit to equity arising on transfer of trade and assets		-	-	(161,701)	-	(161,701)
Amortisation of merger reserve		-	-	17,186	(17,186)	-
Balance at 3 July 2021		1,001	112,666	(144,515)	(15,268)	(46,116)
Period ended 2 July 2022:						
Profit for the period		-	-	-	74,023	74,023
Other comprehensive income:						
Actuarial gains on defined benefit plans		-	-	-	4,618	4,618
Tax relating to other comprehensive income		-	-	-	(1,304)	(1,304)
Total comprehensive income for the period		-	-	-	77,337	77,337
Credit to equity for equity settled share-based payments	6	-	-	-	2,086	2,086
Amortisation of merger reserve		-	-	23,123	(23,123)	-
Balance at 2 July 2022		1,001	112,666	(121,392)	41,032	33,307

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 JULY 2022

1 Accounting policies

Company information

Viavi Solutions UK Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Astor House, Newbury Business Park, London Road, Newbury, Berkshire, RG14 2PZ.

The company's principal activities and nature of its operations are disclosed in the Strategic Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

At the reporting date, Viavi Solutions UK Limited was a wholly owned subsidiary of Viavi Solutions Inc. and the results of Viavi Solutions UK Limited are included in the consolidated financial statements of Viavi Solutions Inc. which are available from 7047 E Greenway Pkwy Suite 250, Scottsdale, Arizona 85254, United States of America, or investor.viavisolutions.com.

Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. For business combinations involving the purchase of assets and trade, the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of any combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Transfer of trade and assets of subsidiary undertaking

In the prior period, assets acquired and liabilities assumed from the wholly-owned subsidiary Aeroflex Limited as part of the Business Transfer Agreement, were hived up at book values using merger accounting principles, under FRS 102 Chapter 19 by bringing in the net asset book values at the date of transfer of the trade and assets and recognising the profits of the acquired business from the date of transfer. Where the investment in the subsidiary exceeds the book value of the assets transferred, the difference is recognised as a merger reserve in equity. The merger reserve is amortised on a straight-line basis over the duration of the useful life of the goodwill acquired.

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

1 Accounting policies (Continued)

Going concern

The financial statements have been prepared on the going concern basis. Viavi Solutions UK Limited has prepared forecasts covering a period of at least 12 months from the date of approval of these financial statements which take into consideration the possible impact of the Covid-19 global pandemic and the Russian invasion of Ukraine on the company's operations. These forecasts indicate that the company has sufficient funding and resources available to it to enable the company to meet its forecasted operating expenditure for at least 12 months from the date of signing these financial statements. On this basis, the directors consider it appropriate to prepare these financial statements on the going concern basis.

Reporting period

The accounting period of the company closes on the Saturday nearest the end of June each year. Therefore, the current period is for the 52 week period from 4 July 2021 to 2 July 2022 and the comparative information is for the 53 week period from 28 June 2020 to 3 July 2021.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes. The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the company's sales channels have been met, as described below:

For the sale of goods, turnover is recognised upon delivery when the risks and rewards of the inventory are passed to the customer. For software license sales, turnover is recognised typically upon shipment, electronic delivery, or when the software is available for download by the customer. For software support and extended warranty contracts, turnover is recognised on a straight-line basis over the contract term. Fee income from consultancy, maintenance and management services is recognised over the period in which the service is provided.

Income invoiced in the period for goods that were not delivered as at the period end date or where the recognition criteria has not been met, is deferred and included on the statement of financial position as deferred income. Any un-invoiced turnover is included in accrued income.

Royalty income

Royalty income represents royalty payments from a fellow group company in respect of sales arising from its intellectual property rights. Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

Other operating income

Sales of intellectual property rights

Sale of intellectual property rights represents the full cash consideration received from a fellow group undertaking for this transaction, as the previous carrying value of the intellectual property rights in the company's balance sheet was nil.

Grants received

Grants received represent government grants received for specific research projects

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

1 Accounting policies (Continued)

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is estimated to be 5 years.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	10-33% straight line
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Tangible fixed assets

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

Depreciation is recognised so as to write off the cost of assets over their useful lives on the following bases:

Freehold land and buildings	2.5-10% straight line
Leasehold improvements	the lower of 20% straight line or over the period of the lease
Fixtures, fittings and equipment	10-33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss:

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Stocks

Stock represents work in progress which is stated at estimated realisable value, after providing for non-recoverable amounts. Work in progress represents deferred costs on items not delivered to customers at the year-end.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

1 Accounting policies (Continued)

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Share-based payments

The ultimate parent company, Viavi Solutions Inc., operates an equity-settled share-based compensation plan. Certain employees of the company are awarded options over the shares in the ultimate parent. The fair value of the employee services received in exchange for these grants of options is recognised as an expense, with a corresponding increase in profit and loss reserves (representing a capital contribution by the parent).

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

The fair value is measured at the grant date with reference to the market value of the shares of Viavi Solutions Inc. The company has elected to recognise and measure its share-based payment expense on the basis of a reasonable allocation of the expense for the group.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

1 Accounting policies (Continued)

Leases

Rentals payable under operating leases, including any lease incentives received, are charged as an expense on a straight line basis over the term of the relevant lease.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

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

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

2 Judgements and key sources of estimation uncertainty (Continued)

Recoverability of investments

In line with the accounting policies, the company assesses its subsidiaries for impairment at each reporting date.

The directors have considered whether there are any material indicators of impairment against the value of the investment in Aeroflex Limited. The investment in Aeroflex Limited was impaired in the prior period by £161.7m when the investment value was reduced to an amount equal to the book value of assets remaining within Aeroflex Limited following the completion of the Business Transfer Agreement. For the current year, the directors do not believe that any further reduction in the value of the Aeroflex Limited assets has taken place.

The Comtest Wireless group of companies was acquired on 13 May 2022 for cash consideration of £4.5m, following an extensive due diligence process. During the remainder of the current period and the first half of the next period, sales orders booked by the Comtest Wireless companies were at the upper end of expectations. Therefore, the Directors are comfortable that the investment value does not need to be impaired.

Revenue recognition

The company recognises revenue when it is realised or realisable and earned. The company considers revenue realised or realisable and earned when there is persuasive evidence of an arrangement, delivery has occurred, the amount of revenue can be measured reliably, and collectability is reasonably assured. Delivery does not occur until products have been shipped or services have been provided, risk of loss has transferred and in cases where formal acceptance is required, customer acceptance has been obtained or customer acceptance provisions have lapsed. In situations where a formal acceptance is required but the acceptance only relates to whether the product meets its published specifications, revenue is recognised upon delivery provided all other revenue recognition criteria are met.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Allowances for doubtful accounts

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

The bad debt provision recognised in the reporting period was £116,393 (2021: £786,000).

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

2 Judgements and key sources of estimation uncertainty (Continued)

Pension benefits

The measurement of the defined benefit pension plan is based on the company estimates and actuarial valuations, provided by third party actuaries, which are approved by the company management. These valuations reflect the terms of the plans and use participant-specific information such as compensation, age and years of service, as well as certain assumptions, including estimates of discount rates, expected return on plan assets, rate of compensation increases, and mortality rates. The company evaluates these assumptions annually at a minimum. In estimating the expected return on plan assets, the company considers historical returns on plan assets, adjusted for forward-looking considerations, inflation assumptions and the impact of the active management of the plan's invested assets. See note 24 for details of the defined benefit pension plan.

3 Turnover

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

	2022 £'000	2021 £'000
Turnover analysed by class of business		
Product sales	123,402	109,963
Services provided to fellow group undertakings	57,623	47,051
Royalty Income	14,915	15,832
	<u>195,940</u>	<u>172,846</u>
	2022 £'000	2021 £'000
Turnover analysed by geographical market		
United Kingdom	69,181	52,804
EMEA	3,028	11,017
Latin America	1,532	1,013
North America	117,831	102,663
Rest of World	4,368	5,349
	<u>195,940</u>	<u>172,846</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

4 Employees

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

	2022 Number	2021 Number
Development and production	217	175
Services	35	37
Selling and marketing	82	77
Administration	33	28
Total	<u>367</u>	<u>317</u>

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	28,937	25,713
Social security costs	3,817	3,203
Pension costs	1,481	1,847
Share-based payments	2,086	1,949
	<u>36,321</u>	<u>32,712</u>
Redundancy payments made or committed	<u>77</u>	<u>445</u>

5 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	287	258
Company pension contributions to defined contribution schemes	11	11
	<u>298</u>	<u>269</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021: 1)

The number of directors who exercised share options during the period was 1 (2021: 1).

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

5 Directors' remuneration (Continued)

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

	2022 £'000	2021 £'000
Remuneration for qualifying services	287	258
Company pension contributions to defined contribution schemes	11	11

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

Certain directors were employed by, and received emoluments from, other group undertakings. They also acted as director for a number of legal entities within the Viavi Solutions Inc group. Where this is the case, no specific amounts can be apportioned or are payable in respect of directors' services supplied to this company.

6 Share-based payment transactions

The company participates in the share-based compensation plans operated by the ultimate parent company, Viavi Solutions Inc., throughout the group. Below are descriptions of the active share-based plans, under which a significant number of share options remain outstanding.

Stock option plans

At the period end, the ultimate parent company had stock options issued and outstanding to employees and directors under the parent company's 2005 Acquisition Equity Incentive Plan (the "2005 Plan") and the Amended and Restated 2003 Equity Incentive Plan (the "2003 Plan"). The exercise price for stock options is equal to the fair value of the underlying stock at the date of grant. Options generally become exercisable over a four-period phase and, if not exercised, expire from five to ten periods after the date of grant.

7 Other operating income

	2022 £'000	2021 £'000
Sale of intellectual property rights	62,800	-
Grants received	173	-
	<u>62,973</u>	<u>-</u>

8 Auditors' remuneration

	2022 £'000	2021 £'000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	89	111

There were no non-audit services in the current or prior periods.

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

9 Operating profit	2022	2021
	£'000	£'000
Operating profit for the period is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(1,845)	1,989
Research and development costs	30,961	24,893
Government grants	173	-
Depreciation of owned tangible fixed assets	4,968	3,698
(Profit)/ loss on disposal of tangible fixed assets	216	(80)
Amortisation of intangible assets	84	187
Impairment of stocks recognised or reversed	69	29
Share-based payments	2,086	1,949
Operating lease charges	260	265
	<u> </u>	<u> </u>
 10 Interest receivable and similar income		
	2022	2021
	£'000	£'000
Interest income		
Interest receivable from group companies	4	6
Total interest income	4	6
 Income from fixed asset investments		
Income from shares in group undertakings	-	11,697
Total income	4	11,703
	<u> </u>	<u> </u>
 Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	4	6
	<u> </u>	<u> </u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 JULY 2022

11 Interest payable and similar expenses	2022	2021
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	11,318	13,845
Other finance costs:		
Net interest on the net defined benefit liability	193	236
Other interest	-	40
	<u>11,511</u>	<u>14,121</u>
12 Taxation	2022	2021
	£'000	£'000
Current tax:		
UK corporation tax on profits for the current period	17,868	6,923
Adjustments in respect of prior periods	339	(8)
Total current tax	<u>18,207</u>	<u>6,915</u>
Deferred tax:		
Origination and reversal of timing differences	116	(582)
Changes in tax rates	-	(122)
Adjustments in respect of prior periods	829	-
Total deferred tax	<u>945</u>	<u>(704)</u>
Total tax charge	<u>19,152</u>	<u>6,211</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 JULY 2022

12 Taxation (Continued)

The total tax charge for the period included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2022 £'000	2021 £'000
Profit before taxation	93,175	44,757
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	17,703	8,504
Tax effect of expenses that are not deductible in determining taxable profit	6	7
Adjustments in respect of prior years	1,168	(8)
Effect of change in corporation tax rate	-	(867)
Group relief	-	1,066
Research and development tax credit	(6)	(340)
Dividend income	-	(2,229)
Amounts charged directly to equity	-	864
Movement in deferred tax not recognised	-	(3,098)
Other	281	(213)
Defined benefit pension expense not recognised in profit or loss	-	2,525
Taxation charge for the period	19,152	6,211

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £'000	2021 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	1,304	(2,525)

On 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at 25% which was the tax rate substantively enacted at 3 July 2021.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 JULY 2022

13 Intangible fixed assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 3 July 2021	50,790	367	51,157
Additions	-	45	45
Disposals	-	(2)	(2)
At 2 July 2022	<u>50,790</u>	<u>410</u>	<u>51,200</u>
Amortisation and impairment			
At 3 July 2021	50,790	251	51,041
Amortisation charged for the period	-	84	84
Disposals	-	-	-
At 2 July 2022	<u>50,790</u>	<u>335</u>	<u>51,125</u>
Carrying amount			
At 2 July 2022	<u>-</u>	<u>75</u>	<u>75</u>
At 3 July 2021	<u>-</u>	<u>116</u>	<u>116</u>

14 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold improvements £'000	Assets under construction £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost					
At 3 July 2021	1,192	568	1,577	19,817	23,154
Additions	194	-	6,310	1,014	7,518
Disposals	-	(162)	-	(908)	(1,070)
Transfers	4,047	(116)	(6,493)	2,562	-
At 2 July 2022	<u>5,433</u>	<u>290</u>	<u>1,394</u>	<u>22,485</u>	<u>29,602</u>
Depreciation and impairment					
At 3 July 2021	130	439	-	5,623	6,192
Depreciation charged in the period	548	11	-	4,409	4,968
Eliminated in respect of disposals	-	(162)	-	(528)	(690)
At 2 July 2022	<u>678</u>	<u>288</u>	<u>-</u>	<u>9,504</u>	<u>10,470</u>
Carrying amount					
At 2 July 2022	<u>4,755</u>	<u>2</u>	<u>1,394</u>	<u>12,981</u>	<u>19,132</u>
At 3 July 2021	<u>1,062</u>	<u>129</u>	<u>1,577</u>	<u>14,194</u>	<u>16,962</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

14 Tangible fixed assets (Continued)

Transfers from assets under construction represent capital projects that have been completed during the reporting period.

15 Fixed asset investments

	Notes	2022 £'000	2021 £'000
Investments in subsidiaries	16	<u>104,405</u>	<u>99,880</u>

Movements in fixed asset investments

	Shares in group undertakings £'000
Cost or valuation	
At 3 July 2021	261,581
Additions	4,525
At 2 July 2022	<u>266,106</u>
Impairment	
At 3 July 2021 & 2 July 2022	
Impairment losses	<u>161,701</u>
Carrying amount	
At 2 July 2022	<u>104,405</u>
At 3 July 2021	<u>99,880</u>

During the year, the company acquired the entire share capital of Comtest Wireless Limited and its subsidiaries Comtest Wireless International Limited and Comtest Wireless International Srl, for cash consideration of £4,525,000. Comtest Wireless Limited is a holding company and its subsidiaries provide test, measurement and monitoring solutions for a wide range of rail telecoms and signalling systems.

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

16 Subsidiaries

These financial statements are individual company financial statements for Viavi Solutions UK Limited.

Details of the company's subsidiaries at 2 July 2022 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Viavi Solutions Italia S.R.L.	a)	Sales and marketing of Viavi Solutions products	Ordinary	100.00	-
Viavi Solutions Singapore Pte Limited	b)	Sales and marketing of Viavi Solutions products	Ordinary	100.00	-
Aeroflex Limited	c)	Holding company	Ordinary	100.00	-
Aeroflex Asia Limited	d)	Holding company	Ordinary	-	100.00
Aeroflex Systems Private Limited	e)	Dormant	Ordinary	-	100.00
Aeroflex Asia Pacific Limited	c)	Dormant	Ordinary	-	100.00
Aeroflex Technologies S.A.	f)	Dormant	Ordinary	-	100.00
Aeroflex Milan S.r.l.	g)	Dormant	Ordinary	-	100.00
Comtest Wireless Limited	h)	Holding company	Ordinary	100.00	-
Comtest Wireless International Limited	h)	Sales of test and measurement systems	Ordinary	-	100.00
Comtest Wireless International S.R.L.	i)	Sales of test and measurement systems	Ordinary	-	100.00

Registered office addresses (all UK unless otherwise indicated):

- a) Via Torri Bianche, 10, Palazzo Betulla, Vimercate, MI 20059, Italy.
- b) 10 Ang Mo Kio Street 65, 04-11 Techpoint, Singapore, 569059.
- c) Longacres House, Six Hills Way, Stevenage, SG1 2AN
- d) 28/F Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong
- e) 602, 6th Floor, Raheja Paramount, Residency Road, Bangalore - 560025, Karnataka, India
- f) Europa Empresarial, Rozabella, 6 Edif, Paris, 28230 Laz Rosas, Madrid, Spain
- g) Via Comaggia 10, c/o Studio Legale Tributario, Milan 20123, Italy
- h) Astor House, Newbury Business Park, London Road, Newbury, Berkshire, RG14 2PZ.
- i) Via Orvieto 19, 10149 Turin TO, Italy

17 Stocks

	2022 £'000	2021 £'000
Raw materials and consumables	11,728	5,210
Work in progress	535	2,994
Finished goods and goods for resale	4,925	5,043
	<u>17,188</u>	<u>13,247</u>

At 2 July 2022, stock is stated after provisions for impairment of £1,459,000 (2021: £1,390,000).

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 JULY 2022

18 Debtors		2022	2021
		£'000	£'000
Amounts falling due within one year:			
Trade debtors		36,167	31,460
Amounts owed by group undertakings		12,329	28,167
Other debtors		10,045	6,081
Prepayments and accrued income		2,968	2,447
		<u>61,509</u>	<u>68,155</u>
Amounts falling due after more than one year:			
Prepayments and accrued income		-	25
Deferred tax asset (note 23)		2,192	4,441
		<u>2,192</u>	<u>4,466</u>
Total debtors		<u>63,701</u>	<u>72,621</u>
19 Creditors: amounts falling due within one year		2022	2021
	Notes	£'000	£'000
Other borrowings	21	350	350
Trade creditors		11,015	8,842
Amounts owed to group undertakings		95,030	101,766
Corporation tax		17,802	8,367
Other taxation and social security		1,265	1,156
Deferred income		9,549	9,980
Other creditors		151	177
Accruals		7,491	6,089
		<u>142,653</u>	<u>136,727</u>

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

20 Creditors: amounts falling due after more than one year

	Notes	2022 £'000	2021 £'000
Other borrowings	21	130,352	193,152
Deferred income		424	1,179
Accruals		807	-
		<u>131,583</u>	<u>194,331</u>

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	-	<u>193,152</u>
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21 Borrowings

	2022 £'000	2021 £'000
Preference shares	350	350
Loans from group undertakings	130,352	193,152
	<u>130,702</u>	<u>193,502</u>
Payable within one year	350	350
Payable after one year	130,352	193,152
	<u>130,702</u>	<u>193,502</u>

Amounts owed to ultimate parent undertaking comprise an unsecured loan of £130,352,000 (FY21: £193,152,000) on which interest is charged at a fixed rate of 5.7%. Although the loan is repayable on demand, the lender has confirmed in writing prior to the reporting date that they do not intend to demand repayment within one year from the date of these financial statements. Final repayment of the loan shall be made in September 2026, unless borrower and lender agree otherwise.

22 Provisions for liabilities

	2022 £'000	2021 £'000
Warranty provision	242	306
	<u>242</u>	<u>306</u>

Movements on provisions:

	Warranty provision £'000
Additional provisions in the year	109
Utilised during the period	<u>(173)</u>
	<u>(64)</u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 JULY 2022

22 Provisions for liabilities (Continued)

The warranty provision relates to management's best estimate of potential customer claims for faulty products whilst within the standard warranty period of one year from the date of purchase. The provision is based on historic revenue and warranty costs. It is expected that most of this expenditure will be incurred in the next financial year.

23 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2022 £'000	Assets 2021 £'000
Balances:		
Accelerated capital allowances	262	208
Retirement benefit obligations	1,502	2,806
Share based payments	396	390
Other timing differences	32	208
Transferred on hive up of trade and assets	-	829
	<u>2,192</u>	<u>4,441</u>
		2022
Movements in the period:		£'000
Asset at 3 July 2021		(4,441)
Debit to profit or loss		945
Debit to other comprehensive income		<u>1,304</u>
Asset at 2 July 2022		<u>(2,192)</u>

The deferred tax asset set out above includes an amount of £903,000 that is expected to reverse within 12 months.

24 Retirement benefit schemes

	2022 £'000	2021 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	1,886	1,590
	<u>1,886</u>	<u>1,590</u>

The company operates a defined contribution scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions outstanding at 02 July 2022 totaled £nil (2021: £nil).

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

24 Retirement benefit schemes (Continued)

Defined benefit schemes

The company participates in the Wandel & Golterman Retirement Benefits Scheme. The pension cost for this defined benefit scheme is assessed in accordance with the advice of an independent qualified actuary. The most recent full actuarial valuation was carried out as at 05 April 2019 by a qualified independent actuary. To take account of the requirements of FRS 102 Section 28 'Employee benefits' in order to assess the liabilities of the fund as at the period end the actuarial valuation was updated to 02 July 2022 by a qualified independent actuary. Liabilities are valued on an actuarial basis, using the projected unit method, which assesses the future liabilities discounted to their present value.

Under this method the current service cost will increase as the members of the scheme approach retirement. The scheme is now closed to new entrants and, with effect from 31 March 2003, future accruals ceased.

During the period, the company's contribution to the pension plan was £1,000,000 (2021: £1,500,000). These contributions allowed the company to substantially comply with regulatory funding requirements.

The employer's best estimate of contributions to be paid to the scheme by the company in the next period is £1,000,000 (2021: £1,000,000).

	2022	2021
	%	%
<i>Key assumptions</i>		
Discount rate	3.7	1.9
Inflation (RPI)	3.0	3.0
Inflation (CPI)	2.5	2.5
	<u> </u>	<u> </u>
<i>Mortality assumptions</i>	2022	2021
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	22.3	22.4
- Females	24.1	24.2
	<u> </u>	<u> </u>
Retiring in 20 years		
- Males	23.6	23.7
- Females	25.6	25.7
	<u> </u>	<u> </u>

Mortality assumptions are based on 100% of the S3PMA/S3PFA tables with improvements in line with the CMI 2021 projections and a long-term rate of improvement of 1.25% per annum, Sk of 7.0 and A of 0.5%.

	2022	2021
	£'000	£'000
<i>Amounts recognised in the statement of comprehensive income</i>		
Net interest on net defined benefit liability	193	236
Other costs and income	211	257
	<u> </u>	<u> </u>
Total costs	404	493
	<u> </u>	<u> </u>

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

24 Retirement benefit schemes (Continued)

<i>Amounts taken to other comprehensive income</i>	2022 £'000	2021 £'000
Actual return on scheme assets	2,068	(2,420)
Less: calculated interest element	499	354
Return on scheme assets excluding interest income	2,567	(2,066)
Actuarial changes related to obligations	(7,185)	(2,483)
Total income	<u>(4,618)</u>	<u>(4,549)</u>

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

	2022 £'000	2021 £'000
Present value of defined benefit obligations	29,748	36,941
Fair value of plan assets	(24,211)	(26,190)
Deficit in scheme	<u>5,537</u>	<u>10,751</u>

<i>Movements in the present value of defined benefit obligations</i>	2022 £'000
Liabilities at 3 July 2021	36,941
Benefits paid	(700)
Actuarial gains and losses	(7,185)
Interest cost	692
At 2 July 2022	<u>29,748</u>

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

<i>Movements in the fair value of plan assets</i>	2022 £'000
Fair value of assets at 3 July 2021	26,190
Interest income	499
Return on plan assets (excluding amounts included in net interest)	(2,567)
Benefits paid	(700)
Contributions by the employer	1,000
Other	(211)
At 2 July 2022	<u>24,211</u>

The actual return on plan assets was a loss of £(2,068,000) (2021: gain of £2,420,000).

VIAMI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

24 Retirement benefit schemes (Continued)

	2022	2021
	£'000	£'000
<i>The analysis of the scheme assets at the reporting date were as follows:</i>		
Equity instruments	8,539	10,185
Debt instruments	8,597	9,277
Absolute return	5,269	5,656
Cash and other	1,806	1,072
	24,211	26,190

The defined benefit pension liability includes an accrual for providing certain future minimum increases in pensions of £5,400,000 as at 2 July 2022 (2021: £7,000,000), in accordance with a clause in the trust deed. At the reporting date, legal proceedings were ongoing seeking to remove this clause from the trust deed.

After the reporting date, in September 2022, pension scheme rectification was approved by the High Court, thereby removing this clause from the trust deed. This was a post year end non-adjusting event.

25 Share capital

	2022	2021	2022	2021
	Number	Number	£'000	£'000
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	1,001,100	1,001,100	1,001	1,001
	350,000	350,000	-	-
Preference shares of £1 each	350,000	350,000	-	-

Ordinary share rights

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

Preference share rights

The company's preference shares, which carry a right to dividends at the fixed rate of 5% per annum, are redeemable following six months' notice from either the company or the shareholder. The preference shares carry no voting rights, and are entitled to repayment of the capital and accrued unpaid interest in priority to any return to the ordinary share holders in the event of a winding up of the company.

The 350,000 Preference shares of £1 each in issue at the reporting date have been classified as a liability, and the balance is disclosed within note 21.

26 Reserves

Share premium

Share premium represents consideration received for shares issued above their nominal value, net of transaction costs.

Merger reserve

The merger reserve reflects the excess of the carrying value of the company's investment in its wholly-owned subsidiary Aeroflex Limited, over the predecessor values of net assets of that subsidiary transferred to the company in an internal reorganisation during the prior period.

Profit and loss reserves

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

VIAVI SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 2 JULY 2022

27 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £'000	2021 £'000
Within one year	255	262
Between one and five years	380	544
In over five years	-	95
	<u>635</u>	<u>901</u>

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022 £'000	2021 £'000
Acquisition of tangible fixed assets	560	2,411

29 Events after the reporting date

In July 2022, the ordinary shares of the company were acquired by Viavi Solutions Ireland Limited, a fellow group undertaking.

In September 2022, the pension scheme legal proceedings were successfully concluded. The High Court approved the removal of a clause in the trust deed that provided for certain future minimum increases in pensions. The approximate value of the reduction in defined benefit pension liability arising from this outcome is £5.4m. During 2023, the amount of the future contributions to be paid into the scheme will be reviewed following the completion of the latest actuarial valuation.

30 Ultimate controlling party

At the reporting date, the immediate parent company was TTC International Holdings LLC. (registered office: 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, United States of America).

The ultimate parent undertaking is Viavi Solutions Inc. (registered office: 1445 South Spectrum Boulevard, Suite 102, Chandler, Arizona 85286, United States of America).

Viavi Solutions Inc. is the smallest and largest group of which the company is a member and for which group financial statements are prepared. Copies of the financial statements can be obtained from its registered office, or investor.viavisolutions.com.

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