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## Aviat Networks (UK) Limited

Financial Statements

03 July 2015

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**AVIAT NETWORKS (UK) LIMITED**

**FINANCIAL STATEMENTS 2015**

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**AVIAT NETWORKS (UK) LIMITED****PROFIT AND LOSS ACCOUNT****For the 53 weeks ended 03 July 2015 (2014 – 52 weeks to 27 June 2014)**

	Note	2015 \$	2014 \$
<b>TURNOVER</b>	2	8,754,759	11,556,986
Cost of sales		(5,522,665)	(5,434,081)
Gross profit/(loss)		3,232,094	6,122,906
Other operating expenses (net)	3	(3,034,816)	(5,733,877)
		-	-
<b>OPERATING PROFIT/(LOSS)</b>		197,278	389,028
Interest receivable		-	-
Interest payable and similar charges		(460)	(354)
Dividend income		129,931	-
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		326,749	388,674
Tax on profit/(loss) on ordinary activities		(51,813)	(96,964)
Tax on dividend income		(34,269)	-
<b>TOTAL TAX PAID</b>		(86,082)	(96,964)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>	14	240,667	291,710
Accumulated (deficit)/profit at the beginning of the year		462,169	170,459
Accumulated (deficit) at the end of the year		702,836	462,169

The results for each year are derived wholly from continuing operations.

There are no recognised gains or losses in either year other than the reported result for each year.

The accompanying notes are an integral part of this profit and loss account.

# AVIAT NETWORKS (UK) LIMITED

## BALANCE SHEET at 03 July 2015

	Note	2015 \$	2014 \$
<b>FIXED ASSETS</b>			
Tangible assets	5	3,093,883	3,260,486
Investments	6	352,472	385,530
		<u>3,446,355</u>	<u>3,646,016</u>
<b>CURRENT ASSETS</b>			
Stocks	7	3,390,955	4,918,663
Debtors	8	4,002,753	2,695,324
Cash at bank and in hand		498,648	766,529
		<u>7,892,356</u>	<u>8,380,516</u>
<b>CREDITORS: amounts falling due within one year</b>	9	(3,035,875)	(3,964,363)
<b>NET CURRENT ASSETS</b>		<u>4,856,481</u>	<u>4,416,153</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>8,302,836</u>	<u>8,062,169</u>
<b>CREDITORS: amounts falling due after more than one year</b>		-	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>		-	-
<b>NET ASSETS</b>		<u>8,302,836</u>	<u>8,062,169</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	10	20	20
Share premium account	11	2,599,980	2,599,980
Capital contribution	12	5,000,000	5,000,000
Profit and loss account	13	702,836	462,169
<b>EQUITY SHAREHOLDERS' FUNDS</b>	14	<u>8,302,836</u>	<u>8,062,169</u>

These financial statements were approved by the Board of Directors on 18 May 2016

Signed on behalf of the Board of Directors



W.G. Westerhof



K.D. Holwell

The accompanying notes are an integral part of this balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS**

**03 July 2015**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Basis of accounting**

The financial statements are prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards. The company does not present consolidated financial statements due to the immateriality of its subsidiary undertaking, as permitted by Section 229 of the Companies Act 1985.

**Tangible fixed assets**

Freehold land and buildings are shown at original historical cost or valuation as set out in note 8. Other fixed assets are shown at cost.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	40 years
Fixtures and fittings	2-4 years
Plant and equipment	3-5 years
Vehicles	3 years

**Investments**

Fixed asset investments are shown at cost less provision for impairment.

**Stocks**

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:

Field service stock and finished goods	-	purchase cost on a first-in, first-out basis, including transportation expenses and finished goods and import duty.
Work-in-progress	-	cost of direct materials and labour, plus a reasonable proportion of overheads based on normal levels of activity.
Consignment stock	-	the purchase cost (including transportation expenses and import duty) of stock placed on consignment with customers is written off over four years if not utilised in the financial year in which it is placed on consignment.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. These provisions are made both at local and parent company level.

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**03 July 2015**

**ACCOUNTING POLICIES (CONTINUED)**

**Taxation (continued)**

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Pension costs**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs 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 in the balance sheet.

**Foreign currency**

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates between the recording and settlement of a foreign currency denominated transaction is included as an exchange gain or loss in the profit and loss account.

**Leases**

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used. Further information on charges in the year and future commitments is given in note 18.

**Cash flow statement**

As permitted by FRS 1 (Revised), no cash flow statement has been prepared as the company is a wholly owned subsidiary of a parent company whose group financial statements are publicly available.

**Related party transactions**

The company has taken advantage of the FRS 8 exemption from having to provide details of transactions with fellow group undertakings.

# AVIAT NETWORKS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

03 July 2015

### 2. TURNOVER

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. The turnover also includes revenue charged to group companies based on intercompany agreements between Aviat UK and group companies.

### 3. OTHER OPERATING EXPENSES (NET)

	2015 \$	2014 \$
Selling and marketing expenses	1,817,535	3,733,050
Administrative expenses	1,168,451	1,966,958
Exchange (gain) / loss	48,830	67,888
Other income	0	(34,019)
	<u>3,034,816</u>	<u>5,733,877</u>

### 4. STAFF

The average monthly number of persons employed by the company during the year is 47 (2014 – 50).

### 5. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings \$	Fixtures & Fittings \$	Plant & Equipment \$	Total \$
<b>Cost or valuation</b>				
Beginning of year	5,558,091	1,323,253	5,315,081	12,196,425
Additions	-	13,578	23,385	36,963
Transfers in/(out)	-	-	-	-
Disposals	-	(40,428)	-	(40,428)
End of year	<u>5,558,091</u>	<u>1,296,403</u>	<u>5,338,466</u>	<u>12,192,960</u>
<b>Depreciation</b>				
Beginning of year	2,439,482	1,283,724	5,212,732	8,935,939
Charge for year	126,452	16,377	57,355	200,184
On transfers	-	-	-	-
Disposals	-	(37,046)	-	(37,046)
End of year	<u>2,565,935</u>	<u>1,263,055</u>	<u>5,270,087</u>	<u>9,099,077</u>
<b>Net book value</b>				
Beginning of year	<u>3,118,608</u>	<u>39,529</u>	<u>102,349</u>	<u>3,260,486</u>
End of year	<u>2,992,156</u>	<u>33,348</u>	<u>68,379</u>	<u>3,093,883</u>

# AVIAT NETWORKS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

03 July 2015

### 6. FIXED ASSET INVESTMENTS

The following is included in the net book value of fixed asset investments:

	2015	2014
	\$	\$
Subsidiary undertakings at cost	0.00	33,058
Other investments at cost	352,472	352,472
	<u>352,472</u>	<u>385,530</u>

#### Principal group investments

The company has investments in the following subsidiary undertakings and other investments:

	Country of incorporation	Principal activity	Holding
<i>Subsidiary undertakings</i>			
<i>Other investments</i>			
Stratex Networks Polska Sp. Z.o.o.	Poland	Telecommunications	10%

The movement in the year was as follows:

Cost

	\$	\$
At 27 June 2014 and 03 July 2015	0	33,058

#### Other investments

The movement in the year was as follows:

Cost

	\$	\$
At 27-June-2014 and 03 July 2015	352,472	352,472

The investment was acquired on 16 January 2003 and additional capital was paid in 2012.



# AVIAT NETWORKS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

03 July 2015

### 7. STOCKS

The following are included in the net book value of stocks:

	2015 \$	2014 \$
Work in progress and finished goods	177,287	156,977
Customer Services Inventory	11,792,282	22,934,068
	<u>11,969,569</u>	<u>23,091,045</u>
Less: Provision for Customer Services Inventory	(8,421,707)	(18,015,405)
Provision for Finished Goods Stock	(156,907)	(156,977)
	<u>3,390,955</u>	<u>4,918,663</u>

The company considers that there is no material difference between the balance sheet value and replacement cost of each of the above stock categories.

### 8. DEBTORS

The following are included in debtors falling due within one year:

	2015 \$	2014 \$
Due from fellow group undertakings	3,853,190	1,729,389
Prepayments and accrued income	43,333	128,815
Trade Receivables	46,953	650,186
VAT recoverable	40,189	186,934
Other taxation and social security	19,088	0
	<u>4,002,753</u>	<u>2,695,324</u>

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

The following amounts are included in creditors falling due within one year:

	2015 \$	2014 \$
Due To fellow group undertakings	2,480,990	2,193,715
Trade creditors	136,777	411,965
Other taxation and social security	0	54,765
Accruals and deferred income	418,108	1,303,918
	<u>3,035,875</u>	<u>3,964,363</u>

# AVIAT NETWORKS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

03 July 2015

### 10. EQUITY SHARE CAPITAL

	2014 \$	2014 \$
Authorised, allotted, called-up and fully-paid: 2,000 ordinary shares of \$0.01 each (2009 – 2,000)	20	20

### 11. SHARE PREMIUM ACCOUNT

	2014 \$	2014 \$
Share premium account	2,599,980	2,599,980

### 12. CAPITAL CONTRIBUTION

A capital contribution account to the value of \$10,000,000 has been established to reflect additional capital injected by the ultimate parent company during the year ended 31 March 1996 for which no ordinary shares were issued. This was repaid in the year to July 3, 2009. A further \$5,000,000 was processed in the year to 31 March 2001.

### 13. RESERVES

The following reserves shown in the company's balance sheet are non-distributable:

	Capital contribution \$	Share premium account \$	Profit and loss account \$	Total \$
At beginning of the year	5,000,000	2,599,980	462,169	8,062,149
Profit for the financial year	-	-	240,667	240,667
At end of the year	5,000,000	2,599,980	702,836	8,302,816

### 14. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2015 \$	2014 \$
Opening equity shareholders' funds	8,062,169	7,770,459
Profit/(Loss) for the financial year	240,667	291,710
Closing equity shareholders' funds	8,302,836	8,062,169

## **AVIAT NETWORKS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**03 July 2015**

15. Guarantees and other financial commitments  
Lease commitments

The company has entered into non-cancellable operating leases in respect of office equipment. The annual rental on these leases is \$1,172 (2014 - \$1,278). The costs payable under these leases is subject to renegotiation at intervals specified in the leases.

16. **ULTIMATE PARENT COMPANY**

The company is registered in Delaware, USA. It is a subsidiary undertaking of Aviat Networks Inc which is also registered in Delaware, USA. Aviat Networks Inc. heads the only group into which the results of the company are consolidated.