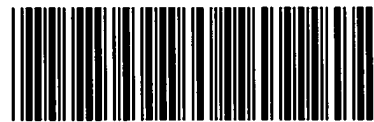


Aeroflex Limited
Annual report and financial statements
for the period ended 02 July 2022

Registered number 317241

THURSDAY



AC8MULXL

A21

27/07/2023

#74

COMPANIES HOUSE

Aeroflex Limited

Aeroflex Limited

Annual report and financial statements

for the period ended 02 July 2022

Contents

Directors' report for the period ended 02 July 2022	1
Strategic report for the period ended 02 July 2022	4
Independent auditors' report to the members of Aeroflex Limited	6
Statement of comprehensive income for the period ended 02 July 2022	9
Balance sheet as at 02 July 2022	10
Statement of changes in equity for the period ended 02 July 2022	12
Notes to the financial statements for the period ended 02 July 2022	13

Aeroflex Limited

Directors' report for the period ended 02 July 2022

The directors have pleasure in submitting their report, which includes the strategic report, and the audited financial statements of Aeroflex Limited (the Company) for the 52-week period ended 02 July 2022. The comparatives are for the 53-week period ended 03 July 2021. The Company is a private company limited by shares and is incorporated, registered and domiciled in England (United Kingdom), number 317241. The address of the registered office of the Company is Longacres House, Six Hills Way, Stevenage SG1 2AN.

The Company is a wholly owned subsidiary of Viavi Solutions UK Limited.

Results and dividends

The Company's results for the period are set out in the statement of comprehensive income on page 9 showing a profit for the period of £1,745,000 (2021: £4,484,000). At 02 July 2022, the Company had net assets of £97,945,000 (2021: £96,200,000).

As part of the integration of Aeroflex Limited into the Viavi Group, a Business Transfer Agreement with Viavi Solutions UK Limited was signed and executed on 4 October 2020. Under this agreement, the trading activities and business were sold as a going concern, together with most of the assets, to Viavi Solutions UK Limited. The final consideration was £97,890,200 satisfied by a cash payable and the liabilities of the Company were assumed by the buyer.

A review of the Company's business during the period and future developments, together with information on the Company's involvement in research and development, risks and uncertainties, financial risk management and events since the balance sheet date are provided in the strategic report on pages 4 to 5.

No dividends were paid or proposed during the current period (2021: nil). No final dividend is proposed (2021: nil).

Directors

The following directors held office during the period and up to the date of signing these financial statements:

I P Langley
K C Siebert

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.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. 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 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;

Aeroflex Limited

Directors' report for the period ended 02 July 2022 (continued)

Statement of directors' responsibilities (continued)

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

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the strategic report on pages 4 to 5.

The COVID-19 pandemic became a worldwide crisis during 2020. Following the rollout of several vaccines from December 2020 onwards and the lifting of UK Government COVID-19 restrictions from March 2022, the UK economy has been recovering as at the date of this report. The COVID-19 pandemic has not had a substantial net impact on the Company's profitability or liquidity position.

Under the Business Transfer Agreement, the trading activities and business were sold as a going concern, together with most of the assets, to Viavi Solutions UK Limited. Two properties remained within the Company and these were sold to a third party on 06 May 2022. The Company is expected to move towards becoming a dormant holding company during the next financial period.

The Company has, at the date of this report, sufficient financial resources to meet its current and anticipated liabilities as they fall due. On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Employees

As part of the Business Transfer Agreement, almost the entire workforce was transferred to the employment of Viavi Solutions UK Limited and the Company had no employees beyond that date.

Aeroflex Limited

Directors' report for the period ended 02 July 2022 (continued)

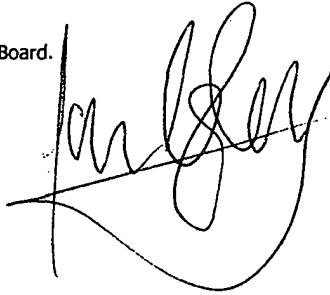
Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Signed on behalf of the Board.

A handwritten signature in black ink, appearing to read 'I P Langley', written over a horizontal line.

I P Langley
Director
6 July 2023

Aeroflex Limited

Strategic report for the period ended 02 July 2022

Business review

The results for the period and financial position at the period end are set out in the directors' report on page 1.

As part of the integration of Aeroflex Limited into the Viavi Group, a Business Transfer Agreement with Viavi Solutions UK Limited was signed and executed on 4 October 2020. Under this agreement, the trading activities and business were sold as a going concern, together with most of the assets, to Viavi Solutions UK Limited. Two properties, including an investment property, were excluded from the sale, together with VAT receivable and most of the investments in subsidiary undertakings. The final consideration was £97,890,200 satisfied by a cash payable. The liabilities of the Company were assumed by the buyer, apart from the corporation tax payable and a few other exceptions. Under the Business Transfer Agreement, almost the entire workforce was transferred to the employment of Viavi Solutions UK Limited and the Company had no employees beyond that point.

As shown in the Statement of comprehensive income on page 9, the Company's revenue of £88,000 in the current period was derived from the property rental income. The prior period revenue of £35,944,000 related to the 3 months prior to the business transfer, apart from the rental income on the investment property earned for the full period. The prior period operating costs as shown in the Statement of comprehensive income were also predominantly incurred during the first 3 months of the prior period.

Future developments

Following the sale of the two properties to a third party on 06 May 2022, the Company is expected to move towards becoming a dormant holding company during the next financial period.

Research and development

The Company is committed to research and development in the telecommunications testing area and has invested £nil (2021: £6,358,000) in activities during the period. No research & development activities took place after the Business Transfer Agreement was executed. All Company funded research and development expenditure is written off as it is incurred unless and until the conditions for capitalisation are met.

Key performance indicators

Following the Company's acquisition by Viavi Solutions Inc in March 2018, the directors of the ultimate parent undertaking, Viavi Solutions Inc, manage the group's operations by sector. For this reason, the Company's directors believe that the most useful analysis of key performance indicators is with reference to the development, performance and position of the NSE wireless sector of the Viavi Solutions Inc group, which includes the Company.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Following the execution of the Business Transfer Agreement, the principal risks relate to financial risk management set out below.

Financial risk management

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

Given the size of the Company relative to the Viavi Solutions Inc group, 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 of Viavi Solutions Inc are managed by the group finance department. The Viavi Solutions Inc group has a policy and procedures document that sets out guidelines to allow it to manage credit risk, interest rate cash flow risk and foreign currency exchange rate risk and this is applied by the Company.

The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Aeroflex Limited

Strategic report for the period ended 02 July 2022 (continued)

Financial risk management (continued)

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before contracts are signed and sales are made. The Company also monitors existing customer accounts on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk

The Company retains sufficient cash to ensure it has available funds for discharging any remaining liabilities. The Company also has access to longer term funding from its ultimate parent undertaking if required.

Foreign currency exchange rate risk

The Company has a policy to minimise foreign currency exchange rate risk through the regular monitoring of foreign currency exposure on the balance sheet. Surplus dollar or euro cash balances are sold in exchange for sterling and any remaining foreign currency exposure is hedged by the ultimate parent undertaking, on behalf of the Company.

Section 172 Statement

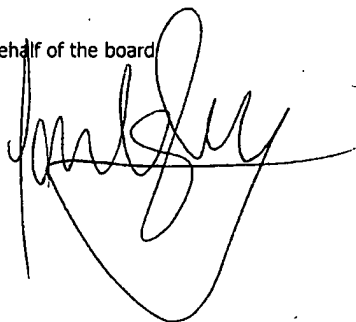
The directors of the Company perform their duties in accordance with s172 of the Companies Act 2006, acting in good faith to promote the success of the Company for the benefit of its members as a whole and having regard to the following matters:

- the likely consequences of any decision in the long term,
- the interests of the Company's employees,
- the need to foster the Companies 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.

During the current and prior periods, 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.

Signed on behalf of the board



I P Langley
Director
6 July 2023

Independent auditors' report to the members of Aeroflex Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aeroflex 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 101 "Reduced Disclosure Framework", 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet 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.

Aeroflex Limited

Independent auditors' report to the members of Aeroflex Limited (continued)

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 on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify 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.

Strategic report and Directors' 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

Aeroflex Limited

Independent auditors' report to the members of Aeroflex Limited (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 judgmental 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; 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
Watford
6 July 2023

Aeroflex Limited

Statement of comprehensive income for the period ended 02 July 2022

	Note	Continuing operations period ended 02 July 2022 £000	Discontinued operations period ended 02 July 2022 £000	Total period ended 02 July 2022 £000	Continuing operations period ended 03 July 2021 £000	Discontinued operations period ended 03 July 2021 £000	Total period ended 03 July 2021 £000
Revenue	2	-	88	88	-	35,944	35,944
Cost of sales		-	(16)	(16)	-	(19,915)	(19,915)
Gross profit		-	72	72	-	16,029	16,029
Selling and distribution costs		-	-	-	-	(3,464)	(3,464)
Administrative expenses		(218)	-	(218)	(1)	(4,303)	(4,304)
Other Operating income	3	-	3,502	3,502	-	-	-
Operating profit	3	(218)	3,574	3,356	(1)	8,262	8,261
Income from subsidiary				18			127
Finance income	4			-			7
Finance costs	5			(80)			(2,956)
Profit before taxation				3,294			5,439
Tax on profit	6			(1,549)			(955)
Profit for the financial period and total comprehensive income				1,745			4,484

Following the transfer of trading activities under the Business Transfer Agreement in the prior period, and the subsequent disposal of two properties, including an investment property, in the current period, only certain administrative expenses are classified as continuing operations in the current and comparative period.

Aeroflex Limited

Balance sheet as at 02 July 2022

	Note	02 July 2022 £000	03 July 2021 £000
Assets			
Current assets			
Assets held for sale	11	-	517
Trade and other receivables	12	97,851	96,563
Cash and cash equivalents		94	342
		97,945	97,422
Liabilities			
Current liabilities			
Trade and other payables	14	-	(1,222)
		-	(1,222)
Net assets		97,945	96,200

Aeroflex Limited

Balance sheet as at 02 July 2022 (continued)

	Note	02 July 2022 £000	03 July 2021 £000
Equity			
Called up share capital	15	-	-
Other reserve	15	1,653	1,653
Retained earnings		96,292	94,547
Total equity		97,945	96,200

The financial statements on pages 9 to 29 were approved by the board on 6 July 2023 and were signed on its behalf by:



I P Langley
Director

Aeroflex Limited

Statement of changes in equity for the period ended 02 July 2022

	Called up share capital (note 15) £000	Share premium £000	Other reserve (note 15) £000	Capital reserve £000	Retained earnings £000	Total equity £000
Total equity at 27 June 2020	-	-	1,698	-	90,063	91,761
Profit for the period and total comprehensive income	-	-	-	-	4,484	4,484
Share based payments – capital contribution (note 9)	-	-	(45)	-	-	(45)
Total equity at 03 July 2021	-	-	1,653	-	94,547	96,200
Profit for the period and total comprehensive income	-	-	-	-	1,745	1,745
Total equity at 02 July 2022	-	-	1,653	-	96,292	97,945

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022

1. Statement of accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101).

Under the Business Transfer Agreement, the trading activities and business were sold as a going concern, together with most of the assets, to Viavi Solutions UK Limited. Two properties remained within the Company and these were sold to a third party on 06 May 2022. The Company is expected to become a dormant holding company during the next financial year.

The Company has, at the date of this report, sufficient financial resources to meet its current and anticipated liabilities as they fall due. On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis, under the historical cost convention unless as otherwise stated and in accordance with the Companies Act 2006, as applicable to companies applying FRS101. The impact of COVID-19 has been considered where relevant for the purposes of going concern.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

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

- a cash flow statement and related notes (IAS 7, Statement of Cash Flows and paragraph 10(d) and 111 of IAS 1, Presentation of Financial Statements);
- Paragraph 38 of IAS 1, Presentation of Financial Statements comparative period reconciliations in respect of:
 - i. paragraph 79(a)(iv) of IAS 1 (number of shares outstanding);
 - ii. paragraph 73(e) of IAS 16, Property, plant and equipment;
 - iii. paragraph 118(e) of IAS 38, Intangible assets; and
 - iv. paragraphs 76 and 79(d) of IAS 40, Investment property.
- capital management disclosures required by paragraphs 134 to 136 of IAS 1;
- the requirements of paragraphs 30 and 31 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors concerning the effects of new but not yet effective IFRSs;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a)-(c), 120-127 and 129 of IFRS 15, Revenue from Contracts with Customers;
- details of compensation of key management personnel required by paragraph 17 of IAS 24, Related Party Disclosures; and
- the requirements of paragraph 18A in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to a transaction is wholly owned by a member.

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

1. Statement of accounting policies (continued)

Basis of preparation (continued)

In addition, as the consolidated financial statements of Viavi Solutions Inc include the equivalent disclosures, the following exemptions under FRS 101 have also been taken:

- share based payment disclosures under paragraphs 45(b) and 46-52 of IFRS 2, Share Based Payment in respect of group settled share based payments;
- details of assumptions as required by paragraphs 134 (d) to (f) and 135 (c) to (e) of IAS 36, Impairment of Assets;
- Financial instrument information required by IFRS 7, Financial Instruments: Disclosures and paragraphs 91 to 99 of IFRS 13, Fair value measurement except those which are relevant for the financial instruments which are held at fair value and neither held as part of a trading portfolio or derivatives.

The financial statements contain information about Aeroflex Limited as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it, and its subsidiary undertakings, are included by full consolidation in the consolidated financial statements of its ultimate parent company, Viavi Solutions Inc, which are available from 7047 E Greenway Pkwy Suite 250, Scottsdale, Arizona 85254, United States of America, or investor.viavisolutions.com.

Accounting developments

There were a number of narrow scope amendments to existing standards which were effective from 1 January 2020. None of these had a material impact on the Company.

There were no changes to previously published accounting policies or other adjustments were required on the adoption of these standards, amendments and interpretations.

Management judgement and estimation uncertainty

The preparation of financial statements requires the use of judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses.

These judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The current economic conditions have been considered when evaluating accounting judgements and estimates, including the application of the going concern basis of preparation. Although estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Significant judgements in applying accounting policies

There were no significant judgements, that the directors made in the process of applying the Company's accounting policies which require separate disclosure in these financial statements.

Assumptions and estimation uncertainties

The directors consider that there are no significant assumptions concerning the future and no other major sources of estimation uncertainty at the balance sheet date, that would have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

1. Statement of accounting policies (continued)

Significant accounting policies

The principal accounting policies, which have been applied consistently throughout the period and the prior period, are set out below.

Revenue Recognition

Prior to the business transfer, the Company derived revenue from wireless test solutions including wireless testing instruments and perpetual software licenses that supported the development, production, maintenance and optimisation of wireless network systems. The Company also offered a range of product support including repair, calibration, extended warranty and software support. For the current period, the Company only derived income from the investment property. This rental income is recognised on a straight-line basis over the term of the rent agreement.

The Company accounts for revenue in accordance with IFRS 15, Revenue from Contracts with Customers

Steps of revenue recognition

The following five steps are applied by the Company to recognise revenue:

1. *Identify the contract with a customer:* Generally, the Company considers customer purchase orders which, in some cases are governed by master sales or other purchase agreements, to be the customer contract. All of the following criteria must be met before the Company considers an agreement to qualify as a contract with a customer under the revenue standard: (i) it must be approved by all parties; (ii) each party's rights regarding the goods and services to be transferred can be identified; (iii) the payment terms for the goods and services can be identified; (iv) the customer has the ability and intent to pay and collection of substantially all of the consideration is probable; and, (v) the agreement has commercial substance. The Company utilises judgement to determine the customer's ability and intent to pay, which is based upon various factors including the customer's historical payment experience or credit and financial information and credit risk management measures implemented by the Company.
2. *Identify the performance obligations in the contract:* The Company assesses whether each promised good or service is distinct for the purpose of identifying the various performance obligations in each contract. Promised goods and services are considered distinct provided that: (i) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and, (ii) the Company's promise to transfer the good or service to the customer is separately identifiable or distinct from other promises in the contract. The Company's performance obligations consist of a variety of products and services offerings which include wireless test and measurement systems, proprietary software licenses, support and maintenance which includes hardware support that extends beyond the Company's standard warranties, software maintenance, installation, and training.

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

1. Statement of accounting policies (continued)

Steps of revenue recognition (continued)

3. *Determine the transaction price:* Transaction price reflects the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to the customer. The Company's contracts may include terms that could cause variability in the transaction price including rebates, sales returns, market incentives and volume discounts. Variable consideration is generally accounted for at the portfolio level and estimated based on historical information. If a contract includes a variable amount, the price adjustments are estimated at contract inception. In both cases, estimates are updated at the end of each reporting period as additional information becomes available.
4. *Allocate the transaction price to performance obligations in the contract:* If the contract contains a single performance obligation, the entire transaction price is allocated to that performance obligation. Many of the company's contracts include multiple performance obligations with a combination of distinct products and services, maintenance and support and training. Contracts may also include rights or options to acquire future products and/or services, which are accounted for as separate performance obligations by the Company, only if the right or option provides the customer with a material right that it would not receive without entering into the contract. For contracts with multiple performance obligations, the Company allocates the total transaction value to each distinct performance obligation based on relative standalone selling price ("SSP"). Judgment is required to determine the SSP for each distinct performance obligation. The best evidence of SSP is the observable price of a good or service when the Company sells that good or service separately under similar circumstances to similar customers. If a directly observable price is not available, the SSP must be estimated based on multiple factors including, but not limited to, historical pricing practices, internal costs, and profit objectives as well as overall market conditions.
5. *Recognise the revenue as each performance obligation is satisfied:* Revenue is recognised at the point in time control is transferred to the customer. For hardware sales, transfer of control to the customer typically occurs at the point the product is shipped or delivered to the customer's designated location. For software license sales transfer of control to the customer typically occurs upon shipment, electronic delivery, or when the software is available for download by the customer. For sales of implementation service and solution contracts or in instances where software is sold along with essential installation services, transfer of control occurs, and revenue is typically recognised upon customer acceptance. In certain instances, acceptance is deemed to have occurred if all acceptance provisions lapse, or if the Company has evidence that all acceptance provisions will be, or have been, satisfied. For fixed-price support and extended warranty contracts, or certain software arrangements which provide customers with a right to access over a discrete period, control is deemed to transfer over time and revenue is recognised on a straight-line basis over the contract term due to the stand-ready nature of the performance obligation. Revenue from hardware repairs and calibration services outside of an extended warranty or support contract is recognised at the time of completion of the related service. A receivable is recognised when the goods are delivered, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Current and deferred taxation

The tax expense is the sum of current tax and deferred tax. Tax is charged or credited to the Statement of comprehensive income except when it relates to items recognised in other comprehensive income (OCI) or directly in equity, in which case the tax is also recognised in OCI or directly in equity respectively.

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

1. Statement of accounting policies (continued)

Current and deferred taxation (continued)

Current tax is provided at the amounts expected to be paid using rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. It is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and that are expected to apply in the period in which the asset is realised or liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Pension costs

During the prior period, the Company contributed to a defined contribution pension scheme. The amount charged to the Statement of comprehensive income in respect of pension costs and other post-retirement benefits are the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are recorded as either accruals or prepayments in the balance sheet.

Financial Instruments

Financial instruments are accounted for in accordance with IFRS 9, Financial assets, and are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value at trade date. All financial assets and liabilities are classified as current or non-current dependent upon the maturity date of the instruments. Financial assets and liabilities are presented on an offset basis when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Financial assets

On initial recognition, financial assets are classified as being subsequently measured at either amortised cost or fair value dependent upon the Company's business model for managing the asset and its cash flow characteristics. Financial assets are not reclassified following initial recognition unless the Company changes its business model for managing financial assets.

Financial assets are deemed to be held under one of three business models:

1. Hold to collect – where the business objective is to hold the asset to collect the contractual cash flows;
2. Hold to collect and sell – where the business objective is to hold the asset to collect the contractual cash flows and to sell the financial assets; and
3. Other

Unless specifically designated to be held at fair value through profit or loss, a financial asset is measured at amortised cost if it is held within a hold to collect business model and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

1. Statement of accounting policies (continued)

Financial instruments (continued)

Financial assets held within a hold to collect and sell business model are measured at fair value through OCI if the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company does not currently have any such assets.

All other financial assets, are held at fair value through profit or loss.

Amortised cost is measured using the effective interest method. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Impairment of financial assets

The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairments are charged to administrative expenses in the Statement of comprehensive income.

Financial liabilities

Subsequent to initial recognition, financial liabilities are classified as measured at amortised cost using the effective interest method.

Derivative financial instruments

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. This exposure is hedged by Viavi Solutions Inc, on behalf of the group. Consequently, the Company did not enter into any foreign exchange contracts in the current period or prior period.

The Company does not have any derivative financial instruments and does not use them for speculative purposes.

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Non-financial assets included within trade and other receivables (note 12) include prepayments.

Trade and other payables

Trade payables and other short term monetary liabilities are initially recorded at fair value and subsequently carried at amortised cost using the effective interest rate method. Non-financial liabilities included within trade and other payables (note 14) include corporation tax.

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

1. Statement of accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated at an average monthly rate of exchange which approximates to the actual daily rate throughout the period.

Monetary assets and liabilities denominated in non-functional currencies are retranslated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with in administrative expenses in the Statement of comprehensive income.

Non-monetary items (such as investments) that are measured in terms of historical cost in a non-functional currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Research and development

The Company undertakes research and development activities either on its own behalf or on behalf of customers. Company funded expenditure on research activities is written off as incurred and charged to the Statement of comprehensive income, unless the criteria for capitalisation are met.

Lease obligations

Lease obligations are recognised at lease inception equal to the discounted lease payments under the lease. The lease payments also include extension options, where reasonably certain to be exercised by the Company. The lease obligation is subsequently measured using the effective interest method, with the liability increasing to reflect the accretion of interest and reduced by lease payments made, with interest charged to finance costs. In addition, the carrying amount of lease obligations is re-measured if there is a modification, for example a change in the lease term or non-fixed lease payments.

The option not to apply IFRS 16 to leases with a term of 12 months or fewer and low value leases has been taken.

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).

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.

Discontinued operations & assets held for sale

Discontinued operations that have arisen from the Business Transfer Agreement are accounted for in accordance with IFRS5. Within the framework of FRS101, analysis of the results of discontinued operations have been shown in the Statement of comprehensive income in a column identified as relating to discontinued operations. This amendment has been made to achieve compliance with the Companies Act and related regulations.

The two properties that were excluded from the business transfer, were sold on 6 May 2022 for £4.3m. In the prior year, these assets were disclosed as "assets held for sale", in accordance with IFRS5. The rental income on the investment property has therefore also been classified as a discontinued operation.

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

2. Revenue

All sales are made in the United Kingdom and are deemed as being attributable to one class of business. Revenue can be analysed as follows:

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
Revenue from sale of goods	-	32,010
Revenue from services	-	3,836
Property rental income	88	98
	88	35,944

An analysis of revenue by geographical destination is given below:

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
United Kingdom	88	281
EU countries	-	13,095
United States of America	-	4,450
Australasia	-	37
Rest of the world	-	18,081
	88	35,944

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

3. Operating profit

Operating profit is stated after charging/(crediting):

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
Materials cost included in cost of sales	-	9,319
Write down of inventories to net realisable value	-	114
Impairment reversal on intercompany loan receivable	-	(715)
Impairment of investment in subsidiary	225	-
Depreciation - owned assets	-	949
Depreciation – investment properties	-	29
Profit on disposal of property, plant and equipment	(3,502)	(2)
Amortisation of intangible assets	-	57
Research and development	-	6,358
Exchange differences (gain)/ loss	(6)	2,156
Restructuring costs	-	304
Auditors' remuneration for the audit of the Company's financial statements	25	70

No fees were paid to the Company's auditors, PricewaterhouseCoopers LLP and its associates for services other than the group reporting and statutory audit of the Company (2021: nil).

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

4. Finance income

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
Interest receivable from fellow subsidiary undertakings	-	7
	-	7

5. Finance costs

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
Interest payable to ultimate parent company	-	2,956
HMRC interest expense	80	-
	80	2,956

6. Tax on profit

Tax charged in the Statement of comprehensive income:

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
Current tax:		
UK corporation tax on profit for the period	686	781
Adjustment in respect of previous periods	863	(35)
Total current tax	1,549	746
Deferred tax:		
(Credited)/charged for the period	-	209
Adjustment in respect of previous periods	-	-
Total deferred tax (note 17)	-	209
Tax on profit	1,549	955

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

6. Tax on profit (continued)

The tax on profit can be reconciled to the accounting loss as follows:

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
Profit before taxation	3,294	5,439
Profit before taxation multiplied by the standard rate in the UK of 19.00% (2021: 19.00%)	626	1,033
Effects of:		
Expense/(Income) not deductible for tax purposes	60	(43)
Adjustment in respect of previous periods	863	(35)
Tax on profit	1,549	955

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.

7. Directors' emoluments

The emoluments of the directors employed by the Company are:

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
Aggregate emoluments	-	61
Aggregate amounts paid in respect of defined contribution pension schemes	-	1
	-	62

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 the Company.

Retirement benefits are accruing to nil (2021: one) director under defined contribution pension schemes. During the period ended 02 July 2022 nil (2021: one) director exercised share options.

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

7. Directors' emoluments (continued)

Highest paid director

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	-	61
Company contributions paid to defined contribution pension schemes	-	1

The highest paid director was employed by another group undertaking effective 4 October 2020. The emoluments disclosed above are for emoluments earned prior to this date.

The highest paid director was entitled to receive shares under long term incentive plans during the prior period. This director exercised options for 14,038 Viavi Solutions Inc shares during the prior period.

8. Employee costs

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
Wages and salaries	-	3,681
Share based payments (note 9)	-	551
Social security costs	-	560
Other pension costs	-	370
	-	5,162

The average monthly number of employees (including executive directors) employed by the Company during the period was:

By activity	Period ended 02 July 2022 Number	Period ended 03 July 2021 Number
Production and engineering	-	49
Marketing and selling	-	9
Management and administration	-	9
	-	67

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

9. Share-based payments

The Company participates in the share-based compensation plans operated by the ultimate parent company, Viavi Solutions Inc, throughout the Group. The following amounts are included in these financial statements:

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
RSU awards	-	551
Charge to Statement of comprehensive income and capital contribution from ultimate parent undertaking	-	(45)
Repayment of capital contribution	-	-
Net capital contribution repaid to ultimate parent undertaking	-	(45)

As the schemes relate to shares of the ultimate parent undertaking, the Company has recognised a net capital contribution equal to the Statement of comprehensive income charge, less amounts repaid in reserves.

The exercise price for restricted stock options is equal to the fair value of the underlying stock at the date of the 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.

The number of awards outstanding under each of the schemes were nil (2021: nil).

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

10. Investments

Investments in subsidiary undertakings comprise:

	Shares at cost £000
Cost	
At 03 July 2021	925
Additions	225
Disposals	-
At 02 July 2022	1,150
Impairment	
At 03 July 2021	925
Impairment losses	225
At 02 July 2022	1,150
Net book amount	
At 03 July 2021 and 2 July 2022	-

In the opinion of the directors the value of investments in subsidiary undertakings is not less than the aggregate amount at which they are shown in the balance sheet.

At 02 July 2022, the Company had the following wholly-owned subsidiary undertakings:

Name	Principal activity	Registered office address
Aeroflex Asia Limited	Dormant entity	28/F Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong
Aeroflex Systems Private Limited	Dormant entity	602, 6th Floor, Raheja Paramount, Residency Road, Bangalore - 560025, Karnataka, India
Aeroflex Asia Pacific Limited	Dormant entity	Longacres House, Six Hills Way, Stevenage, Hertfordshire, SG1 2AN, England
Aeroflex Technologies, SA	Dormant entity	Europa Empresarial, Rozabella, 6 Edif, Paris, 28230 Laz Rosas, Madrid, Spain
Aeroflex Milan S.r.l.	Dormant entity	Via Comaggia 10, c/o Studio Legale Tributario, Milan 20123, Italy

During the prior period, Aeroflex Technology Service (Beijing) Co. Limited and Aeroflex Innovations (Shanghai) Co. Limited were dissolved. These companies were previously subsidiaries owned indirectly through the entities above.

The investment in Viavi Solutions UK LLC, was sold to Viavi Solutions UK Limited, as part of the Business Transfer Agreement.

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

11. Assets held for sale

The two properties that were excluded from the Business Transfer Agreement, were sold to a third party on 6 May 2022 for £4,266,000. In the prior period, the book value of £517,000 had been reclassified from "fixed assets" to "assets held for sale".

12. Trade and other receivables

	02 July 2022 £000	03 July 2021 £000
Trade receivables	14	-
Amounts owed by immediate parent company	94,741	93,763
Other receivables	3,096	2,793
Prepayments and accrued income	-	7
	97,851	96,563

Trade receivables are stated after provision for impairment of £nil (2021: £nil)

There are no trade receivables or other class within receivables falling due after one period.

Amounts owed by immediate parent company are stated after provision for impairment of £nil (2021: £nil)

All intercompany receivable balances are interest free, unsecured and repayable on demand.

13. Deferred tax asset

The following are the deferred tax assets recognised by the Company, and the movements thereon:

	Property, plant and equipment £000	Share based payments £000	Total £000
At 27 June 2020	739	299	1,038
(Charged)/credited to the Statement of comprehensive income	90	(299)	(209)
Transferred to immediate parent company	(829)	-	(829)
At 03 July 2021 and 02 July 2022	-	-	-

Deferred tax assets have been recognised based on the expectation of available future taxable profits. There was no offset of deferred tax assets and liabilities in the current and prior periods, since the deferred tax balances were nil.

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

14. Trade and other payables

	02 July 2022 £000	03 July 2021 £000
Corporation Tax	-	1,222
	-	1,222

15. Called up share capital and reserves

Share capital – allotted, called up and fully paid

	02 July 2022 £000	03 July 2021 £000
1 Ordinary share of £1 each	-	-
1,000 Ordinary shares of £0.001 each	-	-

Other reserve

The other reserve relates to share-based payments awarded to certain employees of the Company by the ultimate parent undertaking, Viavi Solutions Inc (note 9).

16. Retirement benefit obligations

The Company provides a defined contribution pension scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	Period ended 02 July 2022 £000	Period ended 03 July 2021 £000
Current period contributions	-	370

17. Contingent liabilities

There were no contingent liabilities in the current and prior periods.

18. Capital commitments

There were no capital commitments in the current and prior periods.

Aeroflex Limited

Notes to the financial statements for the period ended 02 July 2022 (continued)

19. Immediate and ultimate parent undertakings

The company's immediate parent undertaking is Viavi Solutions UK Limited. 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.

20. Post period end events

Following the sale of the two properties to a third party on 06 May 2022, the Company is expected to move towards becoming a dormant holding company during the next financial period.