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Registration number: 06640658

Cisco International Limited

Annual Report and Financial Statements

for the Period from 31 July 2016 to 29 July 2017

Cisco International Limited

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Cisco International Limited

Company Information

Directors	C Dedicoat
	G Parekh
	S Rashid
	J Elstein
Company secretary	Eversecretary Limited
Registered office	1 Callaghan Square Cardiff CF10 5BT
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors 3 Forbury Place 23 Forbury Road Reading RG1 3JH

Cisco International Limited

Strategic Report for the Period from 31 July 2016 to 29 July 2017

The directors present their strategic report for the period from 31 July 2016 to 29 July 2017.

Review of the business

The principal activity of the Company is the selling of Internet Protocol (IP) based networking and other products and services related to communications and information technology. These products and services are designed to address a broad range of customers' business needs across countries in a number of international markets.

The Company forms an integral part of its ultimate parent, Cisco Systems Inc. ("the Group") and relies on the support of its parent and other fellow subsidiaries for the purchasing of products, research and development activities and financing.

To meet the needs of its customers the Company will continue to focus its resources and support the growth of its "Internet of Things" and Cloud and Security businesses.

The profit for the financial period was $190,672,000 (2016: $29,124,000)

The business continued to effectively execute against its objectives throughout the period ended 29 July 2017 as evidenced by only a small reduction in turnover to $11.6 billion (2016: $11.9 billion) in a period of uncertain trading conditions.

The Cisco Group manages cash resources through a pooling arrangment, this cash pooling has been the driver behind the increase in amounts owed by group undertakings to $3.4 billion (2016: $2.7 billion).

Effective execution against objectives in uncertain trading conditions and active working capital management is evidenced in that at the period end net assets of the business remained close to the prior year at $384,920,000 at 29 July 2017 from $414,580,000 at 30 July 2016 after the payment of a $280,000,000 interim dividend.

Given the relatively straightforward nature of the business, the directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business. Further details of KPI's that relate to the group can be obtained from the group annual report that is available publicly.

Principal risks and uncertainties

The Company generates the majority of its income as a Buy-Sell entity and is an integral part of the Cisco group. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Cisco Group, which include those of the Company, such risks and uncertainties are disclosed in the Group's annual report (Form 10-K filing). This annual report does not form part of this report but is publicly available.

Strategic Report for the Period from 31 July 2016 to 29 July 2017

Financial risk management
Set forth below is a description of risk factors and uncertainties that could affect the Company's results. There may be additional risks yet unknown to the Company or other risks which we would consider as being immaterial. The risks described below intend to give a summary of what the Company would deem to be of importance to our operating results.

Price and product competition in our industry are important. They can change rapidly due to technological innovation and different business models from various markets. If we fail to develop or acquire those technologies as required by the market this would adversely affect our operating results.

The Company conducts business primarily in Europe and as such is exposed to adverse movements to foreign currency exchange rates. In order to limit its exposure to those changes, the Company has chosen to enter into foreign currency forward and options contracts for the sole purpose of foreign currency risk management.

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The directors will revisit the appropriateness of these policies should the Company's operations change in size or nature.

Being part of the Cisco Group, the Company has sufficient access to available funds for current operations and potential expansions in the future.

Approved by the Board on 26 April 2018 and signed on its behalf by:

....
S Rashid
Director

Cisco International Limited

Directors' Report for the Period from 31 July 2016 to 29 July 2017

The directors present their report and the audited financial statements for the period from 31 July 2016 to 29 July 2017.

Directors' of the company
The directors, who held office during the period and up to the date of signing the financial statements, were as follows:

C Dedicoat

D Sweet (resigned 16 March 2017)

A Ruggieri (resigned 17 January 2017)

P Smith (resigned 31 December 2017)

G Parekh

S Rashid (appointed 16 March 2017)

J Elstein (appointed 17 January 2017)

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have 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;

• 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.

The directors 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.

Dividends
The Company paid an interim dividend in 2017 of $280,000,000 (2016: $Nil), the directors do not recommend a final dividend for the year (2016: $Nil).

Employment of disabled persons
The Company's policy is to recruit disabled workers for those vacancies they are able to fill. All necessary assistance with initial training courses is given. Once employed, suitable opportunities are sought for disabled persons and arrangements are made, where possible, for retraining and promotion of employees who become disabled.

Employee involvement
The Company's policy is to consult with employees on matters likely to affect employees' interests, and to keep them informed on various factors affecting the performance of the Cisco Group and the Company. Information on these matters is given through information bulletins, the internal intranet and e-mails. The employee share scheme encourages the involvement of employees in the Cisco Group's performance.

Future developments
To meet the needs of its customers the Company will continue to focus its resources and support the growth of its "Internet of Things" and Cloud and Security businesses as referred to in the Strategic report.

Research and development
The costs of employees engaged in research and development activities are charged to other group undertakings. As a result the Company had no net costs for research and development activities for 2017 (2016: $Nil)

Political and charitable contributions
The Company has made no political or charitable contributions during the period (2016: $Nil).

Branches outside the United Kingdom
The Company operates branches in: Singapore, France, Spain, Mexico, Hungary, Portugal, Switzerland, Poland, Austria, Sweden, Germany, Finland, Czech Republic and Ireland.

Going concern
The directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Matters covered in the Strategic Report
The Company's approach to financial risk management is discussed in the Strategic Report.

Directors' liabilities
The Company's Articles of Association provides that every director is entitled to be indemnified out of the assets of the Company against all costs and liabilities incurred by him in the lawful execution of his duties or the exercise of his powers or otherwise in connection with his duties, powers or office including any liability incurred by him in defending any proceeding civil or criminal, which relate to anything done or omitted to have been done or omitted by him as an officer of the Company.

During the period the Company maintained liability insurance for its directors and it remained in place at the date of the approval of these financial statements. The directors of the company have the benefit of an indemnity provision in the Company's Articles of Association.

The indemnity provision, which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, has been in force throughout the year; up to and including the date of approval of the Annual Report and Financial Statements.

Disclosure of information to the auditors

Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 26 April 2018 and signed on its behalf by:

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S Rashid
Director

Independent auditors' report to the members of Cisco International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cisco International Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 July 2017 and of its profit for the 12 month period ("the period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising 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 29 July 2017; the Statement of Total 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 Auditor's 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

Independent auditors' report to the members of Cisco International Limited

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 29 July 2017 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 directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 4, 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 determine 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditors' report to the members of Cisco International Limited

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 received 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.

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Christopher Boreham (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP, Statutory Auditor

3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

26 April 2018

Cisco International Limited

Statement of Total Comprehensive Income for the Period from 31 July 2016 to 29 July 2017

	Note	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Turnover	4	11,581,035	11,864,462
Cost of sales		(9,488,216)	(9,804,208)
Gross profit		2,092,819	2,060,254
Distribution costs		(2,711,196)	(2,679,141)
Administrative expenses		(153,143)	(299,371)
Other operating income	5	985,367	977,047
Operating profit	6	213,847	58,789
Income from group undertakings		7,181	18,622
Profit before interest and taxation		221,028	77,411
Finance income	7	28,209	9,535
Finance costs	8	(7,214)	(3,086)
		20,995	6,449
Profit before income tax		242,023	83,860
Income tax expense	12	(51,351)	(54,736)
Profit for the financial period		190,672	29,124
Total Comprehensive Income for the period		190,672	29,124

The above results were derived from continuing operations.

Cisco International Limited

(Registration number: 06640658)
Balance Sheet as at 29 July 2017

	Note	29 July 2017 $ 000	30 July 2016 $ 000
Fixed assets			
Property plant and equipment	13	58,373	42,650
Investments	14	200,519	220,270
		258,892	262,920
Current assets			
Inventory	15	7,872	6,433
Trade and other receivables	16	5,411,659	4,927,787
Other financial assets	17	35,047	-
Cash and cash equivalents		117,858	62,054
		5,572,436	4,996,274
Creditors: Amounts falling due within one year	21	(4,143,236)	(3,854,550)
Net current assets		1,429,200	1,141,724
Total assets less current liabilities		1,688,092	1,404,644
Creditors: Amounts falling due after more than one year	22	(1,196,541)	(895,955)
Provisions for liabilities	23	(106,631)	(94,109)
Net assets		384,920	414,580
Equity			
Ordinary shares	24	30,000	30,000
Share premium		100,000	100,000
Retained earnings		254,920	284,580
Total Shareholders' funds		384,920	414,580

The financial statements on pages 10 to 40 were authorised for issue by the Board of directors on 26 April 2018 and signed on its behalf by:

....

S Rashid
Director

Cisco International Limited

Statement of Changes in Equity for the Period from 31 July 2016 to 29 July 2017

	Ordinary shares $ 000	Share premium $ 000	Retained earnings $ 000	Total $ 000
At 31 July 2016	30,000	100,000	284,580	414,580
Profit for the financial period	-	-	190,672	190,672
Total comprehensive income for the period	-	-	190,672	190,672
Dividends	-	-	(280,000)	(280,000)
Capital contribution - IFRS 2 charge (see Note 9)	-	-	59,668	59,668
At 29 July 2017	30,000	100,000	254,920	384,920

	Ordinary shares $ 000	Share premium $ 000	Retained earnings $ 000	Total $ 000
At 26 July 2015	30,000	100,000	188,059	318,059
Profit for the financial period	-	-	29,124	29,124
Total comprehensive income for the period	-	-	29,124	29,124
Capital contribution - IFRS 2 charge (see Note 9)	-	-	67,397	67,397
At 30 July 2016	30,000	100,000	284,580	414,580

As a part of the integration of Tandberg UK entities into the Cisco group, the funding of acquisitions was performed by way of a capital contribution of $100,000,000 from the sole member of the Company, Cisco Systems Netherlands Holdings B.V.

The Company paid an interim dividend in the period ended 29 July 2017 of $15.33 per share (2016: $Nil) for a total of $280,000,000 (2016: $Nil).

The notes on pages 13 to 40 form an integral part of these financial statements.

1 General information

The Company is a private company limited by share capital incorporated and domiciled in United Kingdom.

The address of its registered office is:
1 Callaghan Square
Cardiff
CF10 5BT

The principal place of business is:
9 New Square
Bedfont Lakes
Feltham
Middlesex
TW14 8HA

The principal activity of the Company is the selling of Internet Protocol (IP) based networking and other products and services related to the communications and information technology sector. These products and services are designed to address a broad range of customers' business needs across countries in a number of international markets.

These financial statements were authorised for issue by the Board on 26 April 2018.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention as modified by the derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006 as applicable to FRS 101.

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 and complexity and where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements are for the period from 31 July 2016 to 29 July 2017. The comparative period is from 26 July 2015 to 30 July 2016.

The financial statements are presented in United States Dollars ($) which is the Company's functional currency, as it is the currency of the primary economic environment in which the Company operates.

2 Accounting policies (continued)

Summary of disclosure exemptions
The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of
i. paragraph 79(a)(iv) of IAS 1;
ii. paragraph 73(a) of IAS 16, Property, Plant and Equipment.

- The following paragraphs of IAS 1, 'Presentation of financial statements':

10(d). (statement of cash flows):

16 (statement of compliance with all IFRS);

38A (requirement for minimum of two primary statements, including cash flow statements);

38B-D (additional comparative information)

111 (cash flow statement information); and

134-136 (capital management disclosures).

- IAS 7, 'Statement of cash flows';

- Paragraphs 30 and 31 of IAS8, 'Accounting policies, changes in accounting estimates and errors'

- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or members of a group.

Going concern
The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

The Company's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic and Directors report.

Exemption from preparing group accounts
The Company is a wholly owned subsidiary of Cisco Systems Netherlands Holdings B.V. and of its ultimate parent, Cisco Systems Inc. It is included in the consolidated financial statements of Cisco Systems Inc which are publicly available. Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

2 Accounting policies (continued)

Changes in accounting policy
None of the standards, IFRIC interpretations or amendments effective for the first time from 31 July 2016 have had a material effect on the financial statements.

Revenue recognition
Revenue is measured at the fair value of the consideration receivable from the provision of products and services to third party customers in the normal course of business. Revenue is stated excluding sales tax, trade discounts, and other provisions, for example rebates and rights of return.

The overarching revenue recognition policy is set out below which is applied to each of the various revenue streams.

The Company recognises revenue when it is probable that the economic benefits associated with the arrangement will flow to the company; the amount of revenue can be measured reliably; the transaction costs incurred, the costs required to complete the transaction, and the stage of completion for a services arrangement at the end of a reporting period can be measured reliably; and in in addition, for products, Cisco has transferred the significant risks and rewards of ownership of the goods. Contracts, Internet commerce agreements, and customer purchase orders are generally used to determine the existence of an arrangement. The purchase agreement sets out each party's enforceable rights relating to the goods and services to be provided under the contract, the consideration to be received, and the manner and terms of settlement. Determination of revenue recognition requires the exercise of judgement and the use of estimates. The Company bases its estimates on historical experience, taking into consideration the type of customer, the type of transaction and the specific facts relevant to each arrangement.

Specific application of the general revenue recognition criteria above by revenue category is as follows;

Product Revenue

Product revenue includes hardware, perpetual licences and software. Shipping documents and customer acceptance, when applicable, are used to verify delivery. In instances where final acceptance of the product, system, or solution is specified by the customer, revenue is deferred until all substantive acceptance criteria have been met. For software, delivery is considered to have occurred upon unrestricted license access and license term commencement.

2 Accounting policies (continued)

Service Revenue

(i) Sales of Subscriptions, Support and Maintenance

For time-based services arrangements, the Company recognises revenue ratably over the support period. Usage-based revenue is recognised based on utilisation. Software subscription arrangements are recognised ratably over the term of the contract.

(ii) Sales of Services - Advanced Services Contracts

Where the contract provides time-based advanced subscription services such as consultation, revenue is recognised over the term of the contract as those services are performed. Where the Company sells transactional-based advanced services and is able to make reliable estimates of the costs to complete a contract for services, revenue is recognised according to the percentage of completion as at each balance sheet date, calculated by reference to costs incurred and expected to be incurred. Where a reliable estimate of the costs to complete a contract cannot be made, revenue is recognised equal to the costs incurred to date, to the extent those costs are expected to be recovered.

Multiple Element Arrangements

When a sale involves multiple deliverables, such as a combination of products and services, the multiple deliverables are evaluated to determine the unit of accounting, and the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price. Revenue is recognised when the revenue recognition criteria for each unit of accounting are met.

Other operating income

The income received relates to compensation for costs incurred in performance of services provided for other group companies, it is recognised on the accruals basis.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Comprehensive Income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date the fair value was determined.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

2 Accounting policies (continued)

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit not the accounting profit.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property Plant and Equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation.

Depreciation

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, over their expected useful lives on the following bases:

Asset class	Depreciation method and rate
Office equipment	Straight line over 60 months
Computer equipment	Straight line over 12-30 months

Leasehold improvements are being depreciated over the shorter of 5 years or the remaining period of the lease.

2 Accounting policies (continued)

Investment in subsidiaries
Investment in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Income from investments is included in the profit and loss account only if received, or declared and receivable.

Investments in associates
An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for at cost less, where appropriate, provisions for impairment.

Impairment to investments in subsidiaries and investments in associates
The Company assesses at the end of each reporting period whether there is objective evidence that an investment in a subsidiary or associate is impaired. An investment in a subsidiary or associate is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the investment in a subsidiary or associate that can reliably be measured.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables
Trade receivables are amounts due from customers for product sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Debt factoring
Where the Company factors trade receivables with a financing party and a right of recourse exists at the balance sheet date, the trade receivable is not de-recognised, instead a liability is recorded which represents the extent of the Company's exposure to unsettled trade receivables subject to a right of recourse.

Inventory
Inventories are stated at the lower of historic cost and net realisable value after making due allowance for obsolete and slow-moving costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2 Accounting policies (continued)

Trade creditors
Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties
Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

Leases
Rentals where substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases and payments are charged to the income statement on a straight-line basis over the lease term.

In particular, where the Company receives a rent reduction at some stage in the lease term the benefit is spread over the expected term of the lease.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Dividend Distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Dividend income
Dividend income is recognised when the right to receive payment is established.

2 Accounting policies (continued)

Defined contribution pension obligation
The Company makes contributions to defined contribution personal pension schemes. The assets of these schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to schemes during the period.

Share based payments
The Company participates in the Cisco Systems, Inc., stock incentive plans. Share-based payments are measured at fair value at the date of grant. The fair value of employee stock options is estimated using a lattice-binomial option-pricing model and for employee stock purchase rights the Company estimates the fair value using the Black-Scholes model. These amounts are expensed on a straight-line basis over the vesting period, based on the Company's estimate of options and stock purchases that will eventually vest. This value is subsequently updated at each balance sheet date for management's best estimate of the effect of non-market based vesting conditions on the number of options that will ultimately vest. The cost is recognised as an expense over the vesting period by calculating the cumulative expense and recognising the movement in retained earnings. A corresponding entry is made to equity to reflect the capital contribution to the Company from Cisco Systems, Inc., as seen in the statement of changes in equity.

Financial assets and liabilities
Financial assets and financial liabilities are recognised in the Company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
Classification

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2 Accounting policies (continued)

Recognition and measurement

FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest received on the financial assets and is included in the administrative expenses line item in the income statement.

Financial assets classified as loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities
Classification

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Other financial liabilities are initially measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Recognition and measurement

Financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities at FVTPL are added to or deducted from the fair value of the financial liabilities, as appropriate on initial recognition.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the administrative expenses line item in the income statement.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

2 Accounting policies (continued)

Derivatives and hedging
The company enters into a variety of derivative financial instruments where necessary, to manage its future material foreign currency exposures, including foreign exchange contracts and options. Derivative financial assets and liabilities are recognised and cease to be recognised on the basis of when the related legal title or obligations pass to or from the company. Derivative financial assets and liabilities are recognised at fair value, as determined by reference to the market value of the asset or liability. Income and expenses arising from derivative financial assets and financial liabilities are recognised on movements in the fair value through administrative expenses. The company currently does not designate any financial instruments as hedging.

Current versus non-current classification
A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition
Application of the revenue accounting policies outlined in Note 2 requires management to make accounting estimates; in particular management must apply judgement as to whether a sale includes multiple deliverables and how it values each unit and where deliverables are not sold separately how to apply fair value to the sale.

4 Turnover

All revenue is derived from the Company's principal activity as described in the strategic report.

The analysis of the company's turnover for the period from continuing operations by category is as follows:

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Sales of product	9,138,540	9,604,119
Sales of services	2,442,495	2,260,343
	11,581,035	11,864,462

4 Turnover (continued)

The analysis of the company's turnover for the period based on location of customer is as follows:

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
United Kingdom	2,190,357	2,820,071
Rest of EMEA	7,857,550	6,323,857
Rest of world	1,533,128	2,720,534
	11,581,035	11,864,462

5 Other operating income

The analysis of the company's other operating income for the period is as follows:

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Other operating income	985,367	977,047

Other operating income reflects the income in the period on services provided for other group companies.

6 Operating profit

Arrived at after charging/(crediting)

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Depreciation expense	28,088	21,924
Impairment loss	20,666	48,830
Inventory recognised as an expense	7,307,730	7,900,254
Foreign exchange (gains)/losses	(46,957)	14,508
Operating lease expense - property	11,937	8,635
Operating lease expense - other	2,416	4,042
Reorganisation expense	25,402	8,804
Derivatives measured at FVTPL	(39,005)	44,856

7 Finance income

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Interest income on bank deposits	101	114
Interest on amounts due from group companies	28,108	9,421
	28,209	9,535

8 Finance costs

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Interest on amounts due to group companies	7,214	3,086

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Wages and salaries	462,374	539,967
Social security costs	76,388	87,592
Pension costs, defined contribution schemes	24,105	26,958
Share-based payment expense	59,668	67,397
	622,535	721,914

The average monthly number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	Period to 29 July 2017 No.	Period to 30 July 2016 No.
Administration and support	318	334
Research and development	393	501
Sales, marketing and distribution	2,467	2,468
	3,178	3,303

10 Directors' remuneration

The directors' remuneration for the period was as follows:

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Remuneration (excluding shares receivable under long term incentive schemes)	1,094	1,620
Company contributions to defined contribution pension schemes	39	33
Compensation for loss of office	-	298
	1,133	1,951

During the period the number of directors who were receiving benefits and share incentives was as follows:

	Period to 29 July 2017 No.	Period to 30 July 2016 No.
Received or were entitled to receive shares under long term incentive schemes	7	6
Accruing benefits under defined contribution pension schemes	4	4

In respect of the highest paid director:

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Remuneration (excluding shares receivable under long term incentive schemes)	467	938
Company contributions to defined contribution pension schemes	19	-
	486	938

11 Auditors' remuneration

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Payable to PricewaterhouseCoopers LLP and network firms:		
Audit services: fees payable for the audit of the Company	592	697
Fees for other services		
Audit of Company's subsidiaries	150	162
Audit related assurance services	86	234
	236	396
Total auditors' remuneration	828	1,093

12 Income tax expense

Tax charged in the statement of total comprehensive income

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Current taxation		
UK corporation tax	54,343	45,333
UK corporation tax adjustment to prior periods	(1,540)	(767)
	52,803	44,566
Foreign tax	9,566	10,198
Total current income tax	62,369	54,764
Deferred taxation		
Arising from origination and reversal of temporary differences	(11,018)	(28)
Tax expense in the statement of total comprehensive income	51,351	54,736

12 Income tax expense (continued)

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 19.67% (2016 - 20%).

The differences are reconciled below:

	Period to 29 July 2017 $ 000	Period to 30 July 2016 $ 000
Profit before tax	242,023	83,860
Corporation tax at standard rate	47,606	16,772
Adjustments to tax charge in respect of prior periods	(1,540)	(767)
Capital allowances for period in excess of depreciation	-	405
Tax rate changes	612	-
Non-taxable income	(1,413)	(3,724)
Expenses not deductible for tax purposes	7,538	31,880
Foreign tax	9,566	10,198
Deferred tax for the period	(11,018)	(28)
Total tax charge	51,351	54,736

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the period:

	At 31 July 2016 $ 000	Recognised in income $ 000	At 29 July 2017 $ 000
Other items	10,690	11,018	21,708

Deferred tax movement during the prior period:

	At 26 July 2015 $ 000	Recognised in income $ 000	At 30 July 2016 $ 000
Other items	10,662	28	10,690

The deferred tax asset comprises excess of depreciation over tax allowances of $21,708,000 (2016: $10,690,000).

12 Income tax expense (continued)

Factors that may affect future charges

The main rate of corporation tax for the period ended 29 July 2017 is a blended rate of 19.67%, due to the reduction enacted by Finance (No.2) Act 2015 to reduce the rate from 20% to 19% from 1 April 2017. A further reduction in the rate, to 17% from 1 April 2020, was announced in the Chancellor's Budget on 16 March 2016 and was substantively enacted before the balance sheet date. Therefore, the 17% rate has been reflected in these financial statements for deferred tax balances, as the rate in which we expect deferred tax balances to be utilised.

13 Property Plant and Equipment

	Leasehold improvements $ 000	Office equipment $ 000	Computer equipment $ 000	Total $ 000
Cost				
At 31 July 2016	18,679	12,651	73,079	104,409
Additions	970	636	42,205	43,811
At 29 July 2017	19,649	13,287	115,284	148,220
Accumulated depreciation				
At 31 July 2016	9,188	9,115	43,456	61,759
Charge for the period	2,930	2,232	22,926	28,088
At 29 July 2017	12,118	11,347	66,382	89,847
Net book value				
At 29 July 2017	7,531	1,940	48,902	58,373
At 30 July 2016	9,491	3,536	29,623	42,650

14 Investments

	29 July 2017	30 July 2016
Net book value	**$000**	**$000**
Investments in subsidiaries	180,892	195,192
Investments in associates	19,627	25,078
Total net book value	**200,519**	**220,270**

Subsidiaries	**$ 000**
Cost	
At 31 July 2016	752,226
At 29 July 2017	752,226
Provision	
At 31 July 2016	557,034
Charge for the period	14,300
At 29 July 2017	571,334
Net book value	
At 29 July 2017	180,892
At 30 July 2016	195,192

Details of the subsidiaries as at 29 July 2017 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2017	2016
Tandberg Telecom UK Ltd	Receipt of Royalty Income	England & Wales 1 Callaghan Square Cardiff CF10 5BT United Kingdom	100%	100%
Tandberg Products UK Ltd	Receipt of Royalty Income	England & Wales 1 Callaghan Square Cardiff CF10 5BT United Kingdom	100%	100%

14 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2017	2016
Sourcefire Limited	IT Services	England & Wales 1 Callaghan Square Cardiff CF10 5BT United Kingdom	100%	100%
Cisco Systems (Korea) Ltd	Internet products and services	South Korea ASEM Tower World Trade Center 159-1 Samsung-dong, Kangnam-Ku Seoul South Korea	100%	100%
Cisco Systems Capital (Korea) Ltd	Financing Services	South Korea 5th Floor, 517 Yeongdon-daero Gangnam-gu Seoul South Korea	100%	100%
Cisco Services (Korea) Ltd	Internet systems services	South Korea 11th Floor Tower 2 Incheon Tower-daero 241, Yeonsu-gu Incheon (Songdo-dong) South Korea	100%	100%

On 31 March 2017 Cisco Systems (Korea) Ltd paid an interim dividend of Korean Won 8,000,000,000 ($7,181,000).

Impairment of investments in subsidiaries

In accordance with the Company's accounting policy (as stated in Note 2) the Company has assessed at 29 July 2017 whether any investments in subsidiaries have been impaired. As a result of this review impairment charges of $14,300,000 (2016: $48,830,000) were recognised within Administrative expenses in the Statement of Total Comprehensive Income.

Impairment charges of $14,300,000 relate to the Company's investments in Cisco Systems Capital (Korea) Ltd, further to an assessment of carrying value against discounted cash flows.

14 Investments (continued)

Associates

	$ 000
Cost	
At 31 July 2016	34,865
Additions	915
At 29 July 2017	35,780
Provision	
At 31 July 2016	9,787
Provision	6,366
At 29 July 2017	16,153
Net book value	
At 29 July 2017	19,627
At 30 July 2016	25,078

Impairment of investments in associates

In accordance with the Company's accounting policy (as stated in Note 2) the Company has assessed at 29 July 2017 whether any investments in associates have been impaired. As a result of this review impairment charges of $6,366,000 (2016: $Nil) were recognised within Administrative expenses in the Statement of Total Comprehensive Income.

Impairment charges of $6,366,000 relate to the Company's investments in Songdo Ulife LLC and N3N Co Ltd , further to an assessment of carrying value against discounted cash flows.

14 Investments (continued)

Details of the associates as at 29 July 2017 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2017	2016
Songdo Ulife LLC	Smart Connected Managed Services	6-1 Songdo-dong Yeonsu-gu South Korea	29.9%	29.9%
N3N Co Ltd	Image processing technology	Digital-Ro-32-Gil-30 Kolon Digital Tower Guro-Dong Guro-Gu South Korea	5.63%	5.63%
Nexpa System Co. Ltd	Control Systems Developer	227-1 Yongdap-Dong Seongdung-Gu South Korea	6%	6%
FuturePlay	IoT, Cloud and Mobility	180 Yeodsam-Ro Gangnam South Korea	2.56%	0%

15 Inventory

	29 July 2017 $ 000	30 July 2016 $ 000
Finished goods and goods for resale	7,872	6,433

Included in inventory are spares inventory that are fully written down with a gross value prior to write off of as at 29 July 2017 of $332,888,000 (2016: $311,939,000). Other than spares there is no material difference in the balance sheet value of inventories and their replacement cost.

16 Trade and other receivables

	29 July 2017 $ 000	30 July 2016 $ 000
Trade receivables	1,942,001	2,074,582
Provision for impairment of trade and other receivables	(47,877)	(45,286)
Net trade receivables	1,894,124	2,029,296
Amounts owed by group undertakings	3,401,544	2,725,781
Other receivables	11,327	26,295
Prepayments	82,956	135,725
Deferred tax assets	21,708	10,690
Total trade and other receivables	5,411,659	4,927,787

All amounts owed by group undertakings are unsecured and have no fixed date of repayment and are repayable on demand. All debtors fall due within one year. Interest is charged on balances due at LIBOR plus 20 basis points (2016: LIBOR plus 20 basis points).

The fair value of the trade and other debtors classified as derivative financial instruments are disclosed in Note 17 "Derivative Financial instruments".

17 Derivative Financial instruments

Financial assets

Derivative financial assets at fair value through profit and loss

	29 July 2017 $000	30 July 2016 $000
Foreign currency forward contracts	33,792	-
Foreign currency option contracts	1,255	-
	35,047	-

17 Derivative Financial instruments (continued)

The Company enters into forward foreign currency and foreign currency option contracts to mitigate the exchange rate risk on certain foreign currency receivables and payables. At 29 July 2017 the existing contracts all mature within 12 months (2016: 12 months). These contracts are executed on behalf of Cisco International Limited through back to back agreements by the Company's ultimate parent Cisco Systems Inc.

The forward foreign currency and foreign currency option contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP:USD.

Derivative financial liabilities at fair value through the profit and loss as at 30 July 2016 are disclosed in Note 21.

Foreign currency forward contracts

The Company has entered into foreign currency derivatives that commit the Company to buy foreign currency with a USD amount of $723,264,000 (2016: $2,183,307,000). The Company has entered into foreign currency derivatives that commit the Company to sell foreign currency with a USD amount of $Nil (2016: $10,580,000).

Foreign currency option contracts

The Company has entered into foreign currency derivatives that the Company has the option to buy foreign currency with a USD amount of $184,000,000 (2016: $233,800,000). The Company has entered into foreign currency derivatives that the Company has the option to sell foreign currency with a USD amount of $164,000,000 (2016: $212,562,000).

18 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	29 July 2017 $ 000	30 July 2016 $ 000
Within one year	16,364	17,503
In two to five years	53,297	56,055
In over five years	44,701	66,703
	114,362	140,261

The amount of non-cancellable operating lease payments recognised as an expense during the period was $14,353,000 (2016: $12,677,364).

19 Pension commitments

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to $24,105,496 (2016: $26,958,028).

There were no contributions outstanding at the period end (2016:$Nil).

20 Share-based payments

Stock Incentive

As of 29 July 2017, the Company's ultimate parent (Cisco Systems Inc) had one stock incentive plan: the 2005 Stock Incentive Plan (2005 Plan). In addition, Cisco Systems Inc has, in connection with the acquisitions of various companies, assumed the share-based awards granted under stock incentive plans of the acquired companies or issued share-based awards in replacement thereof.

Share-based awards are designed to reward employees for their long-term contributions to Cisco Systems Inc and provide incentives for them to remain with Cisco Systems Inc. The number and frequency of share-based awards are based on competitive practices, operating results of Cisco Systems Inc, government regulations, and other factors.

Cisco Systems Inc's primary stock incentive plan is summarized as follows:

2005 Plan

Scheme description

As of 29 July 2017, the maximum number of shares issuable under the 2005 Plan over its term was 694 million shares, plus shares from certain previous plans that are forfeited or are terminated for any other reason before being exercised or settled. If any awards granted under the 2005 Plan are forfeited or are terminated for any other reason before being exercised or settled, the unexercised or unsettled shares underlying the awards will again be available under the 2005 Plan. In addition, starting 19 November 2013, shares withheld by Cisco Systems Inc from an award other than a stock option or stock appreciation right to satisfy withholding tax liabilities resulting from such award will again be available for issuance, based on the fungible share ratio in effect on the date of grant.

20 Share-based payments (continued)

Pursuant to an amendment approved by Cisco Systems Inc's shareholders on 12 November 2009, the number of shares available for issuance under the 2005 Plan is reduced by 1.5 shares for each share awarded as a stock grant or a stock unit, and any shares underlying awards outstanding from certain previous plans that expire unexercised at the end of their maximum terms become available for reissuance under the 2005 Plan. The 2005 Plan permits the granting of stock options, restricted stock, and restricted stock units (RSU's), the vesting of which may be performance-based or market-based along with the requisite service requirement, and stock appreciation rights to employees (including employee directors and officers), consultants of Cisco Systems Inc and its subsidiaries and affiliates, and non-employee directors of Cisco Systems Inc Stock options and stock appreciation rights granted under the 2005 Plan have an exercise price of at least 100% of the fair market value of the underlying stock on the grant date. The expiration date for stock options and stock appreciation rights shall be no later than 10 years from the grant date.

The stock options will generally become exercisable for 20% or 25% of the option shares one year from the date of grant and then ratably over the following 48 months or 36 months, respectively. Time-based stock grants and time-based RSU's will generally vest with respect to 20% or 25% of the shares or share units covered by the grant annually over the vesting period. The majority of the performance-based and market-based RSU's vests at the end of the three-year requisite service period or earlier if the award recipient meets certain retirement eligibility conditions. Certain performance-based RSU's that are based on the achievement of financial and/or non-financial operating goals typically vest upon the achievement of milestones (and may require subsequent service periods), with overall vesting of the shares underlying the award ranging from six months to three years. The Compensation and Management Development Committee of the Board of Directors has the discretion to use different vesting schedules. Stock appreciation rights may be awarded in combination with stock options or stock grants, and such awards shall provide that the stock appreciation rights will not be exercisable unless the related stock options or stock grants are forfeited. Stock grants may be awarded in combination with non-statutory stock options, and such awards may provide that the stock grants will be forfeited in the event that the related non-statutory stock options are exercised. As of 29 July 2017, there are no outstanding stock options or stock appreciation rights under the 2005 Plan.

Employee Stock Purchase Plan

Scheme description

Cisco Systems Inc. has an Employee Stock Purchase Plan, which includes its sub-plan named the International Employee Stock Purchase Plan (together, the "Purchase Plan"), under which 621 million shares of Cisco Systems Inc's common stock have been reserved for issuance as of 29 July 2017. Eligible employees are offered shares through a 24-month offering period, which consists of four consecutive 6-month purchase periods. Employees may purchase a limited number of shares of Cisco Systems Inc's stock at a discount of up to 15% of the lesser of the market value at the beginning of the offering period or the end of each 6-month purchase period. The Purchase Plan is scheduled to terminate on 3 January 2020. Cisco Systems Inc issued 23 million, 25 million, and 27 million shares under the Purchase Plan in fiscal 2017, 2016, and 2015, respectively. As of 29 July 2017, 100 million shares were available for issuance under the Purchase Plan.

20 Share-based payments (continued)

General Share-Based Award Information

A summary of the stock option activity is as follows (in thousands, except per-share amounts):

	Number Outstanding	Exercisable		Weighted-Average Exercise Price per Share	Weighted-Average Remaining Life (Years)
Balance at July 25, 2015	4,198	4,182	USD $	29.54	1.0
Assumed from acquisitions	647			5.77	
Exercised	-1,154			20.87	
Canceled/forefeied/expired	-529			30.21	
Transferred	-123			30.5	
Balance at July 30, 2016	3,039	2,641	USD $	27.62	1.4
Assumed from acquisitions	534			4.49	
Exercised	-632			11.42	
Canceled/forefeied/expired	-2,456			30.84	
Transferred	-24			10.08	
Balance at July 29,2017	461	221	USD $	6.79	7.2

Restricted Stock and Stock Unit Awards

A summary of the restricted stock and stock unit activity, which includes time-based and performance-based or market-based restricted stock units, is as follows (in thousands, except per-share amounts):

	Restricted Stock/Stock Units		Weighted-Average Grant Date Fiar Value per Share		Aggregate Fair Value
Balance at July 25, 2015	7,411	USD $	21.96		
Granted and assumed	2,652		25.24		
Vested	-2,607		20.79		
Canceled/forefeied	-757		22.47	$	69,460
Transferred	-616		22.28		
Balance at July 30, 2016	6,083	USD $	23.80		
Granted and assumed	2,210		29.65		
Vested	-2,376		22.58	$	73,852
Canceled/forefeied	-795		24.66		
Transferred	2		22.58		
Balance at July 29,2017	5,124	USD $	26.75		

20 Share-based payments (continued)

Total stock-based compensation expense related to employee stock options, restricted stock and restricted stock units and employee stock purchases recorded for fiscal period ended 29 July 2017 and 30 July 2016 was USD$59.7 million and USD$67.4 million, respectively. Restricted stock units are valued using the market value of our common stock on the date of the grant, discounted for the present value of expected dividends. Cisco Systems Inc estimates on the date of grant the value of employee stock purchase rights using the Black-Scholes model and the value of employee stock options using a lattice-binomial model. The determination of the fair value of employee stock options and employee stock purchase rights is impacted by Cisco Systems Inc's stock price on the date of grant as well as assumptions regarding a number of highly complex and subjective variables. There were no employee stock options granted during fiscal 2017 and 2016. The assumptions for the valuation of employee stock purchase rights are summarized as follows:

	Employee Stock Purchase Rights		
Periods Ended	July 29, 2017		July 30, 2016
Weighted-average assumptions:			
	24.6%		23.9%
Risk-	0.7%		0.4%
	3.2%		3.1%
Expected life (in years)	1.3		1.3
Weighted-average estimated grant date fair value per	$ 6.52	$	5.73

The valuation of employee stock purchase rights and the related assumptions are for the employee stock purchases made during the respective fiscal years.

Cisco Systems Inc uses third-party analyses to assist in developing the assumptions used in, as well as calibrating, its lattice-binomial and Black-Scholes models. Cisco Systems Inc is responsible for determining the assumptions used in estimating the fair value of its share-based payment awards.

Cisco Systems Inc used the implied volatility for traded options (with contract terms corresponding to the expected life of the employee stock purchase rights) on Cisco Systems, Inc's stock as the expected volatility assumption required in the Black-Scholes model. The implied volatility is more representative of future stock price trends than historical volatility. The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of Cisco Systems Inc's employee stock purchase rights. The dividend yield assumption is based on the history and expectation of dividend payouts at the grant date.

21 Creditors: amounts falling due within one year

	29 July 2017 $ 000	30 July 2016 $ 000
Trade creditors /	47,248	31,205
Amounts owed to group undertakings	1,442,215	1,137,288
Income tax liability	5,691	18,211
Social security and other taxes	32,041	30,175
Derivative financial instruments	-	48,813
Accruals and deferred income	2,616,041	2,588,858
	4,143,236	3,854,550

21 Creditors: amounts falling due within one year (continued)

All amounts owed to group undertakings are unsecured and have no fixed date of repayment and are repayable on demand. Interest is charged on amounts owed to group undertakings at LIBOR plus 20 basis points depending on the relevant country (2016: LIBOR plus 20 basis points).

The fair value of the trade and other creditors classified as derivative financial instruments are disclosed in Note 17 "Derivative Financial instruments".

22 Creditors: amounts falling due after more than one year

	29 July 2017 $ 000	30 July 2016 $ 000
Deferred income	1,196,541	895,955

23 Provisions for liabilities

	Warranties $ 000	Total $ 000
At 31 July 2016	94,109	94,109
Increase in provision underwritten by related undertaking	12,522	12,522
At 29 July 2017	106,631	106,631

Warranty Provision

In the normal course of business the Company issues standard limited warranties for the products it sells. Such warranties commence upon shipment to, or acceptance by the end-user as applicable to the product. The warranty provision is underwritten by Cisco Systems International BV and as such an equal inter company receivable is held.

24 Ordinary shares

Allotted, called up and fully paid shares

	29 July 2017		30 July 2016	
	No. 000	$ 000	No. 000	$ 000
Ordinary Shares of $1.64 each	18,270	30,000	18,270	30,000

25 Parent and ultimate parent undertaking

The company's immediate parent is Cisco Systems Netherlands Holdings BV.

The ultimate parent is Cisco Systems Inc.

The most senior parent entity producing publicly available financial statements is Cisco Systems Inc. These financial statements are available upon request from www.cisco.com

The ultimate controlling party is Cisco Systems Inc.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Cisco Systems Inc, incorporated in United States of America.

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