

Registration number: 06640658

Cisco International Limited

Annual Report and Financial Statements

for the Period from 1 August 2021 to 30 July 2022



Cisco International Limited

Contents

Company Information	1
Strategic Report	2 to 8
Directors' Report	9 to 14
Independent Auditors' Report	15 to 19
Statement of Total Comprehensive Income	20
Balance Sheet	21
Statement of Changes in Equity	22
Notes to the Financial Statements	23 to 58

Cisco International Limited

Company Information

Directors	J Elstein J Glenister D Meads S Rashid J A L Reid G S Thomson
Registered office	9-11 New Square Bedfont Lakes Feltham Middlesex TW14 8HA
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 1 August 2021 to 30 July 2022

The directors present their report for the period from 1 August 2021 to 30 July 2022.

Review of the business

The principal activity of Cisco International Limited ("the Company") is the selling of a broad range of technologies that power the Internet. The Company is integrating its platforms across networking, security, collaboration, applications and the cloud. These platforms are designed to help the Company's customers manage more users, devices and things connecting to their networks. This will enable the Company to provide customers with a highly secure, intelligent platform for their digital business. The products and services the Company sells are to customers across countries in a number of international markets.

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

Cisco's Purpose - to power an inclusive future for all. Committed to leading the way, to inspiring change, to seeing the world through the eyes of others, and to stepping up to the challenges of inequity to create new possibilities for tomorrow.

Cisco's Strategy - to help its customers connect, secure and automate in order to accelerate their digital agility in a cloud-first world. Cisco is committed to driving a trusted customer experience, through its innovation, choice, and people. To execute on its strategy and address customer priorities Cisco, and the Company, are focusing on the following six strategic pillars: Secure, Agile Networks; Optimised Application Experiences; Hybrid Work; Internet for the Future; End-to-End Security; and Capabilities at the Edge.

Cisco's Commitment - to drive the most trusted customer experience in the industry with its extraordinary people and great technologies.

In the period ended 30 July 2022 (fiscal 2022) the Company delivered growth in turnover and strong profitability in a very challenging environment, impacted by the ongoing COVID-19 pandemic, significant supply constraints, and the Russia and Ukraine war. The Company focused on delivering innovation across its technologies to assist its customers in executing on their digital transformations. The Company continues to be negatively impacted by supply constraints seen industry-wide due to component shortages. The Company continues to take multiple steps in order to mitigate component shortages and deliver products to our customers.

Fiscal 2022 had 52 weeks, compared with 53 weeks in the period ended 31 July 2021 (fiscal 2021), therefore results for fiscal 2022 reflect one less week compared with fiscal 2021. Total turnover in fiscal 2022 increased by 9% compared with fiscal 2021. Product revenue growth was driven by strong performance in Secure, Agile Networks and Internet for the Future. The Company remains focused on accelerating innovation throughout its portfolio, and believes it has made progress on its strategic priorities. The Company continues to operate in a challenging macroeconomic and highly competitive environment. While the overall environment remains uncertain, the Company continues to invest aggressively in priority areas with the objective of driving profitable growth over the long term.

Cisco International Limited

Strategic Report for the Period from 1 August 2021 to 30 July 2022

In March 2022, in connection with the Russian invasion of Ukraine, the Group announced its intention to stop business operations in Russia and Belarus for the foreseeable future. Those operations in Russia and Belarus included sales, services and related support functions. Further on 23 June 2022 the Group announced it would begin an orderly wind-down and exit of its business in Russia and Belarus. These decisions have a limited and immaterial impact on the operations and results of the Company.

The Group's focus and execution against its strategy provided the Company with the platform to minimise the impact of global macroeconomic uncertainty and the COVID-19 pandemic, and as a consequence its turnover in the period ended 30 July 2022 increased on the prior year despite the economic headwinds, and without the benefit of an extra week, to \$13.9 billion (2021: \$12.8 billion).

Strong execution against strategy, robust customer adoption, trust in innovative solutions and accelerating adoption of software and subscription offerings has led to an increase in Remaining Performance Obligations (RPO) to \$6.7 billion (2021: \$6.1 billion).

The Company's balance sheet remains healthy with net current assets of \$2.7 billion (2021 \$2.4 billion).

The profit for the period was \$234,620,000 (2021: \$123,751,000). The increase in profit can be attributed to an increase in turnover and a decrease in administrative expenses.

The Company is part of the Group which monitors performance at a regional level. Further details of KPI's that relate to the Group can be obtained from the group annual report that is available publicly. The Company uses revenue and revenue growth as the KPI's against which performance is measured.

Cisco International Limited

Strategic Report for the Period from 1 August 2021 to 30 July 2022

Strategy and Priorities

As the Company's customers add billions of new connections to their enterprises, and as more applications move to a multicloud environment, the network becomes even more critical. Customers are navigating change at an unprecedented pace. In this dynamic environment, the Company believes their priorities are to reimagine applications, power hybrid work, transform infrastructure, and secure the enterprise. The Group's strategy, and therefore that of the Company, is to help customers connect, secure, and automate, in order to accelerate their digital agility in a cloud-first world. The Company is committed to driving a trusted customer experience, through innovation, choice, and people.

To execute on the Group's strategy and address customer priorities, focus will be on the following six strategic pillars;

Secure, Agile Networks - Build networking solutions with built-in simplicity, security, agility and automation that can be consumer as-a-service.

Optimised Application Experiences - Enabling greater speed, agility and scale of cloud-native applications.

Hybrid Work - Deliver highly secure access, a safer workplace and collaboration experiences for the hybrid workforce.

Internet for the Future - Transform connectivity by efficiently meeting the ever-growing demand for low-latency and higher speeds.

End-to-End Security - Build simple, integrated, and high efficacy end-to-end security solutions, delivered on-premise or in the cloud.

Capabilities at the Edge - Develop new capabilities for a distributed world while enhancing the developer experience, and extending enterprise and carrier networks.

The Group and Company are also accelerating efforts to enable the delivery of network functionality as a service as customers increasingly want to consume the Company's technologies in flexible ways. The Company has made the initial step with a new as-a-service portfolio, Cisco Plus, and the first offer Cisco Plus hybrid cloud, which combines data centre compute, networking and storage portfolio. Cisco Plus includes plans to deliver networking-as-a-service, which is designed to unify networking, security and observability across access, wide area network (WAN) and cloud domains.

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). The Group annual report for the period ended 30 July 2022 does not form part of this report but is publicly available.

Cisco International Limited

Strategic Report for the Period from 1 August 2021 to 30 July 2022

In particular the Company is subject to the following risks and uncertainties;

- Fluctuations in demand for its products and services, especially with respect to service providers and Internet businesses, in part due to changes in the global economic environment.
- Changes in sales and implementation cycles for its products and reduced visibility into its customers' spending plans and associated revenue.
- Price and product competition in the communication and networking industries, which can change rapidly due to technological innovation and different business models from various geographic regions.
- The introduction and market acceptance of new technologies and products, and its success in new and evolving markets, and in emerging technologies, as well as the adoption of new standards.
- Variations in sales channels, product costs, mix of products sold, or mix of direct sales and indirect sales.
- The timing, size, and mix of orders from customers.
- Manufacturing and customer lead times.
- The ability of its customers and channel partners to obtain financing or to fund capital expenditures, especially during a period of global credit market disruption or in the event of customer and channel partner financial problems.
- Actual events, circumstances, outcomes, and amounts differing from judgements, assumptions, and estimates used in determining the values of certain assets (including the amounts if related valuation allowances), liabilities, and other items reflected in its Financial Statements.
- Changes in laws or accounting rules, or interpretations thereof.

COVID-19 pandemic

During this extraordinary time the Company's priority has been supporting employees, customers, partners and communities, while positioning the Company for the future. The pandemic has driven organisations across the globe to digitise their operations and support remote workforces at faster speed and greater scale than ever before. The Company remains focused on providing the technology and solutions its customers need to accelerate their digital organisations.

Since the start of the COVID-19 pandemic, employees have continually had to focus on how to balance careers and personal lives, all while managing their own physical, emotional, and financial health. As a part of the Group the Company has developed a COVID-19 response and recovery strategy with a focus on both physical and mental health, recognizing the need to create an environment where employees can speak openly about mental health. In fiscal 2022, the Company continued to offer employees "A Day for Me," which were paid days off that allowed for each individual to recharge and rest. The Company has moved towards a hybrid work model in certain giving employees the flexibility to work offsite or at onsite Cisco locations.

Cisco International Limited

Strategic Report for the Period from 1 August 2021 to 30 July 2022

The COVID-19 pandemic and the resulting containment measures have caused economic and financial disruptions globally, including in most of the regions in which the Company sells its products and services and conducts business operations. Beginning in the second half of fiscal 2020, the COVID-19 pandemic impacted our financial results and business operations. The Company continues to manage through significant supply constraints seen industry-wide due to component shortages which have resulted in extended lead times and higher supply chain costs. The magnitude and duration of the disruption, its continuing impact on the Company, and resulting decline in global business activity is uncertain.

The COVID-19 pandemic has also led to increased disruption and volatility in capital markets and credit markets. The pandemic and resulting economic uncertainty could adversely affect the Company's liquidity and capital resources in the future.

The Company is continuing to monitor the pandemic and take appropriate actions in accordance with the recommendations and requirements of relevant authorities. The extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance is currently uncertain and will depend on many factors outside of the Company's control, including, without limitation, the timing, extent, trajectory and duration of the pandemic, the development and availability of effective treatments and vaccines, the imposition of protective public safety measures, and the impact of the pandemic on the global economy.

To the extent the COVID-19 pandemic adversely affects the Company's business, results of operations and financial condition, it may also have the effect of exacerbating the other risks discussed in the Financial risk management section.

Financial risk management

Set forth below is a description of financial 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.

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.

Cisco International Limited

Strategic Report for the Period from 1 August 2021 to 30 July 2022

Section 172(1) statement

The following statement describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172 of the Companies Act 2006.

Impact of Group-wide policies and procedures on employee and stakeholder engagement

The Company's ultimate controlling party, Cisco Systems Inc, shapes the business strategies for the Group which has an impact on the long-term development of the Company. Strategic decisions on the conduct of the company's business are aligned with Cisco Systems Inc so in practice, all decisions and policies affecting employees, suppliers and business relationships with stakeholders implemented by the directors are in line with the business strategies shaped by Cisco. For further information on the strategy and governance of Cisco please refer to Cisco.com.

Consequences of any decision in the long-term

When making decisions, each director ensures that they act in a way that they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard to the matters set out in section 172.

Stakeholders

The directors consider the key stakeholders of the business to be employees, customers, communities in which it operates, suppliers and its sole shareholder. The directors recognise the importance of clear communication and proactive engagement with all stakeholders. Comprehensive engagement enables informed decision making and is integral to the long-term success of the Company. To support customers business continuity at the outset of the pandemic, the Company's employees worked around the clock to scale its collaboration and security capabilities, and the Company introduced a variety of free offers and trials to make sure everyone had the tools they needed to operate. The directors factor the implications of decisions on stakeholders, where relevant and feasible.

Employees

The directors recognise that the Company's employees are an important part of its business and successful delivery of its ambitions. The success of the business depends on attracting, retaining and motivating high calibre employees. The directors factor the implications of decisions on employees, where relevant and feasible. It is the Company's policy to consult with employees on matters that are likely to affect their interests including the performance of the Company. Communication with employees is on a functional level with monthly "all hands" meetings for all functions. There are a number of other engagement forums and two-way communication channels between employees and management including employee surveys and quarterly discussion sessions with the country leadership boards.

Community and environment

The Company's approach to the community and environment is shaped by Group policies and practices. Guided by these policies and practices employees came together to do all they could to help the communities most in need during the pandemic. They found ways to 3D-print surgical face shields for healthcare workers, and they suggested that our DX80 video units, instead of sitting idle in our offices during lockdowns, could be shipped to hospitals to enable families to communicate with patients. Further information on the Group's strategy to reduce greenhouse gas emissions and how customers are being assisted in reducing their carbon footprint, as well as other community and environment matters, can be found at Cisco.com and within the Group's Corporate Sustainability Report (which can also be found at Cisco.com). The Directors Report (pages 9-14) includes details of actions taken by the Company to address its impact on the environment.

Cisco International Limited

Strategic Report for the Period from 1 August 2021 to 30 July 2022

Standards of business conduct

The directors apply the Group's Code of Business Conduct (found at Cisco.com) which sets out Group-wide values and is designed to promote honesty, compliance and accountability. By doing so the directors help to ensure that high standards are maintained both within the business and the business relationships we maintain.

Acting fairly between members of the company

For the time being the Company only has one member, Cisco Systems Netherlands Holdings BV.

Principal decisions

During the year the Company appointed a new director to the Board.

In making their decisions, the directors had regard to their duty to promote the success of the Company and the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

With regard to the sections above the directors confirm compliance with S172(1) of the Companies Act 2006.

Approved by the board on 27 April 2023 and signed on its behalf by:

S Rashid

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S Rashid
Director

Cisco International Limited

Directors' Report for the Period from 1 August 2021 to 30 July 2022

The directors present their report and the audited financial statements for the period from 1 August 2021 to 30 July 2022.

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:

J Elstein

J Glenister

D Meads

S Rashid

J A L Reid (appointed 27 June 2022)

G S Thomson

A J Wildman (resigned 27 June 2022)

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 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 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Dividends

The Company did not pay an interim dividend in the period (2021: \$450,000,000), the directors do not recommend a final dividend for the period (2021: \$Nil).

Cisco International Limited

Directors' Report for the Period from 1 August 2021 to 30 July 2022

Statement of Corporate Governance Arrangements

This statement explains the Company's corporate governance arrangements as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018). The Company is a UK subsidiary of a large multinational group whose ultimate parent company is incorporated in the United States and listed on NASDAQ. Cisco designs and deploys controls and governance policies and procedures which apply across the Group and to the Company. This allows for, among other things, a harmonised approach to corporate governance across the Group. Accordingly, the directors have not adopted a separate code of corporate governance and instead adopt Group-wide processes, controls and policies shaped by Cisco some of which are explained further below. Further details of the Cisco governance procedures can be found at <https://investor.cisco.com/corporate-governance/governance-highlights>

Strategy

The directors understand the business and the evolving environment in which the Company operates. The strategy followed by the Company's board, and decisions taken to implement it, is intended to strengthen the Company's position in the marketplace over the longer term. Cisco shapes the business strategies for the Group which has an impact on the long-term development of the Company. Accordingly, and as discussed in the Section 172 Statement, the strategy pursued by the directors is in line with the business strategies shaped by Cisco and promotes the interests of the Company as a whole.

Values and ethical conduct

The Group Code of Business Conduct applies to all Group employees, subsidiaries, and members of the Group board of directors. It sets out Group-wide values and promotes honesty, compliance and accountability and assists those to whom it applies determine what's appropriate when it comes to acting with integrity in the workplace. It also sets out the ethical standards expected of all Group employees and includes an ethics decision tree which facilitates ethical behaviour. Company directors and employees are required to certify compliance with the Code of Business Conduct annually.

Board composition

Directors' details can be found on page 9 of the financial statements.

The board includes the UK & Ireland CEO, the VP Customer Experience EMEA UK & Ireland, the EMEA CFO, the EMEA Finance Director, VP EMEA Architecture and Sales Specialists, and a Legal Director. The board collectively has a high-level of understanding which is relevant to the Company's business needs and is of an appropriate size to meet the Company's strategic needs and challenges.

Inclusion and collaboration

There are a number of inclusion policies and initiatives which apply throughout the Group which are adhered to by the Company and supported by the directors. More information on the Group-wide approach to inclusion, social justice and diversity can be found at [Cisco.com](https://www.cisco.com).

Director responsibility

The directors are mindful that they must act within the law and in accordance with the Company's articles of association to help ensure that the Company, and its directors, comply with their responsibilities and obligations. In discharging their responsibilities, the board benefits from the Group internal audit function's reviews of the Company's operations and the internal control environment overseen by the directors. The directors are also supported in their responsibilities, by the legal, finance and tax teams as well as other advisers.

Cisco International Limited

Directors' Report for the Period from 1 August 2021 to 30 July 2022

Opportunity

The directors understand the Company's strategy, purpose and values and how that fits in with the wider Group strategy. This enables them to focus on how the Company creates and preserves value and identify opportunities which in turn helps to promote the long-term sustainable success of the Company.

Risk

The Company relies on and adopts Group-wide internal controls measures and risk mitigation strategies. The Company's financial risk management is overseen by the finance function and as Group finance employees they are subject to additional ethical obligations contained in the Group's Financial Officer Code of Ethics. This code requires finance employees to adhere to a number of principles including that they must work to ensure that high standards of financial accounting and reporting, as well as the underlying system of internal controls, are maintained to ensure the highest level of confidence in processes and internal controls.

Remuneration

The directors do not set their own remuneration; their remuneration is set by the Group compensation function and is aligned with Cisco's compensation philosophy, the key attributes of which are: to attract and retain while challenging; reward actual achievement; motivate performance; and align interests.

Engagement with employees and other stakeholders

The disclosures relating to engagement with employees and other stakeholders required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) can be found in the Strategic Report on page 7.

Streamlined Energy and Carbon Reporting

Cisco is dedicated to finding ways to reduce its environmental impact across the group. Cisco's Global Energy Management and Sustainability (GEMS) team leads all energy and sustainability initiatives across Cisco's 18 million square feet of global real estate. The team currently manages the multi-million, multi-year global EnergyOps program. EnergyOps aims to implement hundreds of efficiency and renewable energy projects through to the end of July 2025. The Company participates in certain of these projects.

The Company's Scope 1, Scope 2, Scope 3 and intensity ratio data are set out in the table below. It should be noted that the lease for the Cisco HQ building in the UK is held by another group company and as such the energy data for this building is not included in the table.

Cisco International Limited

Directors' Report for the Period from 1 August 2021 to 30 July 2022

	Period ended 30 July 2022	Period ended 31 July 2021	Unit of Measure
Emissions			
Scope 1	373	1,242	tCO2e
Scope 2 - Location Based	3,627	6,551	tCO2e
Scope 2 - Market Based	-	985	tCO2e
Scope 3 - Business Travel	7,276	1,728	tCO2e
Energy			
Electricity	18,756,145	27,863,875	kWh
Natural Gas	1,050,627	5,723,450	kWh
Cisco owned fleet fuel (Scope 1)	791,426	615,977	kWh
Intensity Ratio			
Total Full Time Employees (FTE)	3,303	3,061	
Total Scope 1 and 2 (market-based) tCO2e per FTE	0.11	0.73	

Scope 1: Direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by the Company.
 Scope 2: Indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.
 Scope 3: Result of activities from assets not owned or controlled by the Company, but that the Company indirectly impacts in its value chain. For the Company this is limited to Business Travel.

The market-based scope 2 calculation is derived from contractual instruments and the location-based calculation is derived from a data standard set of grid-average emissions factors. In the period ended 30 July 2022 the Company increased its purchase of renewable electricity in the UK to cover 100% of its operations in the UK. The Company sourced renewable energy from both green power contracts and renewable energy guarantees of origin.

Energy efficiency in our buildings, labs, and data centres

In the period ended 30 July 2022 the GEMS team enabled Cisco globally to avoid approximately 14.5 GWh (2021: 6.6 GWh) of energy consumption and approximately 8,000 metric tonnes CO2e (2021: 2,700) by investing approximately \$14.8m (2021: \$3.3m) to implement 34 (2021: 24) energy efficiency projects. Cisco estimates that the over 290 energy efficiency and on-site renewable energy projects implemented since the period ending in July 2018 have avoided approximately 92GWh of energy and approximately 36,650 metric tonnes CO2e. This program has also helped Cisco to make its operations more efficient and increase the amount of renewable electricity it buys, directly contributing to the achievement of its previous Scope 1 and 2 emissions goals and the creation of Cisco's fiscal 2025 Scope 1 and 2 goals.

Projects the GEMS team implemented globally of which the Company participated in for the period ended 30 July 2022 include:

- Updating lighting controls and using LED technologies to increase lighting efficiency
- Recommissioning and optimizing major mechanical equipment and control systems to improve energy efficiency of our heating and cooling systems
- Continuing an employee engagement campaign to promote, educate, and incentivise employees to conserve energy

Cisco International Limited

Directors' Report for the Period from 1 August 2021 to 30 July 2022

Methodology

The Company uses the GHG Protocol Corporate Accounting and Reporting Standard as the basis for its Scope 1 and 2 calculations. The Company reports Scope 1 and 2 emissions based on operations over which it has operational control. Calculations are based on site-specific data for fuel consumed and utilities purchased, applying published emissions factors and global warming potentials (GWPs). The EPA Center for Corporate Climate Leadership provides additional program guidance. Of the seven GHGs covered by the GHG Protocol (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, and NF₃), four (CO₂, CH₄, N₂O, and HFCs) are applicable to the Company's operations. The Company does not have biogenic carbon emissions.

The Company used emission factors from the following databases for its financial year ended July 2022 GHG inventory:

2022 IEA Electricity Information Database (2020 IEA factors),
2021 EU Residual Mix Factors from RE-DISS,
Center for Corporate Climate Leadership GHG Emission Factors Hub (updated January 2022).
United Kingdom government 2021 country-specific emission factors.
100-year GWPs from IPCC Fourth Assessment Report (AR4), 2007.

The Company reports market and location-based Scope 2 emissions in accordance with the GHG Protocol's Scope 2 guidance. Each year, an independent third party provides a limited assurance review of the Company's Scope 1, 2 and 3 GHG inventory. This limited assurance review is provided in accordance with the ISO 14064-3 International Standard.

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 the period (2021: \$Nil).

Political and charitable contributions

The Company has made no political or charitable contributions during the period (2021: \$Nil).

Branches outside the United Kingdom

The Company operates branches in: Singapore, France, Spain, Mexico, Hungary, Portugal, Switzerland, Poland, Sweden, Czech Republic and Ireland.

Cisco International Limited

Directors' Report for the Period from 1 August 2021 to 30 July 2022

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 27 April 2023 and signed on its behalf by:

S Rashid

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S Rashid
Director

Cisco International Limited

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 30 July 2022 and of its profit for the period from 1 August 2021 to 30 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 30 July 2022; the Statement of Total Comprehensive Income and 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Cisco International Limited

Independent auditors' report to the members of Cisco International Limited

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- reviewing management's going concern assessment, alongside the actual financial results post period end and any subsequent events;
- reviewing the disclosures within the financial statements to confirm that the going concern key assumptions are adequately disclosed by the directors; and
- assessing the ability of the ultimate parent to honour the letter of support issued to its subsidiaries which is applicable for a period of 12 months from the date of signing the Company's financial statements.

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

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

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

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

Reporting on other information

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

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.

Cisco International Limited

Independent auditors' report to the members of Cisco International Limited

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 30 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 in respect of the financial statements, 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.

Cisco International Limited

Independent auditors' report to the members of Cisco International Limited

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.

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 UK tax legislation, 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 posting manual journal entries to manipulate financial performance. Audit procedures performed by the engagement team included:

- enquiry of management and those charged with governance around any actual or suspected fraud, litigation and claims;
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations;
- auditing the risk of management override of controls, including through testing a sample of journal entries for appropriateness;
- assessing the key accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business; and
- reviewing the minutes of meetings of the Board of Directors.

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.

Cisco International Limited

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.

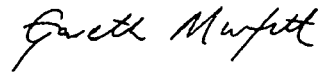
Other required reporting

Companies Act 2006 exception reporting

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

- we have not 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.



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Gareth Murfitt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

28 April 2023

Cisco International Limited

Statement of Total Comprehensive Income for the Period from 1 August 2021 to 30 July 2022

	Note	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
Turnover	4	13,915,947	12,768,685
Cost of sales		<u>(13,157,858)</u>	<u>(12,122,351)</u>
Gross profit		758,089	646,334
Distribution costs		(1,378,309)	(1,338,927)
Administrative expenses		(207,942)	(243,778)
Other operating income	5	<u>1,063,659</u>	<u>1,081,068</u>
Operating profit	6	235,497	144,697
Income from group undertakings	15	<u>2,169</u>	<u>-</u>
Profit before interest and taxation		<u>237,666</u>	<u>144,697</u>
Finance income	7	45,144	22,294
Finance costs	8	<u>(7,625)</u>	<u>(8,317)</u>
		<u>37,519</u>	<u>13,977</u>
Profit before income tax		275,185	158,674
Income tax expense	12	<u>(40,565)</u>	<u>(34,923)</u>
Profit for the financial period		<u>234,620</u>	<u>123,751</u>
Total Comprehensive Income for the period		<u>234,620</u>	<u>123,751</u>

The above results were derived from continuing operations.

The notes on pages 23 to 58 form an integral part of these financial statements.

Cisco International Limited
(Registration number: 06640658)
Balance Sheet as at 30 July 2022

	Note	30 July 2022 \$ 000	31 July 2021 \$ 000
Fixed assets			
Property plant and equipment	13	83,493	98,813
Right of use assets	14	56,680	56,354
Investments	15	187,726	188,458
		<u>327,899</u>	<u>343,625</u>
Current assets			
Inventory	16	8,502	26,610
Trade and other receivables	17	8,315,293	7,514,976
Derivative financial instruments	18	-	2,370
Cash and cash equivalents		71,618	166,546
		<u>8,395,413</u>	<u>7,710,502</u>
Creditors: Amounts falling due within one year	20	<u>(5,647,451)</u>	<u>(5,351,823)</u>
Net current assets		<u>2,747,962</u>	<u>2,358,679</u>
Total assets less current liabilities		3,075,861	2,702,304
Creditors: Amounts falling due after more than one year	23	(2,439,794)	(2,291,023)
Provisions for liabilities	22	(96,940)	(106,774)
Net assets		<u>539,127</u>	<u>304,507</u>
Equity			
Ordinary shares	24	30,000	30,000
Share premium		100,000	100,000
Retained earnings		409,127	174,507
Total Shareholders' funds		<u>539,127</u>	<u>304,507</u>

The financial statements on pages 20 to 58 were authorised for issue by the Board of directors on 27 April 2023 and signed on its behalf by:

S Rashid

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S Rashid
Director

Cisco International Limited

Statement of Changes in Equity for the Period from 1 August 2021 to 30 July 2022

	Ordinary shares \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 26 July 2020	30,000	100,000	500,756	630,756
Profit for the financial period	-	-	123,751	123,751
Total comprehensive income for the period	-	-	123,751	123,751
Dividends	-	-	(450,000)	(450,000)
At 31 July 2021	30,000	100,000	174,507	304,507
	Ordinary shares \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 August 2021	30,000	100,000	174,507	304,507
Profit for the financial period	-	-	234,620	234,620
Total comprehensive income for the period	-	-	234,620	234,620
At 30 July 2022	30,000	100,000	409,127	539,127

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. on 31 July 2011, which is classified as share premium.

The Company did not pay an interim dividend in the period ended 30 July 2022 (2021: \$24.63 per share) for a total of \$Nil (2021: \$450,000,000).

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

1 General information

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

The address of its registered office and principal place of business is:

9-11 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 27 April 2023.

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 1 August 2021 to 30 July 2022. The comparative period is from 26 July 2020 to 31 July 2021.

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

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

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:

- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- 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:
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 10(f) statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures):
- IAS 7, 'Statement of cash flows':
- 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 more members of a group.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

2 Accounting policies (continued)

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(s).

Exemption from preparing group financial statements

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.

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.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

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.

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.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

2 Accounting policies (continued)

Leases

The Company leases Property and Vehicles.

Right-of-use assets are recognized at the commencement date based on the present value of lease payments over the lease term. The Company's incremental borrowing rate based on information available at the commencement date, is used to determine the present value of lease payments. Lease contracts are typically made for fixed periods of 6 months to 25 years but may have extension options. Certain of our leases include options to renew and we have the sole discretion on whether to exercise the lease renewal.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Company recognizes lease liabilities which are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. These lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Statement of Total Comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Leases of low-value assets are primarily comprised of IT equipment.

Property Plant and Equipment

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

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

2 Accounting policies (continued)

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.

Investment in subsidiaries

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

Income from investments is included in the Statement of Total Comprehensive Income account only if received, or declared and receivable.

Investments in associates and other equity investments

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. Other equity investments are investments in entities that are not associates. Other equity investments 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 within current assets but marked as receivable in more than one year.

Trade receivables are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Provisions for impairment are made as described in Financial assets (iv) Impairment below.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

2 Accounting policies (continued)

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 within Other creditors 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.

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 within current liabilities and marked as payable in more than one year.

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.

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.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

2 Accounting policies (continued)

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.

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 expense in distribution costs. Where the amount is a cost recharge to the Company from Cisco Systems Inc a corresponding entry is made to amounts due to group undertakings. Where the amount is a capital contribution to the Company from Cisco Systems Inc a corresponding entry is made to equity.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

2 Accounting policies (continued)

Financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories;

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

2 Accounting policies (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in Administrative expenses together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss. Assets in this category include Trade receivables and amounts owed by group undertakings.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognised in Administrative expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in Administrative expenses and impairment expenses are presented as a separate line item in the statement of profit or loss. Assets in this category include debt factoring arrangements with finance partners.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured as FVPL is recognised in profit or loss and presented net within Administrative expenses in the period in which it arises. Assets in this category include Derivative finance assets.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in Administrative expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For Trade receivables and Amounts owed by group undertakings, the Company applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

2 Accounting policies (continued)

Financial liabilities

(i) Classification

Financial liabilities are classified as either financial liabilities at FVPL 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.

(ii) 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 FVPL are added to or deducted from the fair value of the financial liabilities, as appropriate on initial recognition.

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

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 swap 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.

Revenue recognition

Recognition

The Company enters into contracts with customers that can include various combinations of products and services which are generally distinct and accounted for as separate performance obligations. As a result, contracts may contain multiple performance obligations. The Company determines whether arrangements are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether the Company's commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract. The Company classifies hardware, perpetual software licences, support, and software-as-a-service (SaaS) as distinct performance obligations. Term software licences represent multiple obligations, which include software licenses and software maintenance. In transactions where the Company delivers hardware or software it is typically the principal and records revenue and cost of sales on a gross basis. The Company refers to its term software licenses, security software licenses, SaaS, and associated service arrangements as subscription offers.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

2 Accounting policies (continued)

The Company recognises revenue upon transfer of control of promised goods or services in a contract with a customer in an amount that reflects the consideration it expects to receive in exchange for those products or services. Transfer of control occurs once the customer has the contractual right to use the product, generally upon shipment or once title and risk of loss has transferred to the customer. Transfer of control can also occur over time for software maintenance and services as the customer receives the benefit over the contract term. The Company's hardware and perpetual software licenses are distinct performance obligations where revenue is recognised upfront upon transfer of control. Term software licenses include multiple performance obligations where the term licenses are recognised upfront, upon transfer of control, with the associated software maintenance revenue recognised ratably over the contract term as services and software updates are provided. SaaS arrangements do not include the right of the customer to take possession of the software during the term, and therefore have one distinct performance obligation which is satisfied over time with revenue recognised ratably over the contract term as the customer consumes the services. For the Company's product sales consideration is recorded from shipping and handling on a gross basis within net product sales. Revenue is recorded net of any sales taxes.

Revenue is allocated amongst these performance obligations in a manner that reflects the consideration that the Company expects to be entitled to for the promised goods or services based on standalone selling prices (SSP). SSP is estimated for each distinct performance obligation.

The Company assesses contractual terms in customer contracts to determine the transaction price as it may be required to estimate variable consideration when determining the amount of revenue to recognise. Variable consideration includes various rebate, cooperative marketing, potential penalties and other incentive programmes offered to distribution partners and customers. When determining the amount of revenue to recognise, the Company estimates the expected usage of these programmes, applying the expected value or most likely estimate at each reporting period as actual utilisation becomes available. The Company also considers the customers' rights of return in determining the transaction price, where applicable.

The Company assesses certain software licenses, such as for security software, that contain critical updates or upgrades which customers can download throughout the contract term. Without these upgrades, the functionality of the software would diminish over a relatively short time period. These updates or upgrades provide the customer the full functionality of the purchased security software licenses and are required to maintain the security licence's utility as the risks and threats in the environment are rapidly changing. In these circumstances, the revenue from these software arrangements is recognised as a single performance obligation satisfied over the contract term.

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. SaaS arrangements are recognised ratably over the term of the contract.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

2 Accounting policies (continued)

Service Revenue

(i) Sales of Services - Support and Maintenance

For time-based services arrangements which includes Technical Support Services, the Company recognises revenue ratably over the support period. Usage-based revenue is recognised based on utilisation.

(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.

Contract assets

Contract assets consist of unbilled receivables and are recorded when revenue is recognised in advance of scheduled billing to customers. The amounts are primarily related to software and service arrangements where transfer of control has occurred but the Company has not yet invoiced.

Contract assets are classified as current or non current based on the Company's normal operating cycle and are assessed for impairment at each reporting date. They are reported within Trade and other receivables.

Contract liabilities

Contract liabilities consist of deferred revenue. They are recognised when the Company has received consideration but still has an obligation to deliver products or provide services in future periods and have yet to meet performance obligations for that consideration.

Net basis of measurement of contract balances

Contract asset and contract liability positions are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related entities, an assessment is made of whether contract assets and liabilities are inter-dependent and if so, contract balances are reported net.

Capitalisation of costs to obtain or fulfil a contract

The Company capitalises direct and incremental costs incurred to acquire contracts, primarily sales commissions, for which the associated revenue is expected to be recognised in future periods. The Company incurs these costs with both initial contracts and renewals. These costs are initially deferred and amortised over the term of the customer contract which corresponds to the period of benefit. These costs are reported within Trade and other receivables.

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.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

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. These judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these judgements, estimates and assumptions.

Judgements, 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 judgements and estimates.

Judgements are applied as to whether a sale includes multiple performance obligations

Where performance obligations are not sold separately estimates may be required in the determination of the value of each unit (SSP) for each performance obligation. The best evidence of SSP is the observable price of a product or service when the Company sells the goods separately in similar circumstances to similar customers. In instances where SSP is not directly observable, the Company determines SSP using information that may include market conditions and other observable inputs.

Management estimates the transaction price as it may be required to estimate variable consideration when determining the amount of revenue to recognise. Variable consideration includes various rebate, cooperative marketing, potential penalties and other incentive programmes offered to distribution partners and customers. When determining the amount of revenue to recognise, the Company estimates the expected usage of these programmes, applying the expected value or most likely estimate at each reporting period as actual utilisation becomes available. The Company also considers the customers' rights of return in determining the transaction price, where applicable.

4 Turnover

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

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

4 Turnover (continued)

	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
United Kingdom	2,422,186	2,101,574
Rest of EMEA	9,602,513	9,004,206
Rest of world	1,891,248	1,662,905
	<u>13,915,947</u>	<u>12,768,685</u>

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 by class of business is as follows:

	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
Secure, Agile Networks	7,740,127	6,952,458
Internet for the Future	1,249,053	978,634
Collaboration	992,008	1,013,091
End-to-End Security	904,917	803,237
Other	38,549	25,374
Services	2,991,293	2,995,891
	<u>13,915,947</u>	<u>12,768,685</u>

Revenue is disaggregated into groups of similar products and services that depict the nature, amount, and timing of revenue and cash flows for the Company's various offerings. These groupings have been changed from the prior period to better align with the Company's strategy as outlined in the Strategic Report.

Secure, Agile Networks consists of our core networking technologies of switching, enterprise routing, wireless, and compute products. These technologies consist of both hardware and software offerings, including software licenses and SaaS, that help our customers build networks, automate, orchestrate, integrate, and digitize data. Our hardware and perpetual software in this category are distinct performance obligations where revenue is recognized upfront upon transfer of control. Term software licenses are multiple performance obligations where the term license is recognized upfront upon transfer of control with the associated software maintenance revenue recognized ratably over the contract term. SaaS arrangements in this category have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term.

Internet for the Future consists of our routed optical networking, 5G, silicon, and optics solutions. These products consist primarily of both hardware and software offerings, including software licenses and SaaS. Our hardware and perpetual software in this category are distinct performance obligations where revenue is recognized upfront upon transfer of control. Term software licenses are multiple performance obligations where the term license is recognized upfront upon transfer of control with the associated software maintenance revenue recognized ratably over the contract term. SaaS arrangements in this category have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

4 Turnover (continued)

Collaboration consists of our Meetings, Collaboration Devices, Calling, Contact Center and CPaaS offerings. These products consist primarily of software offerings, including software licenses and SaaS, as well as hardware. Our perpetual software and hardware in this category are distinct performance obligations where revenue is recognized upfront upon transfer of control. Term software licenses are multiple performance obligations where the term license is recognized upfront upon transfer of control with the associated software maintenance revenue recognized ratably over the contract term. SaaS arrangements in this category have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term.

End-to-End Security product category consists of our Network Security, Cloud Security, Security Endpoints, Unified Threat Management and Zero Trust offerings. These products consist of both hardware and software offerings, including software licenses and SaaS. Updates and upgrades for the term software licenses are critical for our software to perform its intended commercial purpose because of the continuous need for our software to secure our customers' network environments against frequent threats. Therefore, security software licenses are generally represented by a single distinct performance obligation with revenue recognized ratably over the contract term. Our hardware and perpetual software in this category are distinct performance obligations where revenue is recognized upfront upon transfer of control. SaaS arrangements in this category have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term.

In addition to product offerings the Company provides a broad range of service and support options for customers, including technical support services and advanced services. Technical support services represent the majority of these offerings, which are distinct performance obligations that are satisfied over time with revenue recognised ratably over the contract term. Advanced services are distinct performance obligations that are satisfied over time with revenue recognised as services are delivered.

Current assets and liabilities

	30 July 2022 \$ 000	31 July 2021 \$ 000
Contract assets	254,030	180,397
Capitalised contract acquisition costs	194,858	182,506
Contract liabilities - current	(2,918,463)	(2,688,582)
Contract liabilities - amounts falling due after more than one year	(2,402,025)	(2,243,102)
The Company has recognised the revenue-related contract assets and liabilities in the table above.		

Revenue recognised in the period from:

	30 July 2022 \$ 000	31 July 2021 \$ 000
Amounts included in contract liabilities at the beginning of the period	2,634,638	2,323,558

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

4 Turnover (continued)

Remaining Performance Obligations

Remaining performance obligations (RPO) are comprised of contract liabilities plus unbilled contract revenue. As at 30 July 2022 the aggregate amount of RPO was \$6.7 billion (2021: \$6.1 billion), comprised of \$5.3 billion (2021: \$4.9 billion) of contract liabilities and \$1.4 billion (2021: \$1.2 billion) of unbilled contract revenue. Management expects about 54% (2021: 53%) of this amount to be recognised as revenue over the next period. Unbilled contract revenue represents non-cancellable contracts for which we have not invoiced, have an obligation to perform, and revenue has not yet been recognised in the financial statements.

5 Other operating income

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

	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
Other operating income	1,063,659	1,081,068

Other operating income reflects the income in the period received as compensation for costs incurred in performance of services provided for other group companies.

6 Operating profit

Arrived at after charging/(crediting)

	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
Depreciation expense on leasehold improvements and office and computer equipment	48,775	51,355
Depreciation expense right of use assets - property	13,145	14,477
Depreciation expense right of use assets - vehicles	2,682	813
Inventory recognised as an expense	10,008,733	9,247,267
Foreign exchange losses	32,861	7,390
Reorganisation expense	1,952	21,360
Derivatives measured at FVTPL	(3,958)	(3,615)
Amortisation of capitalised contract acquisition costs	112,440	85,119

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

7 Finance income

	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
Interest income on bank deposits	252	46
Other finance income	44,892	22,248
	<u>45,144</u>	<u>22,294</u>

Other finance income arises from interest charged on amounts owed by group undertakings.

8 Finance costs

	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
Interest on amounts due to group companies	7,039	7,762
Interest expense on leases	586	555
	<u>7,625</u>	<u>8,317</u>

9 Staff costs

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

	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
Wages and salaries	541,228	504,140
Social security costs	96,620	85,564
Pension costs, defined contribution schemes	27,885	25,076
Share-based payment expense	57,749	54,760
	<u>723,482</u>	<u>669,540</u>

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

9 Staff costs (continued)

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

	Period to 30 July 2022 No.	Period to 31 July 2021 No.
Administration and support	334	325
Research and development	501	438
Sales, marketing and distribution	2,468	2,298
	<u>3,303</u>	<u>3,061</u>

10 Directors' remuneration

The directors' remuneration for the period was as follows:

	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
Remuneration (excluding shares receivable under long term incentive schemes)	2,671	1,901
Company contributions to defined contribution pension schemes	76	45
	<u>2,747</u>	<u>1,946</u>

In the prior period the remuneration expenses of one of the directors had been met by the Ultimate parent company, Cisco Systems Inc.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

10 Directors' remuneration (continued)

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

	Period to 30 July 2022 No.	Period to 31 July 2021 No.
Received or were entitled to receive shares under long term incentive schemes	7	7
Exercised shares under long term incentive schemes	7	7
Accruing benefits under defined contribution pension schemes	<u>7</u>	<u>6</u>

In respect of the highest paid director:

	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
Remuneration (excluding shares receivable under long term incentive schemes)	739	981
Company contributions to defined contribution pension schemes	-	17
	<u>739</u>	<u>998</u>

During the period the highest paid director exercised shares, and also received or was entitled to receive shares under a long term incentive scheme.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

11 Auditors' remuneration

	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
Payable to PricewaterhouseCoopers LLP and network firms:		
Audit services: fees payable for the audit of the Company	699	655
Fees for other services		
Audit of Company's subsidiaries	183	188
Audit related assurance services	98	27
	281	215
Total auditors' remuneration	980	870

12 Income tax expense

Tax charged in the statement of total comprehensive income

	Period to 30 July 2022 \$ 000	Period to 31 July 2021 \$ 000
Current taxation		
UK corporation tax	46,899	43,403
UK corporation tax adjustment to prior periods	(19,168)	(11,694)
	27,731	31,709
Foreign tax	17,592	21,957
Total current income tax	45,323	53,666
Deferred taxation		
Arising from origination and reversal of temporary differences	(4,758)	(10,101)
Arising from changes in tax rates	-	(8,642)
Total deferred taxation	(4,758)	(18,743)
Tax expense in the statement of total comprehensive income	40,565	34,923

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

12 Income tax expense (continued)

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the period:

	At 1 August 2021	Recognised in income	At 30 July 2022
	\$ 000	\$ 000	\$ 000
Other items	36,008	4,758	40,766
	36,008	4,758	40,766

Deferred tax movement during the prior period:

	At 26 July 2020	Recognised in income	At 31 July 2021
	\$ 000	\$ 000	\$ 000
Other items	17,265	18,743	36,008
	17,265	18,743	36,008

The deferred tax balance comprises of a deferred tax asset for the excess of depreciation over tax allowances of \$40,766,000 (2021: \$36,008,000).

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	Period to 30 July 2022	Period to 31 July 2021
	\$ 000	\$ 000
Profit before tax	275,185	158,674
Corporation tax at standard rate	52,285	30,148
Adjustments to tax charge in respect of prior periods	(19,168)	(11,694)
Tax rate changes	-	(8,642)
Non-taxable income	(5,994)	-
Expenses not deductible for tax purposes	608	13,255
Foreign tax	17,592	21,957
Deferred tax for the period	(4,758)	(10,101)
Total tax charge	40,565	34,923

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

12 Income tax expense (continued)

Factors that may affect future charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13 Property Plant and Equipment

	Leasehold improvements \$ 000	Office equipment \$ 000	Computer equipment \$ 000	Total \$ 000
Cost or valuation				
At 1 August 2021	38,588	28,236	282,830	349,654
Additions	614	4,388	28,453	33,455
At 30 July 2022	39,202	32,624	311,283	383,109
Depreciation				
At 1 August 2021	28,318	27,212	195,311	250,841
Charge for the period	3,523	2,497	42,755	48,775
At 30 July 2022	31,841	29,709	238,066	299,616
Carrying amount				
At 30 July 2022	7,361	2,915	73,217	83,493
At 31 July 2021	10,270	1,024	87,519	98,813

14 Leases

The company has lease contracts for various offices and vehicles used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

14 Leases (continued)

Right of use assets

	30 July 2022	31 July 2021
	\$ 000	\$ 000
Property	45,816	52,756
Vehicles	10,864	3,598
	56,680	56,354

Additions to the right-of-use assets during the period ended 30 July 2022 were \$16,376,000 (2021: \$8,384,000).

Leases included in creditors

	30 July 2022	31 July 2021
	\$ 000	\$ 000
Current portion of long term lease liabilities	16,030	15,632
Long term lease liabilities	37,769	47,921
	53,799	63,553

The total cash outflow for leases in the period ended 30 July 2022 was \$18,006,000 (2021: \$15,381,000).

(ii) Amounts recognised in the income statement

The depreciation charge in respect of right of use assets is disclosed in the Operating Profit Note 6. Interest expense is included in finance costs disclosed in the Finance Cost Note 8.

Future minimum lease payments

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	30 July 2022	31 July 2021
	\$ 000	\$ 000
Not later than one year	16,857	16,143
Later than one year and not later than five years	22,605	21,836
Later than five years	16,970	27,389
Total lease liabilities (undiscounted)	56,432	65,368

The finance expenses on the future minimum lease payments are \$2,633,000 (2021: \$1,815,000).

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

15 Investments

	30 July 2022	31 July 2021
	\$000	\$000
Net book value		
Investments in subsidiaries	172,149	172,881
Investments in associates and other equity investments	15,577	15,577
Total net book value	187,726	188,458
Subsidiaries		\$ 000
Cost		
At 1 August 2021		737,312
Disposals		(5,642)
At 30 July 2022		731,670
Provision		
At 1 August 2021		564,431
Eliminated on disposals		(4,910)
At 30 July 2022		559,521
Net book value		
At 30 July 2022		172,149
At 31 July 2021		172,881

Impairment of investments in subsidiaries

In accordance with the Company's accounting policy (as stated in Note 2) the Company has assessed at 30 July 2022 whether any investments in subsidiaries have been impaired. As a result of this review impairment charges of \$Nil (2021: \$Nil) were recognised within Administrative expenses in the Statement of Total Comprehensive Income.

On 10 June 2022 the Company's subsidiary Cisco Services (Korea) Limited was liquidated resulting in a liquidation dividend of \$2,169,000 being received by the Company. At the time of the liquidation the gross book value of Cisco Services (Korea) Limited was \$5,642,000 and accumulated impairment charges were \$4,910,000.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

15 Investments (continued)

Details of the subsidiaries as at 30 July 2022 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2022	2021
Tandberg Telecom UK Ltd	Dormant	England & Wales 9-11 New Square Bedfont Lakes Feltham TW14 8HA United Kingdom	100%	100%
Tandberg Products UK Ltd	Dormant	England & Wales 9-11 New Square Bedfont Lakes Feltham TW14 8HA 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 (Korea) Ltd	Capital Financing Services	South Korea 5th Floor, 517 Yeongdon-daero Gangnam-gu Seoul South Korea	100%	100%
Cisco Services (Korea) Ltd	Internet services	systems South Korea 11th Floor Tower 2 Incheon Tower-daero 241, Yeonsu-gu Incheon (Songdo-dong) South Korea	0%	100%

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2022	2021
Broadsoft Ltd	IT Services	England & Wales 9-11 New Square Bedfont Lakes Feltham TW14 8HA United Kingdom	100%	100%

Other equity investments

	\$ 000
Cost	
At 1 August 2021	<u>35,780</u>
At 30 July 2022	<u>35,780</u>
Provision	
At 1 August 2021	<u>20,203</u>
At 30 July 2022	<u>20,203</u>
Net book value	
At 30 July 2022	<u>15,577</u>
At 31 July 2021	<u>15,577</u>

Impairment of investments in Other equity investments

In accordance with the Company's accounting policy (as stated in Note 2) the Company has assessed at 30 July 2022 whether any investments in Other equity investments have been impaired. As a result of this review impairment charges of \$Nil (2021: \$Nil) were recognised within Administrative expenses in the Statement of Total Comprehensive Income.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

15 Investments (continued)

Details of the other equity investments as at 30 July 2022 are as follows:

Name of other equity investment	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
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%	2.56%

16 Inventory

	30 July 2022	31 July 2021
	\$ 000	\$ 000
Finished goods and goods for resale	8,502	26,610

Included in inventory are spares inventory that are fully written down with a gross value prior to write off as at 30 July 2022 of \$387,466,000 (2021: \$391,421,000). Other than spares there is no material difference in the balance sheet value of inventories and their replacement cost.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

17 Trade and other receivables

	30 July 2022 \$ 000	31 July 2021 \$ 000
Trade receivables	2,409,576	1,987,522
Provision for impairment of trade and other receivables	<u>(21,775)</u>	<u>(9,733)</u>
Net trade receivables	2,387,801	1,977,789
Amounts owed by group undertakings	5,260,211	4,964,393
Contract assets	254,030	180,397
Other receivables	17,059	13,697
Income tax asset	31,013	16,638
Prepayments	129,555	143,548
Capitalised contract acquisition costs	194,858	182,506
Deferred tax assets	<u>40,766</u>	<u>36,008</u>
Total trade and other receivables	<u>8,315,293</u>	<u>7,514,976</u>

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 (2021: LIBOR plus 20 basis points).

Included in Contract assets is \$109,243,000 (2021: \$88,051,000) receivable in greater than one year. Included in Capitalised contract acquisition costs is an amount of \$74,079,000 (2021: \$69,369,000) that will be expensed in greater than one year. Additions to Capitalised contract acquisition costs were \$124,792,000 in the period to 30 July 2022 (2021: \$135,234,000) being the cost of acquiring new contract liabilities.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

18 Derivative Financial instruments

Financial assets

Derivative financial assets at fair value through profit and loss

	30 July	31 July
	2022	2021
	\$000	\$000
Foreign currency forward contracts	-	2,370
	<u>-</u>	<u>2,370</u>
	<u>-</u>	<u>2,370</u>

Fair value movements in derivative financial assets are charged to administrative expenses.

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 30 July 2022 the Company had no outstanding contracts (2021: all contracts matured within 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 as at 31 July 2021 were the exchange rates for RUB:USD.

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 \$Nil (2021: \$76,390,000).

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

19 Share-based payments

Stock Incentive

As of 30 July 2022, 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:

Scheme description

The 2005 Plan provides for the granting of stock options, stock grants, stock units and stock appreciation rights (SARs), the vesting of which may be time-based or upon satisfaction of performance goals, or both, and/or other conditions. Employees (including employee directors and executive officers) and consultants of Cisco Systems Inc and its subsidiaries and affiliates and non-employee directors of Cisco Systems Inc are eligible to participate in the 2005 Plan. The 2005 Plan may be terminated by the Board of Directors of Cisco Systems Inc at any time and for any reason, and is currently set to terminate at the 2030 Annual Meeting unless re-adopted or extended by the shareholders prior to or on such date.

Under the 2005 Plan's share reserve feature, a distinction is made between the number of shares in the reserve attributable to (i) stock options and SARs and (ii) "full value" awards (i.e. stock grants and stock units). Shares issued as stock grants, pursuant to stock units or pursuant to the settlement of dividend equivalents are counted against shares available for issuance under the 2005 Plan on a 1.5 to 1 ratio. For each share awarded as restricted stock or a restricted stock unit award under the 2005 Plan, 1.5 shares was deducted from the available share-based award balance. If awards issued under the 2005 Plan are forfeited or terminated for any reason before being exercised or settled, then the shares underlying such awards, plus the number of additional shares, if any, that counted against shares available for issuance under the 2005 Plan at the time of the grant as a result of the application of the share ratio described above, will become available again for issuance under the 2005 Plan. As of 30 July 2022 205 million shares were authorised for future grant under the 2005 Plan.

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

19 Share-based payments (continued)

Employee Stock Purchase Plan

Scheme description

Cisco Systems Inc. has an Employee Stock Purchase Plan under which 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 Employee Stock Purchase Plan is scheduled to terminate on the earlier of (i) 3 January 2030 and (ii) the date on which all shares available for issuance under the Employee Stock Purchase Plan are sold pursuant to exercised purchase rights. Cisco Systems Inc issued 18 million, 17 million, and 18 million shares under the Employee Stock Purchase Plan in fiscal 2022, 2021, and 2020, respectively. As of 30 July 2022, 107 million shares were available for issuance under the Employee Stock Purchase Plan.

General Share-Based Award Information

A summary of the stock option activity for the Company 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 25 July 2020	133	124	USD \$	6.27	4.8
Assumed from acquisitions	1			8.50	
Exercised	(43)			4.99	
Canceled/forfeited/expired	-			-	
Transferred	(6)			12.59	
Balance at 31 July 2021	85	84	USD \$	6.43	3.3
Assumed from acquisitions	-			-	
Exercised	(22)			4.14	
Canceled/forfeited/expired	-			-	
Transferred	-			-	
Balance at 30 July 2022	63	62	USD \$	7.22	2.1

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

19 Share-based payments (continued)

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 Fair Value per Share	Aggregate Fair Value
Balance at 25 July 2020	2,687	USD \$	41.60	
Granted and assumed	1,282		41.30	
Vested	(1,141)		39.17	\$ 52,231
Canceled/forefeited	(394)		42.02	
Transferred	(5)		48.77	
Balance at 31 July 2021	2,429	USD \$	42.50	
Granted and assumed	1,269		50.55	
Vested	(949)		41.86	\$ 51,591
Canceled/forefeited	(260)		45.50	
Transferred	(95)		47.66	
Balance at 30 July 2022	2,394	USD \$	46.50	

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 30 July 2022 and 31 July 2021 was USD\$57.7 million and USD\$54.8 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 2022 and 2021. The assumptions for the valuation of employee stock purchase rights are summarized as follows:

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

19 Share-based payments (continued)

<u>Periods Ended</u>	<u>Employee Stock Purchase Rights</u>	
	<u>30 July 2022</u>	<u>31 July 2021</u>
Weighted-average assumptions:		
	27.9%	29.2%
Risk-free interest rate	0.1%	0.3%
Expected dividend	3.2%	3.2%
Expected life (in years)	1.2	1.3
Weighted-average estimated grant date fair value per	\$ 12.90	\$ 12.46

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

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

The Company 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.

20 Creditors: amounts falling due within one year

	30 July 2022 \$ 000	31 July 2021 \$ 000
Trade creditors	38,109	56,431
Amounts owed to group undertakings	1,522,276	1,338,914
Social security and other taxes	23,139	31,649
Current portion of long term lease liabilities	16,030	15,632
Accruals	621,443	689,154
Other creditors	507,991	531,461
Contract liabilities	2,918,463	2,688,582
	<u>5,647,451</u>	<u>5,351,823</u>

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

20 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 (2021: LIBOR plus 20 basis points).

Included within other creditors is \$507,991,000 (2021: \$531,461,000) being the extent of the Company's exposure to unsettled trade receivables subject to a right of recourse.

21 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 \$27,885,494 (2021: \$25,076,060).

There were no contributions outstanding at the period end (2019:\$Nil).

22 Provisions for liabilities

	Warranties \$ 000	Total \$ 000
At 1 August 2021	106,774	106,774
Movement in provision underwritten by related undertaking	(9,834)	(9,834)
At 30 July 2022	96,940	96,940

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.

23 Creditors: amounts falling due after more than one year

	30 July 2022 \$ 000	31 July 2021 \$ 000
Contract liabilities	2,402,025	2,243,102
Long term lease liabilities	37,769	47,921
	2,439,794	2,291,023

Cisco International Limited

Notes to the Financial Statements for the Period from 1 August 2021 to 30 July 2022

24 Ordinary shares

Allotted, called up and fully paid shares

	30 July 2022		31 July 2021	
	No. 000	\$ 000	No. 000	\$ 000
Ordinary Shares of \$1.64 each	<u>18,270</u>	<u>30,000</u>	<u>18,270</u>	<u>30,000</u>

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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San Jose

California

95134-1706

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