

# **ARRIS Global Ltd.**

Registered number: 01672847

## **Annual Reports and Financial Statements for the year ended 31 December 2018**



## **Corporate Information**

### **Directors**

Michael David Coppin  
Nell Shankland

### **Registered office**

100 New Bridge Street  
London  
EC4V 6JA  
United Kingdom

### **Bankers**

JP Morgan Chase  
25 Bank Street London  
E14 5JP  
United Kingdom

### **Auditor**

Ernst & Young LLP  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR  
United Kingdom

# Strategic report

## Introduction

The directors, in preparing this strategic report for ARRIS Global Ltd. ("company" or "AGL") for the year ended 31 December 2018, have complied with s414C of the Companies Act 2006.

## Review of the business

The ARRIS group ("Group") operate in three business segments: Customer Premises Equipment ("CPE"), Network & Cloud ("N&C") and Enterprise Networks ("Enterprise"). The Group enables service providers, including cable, telecom, digital broadcast satellite operators and media programmers, to deliver media, voice, and IP data services to their subscribers. The Group is a leader in set-tops, digital video and Internet Protocol Television ("IPTV") distribution systems, broadband access infrastructure platforms, and broadband data and voice CPE, which the Group also sells directly to consumers through retail channels. Through the Group's enterprise distribution channels, the Group provides wireless and wired products and services for connectivity across varied networking environments to customers across a spectrum of verticals—including hospitality, education, smart cities, government, venues, service providers and more. The Group's core solutions are complemented by a broad array of services, including technical support, repair and refurbishment, and system design and integration.

AGL is the principal operating company for customer sales outside of the United States of America ("U.S."). The company trades in Europe, Middle East and Africa ("EMEA"); Asia Pacific ("APAC"), Central and Latin America ("CALA") and Canada, most of these sales are made directly to external customers while some sales are made by other group companies on behalf of AGL. The company's revenue is derived from two out of three business segments mentioned above – CPE and N&C.

During the financial period ended 31 December 2018 the company had the following financial highlights; these measures also represent the key performance indicators of the company:

- Revenue was \$2,143.5m in the year ended 31 December 2018, compared to \$1,825.6m in the year ended 31 December 2017;
- Gross profit margin was 22.8% in the year ended 31 December 2018, compared to 29.3% in the year ended 31 December 2017;
- Operating profit margin was 1.1% in the year ended 31 December 2018 (\$23.2m), compared to 4.8% in the year ended 31 December 2017 (\$88.1m); and
- Cash, cash equivalents and marketable security investment balances totalled \$39.4m at 31 December 2018 compared to \$89.8m at 31 December 2017.

The increase in revenue is reflective of the strategy pursued by the Group to increase presence in international markets.

Operating profit reduction year on year is explained by the increase in memory and other product costs particularly in the CPE segment. The second contributing factor is the year on year increase in administrative and R&D expenses in order to serve an increasing customer base in the international markets.

Cash, cash equivalents and marketable security investment reduction year on year is the result of the Group's management of excess cash reserves through related party settlements.

Dividend income from Pace Overseas Distribution Limited, Latens Seives Limited and Pace Micro Technology Limited, all subsidiaries of the company, for the amounts of \$41.1m, \$2.6m and \$0.7m respectively have been reflected in the result for the year ended 31 December 2018. Dividend income from Pace Asia Pacific Ltd, Pace Micro Technology Ltd., Pace Overseas Distribution Ltd, and Pace International Luxembourg S.à.r.l., all subsidiaries of the company, for the amounts of \$75.0m, \$5.0m, \$4.0m and \$0.8m respectively were reflected in the result for the year ended 31 December 2017. No impairment of investments has been expensed to the profit and loss statement in the year ended 31 December 2018 (year ended 31 December 2017: \$nil).

## Strategic report (continued)

### Principal risks and uncertainties

The principal risks and uncertainties relate to the risks related to Brexit, competition, management of growth, new products, services and technologies, fluctuations in operating results, international expansion, commercial agreements, acquisitions, foreign exchange rates, system interruption, Government regulation, taxation and fraud.

#### Brexit

The management team is closely monitoring the ongoing events related to 'Brexit' for any potential impact this may have on the business. Management is keeping up-to-date with the latest developments and where required action plans are being put in place specifically in relation to supply chain and inventory management as well as cross border trade. Management will continue to manage any potential business challenges that may arise and ensure minimal impact to the ongoing performance of the business and its ability to support our customers and trading partners. Based on the current position, management is confident that Brexit will not have a material impact on the business or the ability to continue to support our customers with the high standards of service that we strive to deliver.

### Strategic risks

#### (a) Customers and markets

The majority of sales are to facilities-based cable, telco and satellite multi-channel video service providers. As the global telecommunications industry continues a trend towards consolidation, sales to the largest service providers are crucial to the company success. Sales are substantially dependent upon a system operator's selection of ARRIS's network equipment, demand for increased broadband services by subscribers, and general capital expenditure levels by system operators.

#### (b) Suppliers

As the ARRIS Group works on long lead times for the supply of components and there is a concentration on a small number of manufacturing partners there is a risk that products become unavailable and flexibility is diminished. However, procedures are in place to monitor the financial and operating strength of suppliers and the Group uses dual or multi-sourced suppliers where possible to mitigate these risks. AGL procures the majority of its products from another group company, ARRIS Technology, Inc. ("ATI"), who bears the ultimate external suppliers' risk in respect of these products.

### Financial risks

#### (a) Market risk

##### (i) Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily against the US Dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. All instruments used in the management of foreign exchange risk are controlled by the global ARRIS Group based on the forecasts and estimates provided by the regional companies.

##### (ii) Interest rate risk

The company's interest rate risk arises from cash held in bank accounts. All instruments used in the management of interest rate risk are controlled by the operational headquarters in the United States of America and are accounted for in other group subsidiaries.

## Strategic report (continued)

### (b) Credit risk

Credit risk is managed on a global basis. The company is responsible for analysing the credit risk associated with each new customer. This information is then provided to the ARRIS corporate team based in the Group's USA head office, who manage the credit risk on a global basis.

### (c) Liquidity and cash flow risk

Cash flow forecasting is carried out by each individual legal entity, the objective is that each entity should generate sufficient cash flow to meet its own operational needs. All group borrowings, covenants and external loans are managed by the global ARRIS group.

### Future developments

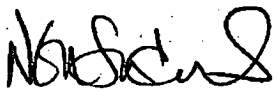
There are no planned changes to the principal activities of the business.

### Post balance sheet events

On 4 April 2019 CommScope Holding Company, Inc., a global leader in infrastructure solutions for communications networks, acquired ARRIS International plc in an all-cash transaction for \$31.75 per share, or a total purchase price of approximately \$7.4b, including the repayment of debt.

On 22 May 2019 Pace Distribution (Overseas) Limited enacted a legal implementation of a deed of waiver in favour of the company in order to extinguish the company's entire loan payable balance to Pace Distribution (Overseas) Limited with a total book value of \$132.5m including interest.

Approved by the Board on 30 September 2019 and signed on its behalf by:



Neil Shankland, Director

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

### Directors

The directors, who served throughout the year except as noted, were as follows:

Stephen McCaffery (resigned 4 April 2019)  
David Potts (resigned 4 April 2019)  
Anthony E. Zuyderhoff (resigned 4 April 2019)  
Michael David Coppin (appointed 4 April 2019)  
Neil Shankland (appointed 4 April 2019)

There are no directors' interests requiring disclosure under the Companies Act 2006.

### Results

The profit for the year, after taxation, amounted to \$82.3m (year ended 31 December 2017: \$169.0m).

### Dividends

On 29 October 2018 the company paid \$260.9m to ARRIS International Limited (formerly ARRIS International plc) as a dividend in specie.

The Board did not recommend the payment of any further dividends for the period ended 31 December 2018. The final dividend in respect of the period ended 31 December 2017 was \$nil.

### Political donations

The company made no political donations during the period (year ended 31 December 2017: \$nil)

### Research and development

Expenditure on research and development during the year amounted to \$157.3m (year ended 31 December 2017: \$148.7m).

The expenditures include compensation costs, materials, other direct expenses, and an allocation of information technology, telecommunications, and facilities costs.

### Going concern

The financial statements have been prepared on the going concern basis. The company has prepared future expected cash flows calculation covering the period of four years. The calculation is based on the following year's budget and future forecasted cash flows. Based on the company's forecasts and projections the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has guarantees from parent to provide adequate financial support to ensure business continuity, this was considered necessary due to the company having net current liabilities.

### Strategic Report

The directors have chosen in accordance with section 414C(11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' Report as the directors consider these are of strategic importance to the company. To this end, future developments have been covered in the Strategic Report.

## Directors' report (continued)

### Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable, considering reasonable adjustments in the same or an alternative position and to provide appropriate training to achieve this aim.

### Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the company has been continued through the Employee Partnership Representatives in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's profit sharing schemes and are encouraged to invest in the company through participation in share option schemes.

### Qualifying third party indemnity provisions

A qualifying third party indemnity provision as defined in section 232(2) of the Companies Act 2006 is in place for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law in respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability insurance policy has been maintained throughout the financial year and at the date of approval of the financial statements.

### Auditor

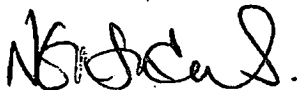
Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office. Ernst & Young have expressed their willingness to continue in office as auditors.

Approved by the Board on 30 September 2019 and signed on its behalf by:



Neil Shankland, Director

## **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# **Independent auditor's report to the members of ARRIS Global Ltd.**

## **Opinion**

We have audited the financial statements of ARRIS Global Ltd. for the year ended 31 December 2018 which comprise the Statement of profit and loss and other comprehensive income, Statement of financial position, statement of changes in equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

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

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

# **Independent auditor's report to the members of ARRIS Global Ltd. (continued)**

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

# **Independent auditor's report to the members of ARRIS Global Ltd. (continued)**

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

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

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

## **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Tim Helm (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds

30 September 2019

## Statement of profit and loss and other comprehensive income for the year ended 31 December 2018

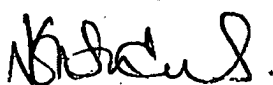
	Note	31 Dec 2018 \$m	31 Dec 2017 \$m
Revenue	4	2,143.5	1,825.6
Cost of sales		(1,655.0)	(1,290.4)
<b>Gross Profit</b>		<b>488.5</b>	<b>535.2</b>
Distribution expenses		(76.2)	(66.7)
Administrative and R&D expenses		(386.8)	(381.7)
Other income	6	0.7	4.0
Other expenses	7	(3.0)	(2.7)
<b>Operating Profit</b>	5	<b>23.2</b>	<b>88.1</b>
Income from shares in group undertakings	17	44.4	84.8
Finance income	8	27.6	23.9
Finance expenses	9	(5.5)	(9.0)
<b>Profit before taxation</b>		<b>89.7</b>	<b>187.8</b>
Income tax expense	13	(7.4)	(18.8)
<b>Profit for the year</b>		<b>82.3</b>	<b>169.0</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income for the year</b>		<b>82.3</b>	<b>169.0</b>

The above results were derived from continuing operations.

## Statement of financial position as at 31 December 2018

	Note	31 Dec 2018 \$m	31 Dec 2017 \$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	4.9	9.2
Intangible assets	16	4.9	8.6
Investment in subsidiaries	17	224.4	215.5
Trade and other receivables	20	378.0	430.4
Deferred tax assets	18	3.1	2.2
		<u>615.3</u>	<u>665.9</u>
<b>Current assets</b>			
Inventories	19	10.3	10.9
Investment in subsidiaries	17	108.6	108.6
Trade and other receivables	20	300.5	314.7
Cash and cash equivalents		39.4	89.8
		<u>458.8</u>	<u>524.0</u>
<b>Total assets</b>		<u><b>1,074.1</b></u>	<u><b>1,189.9</b></u>
<b>LIABILITIES</b>			
Trade and other payables	21	447.3	399.9
Current tax liabilities		21.4	16.6
Provisions	23	2.4	2.7
<b>Total current liabilities</b>		<u><b>471.1</b></u>	<u><b>419.2</b></u>
<b>Net current (liabilities) / assets</b>		<u><b>(12.3)</b></u>	<u><b>104.8</b></u>
<b>Non-current liabilities</b>			
Trade and other payables	21	204.2	197.9
Provisions	23	13.5	9.6
<b>Total non-current liabilities</b>		<u><b>217.7</b></u>	<u><b>207.5</b></u>
<b>Total liabilities</b>		<u><b>688.8</b></u>	<u><b>626.7</b></u>
<b>Net assets</b>		<u><b>385.3</b></u>	<u><b>563.2</b></u>
<b>EQUITY</b>			
Share capital	25	30.1	30.1
Other reserves		57.4	57.4
Retained earnings		297.8	475.7
<b>Equity attributable to owners of the parent</b>		<u><b>385.3</b></u>	<u><b>563.2</b></u>
<b>Total Equity</b>		<u><b>385.3</b></u>	<u><b>563.2</b></u>

These Financial Statements were approved by the Board of directors on 30 September and were signed on its behalf by:



**Neil Shankland**  
Director

## Statement of changes in equity for the year ended 31 December 2018

	Note	Called-up share capital \$m	Other reserves \$m	Retained earnings \$m	Total Equity \$m
<b>At 31 December 2016</b>		<b>30.1</b>	<b>57.4</b>	<b>305.3</b>	<b>392.8</b>
Profit for the year		-	-	169.0	169.0
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	169.0	169.0
Share based payment transactions	27	-	-	2.9	2.9
Charge made to parent in respect of share-based payments (i)		-	-	(1.5)	(1.5)
<b>At 31 December 2017</b>		<b>30.1</b>	<b>57.4</b>	<b>475.7</b>	<b>563.2</b>
Profit for the year		-	-	82.3	82.3
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	82.3	82.3
Share based payment transactions	27	-	-	3.2	3.2
Charge made to parent in respect of share-based payments (i)	27	-	-	(2.5)	(2.5)
Equity dividends paid	14	-	-	(260.9)	(260.9)
<b>At 31 December 2018</b>		<b>30.1</b>	<b>57.4</b>	<b>297.8</b>	<b>385.3</b>

- (i) Charge made to the parent in respect of share-based payments relates to amounts paid to parent in respect of equity compensation for employees.

## Notes to the financial statements at 31 December 2018

### 1. General information

The company is a private company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is:

100 New Bridge Street  
London  
EC4V 6JA  
United Kingdom

ARRIS Global Ltd. is consolidated in the financial statements of its parent at year end, ARRIS International plc, a company registered in the United Kingdom. A copy of these statements may be obtained from ARRIS International plc, Victoria Road, Saltaire, West Yorkshire, BD18 3LF, United Kingdom.

The financial statements were authorised for issue by the Board on 30 September 2019.

The nature of the company's operations and its principal activities are set out in the Strategic report on page 3.

### 2. Accounting policies

#### Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### Basis of preparation

These financial statements have been prepared under historical cost convention and in accordance with applicable accounting standards. The financial statements are prepared in US Dollars which is the functional currency and rounded to the nearest \$0.1m.

#### Consolidated financial statements

The financial statements present information about the company as an individual undertaking and not about the group because the company qualifies for the exemption from the obligation to prepare and deliver group financial statements under Section 401 of the Companies Act 2016. Details of the ultimate parent and availability of consolidated financial statements are included in note 28.

#### Disclosure exemptions

The company is considered to be a qualifying entity (under FRS 102) due to it being a subsidiary of ARRIS International plc at the reporting date. As a qualifying entity, the company has adopted the following disclosure exemptions:

- (i) the requirements of Section 3 Financial Statement Presentation paragraph 3.17 (d) and the requirements of Section 7 Statement of Cash Flows;
- (ii) the requirements of Section 11 Basic Financial Instruments, paragraphs 11.39 to 11.48A and the requirements of Section 12 Other Financial Instruments Issues paragraphs 12.26 to 12.29;
- (iii) the requirements of Section 26 Share based Payment, paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- (iv) the requirement of Section 33 Related Party Disclosures paragraph 33.7.

The company has also adopted the disclosure exemption in respect of related party transactions between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

## Notes to the financial statements at 31 December 2018 (continued)

### 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. The company has prepared future expected cash flows calculation covering the period of four years. The calculation is based on the following year's budget and future forecasted cash flows. The company has guarantees from parent to provide adequate financial support to ensure business continuity, this was required due to the company having net current liabilities. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### Depreciation

Depreciation is charged so as to write off the cost of assets, other than freehold land and properties under construction on a straight-line basis over their estimated useful lives, as follows:

Asset class	Depreciation rate
Short leasehold land and buildings	12 to 40 years
Plant, machinery and motor vehicles	3 to 10 years

#### Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

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

#### Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.



## Notes to the financial statements at 31 December 2018 (continued)

### 2. Accounting policies (continued)

#### Financial assets and liabilities (continued)

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

#### Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of profit and loss and other comprehensive income.

## Notes to the financial statements at 31 December 2018 (continued)

### 2. Accounting policies (continued)

#### Research and Development

Research and development ("R&D") costs are expensed as incurred. The expenditures include compensation costs, materials, other direct expenses, and an allocation of information technology, telecommunications, and facilities costs.

#### Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### Taxation

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

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured on an undiscounted basis using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

## Notes to the financial statements at 31 December 2018 (continued)

### 2. Accounting policies (continued)

#### Taxation (continued)

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Revenue

The company's material revenue streams are the result of a wide range of activities, from the delivery of stand-alone equipment to custom design and installation over a period of time to bundled sales of equipment, software and services. The company recognises revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability of the sales price is reasonably assured. In addition to these general revenue recognition criteria, the following specific revenue recognition policies are followed:

##### *Products and equipment*

For product and equipment sales, revenue recognition generally occurs when products or equipment have been shipped, risk of loss has transferred to the customer, objective evidence exists that customer acceptance provisions have been met, no significant obligations remain and allowances for discounts, price protection, returns and customer incentives can be reasonably and reliably estimated. Recorded revenues are reduced by these allowances. The company bases its estimates on historical experience taking into consideration the type of products sold, the type of customer, and the type of transaction specific in each arrangement. Where customer incentives can be reasonably and reliably estimated, the company recognises the revenue at the time the product sells through the distribution channel to the end customer.

##### *Services, software & licenses*

Revenue for services (including software maintenance, technical support and unspecified upgrades) is generally recognised rateably over the contract term as services are performed.

Revenue from pre-paid perpetual licenses is recognised at the inception of the arrangement, presuming all other relevant revenue recognition criteria are met. Revenue from non-perpetual licenses or term licenses is recognised rateably over the period that the licensee uses the license. Revenue from software maintenance, technical support and unspecified upgrades is generally recognised over the period that these services are delivered.

## Notes to the financial statements at 31 December 2018 (continued)

### 2. Accounting policies (continued)

#### Revenue (continued)

##### *Multiple element arrangements*

Arrangements with customers may include multiple deliverables, including any combination of products, equipment, services and software. Revenue is allocated to each deliverable based on fair value and then revenue is recognised for each separate deliverable based on the nature of the revenue.

#### Intangible assets and amortisation

The useful lives of identifiable intangible assets are determined after considering the specific facts and circumstances related to each intangible asset. Factors considered when determining useful lives include the contractual term of any agreement related to the asset, the historical performance of the asset, the company's long-term strategy for using the asset, any laws or other local regulations which could impact the useful life of the asset, and other economic factors, including competition and specific market conditions.

Intangible assets that are acquired by the company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of other intangibles is done on a straight-line basis over the estimated useful economic lives of the particular asset categories as follows:

Technologies and customer contracts	ten years
Licenses	three to eight years

Amortisation of licenses is charged to cost of sales, all other amortisation is charged to other expenses.

#### Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

#### Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded and converted to the functional currency at the exchange 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

#### Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

## Notes to the financial statements at 31 December 2018 (continued)

### 2. Accounting policies (continued)

#### Share based payments

##### *Equity settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to

the award. The vesting period is over four years. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) and non-vesting conditions. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as

#### Share based payments (continued)

vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognized in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognized if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the profit and loss account.

#### Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

#### 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 change in value.

## Notes to the financial statements at 31 December 2018 (continued)

### 2. Accounting policies (continued)

#### Trade receivables

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

Trade receivables are recognised at the transaction price, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence.

#### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor

for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of profit and loss and other comprehensive income over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### Called-up 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. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### *Royalty provisions*

Provisions for royalty claims are recognised when it is considered more likely than not that an outflow of economic resources will be required to settle a claim that has resulted from the sale of a product allegedly using technology of a patent owner, and the amount of the outflow can be reliably measured. The directors have made provision for the potential royalty payable based on the latest information available, which represents the best estimate of the expenditure required to settle the present obligation.

## Notes to the financial statements at 31 December 2018 (continued)

### 2. Accounting policies (continued)

#### Provisions (continued)

##### *Warranty provisions*

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. The level of warranty provision required is reviewed on a product by product basis and provisions are adjusted accordingly in the light of actual performance.

#### Interest income and expense

Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

#### Investments and impairment of investments

Investments are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through profit and loss). Where there are indicators of impairment of individual investments, the company performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next four years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

### 3. Critical accounting judgements and key sources of estimations uncertainty

#### Key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities as at the balance sheet date and the amounts reported for turnover and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next four years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

## Notes to the financial statements at 31 December 2018 (continued)

### 3. Critical accounting judgements and key sources of estimations uncertainty (continued)

#### Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

#### Provisions

##### *Warranty*

The company provides warranties of various lengths to customers based on the specific product and the terms of individual agreements. An estimate of future warranty obligations is recognised by a current charge to cost of sales in the period in which the related revenue is recognised. The estimate is based upon historical experience. The embedded product base, failure rates, cost to repair and warranty periods are used as a basis for calculating the estimate. Estimated expected costs associated with non-recurring product failures are provided, via a charge to current cost of sales. In the event of a significant non-recurring product failure, the amount of the provisions may not be sufficient. In the event that our historical experience of product failure rates and costs of correcting product failures change, our estimates relating to probable losses resulting from a significant non-recurring product failure changes, or to the extent that other non-recurring warranty claims occur in the future, we may be required to record additional warranty provisions. Alternatively, if we provided more reserves than we needed, we may reverse a portion of such provisions in future periods. In the event we change our warranty reserve estimates, the resulting charge against future cost of sales or reversal of previously recorded charges may materially affect our operating results and financial position.

##### *Royalty*

The company recognises provisions for royalty claims when it is considered more likely than not that an outflow of economic resources will be required to settle a claim that has resulted from the sale of a product allegedly using technology of a patent owner, and the amount of the outflow can be reliably measured. The provision for the potential royalty payable is based on the latest information available, which represents the best estimate of the expenditure required to settle the present obligation.

#### Revenue

##### *Multiple Element Arrangements*

Certain customer transactions may include multiple deliverables based on the bundling of equipment, software and services. When a multiple element arrangement exists, the fee from the arrangement is allocated to the various deliverables, to the extent appropriate, so that the correct amount can be recognised as revenue as each element is delivered. Based on the composition of the arrangement, the company analyses the provisions of the accounting guidance to determine the appropriate model that is applied towards accounting for the multiple element arrangement.



## Notes to the financial statements at 31 December 2018 (continued)

### 4. Revenue

The analysis of the company's revenue by class of business is set out as below:

	31 Dec 2018 \$m	31 Dec 2017 \$m
Products & equipment	2,081.9	1,731.2
Services, software & licenses	61.6	94.4
	<u>2,143.5</u>	<u>1,825.6</u>

The analysis of the company's revenue by geographical market is set out below:

<u>Region</u>	31 Dec 2018 \$m	31 Dec 2017 \$m
Asia Pacific	185.2	226.3
Central and Latin America	591.5	453.1
Europe, Middle-East and Africa	942.7	684.8
North America	424.1	461.4
	<u>2,143.5</u>	<u>1,825.6</u>

Revenue represents amounts derived from the provision of goods, services and licenses which fall within the company's ordinary activities, stated net of value added tax.

## Notes to the financial statements at 31 December 2018 (continued)

### 5. Operating profit

Operating profit is stated after charging / (crediting) the following amounts, excluding amounts included in other income and expenses:

	31 Dec 2018 \$m	31 Dec 2017 \$m
Depreciation expense	5.7	9.2
Operating leases - land and buildings	0.8	0.8
Foreign currency loss / (gain)	15.5	(9.5)
Amortisation of intangible assets	1.2	1.2
Research and development costs	157.3	148.7

### 6. Other income

	31 Dec 2018 \$m	31 Dec 2017 \$m
Income from group undertakings – restructuring income	0.7	4.0
	<u>0.7</u>	<u>4.0</u>

The restructuring activities are with respect to the reorganisation of the group and specifically, ARRIS Solutions France SAS (formerly Pace France SAS). The activities have been completed and the excess reserves were released.

### 7. Other expenses

	31 Dec 2018 \$m	31 Dec 2017 \$m
Amortisation of intangible assets	2.5	2.5
Restructuring and reorganisation expenses	0.5	0.2
	<u>3.0</u>	<u>2.7</u>

During the current period \$0.5m of restructuring costs were borne by the company with respect to the reorganisation of the company (for the year ended 31 December 2017: \$0.2m).

## Notes to the financial statements at 31 December 2018 (continued)

### 8. Finance income

	31 Dec 2018 \$m	31 Dec 2017 \$m
Bank interest receivable	-	0.1
Interest receivable on loans to group undertakings	27.6	23.8
	<u>27.6</u>	<u>23.9</u>

### 9. Finance costs

	31 Dec 2018 \$m	31 Dec 2017 \$m
Bank interest payable	-	0.6
Interest payable on loans from group undertakings	5.5	8.4
	<u>5.5</u>	<u>9.0</u>

### 10. Staff costs

The average monthly number of employees (including executive directors) was:

	31 Dec 2018	31 Dec 2017
Sales, marketing and administration	55	42
Technical and operations	95	82
Research and Development	174	194
	<u>324</u>	<u>318</u>

## Notes to the financial statements at 31 December 2018 (continued)

### 10. Staff costs (continued)

Their aggregate remuneration comprised:

	31 Dec 2018 \$m	31 Dec 2017 \$m
Wages and salaries	25.2	23.8
Social security costs	2.4	2.7
Other pension schemes	1.7	1.5
Share-based payment expenses	3.2	2.9
	<u>32.5</u>	<u>30.9</u>

### 11. Directors' remuneration

The directors' remuneration for the year was as follows:

	31 Dec 2018 \$m	31 Dec 2017 \$m
Emoluments	-	-
Contributions paid to pension schemes in respect of qualifying services	-	-
	<u>-</u>	<u>-</u>

The current period directors David Potts, Stephen McCaffery and Anthony E. Zuyderhoff are paid out of ARRIS Enterprises Inc. and ARRIS Solutions UK Ltd respectively. They have an overall ARRIS group role and as a result the directors do not believe it to be practical to allocate any fees to this entity. Director's fees for David Potts, Stephen McCaffery and Anthony E. Zuyderhoff are disclosed in the group financial statements of ARRIS International plc and ARRIS Solutions UK Ltd respectively.

During the period no retirement benefits were accruing to any of the existing directors in respect of defined contribution pension schemes as the directors are not employed by the company.

During the period, the directors were granted no restricted share units as part of a group share based payments scheme as compared to none in the prior period.

### 12. Auditor's remuneration

Fees payable to Ernst & Young LLP during the period ended 31 December 2018 for audit related assurance services to the company were \$0.3m (for the year ended 31 December 2017: \$0.3m). Auditor's remuneration for the period includes fees for the company and four UK subsidiaries (similar for the year ended 31 December 2017).

There were no fees payable to Ernst & Young LLP and their associates for non-audit services to the company during the year.

## Notes to the financial statements at 31 December 2018 (continued)

### 13. Taxation

The tax charge comprises:

	31 Dec 2018 \$m	31 Dec 2017 \$m
<b>Current taxation</b>		
UK corporation tax	3.1	12.3
Movement in uncertain tax position	5.4	4.9
UK corporation tax adjustment to prior periods	(0.2)	2.3
	<u>8.3</u>	<u>19.5</u>
<b>Total current tax</b>	<u>8.3</u>	<u>19.5</u>
<b>Deferred tax</b>		
Arising from origination and reversal of timing differences	(0.8)	(1.3)
Adjustment in respect of previous periods	(0.2)	-
Effect of tax rate change on opening balance	0.1	0.6
	<u>(0.9)</u>	<u>(0.7)</u>
<b>Total deferred tax</b>	<u>(0.9)</u>	<u>(0.7)</u>
<b>Total tax on profit</b>	<u>7.4</u>	<u>18.8</u>
 <b>Profit before tax</b>	 <u>89.7</u>	 <u>187.8</u>
Tax on profit at standard UK		
Corporation tax rate of 19.00% (2017: 19.25%)	<u>17.0</u>	<u>36.2</u>
 Effects of:		
Expense not deductible in determining taxable profit	0.7	0.5
Income not deductible in determining taxable profit	(11.4)	(16.3)
Tax rate changes	0.1	0.6
Adjustment from previous periods - current tax	(0.2)	2.3
Adjustment from previous periods - deferred tax	(0.2)	-
Patent box additional deduction	-	(1.4)
R&D expenditure credits	(0.4)	(0.4)
Group relief claimed	(4.0)	(8.0)
Foreign exchange movements	0.4	0.4
Movement in uncertain tax provision	5.4	4.9
	<u>7.4</u>	<u>18.8</u>
<b>Tax charge for the year</b>	<u>7.4</u>	<u>18.8</u>

## Notes to the financial statements at 31 December 2018 (continued)

### 13. Taxation (continued)

#### Factors that may affect future tax charges

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 19% to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The closing deferred tax asset at 31 December 2018 has been calculated at 17% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future periods.

### 14. Dividends

On 29 October 2018 the company paid \$260.9m to ARRIS International Limited (formerly ARRIS International plc) as a dividend in specie.

The Board did not recommend the payment of any further dividends for the period ended 31 December 2018. The final dividend in respect of the period ended 31 December 2017 was \$nil.

### 15. Property, plant and equipment

	Short leasehold land and buildings \$m	Plant, machinery and motor vehicles \$m	Total \$m
<b>Cost</b>			
At 31 December 2017	19.1	80.0	99.1
Additions	0.2	2.8	3.0
Disposals	(0.4)	(24.7)	(25.1)
<b>At 31 December 2018</b>	<b>18.9</b>	<b>58.1</b>	<b>77.0</b>
<b>Depreciation</b>			
At 31 December 2017	18.9	71.1	90.0
Charge for the year	0.2	5.5	5.7
Eliminated on disposals	(0.4)	(23.2)	(23.6)
<b>At 31 December 2018</b>	<b>18.7</b>	<b>53.4</b>	<b>72.1</b>
<b>Net book value</b>			
At 31 December 2018	0.2	4.7	4.9
At 31 December 2017	0.2	8.9	9.1

## Notes to the financial statements at 31 December 2018 (continued)

### 16. Intangible assets

	Technologies and customer contracts \$m	Licenses \$m	Total \$m
<b>Cost</b>			
At 31 December 2017	14.4	5.7	20.1
Addition	-	-	-
<b>At 31 December 2018</b>	<b>14.4</b>	<b>5.7</b>	<b>20.1</b>
<b>Amortisation</b>			
At 31 December 2017	9.1	2.4	11.5
Charge for the year	2.5	1.2	3.7
<b>At 31 December 2018</b>	<b>11.6</b>	<b>3.6</b>	<b>15.2</b>
<b>Net book value</b>			
At 31 December 2018	2.8	2.1	4.9
At 31 December 2017	5.3	3.3	8.6

Intellectual property and customer contracts acquired from ARRIS Solutions France (formerly Pace France S.A.S), are being amortised on a straight-line basis over the expected useful economic life of 10 years.

Licences for PMC (cost: \$2.0m), AT&T (cost: \$1.5m) and Alcatel Lucent (cost: \$2.3m,) are amortised over 88, 60 and 36 months respectively.

Amortisation is charged through other expenses (\$2.5m) and cost of sales (\$1.2m).

## Notes to the financial statements at 31 December 2018 (continued)

### 17. Investment in subsidiaries

	31 Dec 2018	31 Dec 2017
	\$m	\$m
	Total	Total
Investments in subsidiaries	333.0	324.1
<b>Subsidiaries</b>		<b>\$m</b>
<b>Cost</b>		
At 31 December 2017		701.3
Additions (a)		8.9
At 31 December 2018		710.2
<b>Impairment</b>		
At 31 December 2017		(377.2)
At 31 December 2018		(377.2)
<b>Net Book Value</b>		
At 31 December 2018		333.0
At 31 December 2017		324.1

- (a) On 16th of July 2018, ARRIS Global Ltd acquired ARRIS STB Mexico, S.A. de C.V. from ARRIS Solutions Inc. for a cash consideration of US\$3,824,492. On the same day, ARRIS Global Ltd acquired ARRIS de Mexico, S.A. de C.V. from ARRIS Technology Inc. for a cash consideration of US\$5,046,621.

Of the above total \$108.6m is in respect of Pace Distribution (Overseas) Limited has been classified within current assets, Pace Distribution (Overseas) Limited is expected to be liquidated in the current year. This investment was also treated as current in the prior year as there was an expectation of liquidation during 2019, however this was not finalised by year end and therefore the investment remains at 31 December 2018.

Income from shares in group undertakings include dividend income from Pace Overseas Distribution Limited, Latens Seives Limited and Pace Micro Technology Limited, all subsidiaries of the company, for the amounts of \$41.1m, \$2.6m and \$0.7m respectively.

#### Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as below:



## Notes to the financial statements at 31 December 2018 (continued)

### 17. Investment in subsidiaries (continued)

Subsidiary Undertakings	Country of incorporation	Principle activity	Registered Address	Owner Entity	Proportion of voting rights and shares held
Pace Australia Pty Ltd	Australia	Support	C/o Company Matters Pty Limited Level 12, 680 George Street, Sydney NSW 2000	ARRIS Global Ltd.	100.00%
ARRIS Group India Private Limited	India	Support	"The Senate", Ground, 1st and 2nd Floor, No. 33/1, Ulsoor Road, Bangalore – 560042 Karnataka India	ARRIS Global Ltd.	99.99%
Pace Asia Pacific Ltd.	Hong Kong	Support	1607C-09, Block 2, 16/F Two Harbourfront, 22 Tak Fung Street Hung Hom, KL, Hong Kong	ARRIS Global Ltd.	100.00%
Latens Systems Ltd	United Kingdom	Support	Aisling House, Stranmillis Embankment Belfast Northern Ireland BT9 5FL United Kingdom	ARRIS Global Ltd.	100.00%
Pace Micro Technology Ltd	United Kingdom	Dormant	Victoria Road Saltaire West Yorkshire BD18 3LF UK	ARRIS Global Ltd.	100.00%
ARRIS International IP Ltd	United Kingdom	Holding	Victoria Road Saltaire West Yorkshire BD18 3LF UK	ARRIS Global Ltd.	100.00%

## Notes to the financial statements at 31 December 2018 (continued)

### 17. Investment in subsidiaries (continued)

Subsidiary Undertakings	Country of incorporation	Principle activity	Registered Address	Owner Entity	Proportion of voting rights and shares held
ARRIS Solutions France	France	Support	5 Boulevard Gallieni, 10 rue Camille Desmoulins, Immeuble DUEO 92130 Issy-les Moulineaux, France	ARRIS Global Ltd.	100.00%
Pace Advanced Consumer Electronics Ltd	United Kingdom	Dormant	Victoria Road Saltaire West Yorkshire BD18 3LF UK	ARRIS Global Ltd.	100.00%
Pace East Trading Ltd	United Kingdom	Support	Victoria Road Saltaire West Yorkshire BD18 3LF UK	ARRIS Global Ltd.	100.00%
Pace Distribution (Overseas) Ltd	United Kingdom	Holding	Victoria Road Saltaire West Yorkshire BD18 3LF UK	ARRIS Global Ltd.	99.71%
Pace Electronic Devices Technology Consulting (Shenzhen) Co. Ltd.	China	Liquidating	Pace China Operations, Rm 646-8 Floor 6 East, Shenzhen Airport Information Building, Airport Entrance Road, Baoan District, Shenzhen City, 518218, China	Pace Asia Pacific Ltd.	100.00%
Pace Overseas Distribution Ltd	United Kingdom	Holding	Victoria Road Saltaire West Yorkshire BD18 3LF UK	Pace Distribution (Overseas) Ltd	99.71%

## Notes to the financial statements at 31 December 2018 (continued)

### 17. Investment in subsidiaries (continued)

Subsidiary Undertakings	Country of incorporation	Principle activity	Registered Address	Owner Entity	Proportion of voting rights and shares held
ARRIS South Africa (Pty) Ltd	South Africa	Support	Registered address: Plumbago Business Park 1 Blaauwklippen Avenue Glen Erasmia X17 Kempton Park 1619 Johannesburg	Pace Overseas Distribution Ltd	99.71%
Pace International ME FZE	United Arab Emirates	Liquidating	Jebel Ali Free Zone, dxb, UAE	Pace East Trading Limited	100.00%
ARRIS Indústria Eletrônica do Brasil Ltda.	Brazil	Support	Avenida Torquato Tapajós, 9475. Bairro tarumã Manaus, Amazonas, CEP 69048-660, Brazil	ARRIS International IP Ltd  Pace Distribution (Overseas) Ltd	99.9998%  0.00002%
Pace Asia Home Networks Sdn Bhd	Malaysia	Liquidating	19-3, Jalan Puteri 2/7, Bandar Puteri, 47100 Puchong, Selangor, Malaysia	ARRIS Solutions France	100.00%
Latens Services Ltd	United Kingdom	Support	Aisling House, Stranmillis Embankment Belfast Northern Ireland BT9 5FL United Kingdom	Latens Systems Ltd	100.00%
Latens Systems (India) Private Limited	India	Support	6-2-966/1, Flat No. 101. Salma Arcade, Khairthabad, Hyderabad, Telangana-TG, 500004	Latens Systems Ltd	99.90%
ARRIS STB Mexico S.A. de C.V.	Mexico	Support	Bldv Manuel Avila Camacho 126, Piso 2 Colonia Lomas de Chapultepec Delegacion Miguel Hidalgo CP 11000 Ciudad de Mexico, Mexico	ARRIS Global Ltd.	98.00%

## Notes to the financial statements at 31 December 2018 (continued)

### 18. Deferred Tax

Movement in the deferred tax asset in the period is as follows:

		Deferred taxation \$m
At 31 December 2017		2.2
Credit to profit and loss account		0.9
At 31 December 2018		3.1
	31 Dec 2018 \$m	31 Dec 2017 \$m
Other timing differences	3.1	2.2
Deferred tax asset	3.1	2.2

The company expects deferred tax assets of \$0.5m to reverse in 2019.

### 19. Inventories

	31 Dec 2018 \$m Total	31 Dec 2017 \$m Total
Finished goods and goods for resale	4.8	10.9
Raw materials	5.5	-
	10.3	10.9

The total amount of inventories recognised as an expense during the period is \$925.8m (period ended 31 December 2017: \$930.6m).

The total amount of inventory written down which was expensed to the profit and loss account in the period was \$nil (period ended 31 December 2017: \$nil).

## Notes to the financial statements at 31 December 2018 (continued)

### 20. Trade and other receivables

	31 Dec 2018	31 Dec 2017
	\$m	\$m
<b>Current assets</b>	<b>Total</b>	<b>Total</b>
Trade receivables	259.6	224.5
Amounts owed by group undertakings	17.7	72.8
VAT receivables	14.2	12.3
Other receivables	8.3	4.3
Prepayments and accrued income	0.7	0.8
	<u>300.5</u>	<u>314.7</u>
<b>Non-current assets</b>		
Amounts owed by group undertakings (a)	<u>378.0</u>	<u>430.4</u>
<b>Total trade and other receivables</b>	<u>678.5</u>	<u>745.1</u>

(a) The amounts owed by group undertakings are loan notes that bear interest at LIBOR plus 150 to 500 base points and are repayable in 2020, although companies may make voluntary repayments at any time.

### 21. Trade and other payables

	31 Dec 2018	31 Dec 2017
	\$m	\$m
<b>Current liabilities</b>	<b>Total</b>	<b>Total</b>
Trade payables	16.0	15.2
Amounts payable to group undertakings	346.6	283.0
Social security and other taxes	0.6	0.7
Other payables	5.3	12.5
Accruals and deferred income	78.8	88.5
	<u>447.3</u>	<u>399.9</u>

## Notes to the financial statements at 31 December 2018 (continued)

### 21. Trade and other payables (continued)

Non-current liabilities	31 Dec 2018	31 Dec 2017
	\$m	\$m
Amounts payable to group undertakings (a)	194.2	190.6
Accruals and deferred income	10.0	7.3
	<u>204.2</u>	<u>197.9</u>
<b>Total trade and other payables</b>	<b>651.4</b>	<b>597.8</b>

(a) Included in non-current liabilities is \$179.0m (31 December 2017: \$178.4m) of loan notes which bears interest at LIBOR plus 130 base points and are repayable in 2023, although the company may make voluntary repayments at any time. The remaining balance includes a loan note which bears interest at EURIBOR plus 200 base points.

No security has been provided against any of these balances.

### 22. Interest-bearing loans and borrowings

On 30 August 2016 ARRIS Global Ltd. became a party to an existing bank guarantee with fellow UK group companies ARRIS Solutions UK Ltd., Pace Distribution (Overseas) Limited, Pace Overseas Distribution Limited and ARRIS International IP Limited, by way of a fixed charge over certain bank accounts of these companies.

No security has been provided against any of these balances.

### 23. Provisions

	Warranties	Royalties	Total
	\$m	\$m	\$m
<b>At 31 December 2017</b>	<b>6.2</b>	<b>6.1</b>	<b>12.3</b>
Charge for year	7.0	-	7.0
Utilised	(3.4)	-	(3.4)
Transfer	-	-	-
<b>At 31 December 2018</b>	<b>9.8</b>	<b>6.1</b>	<b>15.9</b>
Due within one year	2.4	-	2.4
Due after one year	7.4	6.1	13.5

## Notes to the financial statements at 31 December 2018 (continued)

### 23. Provisions (continued)

#### Warranty provisions

The company provides warranties for its products from the point of sale and a provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data, principally historical failure rates and related cost of repair information and a weighting of all possible outcomes against their associated probabilities. The level of warranty provision required is reviewed on a product by product basis and provisions are adjusted accordingly in light of actual performance.

Although it is difficult to make accurate predictions of potential failure rates or the possibility of an epidemic failure, as a warranty estimate must be calculated at the outset of product shipment before field deployment data is available, these estimates improve during the lifetime of the product in the field. It is expected that the expenditure with regard to warranties will be incurred within five years of the balance sheet date.

#### Royalties

Provisions for royalty claims are recognised when it is considered more likely than not that an outflow of economic resources will be required to settle a claim that has resulted from the sale of a product allegedly using technology of a patent owner, and the amount of the outflow can be reliably measured. The directors have made provision for the potential royalty payable based on the latest information available, which represents the best estimate of the expenditure required to settle the present obligation.

### 24. Leases

#### Operating leases

The total of future minimum lease payments under non-cancellable are as follows:

	31 Dec 2018	31 Dec 2017
	\$m	\$m
	Total	Total
Not later than one year	0.8	0.8
Later than one year and not later than five years	0.8	1.7
	<u>1.6</u>	<u>2.5</u>

The amount of non-cancellable operating lease payments recognised as an expense during the period was \$0.8m (2017: \$0.8m).

## Notes to the financial statements at 31 December 2018 (continued)

### 25. Called-up share capital and reserves

Allotted, called-up and fully paid shares

		31 Dec 2018		31 Dec 2017
	No.	\$m Total	No.	\$m Total
Ordinary shares of 5 pence each	327,811,450	30.1	327,811,450	30.1

The company has one class of ordinary shares which carry no right to fixed income.

The company's other reserves are as follows:

- (i) Retained Earnings - The retained earnings represents cumulative profits or losses, net of dividends paid.
- (ii) Other Reserves - Other reserves consists of a merger reserve of \$109.9m which was created upon the acquisition of the STB and connectivity solutions business of Royal Philips Electronics and a translation reserve of \$(52.5m) representing accumulated exchange differences arising from the impact of translation of subsidiaries with a functional currency other than US Dollars in prior periods.

### 26. Retirement benefit schemes

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the scheme and amounted to \$1.7m (period ended 31 December 2017: \$1.5m). Contributions outstanding at 31 December 2018 amounted to \$0.3m (period ended 31 December 2017: \$0.3m) to the scheme.

### 27. Share based payments

#### Equity-settled share option scheme

#### Scheme details and movements

Restricted stock and restricted stock units (RSUs) grants consist of shares or the right to shares in ARRIS International plc's common stock which are awarded to certain employees and non-employee directors of the company.

The grants are restricted such that they are subject to substantial risk of forfeiture and to restrictions on their sale or other transfer by employee.

Upon the occurrence of a change in control, the restrictions on all shares outstanding on the date on which the change in control occurs will lapse.



## Notes to the financial statements at 31 December 2018 (continued)

### 27. Share based payments (continued)

The RSUs vest at a rate of 25% a year over a four year period and have been valued at the market value of the shares on the date of grant.

Under Section 26 of FRS 102 and using ARRIS International plc's assumptions, the company records a fixed compensation expense equal to the fair market value of the shares of restricted stock granted on a straight line basis over the requisite services period for the restricted shares. The company recognised a share-based payments expense of \$3.2m (period ended 31 December 2017: \$2.9m) which was allocated to the profit and loss account against "administrative and R&D expenses", out of which \$2.4m (period ended 31 December 2017 : \$1.5m) was a charge made to parent.

The company applies an estimated post vesting forfeiture rate based on historical rates.

### 28. Ultimate parent undertaking and Controlling party

Following the acquisition of the company by CommScope on 4 April 2019 the company's ultimate parent company and controlling party is Commscope Holding Company, Inc, a company registered in United States of America.

### 29. Related party transactions

The company has taken advantage of the exemption in Section 33 of FRS 102 from disclosing transactions with companies that are part of the ultimate holding company of the group, on the ground that the company is a wholly owned subsidiary and the ultimate holding company includes the company in its own published Group financial statements.

Related party balances outstanding as at 31 December 2018 and 31 December 2017 are as follows:

#### Current balances:

	31 Dec 2018			31 Dec 2017		
	Trading	Loan	\$m Total	Trading	Loan	\$m Total
Amounts owed from parent	-	-	-	-	60.2	60.2
Amounts owed from subsidiaries	4.0	-	4.0	7.6	-	7.6
Amounts owed from others	13.7	-	13.7	5.0	-	5.0
<b>Total amounts owed from related parties</b>	<b>17.7</b>	<b>-</b>	<b>17.7</b>	<b>12.6</b>	<b>60.2</b>	<b>72.8</b>
Amounts owed to parent	2.3	-	2.3	2.0	-	2.0
Amounts owed to subsidiaries	11.2	-	11.2	38.4	-	38.4
Amounts owed to others	333.1	-	333.1	242.6	-	242.6
<b>Total amounts to related parties</b>	<b>346.6</b>	<b>-</b>	<b>346.6</b>	<b>283.0</b>	<b>-</b>	<b>283.0</b>

## Notes to the financial statements at 31 December 2018 (continued)

### 29. Related party transactions (continued)

#### Non-current balances:

	31 Dec 2018			31 Dec 2017		
	Trading	Loan	\$m Total	Trading	Loan	\$m Total
Amounts owed from parent	-	-	-	-	-	-
Amounts owed from subsidiaries	-	8.8	8.8	-	-	-
Amounts owed from others	-	369.2	369.2	-	430.4	430.4
<b>Total amounts owed from related parties</b>	-	<b>378.0</b>	<b>378.0</b>	-	<b>430.4</b>	<b>430.4</b>
Amounts owed to parent	-	-	-	-	-	-
Amounts owed to subsidiaries	-	194.2	194.2	-	190.6	190.6
Amounts owed to others	-	-	-	-	-	-
<b>Total amounts to related parties</b>	-	<b>194.2</b>	<b>194.2</b>	-	<b>190.6</b>	<b>190.6</b>

### 30. Subsequent events

On 4 April 2019 CommScope Holding Company, Inc., a global leader in infrastructure solutions for communications networks, acquired ARRIS International plc in an all-cash transaction for \$31.75 per share, or a total purchase price of approximately \$7.4b, including the repayment of debt.

On 22 May 2019 Pace Distribution (Overseas) Limited enacted a legal implementation of a deed of waiver in favour of the company in order to extinguish the company's entire loan payable balance to Pace Distribution (Overseas) Limited with a total book value of \$132.5m including interest.