

ARRIS Global Ltd.

Registered number: 01672847

Annual Reports and Financial Statements for the year ended 31 December 2019



Corporate Information

Directors

Michael David Coppin
Alisdair More

Registered office

100 New Bridge Street
London
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Bankers

JP Morgan Chase
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Auditor

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Strategic report

Introduction

The directors, in preparing this strategic report for ARRIS Global Ltd. ("Company" or "AGL") for the year ended 31 December 2019, have complied with s414C of the Companies Act 2006.

Review of the business

On 4 April 2019 CommScope Holding Company, Inc., a global leader in infrastructure solutions for communications networks, acquired ARRIS International plc ("ARRIS") and all of its subsidiaries, which AGL is part of. ARRIS International plc has since changed its name to ARRIS International Limited.

The CommScope group ("Group") is a global provider of infrastructure solutions for communication and entertainment networks. The Group's solutions for wired and wireless networks enable service providers including cable, telephone and digital broadcast satellite operators and media programmers to deliver media, voice, Internet Protocol (IP) data services and Wi-Fi to their subscribers and allow enterprises to experience constant wireless and wired connectivity across complex and varied networking environments. The solutions are complemented by a broad array of services including technical support, systems design and integration. The Group is a leader in digital video and IP television distribution systems, broadband access infrastructure platforms and equipment that delivers data and voice networks to homes. The Group's global leadership position is built upon innovative technology, broad solution offerings, high-quality and cost-effective customer solutions, and global manufacturing and distribution scale. During 2019 the Group operated in five segments: Connectivity, Mobility, Customer Premises Equipment (CPE), Network & Cloud (N&C) and Ruckus Networks (Ruckus).

AGL is the principal operating company for customer sales outside of the United States of America ("U.S.") for CPE and N&C business segments. 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 CPE segment includes subscriber-based solutions that support broadband and video applications connecting cable, telecommunications and satellite service providers to a customer's home and adds wireless connectivity or other wired connections integrating in-home devices together to enable the consumption of internet-based services and the delivery of broadcast, streamed and stored video to televisions and other connected devices. Broadband offerings include devices that provide residential connectivity to a service provider's network, such as digital subscriber line (DSL) and cable modems and telephony and data gateways which incorporate routing and Wi-Fi functionality. Video offerings include set top boxes that support cable, satellite and IPTV content delivery and include products such as digital video recorders (DVRs), high definition set top boxes and hybrid set top devices.

The N&C segment's product solutions include cable modem termination systems, video infrastructure, distribution and transmission equipment and cloud solutions that enable facility-based service providers to construct a state-of-the-art residential and metro distribution network. The portfolio also includes a full suite of global services that offer technical support, professional services and system integration to enable solutions sales of our end-to-end product portfolio.

Strategic report (continued)

During the financial period ended 31 December 2019 the company had the following financial highlights; these measures also represent the key performance indicators of the company:

- Revenue was \$1,723.5m in the year ended 31 December 2019, compared to \$2,143.5m in the year ended 31 December 2018;
- Gross profit margin was 28.3% in the year ended 31 December 2019, compared to 22.8% in the year ended 31 December 2018;
- Operating profit margin was 3.2% in the year ended 31 December 2019 (\$55.8m), compared to 1.1% in the year ended 31 December 2018 (\$23.2m); and
- Cash balances totalled \$23.2m at 31 December 2019 compared to \$39.4m at 31 December 2018.

The reduction in revenue is the result of cyclical spending by key cable operator customers that resulted in declines in revenue for CPE and N&C segments and the loss of key leaders of these reporting units following the acquisition by CommScope.

Gross profit margin and operating profit increased due product mix, tight operational cost controls and effective supply chain management.

Reduction in cash balance year on year is the result of the Group's management of excess cash reserves through intergroup settlements.

Dividend income from Pace Distribution (Overseas), Pace Asia Pacific Limited, Pace Micro Technology Limited, Latens Systems Limited and ARRIS International IP Limited, all subsidiaries of the company, for the amounts of \$133.1m, \$2.0m, \$1.4m, £2.2m and \$52.3m respectively were reflected in the result for the year ended 31 December 2019. The dividend received from Pace Distribution (Overseas) was a result of enacting a legal implementation of a deed of waiver in favour of the company in order to extinguish the company's entire loan payable balance including interest to Pace Distribution (Overseas) Limited. Dividend income from Pace Overseas Distribution Limited, Latens Services Limited and Pace Micro Technology Limited, all subsidiaries of the company, for the amounts of \$41.1m, \$2.6m and \$0.7m respectively were reflected in the result for the year ended 31 December 2018.

Impairment charge for investments of \$236.8m has been expensed to the profit and loss statement in the year ended 31 December 2019 (year ended 31 December 2018: \$nil). \$105.7m of the impairment is due to dividend receipts reducing the book value of these investments. The remaining impairment charge is due to reduction in spending by key cable operator customers and overall downward trend in business segment expectations.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are 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 report (continued)

Covid-19

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. CommScope Group and the company are taking all precautions regarding the health and safety of its employees by following WHO advice on the Covid-19 pandemic. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report; however, they may have an impact on our future earnings, cash flow and financial condition.

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 CommScope's network equipment, demand for increased broadband services by subscribers, and general capital expenditure levels by system operators that tends to be cyclical.

(b) Suppliers

As the 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 bares the ultimate external suppliers' risk in respect of these products.

(c) Operational

Future success depends on the company and Group's ability to anticipate and adapt to changes in technology and customer preferences and develop, implement and market innovative solutions. Many of the Group's markets are characterised by rapid advances in information processing and communications capabilities that require increased transmission speeds and density and greater bandwidth. These advances require significant investments in R&D in order to improve the capabilities of our products and services and develop new offerings or solutions that will meet the needs and preferences of our customers. There can be no assurance that our investments in R&D will yield marketable product or service innovations cost effectively meeting customer expectations.

(d) Acquisition by CommScope

The integration of CommScope and ARRIS will be costly and time-consuming and the anticipated benefits and cost savings may take longer to realise than expected. If the Group is unable to integrate ARRIS effectively, the anticipated benefits of the acquisition may not be realised as the markets transition to 5G networks.

Strategic report (continued)

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 CommScope 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.

(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 CommScope 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 is managed on a group wide basis which individual legal entity forecasts support. The objective is to retain minimum working capital balance in the Company to meet its operational needs. Cash flow above the minimum is used to settle liabilities owed to the group. All group borrowings, covenants and external loans are managed by the global CommScope group.

(d) Performance of investments

The company has a number of subsidiary investments whose current and projected performance impact profitability of the company in terms of income from dividend receipts and expense from impairments in the book value of the investments.

S172(1) Statement

The Directors have ensured compliance with their duties under s.172(1) in relation to the Company and its various stakeholders, including its customers, shareholders and employees. As a wholly-owned subsidiary of the Group, the Company has a sole member. The Company is also a recipient of intra-group financing from the Group, as detailed further within the Financial risks section of the Strategic Report.

The Directors follow the Group's policies and procedures in all business interactions using four guiding values: act with integrity, innovate for customer success, continuously improve and win as one team. The Directors believe that corporate responsibility and sustainability means making decisions that have a positive impact on our people, planet and bottom line. The group-wide sustainability mission is to enable faster, smarter and more sustainable solutions while demonstrating the utmost respect for our human and natural resources.

Strategic report (continued)

In executing their duties and in order to promote the success of the Company for the benefit of its members as a whole, the Directors always consider, among other things, the following factors:

- i. The likely consequences of any decision in the long term;
- ii. The interests of the Company's employees;
- iii. The need to foster the Company's business relationships with suppliers, customers and others;
- iv. The impact of the Company's operations on the community and environment;
- v. The desirability of the Company maintaining a reputation for high standards of business conduct; and
- vi. The need to act fairly between members of the Company.

Engagement with all of the Company's stakeholders has informed the way in which the Directors have discharged their duties and addressed the principal risks and uncertainties as detailed below. Within the Group, Directors hold positions as VP & Senior Attorney and VP finance. Where individual Directors are not directly involved in the processes described below, regular feedback and discussions are held with the relevant management teams on matters of significance. The need and frequency for management board meetings is driven by regulatory environment as well as strategic planning and actions driven by the Group. Both Directors are often in attendance virtually or via email. The Directors rely on the Group's functional experts' guidance and have their approvals as appropriate before authorising any board resolutions. Operational review meetings are held on monthly basis where key business segment and functional leaders are in attendance discussing group matters that impact the company too. VP Finance attends these meetings. There were no matters brought to the attention of the Directors through the undertaken engagement that were considered to be of strategic importance, other than relating to those matters detailed in the principal decisions section below.

The key stakeholders of the company during the year along with details of the forms of engagement undertaken are detailed below.

Stakeholder: Customers

Key Considerations

- Our customers include substantially all of the leading global telecom operators, data center managers and leading cable television providers.
- To enable customers' success the company continues to innovate with their needs in mind.
- Our end-to-end network expertise and commitment to our promises build the trust that drives deeper engagement and secures our ongoing success.

Why We Engage	How We Engage	Outcomes and Actions
<p>We collaborate with our customers to design, create and build the world's most advanced networks</p> <p>Determined to make a positive change and to grow the company.</p>	<p>Customer Service team feedback, web resources, conference calls.</p>	<p>Strategic direction on sector-wide solutions require greater collaboration between technology companies, customers and suppliers.</p> <p>Company must stay ahead of consumer preferences and demands as they can directly impact business operations.</p> <p>Market trends demonstrate a growing focus on social, environmental and governance aspects. The materiality assessment highlighted digital access, inclusion and e-security as key future focus areas.</p>

Strategic report (continued)

Stakeholder: Shareholders

Key Considerations

- Shareholders of the company are considered to be the wider CommScope group, ultimate parent and controlling entity is CommScope Holding Company, Inc.
- The company's continued success is depended on the group's performance, support for innovation and sharing of resources.

Why We Engage	How We Engage	Outcomes and Actions
<p>Continued access to new offerings for the international market.</p> <p>Able to influence and execute group's wider operational and financial strategic objectives.</p>	<p>Management Board meetings and operational reviews.</p>	<p>New product introductions meeting requirements of company's customers ensuring profitability and cashflow.</p> <p>Execution of re-organisation and synergy savings post acquisition by CommScope whilst maintaining strong capability of the company.</p>

Stakeholder: Employees

Key Considerations

- Our employees are those who directly work for the company whether as permanent staff or as contractors.
- The Directors promote a culture of always being there for our colleagues, working together, across borders and boundaries, toward a singular goal—to win.
- Part of what makes us unique is our diverse set of experiences and perspectives, which provide a uniquely strong support system.

Why We Engage	How We Engage	Outcomes and Actions
<p>Determined to make a positive change.</p> <p>Our employees are at the very heart of everything we do at CommScope, and they are the driving force for our innovation and success.</p>	<p>Engagement and pulse surveys, internal media, interviews, corporate Town Hall webcast, site-driven Town Hall meetings and dialogue as well as through an open-door policy.</p>	<p>Training and educational programs will help source the next generation of employees and ensure CommScope's products meet customer needs.</p> <p>Employee engagement is achieved through managing, mentoring and nurturing our talented professionals, establishing and maintaining optimal workplace conditions, ensuring a diverse employee community, continuing to progress diversity and inclusion within our teams and inspiring a culture of proactive health and fitness.</p>

Strategic report (continued)

Stakeholder: Suppliers

Key Considerations

- Our suppliers are both affiliated companies and external companies who are key strategic partners to our success and the backbone to our business.
- Working in partnership with our suppliers the Company is able to innovate with customer success in mind meeting a great range of local market requirements within our international operations.

Why We Engage	How We Engage	Outcomes and Actions
Our suppliers are fundamental to the offering we are able to provide to our customers. The Company is committed to conducting its business in ethical, legal and socially responsible manner and expect our suppliers to share this commitment.	Operational reviews and discussions. Sourcing evaluation team, Responsible Business Alliance, site visits, conferences and meetings.	Development of variations to products, services and software meeting local requirements. Implemented Supplier Code of Conduct for the supply chain.

Other stakeholders of the Company are the community and environment where it operates. The Company supports local charities for the benefit of the wider community. Together with the CommScope Group, the Company ensures environmental compliance and designs improvements to reduce emission and wastage.

Principal decisions

Directors define principal decisions as both those that are material to the company, but also those that are significant to any of the key stakeholder groups in the previous section. In making the following principal decisions the Directors considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the company:

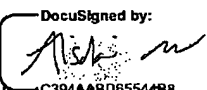
Key principal decisions during the year

- I. Company's international strategy was re-organised following CommScope acquisition and plans for 5G as well as due to decline in revenue a result of cyclical spending by key cable operator customers. The Board focused on a structure that will innovate for future success whilst meeting the wider group's strategic objectives. This resulted in restructuring actions internationally with HR, managers and employees been consulted on the changes.
- II. The Board of Directors approved interim dividend-in-specie of \$265.9m during the year. The approval was given based on the company's requirements to support the wider group's simplification strategy post CommScope acquisition. The Board of Directors assessed the financial position of the company and judged that the dividend-in-specie would not impact the company's ability to continue to meet its strategic objectives and financial obligations.

Future developments

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

Approved by the Board on 22 December 2020 and signed on its behalf by:

DocuSigned by:

 C394AB08554498
 Alisdair More, Director

Directors' report

The directors present their report and financial statements for the year ended 31 December 2019.

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 and resigned 19 March 2020)
Alisdair Saunders Lamb More (appointed 19 March 2020)

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

Results

The profit for the year, after taxation, amounted to \$10.1m (year ended 31 December 2018: profit of \$82.3m).

Dividends

On 4 April 2019 the company paid \$265.9m to ARRIS International Limited as a dividend in specie.

The Board did not recommend the payment of any further dividends for the period ended 31 December 2019. The final dividend in respect of the period ended 31 December 2018 was \$nil.

Political donations

The company made no political donations during the period (year ended 31 December 2018: \$nil)

Research and development

Expenditure on research and development during the year amounted to \$164.6m (year ended 31 December 2018: \$157.3m). The expenditures include compensation costs, materials, other direct expenses, and an allocation of information technology, telecommunications, and facilities costs.

Going concern

The Company is the principal operating company for customer sales outside of the United States of America ("U.S.") for CPE and N&C business segments. Based on its forecasts to 31 December 2021, the Company expects to remain profitable on an annual basis, but is dependent by the activities of the CommScope Group and the ultimate parent, CommScope Holding Company, Inc given the integrated nature of the Group's activities and the centralised treasury structure whereby, cash and cashflow, is managed on a group wide basis.

Consequently, the Company has obtained a letter of support by the ultimate parent, CommScope Holdings Company, Inc. The letter confirms that CommScope Holdings Company, Inc will provide financial support to the company to assist in meeting its liabilities to the extent that money is not otherwise available to the company to meet such liabilities.

CommScope Holding Company, Inc. has confirmed its ability to provide such support for a period of at least 12 months from the date of approval of the company's statement of financial position. The Directors have assessed the level of financial support available, taking into account the Group's financial plan and cashflow forecast for 2021, and are satisfied the support is available.

Directors' report (continued)

Going concern (continued)

On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

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.

Directors' report (continued)

Auditor (continued)

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.

Post balance sheet events

Covid-19

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. CommScope Group and the company are taking all precautions regarding the health and safety of its employees by following WHO advice on the Covid-19 pandemic. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of the company, and its subsidiaries. The scale and duration of these developments remain uncertain as at the date of this report; however, they may have an impact on our future earnings, cash flow and financial condition of the company and its subsidiaries.

To date the company, and its subsidiaries, have seen a reduction in the expected turnover for the year due to key customers revising spending under the uncertain economic environment. Manufacturing sites around the globe were temporarily closed and some parts of the business segments have experienced supply shortages. To minimise the impact as much as possible through the Group the company is able to source globally utilising manufacturing regions that re-open as other countries lockdown. In addition, decisive actions are taken to build a more efficient cost structure and having a disciplined cost control. The Company has not utilised support schemes offered by the government.

It is not possible to estimate the impact of the outbreak's near-term and long-term effects or those of the Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential long-term impact of this outbreak on the company at this time.

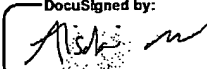
The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and, accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

Other notable events

The following subsidiaries have liquidated post year end: Latens Systems (India) Private Limited on 16 September 2020, Pace East Trading Limited on 22 September 2020, Pace Advanced Consumer Electronics Ltd on 6 October 2020, Pace Micro Technology Ltd and Pace Distribution (Overseas) Ltd on 27 October 2020. Legal entity simplification is aimed to reduce expenses for the Company. These investments are held at net value, therefore there is no impact to the Company on the liquidation.

On 18 November 2020 the Company received a cash dividend of \$21.6m from ARRIS International IP Ltd. The funds were used to repay a loan note to parent disclosed in note 22.

Approved by the Board on 22 December 2020 and signed on its behalf by:

DocuSigned by:

C394AABD6554488...
Alisdair More, 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 2019 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 31, 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 2019 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.

Emphasis of matter - Effects of COVID-19

We draw attention to Note 31 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting supply chains and consumer demand. Our opinion is not modified in respect of this matter.

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 13, 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.

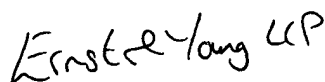
Auditor's responsibilities for the audit of the financial statements

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.



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

22 December 2020

Statement of profit and loss and other comprehensive income for the year ended 31 December 2019

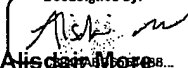
	Note	31 Dec 2019 \$m	31 Dec 2018 \$m
Revenue	4	1,723.5	2,143.5
Cost of sales		(1,236.2)	(1,655.0)
Gross Profit		487.3	488.5
Distribution expenses		(61.0)	(76.2)
Administrative and R&D expenses		(369.8)	(386.8)
Other income	6	-	0.7
Other expenses	7	(0.7)	(3.0)
Operating Profit	5	55.8	23.2
Income from shares in group undertakings	14	191.0	44.4
Impairment charge in group undertakings	18	(236.8)	-
Finance income	8	10.4	27.6
Finance expenses	9	(7.5)	(5.5)
Profit before taxation		12.9	89.7
Income tax expense	13	(2.8)	(7.4)
Profit for the year		10.1	82.3
Other comprehensive income		-	-
Total Comprehensive Income for the year		10.1	82.3

The above results were derived from continuing operations.

Statement of financial position as at 31 December 2019

	Note	31 Dec 2019 \$m	31 Dec 2018 \$m
ASSETS			
Non-current assets			
Property, plant and equipment	16	2.9	4.9
Intangible assets	17	3.3	4.9
Investment in subsidiaries	18	91.3	224.4
Trade and other receivables	21	-	378.0
Deferred tax assets	19	2.6	3.1
		<u>100.1</u>	<u>615.3</u>
Current assets			
Inventories	20	13.2	10.3
Investment in subsidiaries	18	4.9	108.6
Trade and other receivables	21	434.5	300.5
Cash and cash equivalents		23.2	39.4
		<u>475.8</u>	<u>458.8</u>
Total assets		<u>575.9</u>	<u>1,074.1</u>
LIABILITIES			
Trade and other payables	22	381.9	447.3
Current tax liabilities		22.2	21.4
Provisions	24	2.3	2.4
Total current liabilities		<u>406.4</u>	<u>471.1</u>
Net current assets / (liabilities)		<u>64.5</u>	<u>(12.3)</u>
Non-current liabilities			
Trade and other payables	22	30.2	204.2
Provisions	24	10.0	13.5
Total non-current liabilities		<u>40.2</u>	<u>217.7</u>
Total liabilities		<u>446.6</u>	<u>688.8</u>
Net assets		<u>129.3</u>	<u>385.3</u>
EQUITY			
Share capital	26	30.1	30.1
Other reserves		57.4	57.4
Retained earnings		41.8	297.8
Equity attributable to owners of the parent		<u>129.3</u>	<u>385.3</u>
Total Equity		<u>129.3</u>	<u>385.3</u>

These Financial Statements were approved by the Board of directors on 22 December and were signed on its behalf by:

DocuSigned by:

Aislinn Moore
 Director

Statement of changes in equity for the year ended 31 December 2019

	Note	Called-up share capital \$m	Other reserves \$m	Retained earnings \$m	Total Equity \$m
At 31 December 2017		30.1	57.4	475.7	563.2
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	28	-	-	3.2	3.2
Charge made to parent in respect of share-based payments (i)		-	-	(2.5)	(2.5)
Equity dividends paid	15	-	-	(260.9)	(260.9)
At 31 December 2018		30.1	57.4	297.8	385.3
Profit for the year		-	-	10.1	10.1
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	10.1	10.1
Share based payment transactions	28	-	-	3.9	3.9
Charge made to parent in respect of share-based payments (i)	28	-	-	(4.1)	(4.1)
Equity dividends paid	15	-	-	(265.9)	(265.9)
At 31 December 2019		30.1	57.4	41.8	129.3

- (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 2019

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, CommScope Holding Company, Inc., a company registered in the United States of America. A copy of these statements may be obtained from CommScope Holding Company, Inc, 1100 COMMScope PLACE, SE, HICKORY NC 28602, United States of America.

The financial statements were authorised for issue by the Board on 22 December 2020.

The nature of the company's operations and its principle 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 29.

Disclosure exemptions

The company is considered to be a qualifying entity (under FRS 102) due to it being a subsidiary of CommScope Holding Company, Inc. 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 2019 (continued)

2. Accounting policies (continued)

Going concern

The Company is the principal operating company for customer sales outside of the United States of America ("U.S.") for CPE and N&C business segments. Based on its forecasts to 31 December 2021, the Company expects to remain profitable on an annual basis, but is dependent by the activities of the CommScope Group and the ultimate parent, CommScope Holding Company, Inc given the integrated nature of the Group's activities and the centralised treasure structure whereby cash, and cashflow is, managed on a group wide basis.

Consequently, the Company has obtained a letter of support by the ultimate parent, CommScope Holdings Company, Inc. The letter confirms that CommScope Holdings Company, Inc will provide financial support to the company to assist in meeting its liabilities to the extent that money is not otherwise available to the company to meet such liabilities.

CommScope Holding Company, Inc. has confirmed its ability to provide such support for a period of at least 12 months from the date of approval of the company's statement of financial position. The Directors have assessed the level of financial support available, taking into account the Group's financial plan and cashflow forecast for 2021, and are satisfied the support is available.

On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. 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, which are consistent with prior years.

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

Notes to the financial statements at 31 December 2019 (continued)

2. Accounting policies (continued)

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.

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.

Notes to the financial statements at 31 December 2019 (continued)

2. Accounting policies (continued)

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.

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.

Notes to the financial statements at 31 December 2019 (continued)

2. Accounting policies (continued)

Taxation (continued)

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.

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.

Notes to the financial statements at 31 December 2019 (continued)

2. Accounting policies (continued)

Revenue (continued)

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.

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.

Notes to the financial statements at 31 December 2019 (continued)

2. Accounting policies (continued)

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.

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 three (2018: 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 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.

Notes to the financial statements at 31 December 2019 (continued)

2. Accounting policies (continued)

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.

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.

Notes to the financial statements at 31 December 2019 (continued)

2. Accounting policies (continued)

Provisions (continued)

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.

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.

Notes to the financial statements at 31 December 2019 (continued)

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

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.

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.

Notes to the financial statements at 31 December 2019 (continued)

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

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.

4. Revenue

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

	31 Dec 2019 \$m	31 Dec 2018 \$m
Products & equipment	1,636.4	2,081.9
Services, software & licenses	<u>87.1</u>	<u>61.6</u>
	<u>1,723.5</u>	<u>2,143.5</u>

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

	31 Dec 2019 \$m	31 Dec 2018 \$m
<u>Region</u>		
Asia Pacific	186.5	185.2
Central and Latin America	514.2	591.5
Europe, Middle-East and Africa	715.6	942.7
North America	<u>307.2</u>	<u>424.1</u>
	<u>1,723.5</u>	<u>2,143.5</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 2019 (continued)

5. Operating profit

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

	31 Dec 2019 \$m	31 Dec 2018 \$m
Depreciation expense	3.0	5.7
Operating leases - land and buildings	1.2	0.8
Foreign currency loss	3.4	15.5
Amortisation of intangible assets	1.2	1.2
Research and development costs	164.6	157.3

6. Other income

	31 Dec 2019 \$m	31 Dec 2018 \$m
Income from group undertakings – restructuring income	-	0.7
	-	0.7

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

7. Other expenses

	31 Dec 2019 \$m	31 Dec 2018 \$m
Amortisation of intangible assets	0.4	2.5
Restructuring and reorganisation expenses	0.3	0.5
	0.7	3.0

During the current period \$0.3m of restructuring costs related to employee redundancy payments were borne by the company with respect to the reorganisation of the company (for the year ended 31 December 2018: \$0.5m).

Notes to the financial statements at 31 December 2019 (continued)

8. Finance income

	31 Dec 2019 \$m	31 Dec 2018 \$m
Interest receivable on loans to group undertakings - parent	-	3.0
Interest receivable on loans to group undertakings - subsidiaries	0.4	0.2
Interest receivable on loans to group undertakings - other	10.0	24.4
	<u>10.4</u>	<u>27.6</u>

9. Finance costs

	31 Dec 2019 \$m	31 Dec 2018 \$m
Interest payable on loans from group undertakings – parent	1.0	-
Interest payable on loans from group undertakings – subsidiaries	3.1	5.5
Interest payable on loans from group undertakings - other	3.4	-
	<u>7.5</u>	<u>5.5</u>

10. Staff costs

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

	31 Dec 2019	31 Dec 2018
Sales, marketing and administration	66	55
Technical and operations	101	95
Research and Development	142	174
	<u>309</u>	<u>324</u>

Their aggregate remuneration comprised:

	31 Dec 2019 \$m	31 Dec 2018 \$m
Wages and salaries	22.9	25.2
Social security costs	2.7	2.4
Other pension schemes	1.6	1.7
Share-based payment expenses	3.9	3.2
	<u>31.1</u>	<u>32.5</u>

Notes to the financial statements at 31 December 2019 (continued)

11. Directors' remuneration

The directors' remuneration for the year was as follows:

	31 Dec 2019 \$m	31 Dec 2018 \$m
Emoluments	-	-
Contributions paid to pension schemes in respect of qualifying services	-	-
	-	-

All of the current period directors are paid out of other Group affiliated companies. They have an overall CommScope 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 individual Directors are disclosed in their respective employing entity financial statements as appropriate.

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 2019 for audit related assurance services to the company were \$0.3m (for the year ended 31 December 2018: \$0.3m). Auditor's remuneration for the year includes fees for the company and four UK subsidiaries (similar for the year ended 31 December 2018).

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 2019 (continued)

13. Taxation

The tax charge comprises:

	31 Dec 2019 \$m	31 Dec 2018 \$m
Current taxation		
UK corporation tax	0.6	3.1
Movement in uncertain tax position	(10.0)	5.4
UK corporation tax adjustment to prior periods	11.7	(0.2)
	<u>2.3</u>	<u>8.3</u>
Total current tax	<u>2.3</u>	<u>8.3</u>
Deferred tax		
Arising from origination and reversal of timing differences	-	(0.8)
Adjustment in respect of previous periods	0.6	(0.2)
Effect of tax rate change on opening balance	(0.1)	0.1
	<u>0.5</u>	<u>(0.9)</u>
Total deferred tax	<u>0.5</u>	<u>(0.9)</u>
Total tax on profit	<u>2.8</u>	<u>7.4</u>
 Profit before tax	 <u>13.0</u>	 <u>89.7</u>
Tax on profit at standard UK		
Corporation tax rate of 19.00% (2018: 19%)	<u>2.5</u>	<u>17.0</u>
 Effects of:		
Expense not deductible in determining taxable profit	45.4	0.7
Income not deductible in determining taxable profit	(36.4)	(11.4)
Tax rate changes	(0.1)	0.1
Adjustment from previous periods - current tax	11.7	(0.2)
Adjustment from previous periods - deferred tax	0.6	(0.2)
Patent box additional deduction	(0.9)	-
R&D expenditure credits	(0.5)	(0.4)
Group relief claimed	(10.2)	(4.0)
Foreign exchange movements	0.7	0.4
Movement in uncertain tax provision	(10.0)	5.4
	<u>2.8</u>	<u>7.4</u>
Tax charge for the year	<u>2.8</u>	<u>7.4</u>

Notes to the financial statements at 31 December 2019 (continued)

13. Taxation (continued)

Factors that may affect future tax charges

The current deferred tax balance is held at substantially enacted corporate income tax rate of 17%. The government has announced intention of changing legislation for corporate income tax rate to remain at 19% for the United Kingdom. The effect of this rate change is a further asset of \$0.3m based on the ending balance at 31 December 2019.

14. Income from shares in group undertakings

	31 Dec 2019 \$m	31 Dec 2018 \$m
Dividend receipts	191.0	44.4
	<u>191.0</u>	<u>44.4</u>

Income from shares in group undertakings include dividend income from Pace Distribution (Overseas), Pace Asia Pacific Limited, Pace Micro Technology Limited, Latens Systems Limited and ARRIS International IP Limited, all subsidiaries of the company, for the amounts of \$133.1m, \$2.0m, \$1.4m, £2.2m and \$52.3m respectively. The dividend received from Pace Distribution (Overseas) was a result of enacting a legal implementation of a deed of waiver in favour of the company in order to extinguish the company's entire loan payable balance including interest to Pace Distribution (Overseas) Limited. Dividend income from Pace Overseas Distribution Limited, Latens Services Limited and Pace Micro Technology Limited, all subsidiaries of the company, for the amounts of \$41.1m, \$2.6m and \$0.7m respectively were reflected in the result for the year ended 31 December 2018.

15. Dividends

On 4 April 2019, the company contributed \$265.9m to ARRIS International Limited as a dividend in specie.

The Board did not recommend the payment of any further dividends for the period ended 31 December 2019. The final dividend in respect of the year ended 31 December 2018 was \$nil.

Notes to the financial statements at 31 December 2019 (continued)

16. Property, plant and equipment

	Short leasehold land and buildings \$m	Plant, machinery and motor vehicles \$m	Total \$m
Cost			
At 31 December 2018	18.9	58.1	77.0
Additions	0.1	0.9	1.0
Disposals	-	(6.1)	(6.1)
At 31 December 2019	19.0	52.9	71.9
Depreciation			
At 31 December 2018	18.7	53.4	72.1
Charge for the year	-	3.0	3.0
Eliminated on disposals	-	(6.1)	(6.1)
At 31 December 2019	18.7	50.3	69.0
Net book value			
At 31 December 2019	0.3	2.6	2.9
At 31 December 2018	0.2	4.7	4.9

17. Intangible assets

	Technologies and customer contracts \$m	Licenses \$m	Total \$m
Cost			
At 31 December 2018	14.4	5.7	20.1
Addition	-	-	-
At 31 December 2019	14.4	5.7	20.1
Amortisation			
At 31 December 2018	11.6	3.6	15.2
Charge for the year	0.4	1.2	1.6
At 31 December 2019	12.0	4.8	16.8
Net book value			
At 31 December 2019	2.4	0.9	3.3
At 31 December 2018	2.8	2.1	4.9

Notes to the financial statements at 31 December 2019 (continued)

17. Intangible assets (continued)

Intellectual property and customer contracts acquired from ARRIS Solutions France SAS, 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 (\$0.4) and cost of sales (\$1.2m).

18. Investment in subsidiaries

	31 Dec 2019	31 Dec 2018
	\$m	\$m
	Total	Total
Investments in subsidiaries	96.2	333.0
Subsidiaries		\$m
Cost		
At 31 December 2018		710.2
Additions		-
At 31 December 2019		710.2
Impairment		
At 31 December 2018		(377.2)
Charge for the year (a)		(236.8)
At 31 December 2019		(614.0)
Net Book Value		
At 31 December 2019		96.2
At 31 December 2018		333.0

Notes to the financial statements at 31 December 2019 (continued)

18. Investment in subsidiaries (continued)

Of the above total \$4.9m (2018: \$108.6m) is in respect of Pace Distribution (Overseas) Limited and is classified as a current asset due to expected liquidation of the entity. There was an expectation of liquidation during 2019, however this was not finalised by year end and therefore the investment remains at 31 December 2019. Entity liquidated on 27 October 2020.

(a) Impairment charge of \$236.8m for investments has been expensed to the profit and loss statement in the year ended 31 December 2019 (year ended 31 December 2018: \$nil).

- Pace Distribution (Overseas) Limited waived loan receivable to AGL during 2019 in preparation for liquidation of the entity resulting in asset book value reduction of \$103.8m.
- Latens Systems Limited is planned to be liquidated with a cash dividend receipt during the year thus the investment value is impaired by \$1.9m.
- ARRIS International IP Limited had a fall in performance of international ICX assets resulting in reduction of royalty income as well as downturn on its other investments. The asset book value was therefore impaired by \$130.5m.
- ARRIS STB Mexico S.A. de C.V. projections reduced resulting to a \$0.6m impairment charge.

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:

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, 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	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	ARRIS Global Ltd.	100.00%
Latens Systems Ltd	United Kingdom	Liquidating	Victoria Road, Saltaire, West Yorkshire, BD18 3LF	ARRIS Global Ltd.	100.00%
Pace Micro Technology Ltd	United Kingdom	Liquidating	Victoria Road, Saltaire, West Yorkshire, BD18 3LF	ARRIS Global Ltd.	100.00%
ARRIS International IP Ltd	United Kingdom	Holding	Victoria Road, Saltaire, West Yorkshire, BD18 3LF	ARRIS Global Ltd.	100.00%

Notes to the financial statements at 31 December 2019 (continued)

18. 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	ARRIS Global Ltd.	100.00%
Pace Advanced Consumer Electronics Ltd	United Kingdom	Liquidating	Victoria Road, Saltaire, West Yorkshire, BD18 3LF	ARRIS Global Ltd.	100.00%
Pace East Trading Ltd	United Kingdom	Liquidating	Victoria Road, Saltaire, West Yorkshire, BD18 3LF	ARRIS Global Ltd.	100.00%
Pace Distribution (Overseas) Ltd	United Kingdom	Liquidating	Victoria Road, Saltaire, West Yorkshire, BD18 3LF	ARRIS Global Ltd.	99.71%
Pace Overseas Distribution Ltd	United Kingdom	Holding	Victoria Road, Saltaire, West Yorkshire, BD18 3LF	ARRIS Global Ltd.	99.71%
ARRIS South Africa (Pty) Ltd	South Africa	Support	Building 11A, Woodland Office Park, Woodlands Drive, Woodmead, Gauteng, 2191	Pace Overseas Distribution Ltd	99.71%
ARRIS Indústria Eletrônica do Brasil Ltda.	Brazil	Support	Avenida Torquato Tapajós, 9475. Bairro tarumã Manaus, Amazonas, CEP 69048-660	ARRIS International IP Ltd	100.00%
Pace Asia Home Networks Sdn Bhd	Malaysia	Liquidating	19-3, Jalan Puteri 2/7, Bandar Puteri, 47100 Puchong, Selangor	ARRIS Solutions France	100.00%
Latens Systems (India) Private Limited	India	Liquidating	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	Blvd Manuel Avila Camacho 126, Piso 2, Colonia Lomas de Chapultepec, Delegacion Miguel Hidalgo, CP 11000, Ciudad de Mexico	ARRIS Global Ltd. ARRIS Solutions France	98.00% 2.00%

Notes to the financial statements at 31 December 2019 (continued)

18. Investment in subsidiaries (continued)

Pace Electronic Devices Technology Consulting (Shenzhen) Co. Ltd was liquidated on 30 July 2019.

The following subsidiaries have liquidated post year end: Latens Systems (India) Private Limited on 16 September 2020, Pace East Trading Limited on 22 September 2020, Pace Advanced Consumer Electronics Ltd on 6 October 2020, Pace Micro Technology Ltd and Pace Distribution (Overseas) Ltd on 27 October 2020. These investments are held at net value, therefore there is no impact to the Company on the liquidation.

19. Deferred Tax

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

		Deferred taxation \$m
At 31 December 2018		3.1
Credit to profit and loss account		(0.5)
At 31 December 2019		2.6
	31 Dec 2019 \$m	31 Dec 2018 \$m
Other timing differences	2.6	3.1
Deferred tax asset	2.6	3.1

The company expects deferred tax assets of \$0.5m to reverse in 2020.

20. Inventories

	31 Dec 2019 \$m Total	31 Dec 2019 \$m Total
Finished goods and goods for resale	12.7	4.8
Raw materials	0.5	5.5
	13.2	10.3

The total amount of inventories recognised as an expense during the period is \$657.2m (year ended 31 December 2018: \$925.8m).

The total amount of inventory written down which was expensed to the profit and loss account in the period was \$nil (year ended 31 December 2018: \$nil).

Notes to the financial statements at 31 December 2019 (continued)

21. Trade and other receivables

	31 Dec 2019	31 Dec 2018
	\$m	\$m
Current assets	Total	Total
Trade receivables	178.0	259.6
Amounts owed by group undertakings (a) - subsidiaries	34.9	4.0
Amounts owed by group undertakings (a) - others	211.4	13.7
VAT receivables	7.9	14.2
Other receivables	1.8	8.3
Prepayments and accrued income	0.5	0.7
	<u>434.5</u>	<u>300.5</u>
Non-current assets		
Amounts owed by group undertakings - subsidiary (a)	-	8.8
Amounts owed by group undertakings - others (a)	-	369.2
	<u>-</u>	<u>369.2</u>
Total trade and other receivables	<u>434.5</u>	<u>678.5</u>

(a) The amounts owed by group undertakings include loan notes from a subsidiary of \$6.1m and a loan note from others of \$92.0m that bear interest at LIBOR plus 150 and 500 base points respectively. The first loan note was repaid fully in 2020, the former is repayable in 2020, although companies may make voluntary repayments at any time. The remaining amounts are repayable on demand and bear no interest.

22. Trade and other payables

	31 Dec 2019	31 Dec 2018
	\$m	\$m
Current liabilities	Total	Total
Trade payables	16.9	16.0
Amounts payable to group undertakings - subsidiaries	56.0	11.2
Amounts payable to group undertakings – others (a)	221.0	333.1
Amounts payable to group undertakings – parent (a)	26.3	2.3
Social security and other taxes	1.2	0.6
Other payables	5.2	5.3
Accruals and deferred income	55.3	78.8
	<u>381.9</u>	<u>447.3</u>

(a) Current liabilities include the following loan notes: \$41.1m loan note repayable on demand bearing interest of 3.5% per annum, \$25.8m loan note to parent repayable on demand bearing interest of LIBOR plus 200 base points and \$23.6m loan note repayable on demand bearing interest of 4.75%. The remaining amounts are repayable on demand and bear no interest.

Notes to the financial statements at 31 December 2019 (continued)

22. Trade and other payables (continued)

Non-current liabilities	31 Dec 2019	31 Dec 2018
	\$m	\$m
Amounts payable to group undertakings – subsidiaries (b)	18.6	194.2
Accruals and deferred income	11.6	10.0
	<u>30.2</u>	<u>204.2</u>
Total trade and other payables	<u>412.1</u>	<u>651.4</u>

(b) Non-current liabilities include \$18.6m loan note which bears interest at EURIBOR plus 200 base points (period ended 31 December 2018: \$15.2m). Prior year amount included loan notes of \$131.1m and \$47.9m which bear interest at LIBOR plus 130 base points and are repayable in 2023. Both of the loan notes have been settled by way of dividend receipts during the current year.

No security has been provided against any of these balances.

23. Interest-bearing loans and borrowings

The Company has no external interest-bearing loans or borrowings. However, is 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.

In addition, the Company has bank guarantees with HM Revenues, Customs and Canada Revenue agency and Schenker South Africa (Pty) for 200,000 pounds, 202,200 Canadian Dollars and maximum of Rand 36,000,000 respectively. The guarantees enable the Company's import operations in the countries.

24. Provisions

	Warranties	Royalties	Total
	\$m	\$m	\$m
At 31 December 2018	9.8	6.1	15.9
Charge for year	3.9	-	3.6
Utilised	(3.5)	-	(3.2)
Reversal	(4.0)	-	(4.0)
At 31 December 2019	<u>6.2</u>	<u>6.1</u>	<u>12.3</u>
Due within one year	2.3	-	2.3
Due after one year	3.9	6.1	10.0

Notes to the financial statements at 31 December 2019 (continued)

24. 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. Based on on-going negotiations, no change in the amount provisioned was considered necessary.

25. Leases

Operating leases

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

	31 Dec 2019	31 Dec 2018
	\$m	\$m
	Total	Total
Not later than one year	0.8	0.8
Later than one year and not later than five years	0.3	0.8
	<u>1.1</u>	<u>1.6</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was \$1.2m (2018: \$0.8m).

Notes to the financial statements at 31 December 2019 (continued)

26. Called-up share capital and reserves

Allotted, called-up and fully paid shares

	31 Dec 2019		31 Dec 2018	
	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.

27. 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 \$1.6m (year ended 31 December 2018: \$1.7m). Contributions outstanding at 31 December 2019 amounted to \$0.3m (year ended 31 December 2018: \$0.3m) to the scheme.

28. 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 CommScope Holding Company, Inc'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 2019 (continued)

28. Share based payments (continued)

The RSUs vest at a rate of 1/3 a year over a three 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 CommScope Holding Company, Inc'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 \$3.9m (year ended 31 December 2018: \$3.2m) which was allocated to the profit and loss account against "administrative and R&D expenses", out of which \$4.1m (year ended 31 December 2018 : \$2.4m) was a charge made to parent.

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

29. Ultimate parent undertaking and Controlling party

The immediate parent undertaking is ARRIS International Limited (previously ARRIS International, plc), a company registered in England and Wales. Up to 4 April 2019 the ultimate parent undertaking, and controlling party, was ARRIS International plc, a company registered in England and Wales. On this date CommScope Holding Company, Inc acquired ARRIS International plc encompassing all its subsidiaries. At the end of the year the ultimate parent undertaking, and controlling party, is CommScope Holding Company, Inc, a company registered in the United States of America.

The largest and smallest group in which the results of the company are consolidated is that headed by CommScope Holding Company, Inc, whose consolidated financial statements may be obtained from the Company Secretary, CommScope Holding Company, Inc, 1100 COMMScope PLACE, SE, HICKORY NC 28602, United States of America.

30. 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 2019 and 31 December 2018 are as follows:

Current balances:	31 Dec 2019			31 Dec 2018		
	Trading	Loan	\$m Total	Trading	Loan	\$m Total
Amounts owed from parent	-	-	-	-	-	-
Amounts owed from subsidiaries	28.8	6.1	34.9	4.0	-	4.0
Amounts owed from others	119.4	92.0	211.4	13.7	-	13.7
Total amounts owed from related parties	148.2	98.1	246.3	17.7	-	17.7
Amounts owed to parent	0.5	25.8	26.3	2.3	-	2.3
Amounts owed to subsidiaries	56.0	-	56.0	11.2	-	11.2
Amounts owed to others	156.2	64.8	221.0	333.1	-	333.1
Total amounts to related parties	212.7	90.6	303.3	346.6	-	346.6

Notes to the financial statements at 31 December 2019 (continued)

30. Related party transactions (continued)

Non-current balances:

	31 Dec 2019	31 Dec 2018
Amounts owed from parent	-	-
Amounts owed from subsidiaries	-	-
Amounts owed from others	-	8.8
Total amounts owed from	-	369.2
related parties		
Amounts owed to parent	-	-
Amounts owed to subsidiaries	18.6	194.2
Amounts owed to others	-	-
Total amounts to related	18.6	194.2
parties		
Trading	Loan	Trading
Loan	Total	Loan
	\$m	\$m

Covid-19
Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. CommScope Group and the company are taking all precautions regarding the health and safety of its employees by following WHO advice on the Covid-19 pandemic. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of the company, and its subsidiaries. The scale and duration of these developments remain uncertain as at the date of this report; however, they may have an impact on our future earnings, cash flow and financial condition of the company and its subsidiaries.

To date the company, and its subsidiaries, have seen a reduction in the expected turnover for the year due to key customers revising spending under the uncertain economic environment. Manufacturing sites around the globe were temporarily closed and some parts of the business segments have experienced supply shortages. To minimise the impact as much as possible through the Group the company is able to source globally utilising manufacturing regions that re-open as other countries lockdown. In addition, decisive actions are taken to build a more efficient cost structure and having a disciplined cost control. The Company has not utilised support schemes offered by the government. It is not possible to estimate the impact of the outbreak's near-term and long-term effects or those of the Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential long-term impact of this outbreak on the company at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and, accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

Notes to the financial statements at 31 December 2019 (continued)

31. Subsequent events (continued)

Other notable events

The following subsidiaries have liquidated post year end: Latens Systems (India) Private Limited on 16 September 2020, Pace East Trading Limited on 22 September 2020, Pace Advanced Consumer Electronics Ltd on 6 October 2020, Pace Micro Technology Ltd and Pace Distribution (Overseas) Ltd on 27 October 2020. Legal entity simplification is aimed to reduce expenses for the Company. These investments are held at net value, therefore there is no impact to the Company on the liquidation.

On 18 November 2020 the Company received a cash dividend of \$21.6m from ARRIS International IP Ltd. The funds were used to repay a loan note to parent disclosed in note 22.