Registration number: 01672847

ARRIS Global Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

ARRIS Global Limited

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ARRIS Global Limited

Company Information

Directors	Michael D Coppin Alisdair S L More
Registered office	100 New Bridge Street London EC4V 6JA
Bankers	JP Morgan Chase 25 Bank Street London United Kingdom E14 5JP
Auditors	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds United Kingdom LS11 5QR

ARRIS Global Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Business review for the year

ARRIS Global Ltd ("AGL") is part of the CommScope group ("Group"). The 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. The Group operates in four segments: Broadband Networks ("Broadband"), Home Networks ("Home"), Outdoor Wireless Networks and Venue and Campus Networks.

ARRIS Global Limited is the principal operating company for customer sales outside of the United States of America ("U.S.") for Home and Network and Cloud ("N&C") part of the Broadband 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 Home segment offers broadband and video products. Broadband offerings include devices that provide residential connectivity to a service providers' network, such as digital subscriber line 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, high definition set top boxes and hybrid set top devices.

The Broadband segment combines the Group's Network Cable and Connectivity and Network and Cloud businesses and provides an end-to-end product portfolio serving the telco and cable provider broadband market. 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.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Revenue	\$m	1,430	1,884
Gross profit margin	%	32	28
Operating profit margin	%	6	3
Cash and cash equivalents	\$m	16	23

Revenue reduced year on year due to key customers revising spending under the uncertain economic environment following Covid-19 pandemic. 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.

Gross profit margin and operating profit margin improved due product mix and tight operational cost controls. Decisive actions, such as restructuring of various functions, have been taken to build a more efficient cost structure. The company has not utilised support schemes offered by the government related to Covid-19.

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, ARRIS Group India Private Limited and ARRIS International IP Limited, all subsidiaries of the company, for the amounts of $4.9m, $2.0m, $0.1m, $1.0m and $21.6m respectively were reflected in the result for the year ended 31 December 2020. 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.

Impairment charge for investments of $42.1m has been expensed to the profit and loss statement in the year ended 31 December 2020 (year ended 31 December 2019: $236.8m). $4.9m of the impairment is due to final dividend receipts following liquidation of Pace Distribution (Overseas) Ltd. The remaining impairment charge is due to 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 closely monitored the events related to 'Brexit' for any potential impact on the business. Management reviewed registration requirements, incoterms and customs clearance procedures working with freight providers in advance of 'Brexit' ensuring our customers and trading partners did not experience delays with shipments. Management will continue to manage any potential business challenges that may arise within the supply chain 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.

Covid-19
In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The pandemic is negatively impacting almost every industry directly or indirectly, disrupting global supply chains and creating significant volatility and disruption of financial markets. CommScope have been deemed an "essential" business in most jurisdictions, and therefore, have been permitted to continue most of its operations in those jurisdictions. The Company and the Group have experienced a decrease in demand for certain products as a result of the pandemic in 2020 which has had a negative impact on the sales, cash flows and results of some of its operations. The extent to which COVID-19 will continue to impact its operations and those of its customers and suppliers will depend on future developments, including the duration and spread of the pandemic, the effectiveness of vaccines, and actions taken by domestic and international jurisdictions to maintain and prevent the disease spread, all of which are uncertain and cannot be predicted. The events may have an impact on the Company's 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"), however, the Company 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.

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.

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

<u>Key Considerations</u>

• 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.

ARRIS Global Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Why We Engage	How We Engage	Outcomes and Actions
We collaborate with our customers to design, create and build the world's most advanced networksDetermined to make a positive change and to grow the company.	Customer Service team feedback, web resources, conference calls.	Strategic direction on sector-wide solutions require greater collaboration between technology companies, customers and suppliers. Company must stay ahead of consumer preferences and demands as they can directly impact business operations. 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.

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
Continued access to new offerings for the international market.Able to influence and execute group' wider operational and financial strategic objectives.company.	Management Board meetings and operational reviews.	New product introductions meeting requirements of company's customers ensuring profitability and cashflow. Execution of disciplined cost control measures whilst maintaining strong operational capabilities of the company.

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
Leverage a diverse, enabled and agile workforce to deliver business innovation.	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.	Implemented procedures for managing the COVID-19 pandemic to protect the safety, health and welfare of our employees and to keep critical business operations functioning.
Provide a safe work culture and environment for all employees.		Training and educational programs will help source the next generation of employees and ensure CommScope's products meet customer needs.
		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.

Stakeholder: Suppliers
<u>Key Considerations</u>
• 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.	Operational reviews and discussions.	Development of variations to products, services and software meeting sustainability and local requirements.
The Company is committed to conducting its business in ethical, legal and socially responsible manner and expect our suppliers to share this commitment.	Sourcing evaluation team, Responsible Business Alliance, site visits, conferences and meetings.	Responsible sourcing and minimising supply chain risks.

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

Responding to the shareholders requirement on disciplined cost control and cashflow management as a result of the pandemic, 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.

• Debt simplification through a repayment of a loan note with a subsidiary and a subsequent dividend receipt to the Company

• Efficient working capital management through utilising cash reserves in the international entities and settlement of liabilities.

The Board judged that the actions would not impact the company's ability to continue to meet its strategic objectives and financial obligations.

Future developments

Proposal to Spin off Home Networks business

On 8 April 2021 the CommScope group announced plans to spin off the 'Home Networks' business into an independent company. See 'Directors report' and 'Note 2 Going concern' for further information.

Approved by the Board on 22 October 2021 and signed on its behalf by:

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Alisdair S L More
Director

ARRIS Global Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors of the company
The directors who held office during the year were as follows:

Michael D Coppin

Alisdair S L More (appointed 19 March 2020)

Neil Shankland (resigned 19 March 2020)

Results
The profit for the year, after taxation, amounted to $80.3m (year ended 31 December 2019: profit of $10.1m).

Dividends
The directors recommend a final dividend payment of $Nil be made in respect of the financial year ended 31 December 2020. The Company made an interim dividend in specie payment in the prior year of $265.9m.

Political donations
The company made no political donations during the period (year ended 31 December 2019: $nil)

Research and development
Expenditure on research and development during the year amounted to $148.6m (year ended 31 December 2019: $164.6m). The expenditures include compensation costs, materials, other direct expenses, and an allocation of information technology, telecommunications, and facilities costs

Employment of disabled persons
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.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 31 October 2022. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements. In concluding this, the Directors have identified a material uncertainty in respect of a strategic review completed by CommScope Holding Company, Inc. (the "Parent Company") in 2021, whereby the Company is likely to form part of a new Group which will be spun off separate of the Parent Company, resulting in a change of ownership.

The Company is the principal operating company for customer sales outside of the United States of America (the "U.S.") for the Home Networks and Network & Cloud businesses. Based on its forecasts to 31 October 2022, the Company expects to remain profitable on an annual basis, but is dependent on the activities of the Parent Company's group and the ultimate parent, CommScope Holding Company, Inc., given the integrated nature of the Parent Company'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 from the Parent Company that confirms that the Parent Company will provide financial support to the Company to assist in meeting its liabilities to the extent that funding is not otherwise available to the Company to meet such liabilities. The Parent Company has confirmed its ability to provide such support for the period from the date of approval of the Company's statement of financial position until 31 October 2022.

The Directors have assessed the level of financial support available, taking into account the Parent Company's available liquidity, consisting of a $729.7m revolver and $446.2m cash in hand at the end of June 2021, and its financial plan driven by the CommScope NEXT initiative that is expected to generate at least $500 million in forecasted non-GAAP adjusted EBITDA and cashflow for 2022, and are satisfied the necessary support is available.

However, the Directors are aware at the time of approving the financial statements that the Parent Company has completed a strategic review and concluded that the global Home Networks business, of which a portion is contained within Arris Global Limited, should be spun off as a separate group in 2022. While not finalized, the intention at this time is that Arris Global Limited will become a part of this new group post the spin transaction. Certain operations of Arris Global Limited are expected to be moved under an existing Parent Company UK company with the Arris Group Limited legal entity transferring to the spin transaction company. The plans are not yet concluded as to the structure and financing of the new group arising from the spin transaction. Therefore, in the absence of this, the Directors are obliged to consider this as a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Notwithstanding the spin transaction, the Directors conclude the going concern basis is appropriate for the financial statements. The Company's financial statements do not include the adjustments that would result if the Company were unable to operate as a going concern.

Streamlined Energy and Carbon Reporting (SECR) Compliance

For financial years starting on or after 1 April 2019, large companies are required to report certain information in relation to their energy use and related carbon emissions. The data set out below is for the year end 31 December 2020. As this is the first year of reporting, no data has been set out for the previous financial year.

UK Greenhouse gas (GHG) emissions and energy use data for the period 1 January 2020 to 31 December 2020	2020
Energy consumption used to calculate emissions (kWh)	**6,103,784**
Energy consumption break down (kWh) (optional):	
• Electricity	5,830,380
• Natural gas	266,509
• Process gases (e.g. methane, acetylene, butane, isobutane, methylacetylene-propadiene propane)	6,895
Scope 1 emissions in metric tonnes CO2e	**155**
• Natural gas	48
• Process gases (e.g. methane, acetylene, butane, isobutane, methylacetylene-propadiene propane)	2
• Refrigerants	105
Scope 2 emissions in metric tonnes CO2e	
• Purchased electricity	1,396
Scope 3 emissions in metric tonnes CO2e	**767**
• Business travel	130
• Upstream leased assets	637
Total gross emissions in metric tonnes CO2e	**2,318**
Intensity ratio in metric tonnes CO2e per $m UK revenue	**1.35**

Quantification and reporting methodology

GHG Protocol Corporate Accounting and Reporting Standard.

The Global Reporting Initiative Sustainability Reporting Standards.

Further details in CommScope's *2021 Sustainability Report.*

Scope 3 Business travel calculated as a percentage of the company total business travel and the UK employees headcount percentage.

Intensity measurement
The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per $m UK revenue, the recommended ratio for the sector.

Measures taken to improve energy efficiency
At all sites (owned and leased):
• Educating employees on energy reduction measures,
• Turning off the lights and TV screens when leaving meeting rooms,
• Turning off computers and other equipment when leaving the office,
• Adjusting HVAC set up to reflect the space occupancy,
• Providing online training and videoconferencing to minimize business travel.

At CommScope-owned facilities:
• Using energy-efficient LED lighting and light sensors,
• Optimizing compressed-air system settings,
• Adjusting equipment setup,
• Replacing high-GWP air-conditioning refrigerants with better alternatives,
• Optimizing HVAC settings.

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

Auditor
Each of the persons who is a director at the date of approval of this report confirms that:
• so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
• the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

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

Post balance sheet events
Proposal to Spin off Home Networks business
On 8 April 2021 CommScope announced plans to spin-off its Home Networks business into an independent company. See Directors' Report and Note 2 Going concern statement for further information.

Other events
The following subsidiaries of the company have paid cash dividends post year end: ARRIS Group India Limited declared a dividend of INR 720 million ($9.9 million) on 24 May 2021. Latens Systems Limited declared a dividend of GBP 0.1 million ($0.15 million) on 30 July 2021. ARRIS Solutions France executed a capital reduction of EUR 5.3 million ($6.3 million) and a cash dividend of EUR 2.6 million ($3.1 million) on 30 June 2021.

Approved by the Board on 22 October 2021 and signed on its behalf by:

Alisdair S L More
Director

ARRIS Global Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial 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). 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 Limited

Opinion

We have audited the financial statements of ARRIS Global Limited for the year ended 31 December 2020 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Statement of Financial Position and 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" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 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. 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.

Material uncertainty relating to going concern

We draw attention to note 2 *Going Concern* in the financial statements, which indicates that the company's ultimate parent has completed a strategic review and is expecting to spin-off the Home Networks business, of which a portion is contained within the company. The final structure and financing of the new spin-off group is not yet confirmed. As such, there is uncertainty as to the extent of the impact on the company and how it will be structured and financed post spin-off. As stated in note 2 these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in this respect.

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 contained within the annual report.

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.

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 course of 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 themselves. 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.

Independent Auditor's Report to the Members of ARRIS Global Limited (continued)

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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 15, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent Auditor's Report to the Members of ARRIS Global Limited (continued)

Our approach was as follows:
• We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant tax laws and regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to Health and Safety legislation, Waste Electrical and Electronic Equipment Directive, General Data Protection Regulations, Employment Law and Corporate Crime Act.

• We understood how ARRIS Global Limited is complying with those frameworks by making enquiries of those charged with governance and management, including those responsible for legal and compliance procedures, to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of board minutes and papers provided to the Board, and made inquiries of management to identify if there are matters where there is a risk of breach of such frameworks that could have a material adverse impact on the company, as well as consideration of the results of our audit procedures across the company.
• We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it considered there was a susceptibility to fraud. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements are free from fraud and error. Specifically, we identified a fraud risk in relation to revenue recognition and performed detailed audit procedures over revenue cut off and manual journals. We utilised our analytics tools to identify unusual posting, with a focus on manual journals, in order to address the risk of management override. We tested revenue cut off, through selecting a sample of contract and validated invoices to contract milestones and other evidence to demonstrate the accounting was appropriate.
• Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. In addition to those set out above, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Financial Statements with the requirements of the relevant accounting standards and UK legislation.

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

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

Ernst & Young LLP

....
Tim Helm (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP , Statutory Auditor
Leeds

22 October 2021

ARRIS Global Limited

Statement of profit and loss for the year ended 31 December 2020

	Note	31 December 2020 $ 000	(As restated) 31 December 2019 $ 000
Revenue	3	1,429,529	1,883,906
Cost of sales		(972,277)	(1,396,602)
Gross profit		**457,252**	**487,304**
Distribution expenses		(46,486)	(61,020)
Administrative and R&D expenses		(322,864)	(369,768)
Other expenses	4	(1,355)	(679)
Operating profit	**5**	**86,547**	**55,837**
Income from shares in group undertakings	6	29,569	190,980
Impairment charge in group undertakings	15	(42,104)	(236,788)
Finance income	7	3,158	10,395
Finance expenses	8	(3,470)	(7,486)
Profit before taxation		**73,700**	**12,938**
Income tax credit/(expense)	12	6,631	(2,796)
Profit for the year		**80,331**	**10,142**

The above results were derived from continuing operations.

The notes on pages 24 to 52 form an integral part of these financial statements.

ARRIS Global Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 $ 000	2019 $ 000
Profit for the year	80,331	10,142
Total comprehensive income for the year	80,331	10,142

The notes on pages 24 to 52 form an integral part of these financial statements.

ARRIS Global Limited

Statement of financial position as at 31 December 2020

	Note	31 December 2020 $ 000	31 December 2019 $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,316	2,899
Intangible assets	14	2,474	3,293
Investment in subsidiaries	15	54,087	91,279
Trade and other receivables	16, 29	56,213	-
Deferred tax asset	12	3,750	2,600
		118,840	100,071
Current assets			
Inventories	17	11,284	13,195
Investment in subsidiaries	15	-	4,910
Trade and other receivables	18	470,148	434,513
Cash and cash equivalents	19	15,943	23,176
		497,375	475,794
Total assets		**616,215**	**575,865**
LIABILITIES			
Trade and other payables	20	(370,879)	(381,914)
Current tax liabilities		(14,890)	(22,203)
Provisions	21	(2,532)	(2,275)
Total current liabilities		**(388,301)**	**(406,392)**
Net current assets		109,074	69,402
Non-current liabilities			
Trade and other payables	20	(9,624)	(30,222)
Provisions	21	(7,787)	(9,978)
Total non-current liabilities		**(17,411)**	**(40,200)**
Total liabilities		**(405,712)**	**(446,592)**
Net assets		**210,503**	**129,273**

The notes on pages 24 to 52 form an integral part of these financial statements.

ARRIS Global Limited

Statement of financial position as at 31 December 2020

	Note	31 December 2020 $ 000	31 December 2019 $ 000
EQUITY			
Share capital	23	30,116	30,116
Other reserves	24	57,417	57,417
Retained earnings	24	122,970	41,740
Equity attributable to owners of the parent		**210,503**	**129,273**
Total equity		**210,503**	**129,273**

Approved and authorised by the Board on 22 October 2021 and signed on its behalf by:

....

Alisdair S L More
Director

The notes on pages 24 to 52 form an integral part of these financial statements.

ARRIS Global Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital $ 000	Other reserves $ 000	Retained earnings $ 000	Total equity $ 000
At 1 January 2020	30,116	57,417	41,740	129,273
Profit for the year	-	-	80,331	80,331
Total comprehensive income	-	-	80,331	80,331
Share based payment transactions	-	-	899	899
At 31 December 2020	30,116	57,417	122,970	210,503

	Share capital $ 000	Other reserves $ 000	Retained earnings $ 000	Total equity $ 000
At 1 January 2019	30,116	57,417	297,812	385,345
Profit for the year	-	-	10,142	10,142
Total comprehensive income	-	-	10,142	10,142
Dividends	-	-	(265,900)	(265,900)
Share based payment transactions	-	-	(314)	(314)
At 31 December 2019	30,116	57,417	41,740	129,273

Current year share based payment transactions include share based payment expense of $2.0 million (2019: $3.9 million) and charge made to the parent of $1.1 million (2019: $4.1 million) related to amounts paid to parent in respect of equity compensation for employees.

ARRIS Global Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:
100 New Bridge Street
London
EC4V 6JA
United Kingdom

The principal place of business is:
Salts Mill
Victoria Road
Saltaire
Shipley
BD18 3LF
United Kingdrom

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

These financial statements were authorised for issue by the Board on 22 October 2021.

2 Accounting policies

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

Statement of compliance
These financial statements were 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 thousand, best representation the size of the business and the balances.

2 Accounting policies (continued)

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

Disclosure exemptions
The company is considered to be a qualifying entity (under FRS 102) due to it being a subsidiary of 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.

Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 31 October 2022. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements. In concluding this, the Directors have identified a material uncertainty in respect of a strategic review completed by CommScope Holding Company, Inc. (the "Parent Company") in 2021, whereby the Company is likely to form part of a new Group which will be spun off separate of the Parent Company, resulting in a change of ownership.

The Company is the principal operating company for customer sales outside of the United States of America (the "U.S.") for the Home Networks and Network & Cloud businesses. Based on its forecasts to 31 October 2022, the Company expects to remain profitable on an annual basis, but is dependent on the activities of the Parent Company's group and the ultimate parent, CommScope Holding Company, Inc., given the integrated nature of the Parent Company'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 from the Parent Company that confirms that the Parent Company will provide financial support to the Company to assist in meeting its liabilities to the extent that funding is not otherwise available to the Company to meet such liabilities. The Parent Company has confirmed its ability to provide such support for the period from the date of approval of the Company's statement of financial position until 31 October 2022.

2 Accounting policies (continued)

Going concern (continued)

The Directors have assessed the level of financial support available, taking into account the Parent Company's available liquidity, consisting of a $729.7m revolver and $446.2m cash in hand at the end of June 2021, and its financial plan driven by the CommScope NEXT initiative that is expected to generate at least $500 million in forecasted non-GAAP adjusted EBITDA and cashflow for 2022, and are satisfied the necessary support is available.

However, the Directors are aware at the time of approving the financial statements that the Parent Company has completed a strategic review and concluded that the global Home Networks business, of which a portion is contained within Arris Global Limited, should be spun off as a separate group in 2022. While not finalized, the intention at this time is that Arris Global Limited will become a part of this new group post the spin transaction. Certain operations of Arris Global Limited are expected to be moved under an existing Parent Company UK company with the Arris Group Limited legal entity transferring to the spin transaction company. The plans are not yet concluded as to the structure and financing of the new group arising from the spin transaction. Therefore, in the absence of this, the Directors are obliged to consider this as a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Notwithstanding the spin transaction, the Directors conclude the going concern basis is appropriate for the financial statements. The Company's financial statements do not include the adjustments that would result if the Company were unable to operate as a going concern.

Prior period error

The company has restated 2019 revenue and cost of goods sold on certain Australian sales on the basis that the company is a principal selling entity. Previously the activity was incorrectly recognized on net margin basis in revenue on the understanding that the company acted as an agent for the sales. Management have reviewed the underlying contracts and have determined that this arrangement should have been recognised on a gross basis in revenue and cost of sales in line with FRS 102. Revenue and cost of sales have been restated with an increase of $160.4m in both.

There is no impact on the 2019 gross profit, profit before tax or net assets previously reported for the period ended 31 December 2019.

	2019 original	2019 restated
	$000	$000
Revenue	1,723,523	1,883,906
Cost of sales	(1,236,218)	(1,396,601)
Gross profit	487,305	487,305

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.

2 Accounting policies (continued)

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 method and rate**
Short leasehold land and buildings	12 to 40 years
Plant and machinery	3 to 10 years

Financial instruments

Classification

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.

Recognition and measurement

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

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).

2 Accounting policies (continued)

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

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

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

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

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

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.

2 Accounting policies (continued)

Taxation

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

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

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

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

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

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

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.

2 Accounting policies (continued)

Revenue

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

Products and equipment

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

Services, software & licenses

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

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

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.

2 Accounting policies (continued)

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

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

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

Technologies and customer contracts - ten years
Licenses - three to eight years

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

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

Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded and converted to the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

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

2 Accounting policies (continued)

Share based payments

Equity settled transactions

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

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.

2 Accounting policies (continued)

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

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

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

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

Borrowings
Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account 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.

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
Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

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.

2 Accounting policies (continued)

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

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

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

Critical accounting judgements and key sources of estimations uncertainty

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

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

2 Accounting policies (continued)

Taxation

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

Provisions

Warranty

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

Royalty

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

Revenue

Multiple Element Arrangements

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

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2020 $ 000	(As restated) 2019 $ 000
Products & equipment	1,357,054	1,796,786
Services, software & licenses	72,475	87,120
	1,429,529	1,883,906

The analysis of the company's turnover for the year by market is as follows:

	2020 $ 000	(As restated) 2019 $ 000
Europe, Middle-East and Africa	599,714	715,604
North America	221,286	307,222
Asia Pacific	223,621	346,876
Central and Latin America	384,908	514,204
	1,429,529	1,883,906

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.

The 2019 values have been restated throughout note 3 as described in note 2.

4 Other expenses

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

	2020 $ 000	2019 $ 000
Amortisation of intangible assets	(350)	(350)
Restructuring and reorganisation expenses	(1,005)	(329)
	(1,355)	(679)

During the current period $1.0m 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 2019: $0.3m).

5 Operating profit

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

	2020 $ 000	2019 $ 000
Depreciation expense	1,724	3,026
Amortisation of intangible assets	469	1,194
Research and development cost	148,552	164,599
Foreign currency (gains)/losses	(4,483)	3,414
Operating leases - land and buildings	1,209	1,156
Operating leases - equipment	39	12
Loss on disposal of property, plant and equipment	13	9

6 Income from shares in group undertaking

Income from shares in group undertakings include dividend income from Pace Distribution (Overseas), Pace Asia Pacific Limited, Pace Micro Technology Limited, ARRIS Group India Private Limited and ARRIS International IP Limited, all subsidiaries of the company, for the amounts of $4.9m, $2.0m, $0.1m, $1m and $21.6m respectively (2019: 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).

7 Finance income

	2020 $ 000	2019 $ 000
Interest receivable on loans to group undertakings - subsidiaries	30	408
Interest receivable on loans to group undertakings - other	3,126	9,987
Other finance income	2	-
	3,158	10,395

8 Finance expenses

	2020 $ 000	2019 $ 000
Interest payable on loans from group undertakings - parent	1,020	975
Interest payable on loans from group undertakings - subsidiaries	10	3,063
Interest payable on loans from group undertakings - other	2,418	3,448
Other finance expenses	22	-
	3,470	7,486

9 Staff costs

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

	2020 $ 000	2019 $ 000
Wages and salaries	21,114	22,899
Social security costs	2,304	2,683
Other pension schemes	1,478	1,564
Share-based payment expenses	1,961	3,932
Other employee expense	672	491
	27,529	31,569

The average number of employees (including executive directors) during the year was:

	2020 No.	2019 No.
Sales, marketing and administration	46	66
Technical and operations	97	101
Research and development	140	142
	283	309

10 Directors' remuneration

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.

11 Auditors' remuneration

Fees payable to Ernst & Young LLP during the period ended 31 December 2020 for audit related assurance services to the company were $0.3m (for the year ended 31 December 2019: $0.3m). Auditor's remuneration for the year includes fees for the company and four UK subsidiaries (similar for the year ended 31 December 2019).

ARRIS Global Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

11 Auditors' remuneration (continued)

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

12 Taxation

The tax (credit)/charge comprises:

	2020 $ 000	2019 $ 000
Current taxation		
UK corporation tax	498	567
Movement in uncertain tax provision	(6,055)	(10,014)
UK corporation tax adjustment to prior periods	78	11,684
	(5,479)	2,237
Deferred taxation		
Arising from origination and reversal of timing differences	(6)	(6)
Adjustment in respect of previous periods	(840)	630
Effect of tax rate change on opening balance	(306)	(65)
Total deferred taxation	(1,152)	559
Total tax (credit)/ charge on profit	**(6,631)**	**2,796**

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 $ 000	2019 $ 000
Profit before tax	73,700	12,938
Tax on profit at standard UK Corporation tax rate of 19.00% (2019: 19%)	14,003	2,458

Effects of:

12 Taxation (continued)

	2020 $ 000	2019 $ 000
Tax rate changes	(306)	(66)
Expense not deductible in determining taxable profit	8,531	45,415
Income not taxable in determining taxable profit	(5,618)	(36,286)
Patent box additional deduction	(2,944)	(915)
Adjustment from previous periods - deferred tax	(840)	630
Adjustment from previous periods - current tax	78	11,684
Foreign exchange movements	493	628
Group relief claimed	(13,479)	(10,221)
R&D expenditure credits	(494)	(517)
Movement in uncertain tax provision	(6,055)	(10,014)
Total tax (credit)/charge	(6,631)	2,796

Deferred tax

Deferred tax assets

2020	Asset $ 000
Other timing differences	3,750

2019	Asset $ 000
Other timing differences	2,600

Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019 – 17%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support the economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the company's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax credit of $1.2 million.

ARRIS Global Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Property, Pland and equipment

	Short leasehold land and buildings $ 000	Plant, machinery and motor vehicles $ 000	Total $ 000
Cost			
At 1 January 2020	18,989	52,914	71,903
Additions	40	1,113	1,153
Disposals	-	(479)	(479)
Transfers	(60)	60	-
At 31 December 2020	18,969	53,608	72,577
Depreciation			
At 1 January 2020	18,734	50,270	69,004
Charge for the year	16	1,707	1,723
Eliminated on disposals	-	(466)	(466)
At 31 December 2020	18,750	51,511	70,261
Net book value			
At 31 December 2020	219	2,097	2,316
At 31 December 2019	255	2,644	2,899

14 Intangible assets

	Licences $ 000	Technologies and customer contracts $ 000	Total $ 000
Cost			
At 1 January 2020	5,660	14,400	20,060
At 31 December 2020	5,660	14,400	20,060
Amortisation			
At 1 January 2020	4,750	12,017	16,767
Charge for the year	469	350	819
At 31 December 2020	5,219	12,367	17,586
Net book value			
At 31 December 2020	441	2,033	2,474
At 31 December 2019	910	2,383	3,293

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 for technologies and contracts is charged through other expenses ($0.4m) and licenses through cost of sales ($0.5m).

15 Investments in subsidiaries

	31 December 2020 $ 000	31 December 2019 $ 000
Investments in subsidiaries Non-current assets	54,087	91,279
Investments in subsidiaries Current assets	-	4,910
	54,087	96,189

15 Investments in subsidiaries (continued)

Subsidiaries	**$ 000**
Cost	
At 1 January 2020	710,200
Disposals	(353,772)
At 31 December 2020	356,428
Impairment	
At 1 January 2020	614,009
Charge for the year	42,104
Eliminated on disposals	(353,772)
At 31 December 2020	302,341
Net book value	
At 31 December 2020	54,087
At 31 December 2019	96,189

Of the above prior year total $4.9m is in respect of Pace Distribution (Overseas) Limited and was classified as a current asset due to the planned liquidation of the entity during 2020. The entity was liquidated on 27 October 2020.

Impairment charge of $42.1m for investments has been expensed to the profit and loss statement in the year ended 31 December 2020 (year ended 31 December 2019: $236.8m).
• Pace Distribution (Overseas) Limited liquidation and distribution of final assets during the year resulting in asset book value reduction of $4.9m.
• Futher downturn in ARRIS International IP Limited's asset performance resulting in asset book value reduction by $37.2m.

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

15 Investments in subsidiaries (continued)

Undertaking	Registered office	Holding	Proportion of voting rights and shares held 2020	2019
Subsidiary undertakings				
Pace Australia Pty Ltd	C/o Company Matters Pty Limited Level 12, George Street, Sydney NSW 2000 Australia	Direct parent	100%	100%
Pace Asia Pacific Ltd.	1607C-09, Block 2, 16/F Two Harbourfront, 22 Tak Fung Street, Hunghom, KL Hong Kong	Direct Parent	100%	100%
Latens Systems Ltd	Victoria Road, Saltaire, West Yorkshire, BD18 3LF United Kingdom	Direct Parent	100%	100%
ARRIS International IP Ltd	Victoria Road, Saltaire, West Yorkshire, BD18 3LF United Kingdom	Direct Parent	100%	100%
ARRIS Solutions France	5 Boulevard Gallieni, 10 rue Camille Desmoulins, Immeuble DUEO 92130 Issy-les Moulineaux France	Direct Parent	100%	100%
Pace Overseas Distribution Ltd	Victoria Road, Saltaire, West Yorkshire, BD18 3LF United Kingdom	Direct Parent	99.71%	99.71%

15 Investments in subsidiaries (continued)

ARRIS Group India Private Limited	"The Senate", Ground, 1st and 2nd Floor, No. 33/1, Ulsoor Road, Bangalore - 560042 Karnataka India	Direct Parent	99.99%	99.99%
ARRIS South Africa (Pty) Ltd	Building 11A, Woodland Office Park, Woodlands Drive, Woodmead, Gauteng, 2191 South Africa	Indirect Parent	99.71%	99.71%
ARRIS Indústria Eletrônica do Brasil Ltda.	Avenida Torquato Tapajós, 9475. Bairro tarumã Manaus, Amazonas, CEP 69048-660 Brazil	Indirect Parent	100%	100%
Pace Asia Home Networks Sdn Bhd	19-3, Jalan Puteri 2/7, Bandar Puteri, 47100 Puchong, Selangor Malaysia	Indirect Parent	100%	100%
ARRIS STB Mexico S.A. de C.V.	Blvd Manuel Avila Camacho 126, Piso 2, Colonia Lomas de Chapultepec, Delegacion Miguel Hidalgo, CP 11000, Ciudad de Mexico Mexico	Direct Parent 98%, Indirect Parent 2%	98%	98%

The following subsidiaries have liquated during the year: 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. Pace Asia Home Networks Sdn Bhd was liquidated on 11 January 2021. These investments were held at net value, therefore there was no impact to the Company on the liquidation.

ARRIS Global Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

16 Trade and other receivables (non-current)

	Note	31 December 2020 $ 000	31 December 2019 $ 000
Amounts owed by group undertakings	29	55,803	-
Loans to external parties		410	-
		56,213	-

Amounts owed by group undertakings
Maturity date of loans to group undertakings was extended from 2020 until 31 October 2022. $55.8m was reclassified as non-current balance. In the prior year this amount was presented as a current balance, see note 18. The loan note bear interest at LIBOR plus 250 base points respectively.The company may make voluntary repayments at any time.

Loans to external parties
The company entered into an external loan agreement with Kraydel Limited (borrower) on 20 September 2020 hereby lending $0.4m with a maturity period of 36 months, repayable at the end of the term.

17 Inventories

	31 December 2020 $ 000	31 December 2019 $ 000
Raw materials	895	490
Finished goods and goods for resale	10,389	12,705
	11,284	13,195

The cost of inventories recognised as an expense in the year amounted to $558,775,000 (2019 - $657,206,000).
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 2019: $nil).

18 Trade and other receivables (current)

	Note	31 December 2020 $ 000	31 December 2019 $ 000
Trade receivables		151,367	177,952
Amounts owed by group undertakings	29	304,683	246,399
VAT and other receivables		13,960	9,652
Prepayments and accrued income		138	510
		470,148	434,513

The amounts owed by group undertakings in the prior year 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 250 base points respectively. The first loan note was fully repaid in 2020. The former was repayable in 2020 per the agreement, however, an amendment extended the maturity date until 31 October 2022. Out of the total loan note $55.8m was reclassified as non-current, see note 16. $39.3m remains as a current balance and was repaid in January 2021. The company may make voluntary repayments at any time. The remaining amounts are repayable on demand and bear no interest.

19 Cash and cash equivalents

	31 December 2020 $ 000	31 December 2019 $ 000
Cash at bank	15,943	23,176

20 Creditors

	Note	31 December 2020 $ 000	31 December 2019 $ 000
Current			
Trade payables		12,297	16,860
Amounts payable to group undertakings	29	315,932	303,236
Social security and other taxes		787	1,241
Other payables		5,018	5,228
Accruals and deferred income		36,845	55,349
		370,879	381,914

ARRIS Global Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

20 Creditors (continued)

	Note	31 December 2020 $ 000	31 December 2019 $ 000
Non-current			
Amounts payable to group undertakings	29	-	18,611
Accruals and deferred income		9,624	11,611
		9,624	30,222

Amounts payable to group undertakings due within one year include the following loan notes:$42.6m (2019: $41.1m) loan note repayable on demand bearing interest of 3.5% per annum, $20.5m (2019: $18.6m non-current) loan note repayable on demand bearing interest of LIBOR plus 200 base points and $14.0m (2019: $23.6m) loan note repayable on demand bearing interest of 4.75%. Loan notes in prior year included a $25.8m loan note to parent repayable on demand bearing interest of LIBOR plus 200 base points. The remaining amounts are repayable on demand and bear no interest.

Prior year amounts payable to group undertakings due after one year included $18.6m loan note which bears interest at EURIBOR plus 200 base points. The loan note is classified as current as at 31 December 2020 due to the terms defaulting to an annual renewal after the initial two year period.

Amounts due to related parties are repayable on demand and bear no interest.

No security has been provided against any of these balances.

21 Provisions for liabilities

	Warranties $ 000	Royalties $ 000	Total $ 000
At 1 January 2020	6,119	6,134	12,253
Charge for the year	1,759	-	1,759
Utilised	(3,132)	-	(3,132)
Reversal	(561)	-	(561)
At 31 December 2020	4,185	6,134	10,319

	Warranties $000	Royalties $000	Total $000
Current	2,532	-	2,532
Non-current	1,653	6,134	7,787
Total	4,185	6,134	10,319

21 Provisions for liabilities (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.

22 Pension and other 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 \$1.5m (year ended 31 December 2019: \$1.6m). Contributions outstanding at 31 December 2020 amounted to \$0.3m (year ended 31 December 2019: \$0.3m) to the scheme.

23 Share capital

Allotted, called up and fully paid shares

	31 December 2020		31 December 2019	
	No. 000	\$ 000	No. 000	\$ 000
Allotted, called-up and fully paid shares of \$0.09 each	327,811	30,116	327,811	30,116

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

24 Reserves

(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.

25 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	31 December 2020 $ 000	31 December 2019 $ 000
Not later than one year	213	798
Later than one year and not later than five years	62	266
	275	1,064

The amount of non-cancellable operating lease payments recognised as an expense during the year was $1,248,721 (2019 - $1,167,538).

26 Share-based payments

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 nonemployee 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.

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 $2.0m (year ended 31 December 2019: $3.9m) which was allocated to profit and loss account againts "administrative and R&D expenses" out of which $1.1m (year ended 31 December 2019: $4.1m) was a charge made to parent.

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

27 Dividends

The Board did not recommend the payment of any dividends for the period ended 31 December 2020. The final dividend in respect of the year ended 31 December 2019 was $265,900,000.

28 Bank guarantees

The Company is party to an existing bank guarantee with fellow UK group companies ARRIS Solutions UK Ltd., 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 200,000 pounds to enable Company's import operations in the country.

29 Related party transactions

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

Related party balances outstanding as at 31 December 2020 and 31 December 2019 are as follows:

			31 December 2020 $000			31 December 2019 $000
Current balances:	**Trading**	**Loan**	**Total**	**Trading**	**Loan**	**Total**
Amounts owed from parent	-	-	-	-	-	-
Amounts owed from subsidiaries	17,527	-	17,527	28,825	6,146	34,971
Amounts owed from others	247,856	39,300	287,156	119,451	91,977	211,428
Total amounts owed from related parties	265,383	39,300	304,683	148,276	981,223	246,399
Amounts owed to parent	-	-	-	422	25,783	26,205
Amounts owed to subsidiaries	42,907	20,478	63,385	55,983	-	55,983
Amounts owed to others	195,907	56,640	252,547	156,265	64,783	221,048
Total amounts owed to related parties	238,814	77,118	315,932	212,670	90,566	303,236

ARRIS Global Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

29 Related party transactions (continued)

			31 December 2020 $000			31 December 2019 $000
Non-current balances:	**Trading**	**Loan**	**Total**	**Trading**	**Loan**	**Total**
Amounts owed from parent	-	-	-	-	-	-
Amounts owed from subsidiaries	-	-	-	-	-	-
Amounts owed from others	-	55,803	55,803	-	-	-
Total amounts owed from related parties	-	55,803	55,803	-	-	-
Amounts owed to parent	-	-	-	-	-	-
Amounts owed to subsidiaries	-	-	-	-	18,611	18,611
Amounts owed to others	-	-	-	-	-	-
Total amounts owed to related parties	-	-	-	-	18,611	18,611

30 Parent and ultimate parent undertaking

The immediate parent undertaking is ARRIS International Limited, a company registered in England and Wales. 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 partnership 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.

31 Non adjusting events after the financial period

Proposal to Spin off Home Networks business
On 8 April 2021 CommScope announced plans to spin-off its Home Networks business into an independent company. See Directors' Report and Note 2 Going concern statement for further information.

Other events
The following subsidiaries of the company have paid cash dividends post year end: ARRIS Group India Limited declared a dividend of INR 720 million ($9.9 million) on 24 May 2021. Latens Systems Limited declared a dividend of GBP 0.1 million ($0.15 million) on 30 July 2021. ARRIS Solutions France executed a capital reduction of EUR 5.3 million ($6.3 million) and a cash dividend of EUR 2.6 million ($3.1 million) on 30 June 2021.