

REGISTERED NUMBER: 05150579 (England and Wales)

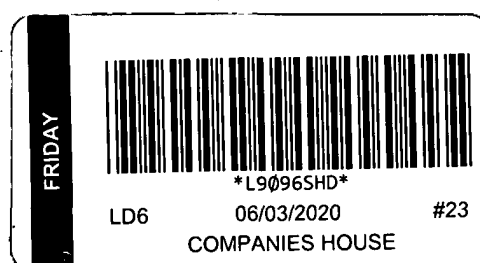
Strategic Report, Directors' Report and

Audited Financial Statements

for Year Ended 31 March 2019

for

Arbor Networks UK Limited



Arbor Networks UK Limited

Contents
for Year Ended 31 March 2019

	Page
COMPANY INFORMATION	1
STRATEGIC REPORT	2
DIRECTORS' REPORT	4
DIRECTORS' RESPONSIBILITIES STATEMENT	6
INDEPENDENT AUDITOR'S REPORT	7
PROFIT AND LOSS ACCOUNT	10
BALANCE SHEET	11
STATEMENT OF CHANGES IN EQUITY	12
NOTES TO THE FINANCIAL STATEMENTS	13

Arbor Networks UK Limited

Company Information
for Year Ended 31 March 2019

DIRECTORS

Jean Bua
Michael Szabados
Gregory Sloan
Carolina Jones
Anthony King

COMPANY SECRETARY

Abogado Nominees Limited

COMPANY NUMBER

05150579 (England and Wales)

**COUNTRY OF
INCORPORATION**

United Kingdom

REGISTERED OFFICE

100 New Bridge Street
London
United Kingdom
EC4V 6JA

AUDITOR

Deloitte LLP
Statutory Auditor
Reading, United Kingdom

BANKS

HSBC Bank plc
27th Floor
8 Canada Square
London
E14 5HQ

Bank of America Merrill Lynch
2 King Edward Street
London
EC1A 1HQ

JPMorgan Chase Bank
25 Bank Street
London
E14 5JP

Arbor Networks UK Limited
Strategic Report
for Year Ended 31 March 2019

The directors present their strategic report for year ended 31 March 2019.

REVIEW OF BUSINESS AND KPI's

Arbor Networks UK Limited is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1.

The principal activities of the Company are network traffic management and Distributed Denial of Services (DDoS) mitigation solutions for service providers, enterprise and government organisations. Our portfolio offers complete deployment and pricing flexibility through a mix of managed services, in-cloud, on-premise and virtualized solutions. Additionally, Arbor Networks® Advanced Threat Solutions leverage NetFlow and Packet Capture technology for network-wide situational awareness, broad and deep traffic visibility and dynamic security intelligence that converts threat detection and incident response into powerful visualizations, and rapid, real-time and historical insights.

On the 14 July 2015 Arbor Networks UK Limited was acquired by NetScout Systems Inc., the ultimate parent company, incorporated in the USA.

The Company's key financial and other performance indicators were as follows:

	2019	2018	Change
	\$	\$	
Revenue	134,155,787	151,727,265	-11.5%
Gross Profit	125,648,930	141,807,513	-11.3%
Gross Profit %	94%	93%	1.0%
Average no. of employees	72	79	-7
Net Assets	65,639,725	48,323,104	35.8%

Revenue decreased from \$151,727,265 to \$134,155,787 a decrease of 11.5%. Total revenue also includes \$6,149,812 (2018: \$8,261,600) which relates to intercompany related party revenue.

The decrease was due in part to lower intercompany revenue of \$2,111,788 as a result of reduction of marketing activities by hosted employees of other business units of Netscout, and lower net product and service revenue of \$15,459,690 in UK, Asia Pacific & Latin America regions as customer transitioned from a capex model to a subscription base.

The gross profit margin has increased due to different product mix and an increase in software sales versus hardware.

Attrition is a result of hosted employees from other NETSCOUT business units leaving the organisation.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive Risks

The Company operates in a competitive market but the directors feel there is minimal risk to the business. The application of NetScout Systems Inc.'s approach ensures that the Company is able to respond quickly to changes in levels of activity or competitive pressures and in this the Company has significant advantages over competitors.

Legislative Risks

Currently we are not aware of any legislation risk regarding the sale and support of our products.

Arbor Networks UK Limited

Strategic Report (continued)
for Year Ended 31 March 2019

Financial Risks

The Company has minimum exposure to financial risk.

The Company's operations have little exposure to financial risk including credit, currency fluctuation and liquidity risks.

Political Risks - BREXIT

The results of operations may be affected by legislation and political developments; The Company has assessed the risks associated with BREXIT and considers the main potential risks as employment restrictions for non-UK EU employees, increased costs and compliance requirements for custom tariffs, and regulatory restrictions impacting contractual mechanisms. The Company is continuing to evaluate and implement processes to minimise these risks.

Price, Credit, Liquidity and Cash Flow Risks

Currency risk is limited as purchases are primarily in US Dollars, yet salary and related expenses are transacted in many foreign currencies. These obligations are settled within 30 days and exposure is limited. In regards to third party sales, the business is involved in many geographical areas, invoicing occurs primarily in USD and exposure to undue currency risks is limited.

The directors believe that the Company has sufficient funds available to withstand any difficulties which may arise in the next 12 months.

The directors continue to identify and evaluate operational and other risks imposed on the Company, implementing changes, where necessary, to reduce the risks to manageable levels.

Approved by the Board of Directors and signed on its behalf by:



.....
Carolina Jones - Director

Date: 4TH MARCH '2020

Arbor Networks UK Limited

Directors' Report **for Year Ended 31 March 2019**

The directors present their Directors' Report with the audited financial statements of the Company for the year ended 31 March 2019.

The principal activities of the Company are network traffic management and Distributed Denial of Services mitigation solutions for service providers, enterprise and government organisations as well as deep traffic visibility and dynamic security intelligence that transforms threat detection and incident response into powerful visualisation tools with real time historical insight.

DIVIDENDS

No dividends were distributed for the year ended 31 March 2019 and neither for prior year ended 31 March 2018.

DIRECTORS

Directors that have held the office for the entire period and to the date of this report, unless otherwise stated, were as follows:

Jean Bua
Michael Szabados
Gregory Sloan
Carolina Jones
Anthony King

THIRD PARTY INDEMNITIES

NetScout Systems Inc., has provided limited indemnities to all directors in respect of the cost of defending claims against them and third party liabilities. These are all third-party indemnity provisions for the purpose of the Companies Act 2006 and are all currently in force.

HEALTH, SAFETY AND THE ENVIRONMENT

The Company is committed to the maintenance of high standards of practice concerning the health and safety of its employees. The Company recognises its legal obligations in this respect and compliance with such obligations and a number of policies on such matters are monitored through a health and safety committee. The Company is sensitive to the needs of the environment.

GOING CONCERN

The Company has a strong customer base and its liquidity is very good. The Company traded profitably throughout the year and since the year end, such that it had cash at bank and in hand in excess of \$67m as at 29 February 2020. The directors therefore have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, including 12 months from the date of signing the Financial Statements. Accordingly, a going concern basis has been adopted in preparing the Strategic Report and financial statements.

EMPLOYMENT POLICIES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical with that of other employees.

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

DONATIONS

The Company has not made any political donations and/or expenditures during the year ended 31 March 2019 and neither for prior years.

Arbor Networks UK Limited

Directors' Report (Continued)
for Year Ended 31 March 2019

DISCLOSURE OF INFORMATION TO AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each 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.

REDUCED DISCLOSURES

Arbor Networks UK Limited, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year.

FUTURE DEVELOPMENTS

Arbor Networks UK Limited expects continued growth in the European and international markets as the Company continues to expand its sales efforts within these regions. The Company has maintained its position as the world leader in Distributed Denial of Services (DDoS) protection by diversifying into the enterprise sector and continuing to introduce cloud-based DDoS protection against DDoS attacks for the world's leading organisations.

The Company's Advanced Threat Solutions continue to be increasingly popular across European and International markets for its new and faster approach to find and resolve advanced threats and reducing the risk on organisations' networks.

AUDITOR

The auditor, Deloitte LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

SUBSEQUENT EVENTS

Dividend Payments

In the interim, the Company paid a cash dividend to the parent company, TF Holdings B.V., of \$60,000,000 on 1st April 2019 out of the profits available for distribution.

Loan Receivable

On 1st April 2019, the Company received total payment of \$33,488,139 from its intercompany debtor, NSRS Holdings B.V., to settle the entire intercompany loan with receivable principal of \$31,000,000 and receivable interest in the amount of \$2,488,139.

OTHER

Details of principal risks and uncertainties are as disclosed on the Strategic Report.

Approved by the Board of Directors and signed on its behalf by:



.....
Carolina Jones - Director

Date: 4TH MARCH 2020

Arbor Networks UK Limited

Directors' Responsibilities Statement
for Year Ended 31 March 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, Directors Report and the financial statements in accordance with applicable laws and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then 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
Arbor Networks UK Limited
for Year Ended 31 March 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Arbor Networks UK Limited (the 'Company')

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of
Arbor Networks UK Limited (Continued)
for Year Ended 31 March 2019

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

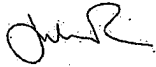
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of
Arbor Networks UK Limited
for Year Ended 31 March 2019

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.



Julian Rae (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
Date: 6 March 2020

Arbor Networks UK Limited

Profit and Loss Account
for Year Ended 31 March 2019

		Year Ended 31 March 2019	Year Ended 31 March 2018
	Notes	\$	\$
TURNOVER	2	134,155,787	151,727,265
Cost of sales		<u>(8,506,857)</u>	<u>(9,919,752)</u>
GROSS PROFIT		125,648,930	141,807,513
Operating expenses		<u>(107,190,937)</u>	<u>(120,145,151)</u>
OPERATING PROFIT		18,457,993	21,662,362
Interest receivable and similar income	5	1,458,501	767,516
Interest payable and similar expenses	6	<u>(18,047)</u>	<u>(21,957)</u>
PROFIT BEFORE TAXATION	4	19,898,447	22,407,921
Tax on profit	7	<u>(2,822,901)</u>	<u>(4,894,973)</u>
PROFIT FOR THE FINANCIAL PERIOD		<u>17,075,546</u>	<u>17,512,948</u>

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the current year or previous period. The profit for the financial year is wholly attributable to the equity shareholders of the Company.

TOTAL COMPREHENSIVE INCOME

The Company has no recognised gains or losses other than the profit for the current year and on this basis, no statement of Comprehensive Income has been included.

Arbor Networks UK Limited

Balance Sheet
As at 31 March 2019

	Notes	31 March 2019	31 March 2018
		\$	\$
ASSETS			
NON-CURRENT ASSETS			
Property, Plant, Equipment	8	1,009,163	679,141
Debtors: due after one year	11	-	32,680,423
		<u>1,009,163</u>	<u>33,359,564</u>
CURRENT ASSETS			
Inventory	9	1,266,040	1,829,139
Debtors: due within one year	10	77,431,909	34,961,805
Cash at bank and in hand		<u>82,082,521</u>	<u>79,078,398</u>
		<u>160,780,470</u>	<u>115,869,342</u>
TOTAL ASSETS		<u>161,789,633</u>	<u>149,228,906</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	12	<u>74,818,799</u>	<u>79,163,002</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>86,970,834</u>	<u>70,065,904</u>
NON-CURRENT LIABILITIES			
Creditors: amounts falling due after one year	13	21,331,109	21,742,800
NET ASSETS		<u>65,639,725</u>	<u>48,323,104</u>
CAPITAL AND RESERVES			
Called up share capital	15	4	4
Profit & Loss account		64,345,856	47,270,310
Capital contribution		1,293,865	1,052,790
SHAREHOLDERS' FUNDS		<u>65,639,725</u>	<u>48,323,104</u>

The financial statements were approved by the Board of Directors on its behalf by:



Carolina Jones - Director

4TH MARCH 2020 and were signed on

Arbor Networks UK Limited

Statement of changes in Equity
for Year Ended 31 March 2019

	Called up Share Capital	Profit and loss account	Capital contribution	Total shareholder s' funds
	\$	\$	\$	\$
Balance at 01 April 2017	4	29,757,362	860,501	30,617,867
Profit and total comprehensive income for the financial period	-	17,512,948	-	17,512,948
Capital contribution - Share based payment	-	-	192,289	192,289
Balance at 31 March 2018	<u>4</u>	<u>47,270,310</u>	<u>1,052,790</u>	<u>48,323,104</u>
Balance at 01 April 2018	4	47,270,310	1,052,790	48,323,104
Profit and total comprehensive income for the financial period	-	17,075,546	-	17,075,546
Capital contribution - Share based payment	-	-	241,075	241,075
31 March 2019	<u>4</u>	<u>64,345,856</u>	<u>1,293,865</u>	<u>65,639,725</u>

Arbor Networks UK Limited

Notes to the Financial Statements **for Year Ended 31 March 2019**

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the reporting period and to the preceding year.

General information and basis of accounting

Arbor Networks UK Limited is a private company limited by shares and is incorporated in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the directors' report on pages 4 to 5.

The individual Financial Statements of Arbor Networks UK Limited have been prepared in compliance with applicable United Kingdom Accounting standards, including Financial Reporting Standard (FRS 102) and the Companies Act 2006.

Arbor Networks UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, NetScout Systems Inc., which can be obtained from 310 Littleton Road, Westford, MA, 01886, USA. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement, financial instruments and remuneration of key management personnel.

Accounting convention

The financial statements have been prepared under the historical cost convention amended for certain items at fair value as set out in the accounting policies below and are in accordance with applicable accounting standards and FRS 102, issued by the Financial Reporting Council.

Functional and presentation currency

The Company's functional currency is GB Pounds and presentation currency is US Dollars due to the fact that the currency of parent company, Netscout Inc. is the latter currency.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

Going concern

The directors have considered the financial position of the Company at year end and the financial statements have been prepared using the going concern basis of accounting. The Company has sufficient funds required to meet liabilities as they fall due for a period of at least 12 months from the date of signing of these financial statements.

The directors taking into account all available information about the future, have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least, but not limited to 12 months, from the date which financial statements are authorised for issue. Thus, they continue to adopt the going concern basis of accounting in the preparation of the financial statements.

Share based payments

The Parent company issues equity-settled share awards to certain employees of the Company. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect on non-market-based vesting conditions.

Fair value is measured as the market value of the award on the grant date which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, vesting restrictions, and behavioural considerations.

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

Interest receivable

Interest income is attributable to intercompany loans and from bank accounts, which are recognised using the effective market interest rates. The interest rates are reviewed periodically for its reasonableness.

Revenue

Revenue represents net invoiced sales of goods, excluding value added tax and discounts.

The Company develops, licenses and supports solutions that measure, visualize and protect large networks. These solutions or systems include both hardware and/or software and are sold through direct customers and via indirect sales to resellers and distributors. Sales consist primarily of revenue from the sale of hardware and/or software, services and support.

The products sold by the Company maintain standalone value as they generally do not require significant production, modification or customization of software. In addition, installation of the products is typically routine, requires minimal effort and is completed by Company customers or resellers. The Company is required to estimate a standalone selling price for products and staging or implementation service, and then revalue the elements of the arrangement accordingly. The associated product revenue is then generally recognized upon shipment, the associated maintenance revenue is recognized ratably over the maintenance term and the staging or implementation service is deferred until completion of the service.

All revenue arrangements are contracted with a fully executed agreement. The Company does not commit to a contract until it is signed nor does it engage in business practices of providing legally enforceable rights and obligations through oral or implied contracts.

Arbor uses a hierarchy to determine the selling price for its products and services:

- Third-party evidence of selling price ("TPE") - Arbor sells its products in bundled arrangements; almost every product is sold with maintenance. Although competition exists but the Company's array of product offerings makes it difficult to compare its products with those of the competition. Therefore, it makes it very difficult to obtain TPE of its products.
- Best estimate of the selling price ("BESP") - BESP reflects Arbor's estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis. The Company is required to use BESP for the deliverables in the arrangement when VSOE or TPE of the selling price is not available.

Intercompany revenue represents the costs cross charged out in relation to hosted employees with a 6.5% mark up as per the intercompany agreements.

Financial instruments

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

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

(i) 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 financing 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.

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in FRS 102.11.9 are subsequently measured at amortised cost using the effective interest method.

Tangible fixed assets

Tangible fixed assets are stated at historic cost less accumulated depreciation and any provision for impairment. Cost includes original purchase price of the asset and the costs attributable to bringing the asset to its working condition and its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment – 3 years

Fixtures and fittings – 5 years

Leasehold improvements – 6 years and 3 months (over the life of lease)

Demo & Eval – 1½ years

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost includes direct materials, direct labour and an attributable proportion of manufacturing overheads based on a normal level of activity. Cost is calculated using the weighted average cost method.

Net realisable value is based on estimated selling price, less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

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.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company, supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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 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 reversal of the underlying timing differences can be deducted.

Deferred tax is measured 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 non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group 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 Group 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.

Pension costs and other post-retirement benefits

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the profit and loss account in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

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 profit or loss as described below.

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.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, 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. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial 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.

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There have been no significant estimates or assumptions which are likely to cause a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- **Revenue recognition**

The Company is required to estimate a standalone selling price for products and staging or implementation service, and then revalue the elements of the arrangement accordingly. Arbor sells its products in bundled arrangements to its customers using the best estimate of the selling price (BESP) as it is unable to establish third-party evidence of selling price (TPE). Although competition exists the lack of direct comparison of products and unavailability of net pricing make it difficult to determine a competitor's fair value.

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

2. TURNOVER

The revenue for the period ended 31 March 2019 and prior year ended 31 March 2018 are attributable to the principal activity of the Company

An analysis of revenue by geographical market is given below:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	\$	\$
United Kingdom	18,330,718	32,193,752
Europe	40,067,441	33,324,739
United States of America	445,421	1,590,417
South America	17,773,469	23,824,547
Asia	20,870,471	25,679,120
Rest of the world	36,668,267	35,114,690
	<u>134,155,787</u>	<u>151,727,265</u>

An analysis of revenue by category is given below:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	\$	\$
Sale of goods (Hardware and software)	78,298,869	85,568,996
Rendering of services	49,707,106	57,896,669
Intercompany revenue	6,149,812	8,261,600
	<u>134,155,787</u>	<u>151,727,265</u>

The principal activities of the Company are network traffic management, Advanced Threat and DDoS mitigation solutions for service providers as well as internal network visibility and on-premises DDoS mitigation tools for enterprises and government organisations.

3. STAFF COSTS

	Year Ended 31 March 2019	Year Ended 31 March 2018
	\$	\$
Wages and Salaries	6,766,775	5,436,544
Social Security Costs	1,126,410	417,892
Other Pension Costs (see note 16)	583,138	652,062
	<u>8,476,323</u>	<u>6,506,498</u>

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

3. STAFF COSTS (continued)

The average monthly number of persons (including executive directors) employed by the Company during the period was as follows:

	Year Ended 31 March 2019	Year Ended 31 March 2018
Sales and pre-sales	41	43
Customer support & services	20	25
Finance, Human Resources and IT	8	7
Marketing	3	4
	<u>72</u>	<u>79</u>

The decrease in the average number of employees is namely due a reduction of employees within Human Resources, Customer Support and Marketing. Consequently, the average number of employees employed during the period decreased by 9%.

Directors' remuneration:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	\$	\$
Aggregate emoluments	407,371	878,824
Company contributions to defined benefit contribution scheme	3,436	12,607
	<u>410,807</u>	<u>891,431</u>

For the period ended 31 March 2019 and prior year ended 31 March 2018 three of the five directors provide services to other group undertakings and it is not practicable to allocate their remuneration across all the group undertakings, therefore no amounts in respect of these directors have been included in the amounts shown above. The amount above only includes remuneration attributable for the directors resident in the United Kingdom that have been apportioned to reflect services provided to the Company.

Remuneration of the highest paid director:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	\$	\$
Aggregate emoluments	364,639	740,750
Company contributions to defined benefit contribution scheme	-	1,495
	<u>364,639</u>	<u>742,245</u>

The highest paid director provides services to other group undertakings, consequently the amounts shown above represents the proportion of the remuneration attributable to the services provided to Arbor Networks UK Limited.

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

4. PROFIT FOR THE YEAR

The profit for the year is stated after charging/(crediting):

	Year Ended 31 March 2019	Year Ended 31 March 2018
	\$	\$
Depreciation of tangible assets (see note 8)	467,570	823,311
Cost of stock recognised as an expense	8,506,857	9,619,230
Impairment of stock recognised as an expense	-	300,522
Foreign exchange differences including translation adjustments	189,819	935,703
Operating lease expenses	306,501	323,023
Selling and Distribution costs	28,857,507	35,206,196
Administration expenses	<u>68,725,949</u>	<u>72,838,367</u>
	Year Ended 31 March 2019	Year Ended 31 March 2018
	\$	\$
Auditors remuneration	110,903	94,213
Non audit services	-	-
	<u>110,903</u>	<u>94,213</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 March 2019	Year Ended 31 March 2018
	\$	\$
Bank interest	650,785	137,246
Interest on intercompany loan	<u>807,716</u>	<u>630,270</u>
	<u>1,458,501</u>	<u>767,516</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31 March 2019	Year Ended 31 March 2018
	\$	\$
Interest on intercompany loan	<u>18,047</u>	<u>21,957</u>
	<u>18,047</u>	<u>21,957</u>

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

7. TAX ON PROFIT

The tax charge comprises:

	Year ended 31 March 2019 \$	Year ended 31 March 2018 \$
Current tax		
Corporation tax at the standard rate of 19% (2018: 19%)	3,805,932	5,189,834
Prior year adjustment to corporation tax	(1,010,415)	(69,838)
	<u>2,795,517</u>	<u>5,119,996</u>
Deferred tax		
Charge/(credit) for current year	(6,463)	(159,573)
Adjustment in respect of change in tax rates	33,166	(95,511)
Effect of changes in tax rates	681	30,061
	<u>27,384</u>	<u>225,023</u>
Taxation charge for the year	<u><u>2,822,901</u></u>	<u><u>4,894,973</u></u>

The standard rate of tax applied to reported profit is 19% (2018: 19%). Under the provisions of Finance Act 2016 the rate of corporation tax will be reduced to 17% with effect from 1st April 2020. Accordingly deferred tax assets and liabilities at 31st March 2018 and 31st March 2019 have been calculated at the rates in force when timing differences are projected to reverse.

During the year beginning 1 April 2019 the net reversal of deferred tax assets and liabilities is expected to increase the corporation tax charge by £20,000 as a result of the projected reversal of accelerated capital allowances and short term timing differences.

There is no expiry date on timing differences, unused losses or tax credit.

The differences between the total current tax shown above and the amount calculated by applying the rate of UK corporation tax to the profit before tax are as follows:

	Year ended 31 March 2019 \$	Year ended 31 March 2018 \$
Profit before tax	<u>19,898,447</u>	<u>22,407,921</u>
Corporation tax at the standard rate of 19% (2018: 19%)	3,780,705	4,257,505
Effects of:		
Expenses not deductible	21,389	772,757
Share options	(2,624)	-
Tax rate changes	681	30,060
Prior year adjustment to corporation tax	(977,250)	(165,349)
Total current taxation charge for the year	<u><u>2,822,901</u></u>	<u><u>4,894,973</u></u>

Arbor Networks UK Limited

**Notes to the Financial Statements (continued)
for Year Ended 31 March 2019**

7. TAX ON PROFIT (continued)

CORPORATION TAX

	Year ended 31 March 2019 \$	Year ended 31 March 2018 \$
Corporation tax (creditor) at the end of the period	<u>(797,507)</u>	<u>(2,560,446)</u>

DEFERRED TAX

	Year ended 31 March 2019 \$	Year ended 31 March 2018 \$
Deferred tax asset at 1 st April	255,525	30,503
Adjustment in respect of prior years	(33,163)	95,511
Deferred tax (credit) charge to profit and loss account for the year	5,782	129,511
Deferred tax asset at 31 st March	<u>228,144</u>	<u>255,525</u>

8. TANGIBLE ASSETS

	Computer Equipment \$	Fixtures & Fittings \$	Leasehold Improvements \$	Demo & Eval. units \$	Total \$
COST					
At 1 April 2018	257,586	27,588	277,885	994,371	1,557,430
Additions	131,239	-	-	666,353	797,592
At 31 March 2019	<u>388,825</u>	<u>27,588</u>	<u>277,885</u>	<u>1,660,724</u>	<u>2,355,022</u>
DEPRECIATION					
At 1 April 2018	77,678	8,929	74,102	717,580	878,289
Depreciation for the year	101,553	6,801	44,461	314,755	467,570
At 31 March 2019	<u>179,231</u>	<u>15,730</u>	<u>118,563</u>	<u>1,032,335</u>	<u>1,345,859</u>
NET BOOK VALUE					
At 31 March 2019	<u>209,594</u>	<u>11,858</u>	<u>159,322</u>	<u>628,389</u>	<u>1,009,163</u>
At 31 March 2018	<u>179,908</u>	<u>18,659</u>	<u>203,783</u>	<u>276,791</u>	<u>679,141</u>

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

9. STOCKS

	Year Ended 31 March 2019 \$	Year Ended 31 March 2018 \$
Stocks	<u>1,266,040</u>	<u>1,829,139</u>

There is no material difference between the carrying value of stocks and their replacement cost.

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year Ended 31 March 2019 \$	Year Ended 31 March 2018 \$
Trade debtors	39,386,351	32,463,294
Amount owed by group undertakings	36,337,182	1,998,566
Other debtors	1,480,232	244,420
Deferred tax asset	<u>228,144</u>	<u>255,525</u>
	<u>77,431,909</u>	<u>34,961,805</u>

The amount owed by group undertakings relates to a loan and accrued interest owing to NSRS Holdings BV of \$33,488,139 (2018: 32,680,423). The interest is calculated based on 3 months USD LIBOR plus 272 basis points. See note 20 for details of repayment of this loan subsequent to the year end.

The remainder of this amount relates to quarterly cross charges for administration of hosted employees and expenditure for other supplies \$2,849,043 (2018: \$1,998,566). It is interest free and due and settled within 30 days from the date of invoice.

11. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Year Ended 31 March 2019 \$	Year Ended 31 March 2018 \$
Amount owed by group undertakings	<u>-</u>	<u>32,680,423</u>

This relates to the loan and accrued interest owing to NSRS Holdings which became payable within 12 months. Please refer to note 10.

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year Ended 31 March 2019 \$	Year Ended 31 March 2018 \$
Trade creditors	1,644,898	2,608,172
Amount owed to group undertakings	15,619,862	15,444,436
VAT	1,165,483	190,883
Deferred revenue	51,190,507	50,826,301
Holiday and pension accrual	225,398	188,855
Other Creditors	107,498	156,137
Other taxes and social security	558,178	575,245
Accrued expenses	3,509,468	6,612,527
Corporation tax	797,507	2,560,446
	<u>74,818,799</u>	<u>79,163,002</u>

The amount owed to group undertakings which included an intercompany loan and accrued interest with Cragen Limited, a related party within the Group, was settled during the current year and has nil balance at year end (2018: 1,234,241). The interest on the loan was calculated at 1.5% (1% above the base rate set by Bank of England). The remainder of the balance relates to quarterly cross charges for administration of Arbor employees hosted by other group companies. It is due and settled within 30 days from the date of invoice.

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Year Ended 31 March 2019 \$	Year Ended 31 March 2018 \$
Deferred revenue	21,277,753	21,641,568
Other creditors	53,356	101,232
	<u>21,331,109</u>	<u>21,742,800</u>

Below is a detailed summary showing the recognition of deferred revenue over forthcoming periods:

	31 March 2019 \$	31 March 2018 \$
Due between one and two years	15,557,101	13,951,428
Due between two to five years	5,720,652	7,686,832
Due more than five years	-	3,308
	<u>21,277,753</u>	<u>21,641,568</u>

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

14. OPERATING LEASE COMMITMENTS

Total future minimum lease payments under operating leases are as follows:

	Year Ended 31 March 2019		Year Ended 31 March 2018	
	Car Leases	Buildings	Car Leases	Buildings
	\$	\$	\$	\$
Lease expiring within one year	23,920	277,800	34,240	298,667
One to five years	4,676	723,823	94,502	1,076,859
	<u>28,596</u>	<u>1,001,623</u>	<u>128,748</u>	<u>1,375,526</u>

The buildings lease is between Arbor Networks UK Limited and Novell UK limited, commencing 24th March 2016 and expiring on 8th March 2022. The rent is settled quarterly starting from 24th December 2016 offering thirteen months rent free period split into two period of nine months at the start of the lease and another four months from 24th May 2020 to 23rd September 2020. The overall lease payments are spread over the life of the lease including any rent free periods.

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

			Year Ended 31 March 2019	Period Ended 31 March 2018
Allotted		Nominal		
Number:	Class:	Value:	\$	\$
2	Ordinary	£1	<u>4</u>	<u>4</u>

The Company has one class of ordinary shares which carries no right to fixed income. The nominal value of the two shares is in Great British Pounds, which were translated into the functional currency, US Dollars at the exchange rate of 1.945 as of 22 April 2014.

16. PENSION COMMITMENTS

The Company operates a group defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to \$886,421 (2018: \$1,026,606) from which, \$583,138 (2018: \$652,062) related to the employees of Arbor Networks UK Limited and the remaining \$311,883 (2018: \$373,944) relates to hosted employees from other group business units. These costs are recharged to these other business units as part of the intercompany revenue recharge agreement. Outstanding pension contributions at the end of period amounted to \$85,426 (2018: \$101,809).

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is TF Holdings BV, a company incorporated in the Netherlands with registered address Science Park Eindhoven 5110, 5692 EC Son, Netherlands. At present and at the balance sheet date, the ultimate parent undertaking, controlling party and the smallest and largest group to consolidate these financial statements is NetScout Systems Inc., a company incorporated in Delaware in the United States, trading on NASDAQ under NTCT. The consolidated financial statements of this group are available to the public at their registered office and can be obtained from 310 Littleton Road, Westford, MA, 01886, USA.

Related party transactions

As per section 33.1A of FRS 102 Related party disclosures, disclosures need not be given of transactions entered into 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. The Company transacts with various other entities within its Group at arm's length, however, the particulars of these transactions need not be disclosed. The only other related party transactions are with two of the Directors of the entity, who are paid via the Company's UK payroll as disclosed in note 3.

18. SHARE-BASED PAYMENTS

Equity-settled share-based payments:

Certain employees participate in the Netscout Systems Inc. 2007 Equity Incentive Plan and were granted Restricted Stock Unites (RSUs) under the plan. The fair value of share based awards granted to employees is measured at the grant date and recognised as an expense over the vesting period, generally four years, subject to the Company estimate of the number of awards which will lapse. The only performance condition is that the individual is an employee of the Company at the vesting date.

RSUs are granted to selected employees with a fixed release date. One fourth of the RSUs granted are released annually on the anniversary of the grant date. Options are valued using an accepted pricing model. The fair value per RSU granted and additional information used in the calculation are as follows:

	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
		WAEP		WAEP
	No	\$	No	\$
Outstanding at 1st April 2018	132,318	32.16	103,103	30.44
Granted during the year	80,539	30.54	64,545	34.56
Exercised during the year	(44,193)	36.60	(30,798)	31.56
Forfeited during the year	(10,866)	29.79	(4,532)	31.25
Outstanding at the end of the year	157,798		132,318	
Exercisable at the end of the year	157,798	31.34	132,318	32.16

The weighted average fair value of RSUs granted in the year was \$2,459,900 (2018: \$2,230,731) with \$1,175,637 (2018: \$1,293,682) being charged to the profit and loss account during the year.

Arbor Networks UK Limited

Notes to the Financial Statements (continued)
for Year Ended 31 March 2019

19. CONTINGENT LIABILITIES

The bank has provided the group class guarantee facility of GBP 2,222,222 which will be reviewed in June 2020. There is also a Guarantee dated 01 October 2013 in favour of HM Revenue and Customs for GBP 200,000. Securities are held with Composite Company Limited. There have been no changes to the group guarantee.

20. EVENTS AFTER THE REPORTING YEAR END

Dividend Payments

In the interim, the Company paid a cash dividend to the parent company, TF Holdings B.V., of \$60,000,000 on 1st April 2019 out of the profits available for distribution.

Loan Receivable

On 1st April 2019, the Company received total payment of \$33,488,139 from its intercompany debtor, NSRS Holdings B.V., to settle the entire intercompany loan with receivable principal of \$31,000,000 and receivable interest in the amount of \$2,488,139.