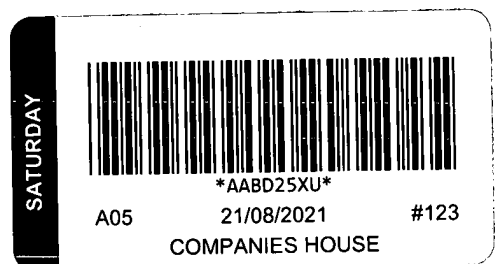


Avaya UK
Reports and Financial Statements
for the year ended 30 September 2020



Avaya UK

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Avaya UK

DIRECTORS AND OTHER INFORMATION

| | |
|---|--|
| Directors | Lee J. Hastings Ena Hunter Steve Joyner (appointed 1 October 2019) Indira Stacey (appointed 11 February 2020) |
| Company Number | 03049861 |
| Registered Office and Business Address | 1000 Cathedral Square Cathedral Hill Guildford Surrey GU2 7YL United Kingdom |
| Independent Auditors | BDO 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA |
| Bankers | Citibank PO Box 449 Riverdale House Molesworth Street London SE13 7EU United Kingdom |
| Solicitors | Taylor Wessing 5 New Street Square London EC4A 3TW United Kingdom |

Avaya UK

STRATEGIC REPORT

for the year ended 30 September 2020

The directors present their strategic report for the year ended 30 September 2020.

Business review and principal activities

Avaya UK provides communications systems, applications and services for enterprises, including businesses, government agencies and other organisations. Our products include Internet Protocol ("IP") telephony systems and traditional voice communications systems, multi-media contact centre infrastructure and applications in support of customer relationship management, unified communications applications and appliances, such as IP telephone sets. The company supports its broad customer base with comprehensive service offerings that enable our customers to plan, design, implement, monitor and manage their communications networks.

We offer a broad array of communications solutions, comprised of hardware, software and services, that enable enterprises to communicate with their customers, suppliers, partners and employees through voice, web, electronic mail, facsimile, web chat sessions and other forms of communication, across a broad spectrum of devices. These devices include telephones, computers, mobile phones and personal digital assistants.

The results for the company show turnover for the year of £98,529,898 (12-month period ended 30 September 2019: £108,315,782) and a loss on ordinary activities before taxation of £589,421 (12-month period ended 30 September 2019: profit £6,200,574).

As reference in Note 6, the company operates in 3 segments - Global Communication Solutions, Avaya Global Services and Global Company Support.

During the year ended 30th September 2020 the company adopted a new accounting policy for revenue recognition. The change in the accounting policy has been applied retrospectively and the prior year published financial statements have been restated for comparative purposes.

Global Communications Solutions revenue decreased by 35% year on year, the nature of this revenue stream is independent and one off. Avaya's global policy continues to on focus on strategic partnerships and utilisation of business partners and service providers.

Avaya Global Services revenue increased by 1% year on year, as Avaya continues to have a strategic focus on annuity and reoccurring revenue streams.

Group Company Support decreased by 14% year on year. This revenue stream is strongly associated with the company's cost and expense which decrease in the year as a result of the continuing focus on controlling expenditure.

The above analysis is based on a 12-month year ended 30 September 2020 compared to a 12-month year ended 30 September 2019.

Business environment

Our customers include enterprises operating in a broad range of industries, including financial services, manufacturing, media and communications, professional services, healthcare, education and government.

The Avaya Global group (Avaya) is focused on the migration of customers' traditional voice communications to a converged network that provides for the integration of voice, data, video and other applications traffic on a single network. We offer customers the flexibility to implement new IP telephony solutions or "IP-enable" their existing Avaya voice communications systems, thereby preserving some of their existing communications technology investments and allowing them to implement IP telephony at their own pace.

Converged networks offer increased functionality and provide our customers with the ability to reach the right person at the right enterprise, at the right time, in the right place and in the right way, thereby optimising business interactions and enhancing our customers' ability to grow revenue and reduce costs.

Our products, applications and services are driving the integration of communications and business processes, making communications an important component of our customers' business strategies.

We possess several strengths that we believe provide us with a competitive advantage in the enterprise communications market:

- clear focus on the enterprise;
- extensive voice experience and expertise, and a reputation for superior products and technology for voice processing and applications;
- a comprehensive suite of industry-leading communications applications, including remote/mobile offerings such as speech access, remote agents and soft phones, which allow our customers to improve worker productivity and reduce costs by providing secure business communications to a dispersed workforce;

Avaya UK STRATEGIC REPORT

for the year ended 30 September 2020 *(continued)*

Business environment *(continued)*

- investment protection for traditional telephony systems, allowing customers to upgrade and take advantage of the benefits of IP telephony while maintaining a significant portion of their previous equipment investment (i.e. "IP-enable" their existing voice communications system);
- world-class contact centre offerings that assist our customers in managing their communications with their clients; and
- a services organisation that offers end-to-end customer solutions, including remote maintenance and diagnostic services that sense and fix software outages, often before customers even realise there may be a problem.

Financial Key Performance Indicators

The board monitors progress on the overall strategy by reference to three KPIs.

Performance during the year ended 30 September 2020, together with historical trend data (period ended 30 September 2019) is set out in the table below:

| | 2020 | 2019 | Definition |
|-------------------------------------|------|------|---|
| (Decrease)/Increase in turnover (%) | (9)% | (1)% | Period on period turnover increase/(decrease) expressed as a percentage |
| Gross profit margin (%) | 51% | 50% | Gross profit expressed as a percentage of turnover |
| Operating profit/(loss) margin (%) | (1)% | 6% | Operating profit/(loss) expressed as a percentage of turnover |

The figures presented in the above KPI's are comparable as they represent a 12-month accounting period ending 30 September 2019 to a 12-month accounting period ended 30 September 2020.

Revenue decline is referenced within Business Review on page 4. Gross Margin % increase is as a result of a decrease in charges from Avaya International Sales Limited, a fellow group company registered in Ireland, and companies from the wider group.

Avaya UK STRATEGIC REPORT

for the year ended 30 September 2020 *(continued)*

Strategy: Leadership in Intelligent Communications

Intelligent Communications is about embedding communications solutions into our customers' business processes to help them transform their business and innovate their business models. It is about helping to enable customers to increase revenues, improve productivity and grow profits.

We are focused on extending the value of our communication management software as customers adopt technology architectures and frameworks that open up new possibilities for interaction among employees, customers, business partners and suppliers.

We also plan to build on our strong market position in contact centre applications by extending the core attributes and functionality of the contact centre across the entire enterprise, creating in many ways a virtual contact centre, and also by deepening and strengthening our technology solutions in this area. In unified communications we plan to build off our strengths in messaging and multimedia conferencing for collaboration and driving employee productivity.

Research and development

The research and development engineers employed by Avaya UK are focused on developing and testing future products and features in line with the Avaya Global Strategy.

Future outlook

We remain a leader in our enterprise telephony market, we are helping to lead the transition to IP telephony and Intelligent Communications.

Avaya's solutions are combinations of our products and services designed to help our customers address their customer and team engagement needs, before, during and after any transition they may move to a mobile- and cloud-enabled communications environment. We believe our unified communications and contact center can increase productivity and profitability for businesses of all sizes.

Our goal is to leverage and build on these strengths to improve the level and consistency of our performance. We will do this by continuing to focus on three key areas: strategy, execution and culture. This enables us to further differentiate our offerings, enhance our market leadership, drive our growth, improve efficiency and instil a commitment to success.

The COVID-19 pandemic, and the governmental responses to it, continue to have a negative impact on global, regional and national economies, disrupting supply chains and reducing international trade and business activity. As the global COVID-19 pandemic continues, the impact on our business, financial performance and liquidity, including our ability to execute our near-term and long-term business strategies and initiatives in the expected time frame, will depend on future developments, including the duration and severity of the pandemic, which are uncertain and cannot be predicted.

The Company, and the wider Avaya group, has taken precautionary actions to maintain its profit and cash levels. This includes, but not limited to, minimising discretionary spend, and deferring VAT payments, in line with government initiatives until 2021. A UK response team was established at the start of the pandemic, and meets on a regular basis, to track the wellbeing of the employees, makes decisions around locations, coordinate response to government guidance, and ensure Avaya UK continues functioning seamlessly.

Given the nature of the business the company operates in, the COVID-19 pandemic has not had a material impact on the company's revenue, profit or operating cashflow to date. The company has not experienced a disruption to its supply chain, been unable to fulfil orders, seen significant contract breaches or payment issues from customers. The company will continue to monitor, and take appropriate action, as the COVID-19 pandemic evolves, to minimise the impact on its financial condition and operations.

Avaya UK STRATEGIC REPORT

for the year ended 30 September 2020 *(continued)*

Principal risks and uncertainties

The following are the key factors currently affecting our management of the business and the execution of the company's strategy:

Technology transition

Our growth strategy relies heavily on capturing a significant share of the spending by enterprises on their transition of technology from traditional communications systems to IP telephony and Intelligent Communications. There are several factors that indicate that enterprises are in the midst of transitioning their traditional communications systems to next-generation communications technology.

Although many large companies may have begun to transition to IP telephony, IP telephony lines still constitute a small percentage of global installed enterprise telephony lines. We have begun to see companies that have purchased IP-enabled communications technology start to implement IP technology across their organisations. In addition, the average age of non-IP enterprise technology systems is over ten years. Although these systems continue to operate reliably after ten years, we believe that enterprises typically will consider a new investment in enterprise communications technology at this point in the telephony system's lifecycle.

Accordingly, we believe that enterprises are increasingly considering new investments in enterprise communications and, if they decide to make such investments, may consider IP telephony. Additionally, we believe that IP telephony has gained widespread acceptance in the marketplace as an alternative replacement option, and we expect to see increased demand as the IP telephony industry continues to become more mainstream. According to the latest available industry statistics, approximately half of all lines currently being shipped are IP rather than traditional.

Competitive environment

Avaya has historically operated, and continues to operate, in an extremely competitive environment. The demand for our products can change quickly and in ways that may not be anticipated because the market is characterised by rapid, and sometimes disruptive, technological developments, evolving industry standards, frequent new product introductions and enhancements, changes in customer requirements and a limited ability to accurately forecast future customer orders. Also, we face intense competition from current competitors and, in addition, because the market is subject to rapid technological change, as the market evolves, we may face competition in the future from companies with which we do not currently compete. Therefore, there is a need to keep software up to date and respond to changing technology and competitors in order for the income stream to develop.

Economic conditions

Current Economic conditions do impact on customers' willingness to further spend and invest in technologies in the short term. Due to the importance of technology and innovation for future competitive advantage, Avaya expects that its customers will continue to invest in technologies and that Avaya's continued innovative and collaborative approach to delivering solutions will result in future growth.

We are dependent on general economic conditions and the willingness of our customers to invest in technology. Instability in the geopolitical environment of our customers, instability in the global credit markets and other disruptions, such as the novel coronavirus disease ("COVID-19"), put pressure on the global economy causing uncertainties.

Avaya UK STRATEGIC REPORT

for the year ended 30 September 2020 (continued)

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

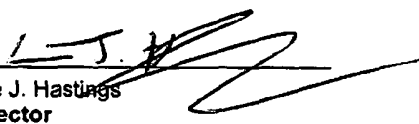
In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and relationships with employees, customers and suppliers. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

The views and the impact of the Company's activities on the Company's stakeholders (including its customers and suppliers) are an important consideration for us when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both the stakeholders and the Avaya global group means that generally stakeholder engagement best takes place at an operational or group level. The Company finds that as well as being a more efficient and effective approach, this also helps it achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company.

During the period the Company received information to help it understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, environmental, social and corporate governance matters and the outcomes of specific pieces of engagement. As a result of this, the Company has had an overview of engagement with stakeholders and other relevant factors which allows it to understand the nature of the stakeholders' concerns and to comply with its section 172 duty to promote success of the company.

One example of how the Company has had regard to the matters set out in section 172(1)(a)-(f) when discharging its section 172 duties and the effect of that on decisions taken is the approval of the Company's slavery and human trafficking statement in accordance with the Modern Slavery Act 2015 (the "Act"). In making this decision, the Board considered a range of factors. These included the requirement to comply with government legislation, the needs and responsibilities to the Company's customers and suppliers, as well the expectations of its members.

On behalf of the board


Lee J. Hastings
Director

Date: 19 August 2021.

Avaya UK

DIRECTORS' REPORT

for the year ended 30 September 2020

The directors present their report and the audited financial statements for the year ended 30 September 2020.

Principal Activity

Avaya UK provides communications systems, applications and services for enterprises, including businesses, government agencies and other organisations. Our products include Internet Protocol ("IP") telephony systems and traditional voice communications systems, multi-media contact centre infrastructure and applications in support of customer relationship management, unified communications applications and appliances, such as IP telephone sets. The company supports its broad customer base with comprehensive service offerings that enable our customers to plan, design, implement, monitor and manage their communications networks.

We offer a broad array of communications solutions, comprised of hardware, software and services, that enable enterprises to communicate with their customers, suppliers, partners and employees through voice, web, electronic mail, facsimile, web chat sessions and other forms of communication, across a broad spectrum of devices. These devices include telephones, computers, mobile phones and personal digital assistants.

Results and Dividends

The loss for the year after providing for depreciation and taxation amounted to £210,228 (12-month period ended 30 September 2019: £4,403,208).

The directors do not recommend payment of a dividend.

Directors

The directors who served during the year are as follows:

Lee J. Hastings
Ena Hunter
Steve Joyner (appointed 1 October 2019)
Indira Stacey (appointed 11 February 2020)
Steve Wright (resigned 11 February 2020)

Unless otherwise stated the directors served in office for the entire period.

Future Outlook

Future outlook for the company is set out on page 5 in the strategic report.

Events after end of the reporting period

On December 31, 2020, the transition period ended, and the UK left the EU Single Market and Customs Union. A trade and cooperation agreement has removed some uncertainty and a significant amount of financial risk associated with the UK's exit from the EU. As a result, the impact on Avaya UK has been minimal as referred to in note 30 of the financial statements.

There have been no other significant events since the statement of financial position date that the directors believe require adjustment to, or disclosure in the accounts.

Avaya UK DIRECTORS' REPORT

for the year ended 30 September 2020

Employee Involvement

The company's policy is to discuss with employees matters likely to affect their interests. Discussions are via various methods: electronic mail, staff meetings and the Avaya Employee Forum.

Information on matters of concern to employees is given through information bulletins and reports that seek to achieve a common awareness on the part of employees of the financial and economic factors which affect the company's performance.

Employees are encouraged to contribute to the success of the company and are offered incentives by way of share schemes and performance related bonuses.

Disabled persons:

The company has a policy of giving every consideration to applications for employment from disabled persons where the requirements of the job may be covered by those persons. With regards to existing employees who are or who become disabled, the company has continued to examine ways and means of providing continuing employment under normal terms and conditions, and to provide training and career development.

COVID-19:

The health and safety of our employees has been our highest priority throughout the COVID-19 pandemic, and we have implemented several preventative and protective measures, including requiring, to the extent possible, all employees to work remotely, and cancelling conventions and conferences where social distancing would not be possible. We have also implemented business continuity plans and have continued to support our customers primarily by providing our services remotely instead of onsite.

There was no mandatory reduction to employee's hours of work, employee's salaries were not impacted, and the company did not need to avail of the UK government's Coronavirus job retention scheme.

UK Streamlined Energy and Carbon Reporting

As per Streamlined Energy and Carbon Reporting (SECR) requirements, the below table provides a summary of emissions and energy data for the Company.

The below summary covers the period 1st January 2020 to 31st December 2020.

| | |
|--|------------------|
| Emissions from the combustion of gas (Scope 1) (tCO ₂ e) | 297 |
| Emissions from purchased electricity (tCO ₂ e) (Scope 2) (location based) | 161 |
| Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tCO ₂ e) (Scope 3) | 3 |
| Total gross emissions based on the above (tCO₂e) | 460 |
| Energy consumption used to calculate Scope 1 emissions (kWh) | 1,267,946 |
| Energy consumption used to calculate Scope 2 emissions (kWh) | 689,862 |
| Energy consumption used to calculate Scope 3 emissions (kWh) | 7,837 |
| Total energy consumption based on above (kWh) | 1,965,646 |
| Intensity ratio: tCO₂e (gross Scope 1, 2 + 3) per £m sales revenue | 4.7 |

Avaya UK

DIRECTORS' REPORT

for the year ended 30 September 2020 (continued)

Statement of Directors' Responsibilities

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

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other Jurisdictions.

In so far as the directors are aware:

- there is no relevant audit information (information needed by the company's auditor in connection with preparing the auditor's report) of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Financial risk management

The company's operations expose it to a variety of financial risks that include foreign exchange risk, liquidity risk, credit risk and price risk. There is no debt held in the company other than balances with companies within the Avaya UK group. The UK group's debt exposure is considered at a global level therefore interest rate risk is not considered to represent a significant financial risk. Avaya UK's financial position is monitored at the Avaya Inc. level to ensure there is no significant impact on the UK company's trading activities.

Foreign exchange risk

The company operates in currencies other than Pound Sterling and, as such, is exposed to exchange rate movements. To protect against high levels of exchange rate risk, the company maintains the majority of its short-term monetary assets and liabilities in sterling. In addition, the international treasury team mitigate the risk by regularly reviewing the company's currency exposures and taking the appropriate hedge positions.

Liquidity risk

Our ability to generate net cash from operating activities has been a primary source of our liquidity. At a time of challenging market conditions, our ability to generate sufficient net cash from operating activities to meet our cash needs could be adversely affected. This is managed centrally by Avaya global group treasury department. A parent company, Avaya Inc., have confirmed they will provide adequate financial support to the company if required. As noted in page 11, as of 30 September 2020, the company has cash of £5.1M, net current assets of £42.9M and continue to have access to additional financial support from its parent if required. The ultimate parent has also taken steps, as a precautionary measure, to boost liquidity and reinforce stability in an economically turbulent environment.

Avaya UK
DIRECTORS' REPORT (continued)
for the year ended 30 September 2020

Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit limits are determined by the Global Treasury Organisation and are monitored by management periodically. Due to the impact of the COVID-19 pandemic on our customers the Avaya group is closely monitoring the collectability of all our receivables. The main customers of the company do not operate within the industries that were most affected by this pandemic.

Price risk

One aspect of the competitive environment in which we operate is that we regularly face pricing pressures which may negatively impact our revenue and gross margins. In addition, we also face pricing pressure when long-term maintenance and managed services contracts expire. The potential impact of this is monitored through a robust approval process on any additional discount requests.

In the current climate following the COVID-19 pandemic there is the additional risk of non-renewals or customers looking for additional discounts. However given the current situation and the reliance on remote collaboration tools for most businesses across the UK and the additional pressures faced in many call centres the company do not envisage that there will be significant impact to the renewals business as companies are heavily reliant on Avaya's technologies at present.

Statement of disclosure of information to auditors

Each of the persons who are directors at the time this director's report is approved has confirmed that:

- As far as he/she is aware, there is no relevant audit information of which the company's statutory auditors are unaware; and
- He/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

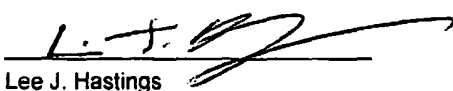
Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The company also purchased and maintained throughout the financial period director's and officer's liability insurance in respect of itself and its director's.

Independent Auditors

The auditors, BDO, (Chartered Accountants and Statutory Audit Firm) have indicated their willingness to continue in office in accordance with the provisions of Section 485 of the Companies Act 2006.

On behalf of the board


Lee J. Hastings
Director

Date: 19 August 2021.

Avaya UK

Independent auditors' report to the members of Avaya UK

Independent Auditor's Report to MEMBERS of Avaya Uk

Opinion

We have audited the financial statements of Avaya Uk ("the Company") for the year ended 30 September 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and Notes forming part of the financial statements, and the notes to the financial statements, 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 Financial Reporting Standard 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 state of the Company's affairs as at 30 September 2020 and of its loss 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.

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, 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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and 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 and Directors' report.

Avaya UK

Independent auditors' report to the members of Avaya UK

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 The directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

Nigel Harker

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Nigel Harker (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK
20 August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Avaya UK
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2020

| | | Year ended 30 September 2020 £ | As Restated Year ended 30 September 2019 £ |
|-------------------------------------|-------|---|--|
| | Notes | | |
| Revenue | 6 | 98,529,898 | 108,315,782 |
| Cost of sales | | (48,131,509) | (53,826,901) |
| Gross profit | | 50,398,389 | 54,488,881 |
| Administrative expenses | | (50,934,799) | (47,552,717) |
| Exceptional administrative expenses | 8 | (163,720) | (813,726) |
| Operating profit | 7 | (700,130) | 6,122,438 |
| Finance income | 10 | 164,000 | 159,962 |
| Finance costs | 11 | (53,291) | (81,826) |
| Profit before taxation | | (589,421) | 6,200,574 |
| Tax on profit | 13 | 379,193 | (1,797,366) |
| Total comprehensive income | | (210,228) | 4,403,208 |

The change in the accounting policy has been applied retrospectively and the prior year published financial statements have been restated for comparative purposes. The impact of the restatement has been addressed in Note 29.

Avaya UK


Company Number: 03049861

STATEMENT OF FINANCIAL POSITION

as at 30 September 2020

| | Notes | 2020 £ | As Restated 2019 £ |
|---|-------|--------------------------|--------------------------|
| Non-Current Assets | | | |
| Intangible assets | 14 | 1,133,295 | 1,857,295 |
| Property, plant and equipment | 15 | 6,486,311 | 6,358,522 |
| | | <u>7,619,606</u> | <u>8,215,817</u> |
| Current Assets | | | |
| Inventories | 16 | 98,620 | 132,468 |
| Debtors | 17 | 77,861,107 | 67,395,751 |
| Cash and cash equivalents | | 5,118,934 | 43,488,253 |
| | | <u>83,078,661</u> | <u>111,016,472</u> |
| Creditors: Amounts falling due within one year | 18 | <u>(40,139,559)</u> | <u>(68,485,085)</u> |
| Net Current Assets | | <u>42,939,102</u> | <u>42,531,387</u> |
| Total Assets less Current Liabilities | | 50,558,708 | 50,747,204 |
| Provisions for liabilities and charges | 20 | <u>(495,797)</u> | <u>(474,065)</u> |
| Net Assets | | <u><u>50,062,911</u></u> | <u><u>50,273,139</u></u> |
| Equity | | | |
| Called up share capital | 21 | 15,670,684 | 15,670,684 |
| Other reserves including the fair value reserve | 23 | 1,005,665 | 1,005,665 |
| Retained earnings | | 33,386,562 | 33,596,790 |
| Equity attributable to owners of the company | | <u><u>50,062,911</u></u> | <u><u>50,273,139</u></u> |

The financial statements on pages 15 – 35 were approved by the Board of Directors on 19 August 2021 and signed on its behalf by:


 Lee J. Hastings
 Director

Avaya UK
STATEMENT OF CHANGES IN EQUITY
For the period ended 30 September 2020

| | Share capital £ | Retained earnings £ | Other reserves £ | Total £ |
|--|-----------------------|---------------------------|------------------------|-------------------|
| At 1 October 2018 | 15,670,684 | 29,193,582 | 826,462 | 45,690,728 |
| Profit for the financial period (Restated) see Note 29 | - | 4,403,208 | - | 4,403,208 |
| Other movements in equity attributable to owners | - | - | 179,203 | 179,203 |
| At 30 September 2019 | 15,670,684 | 33,596,790 | 1,005,665 | 50,273,139 |
| Loss for the year | - | (210,228) | - | (210,228) |
| At 30 September 2020 | 15,670,684 | 33,386,562 | 1,005,665 | 50,062,911 |

Avaya UK

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

1. GENERAL INFORMATION

Avaya UK is a private unlimited company incorporated in the United Kingdom. Avaya House, Cathedral Hill, Guildford, Surrey, GU2 7YL, United Kingdom is the registered office, which is also the principal place of business of the company. The nature of the company's operations and its principal activities are set out in the strategic and directors' report. The financial statements have been presented in Pound Sterling (£) which is also the functional currency of the company.

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Statement of compliance

The financial statements of the company for the year ended 30 September 2020 have been prepared in accordance with The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102) issued by the Financial Reporting Council and in accordance with the Companies Act 2006.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

The preparation of the financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions subject to the notification of and no objections to the use of exemptions by the company's shareholders (FRS 102 paragraph 1.12). The company has taken advantage of the following exemptions:

- Exemption from the requirements of Section 7 of FRS 102 and FRS 102 paragraphs 3.17(d) to present a statements of cash flows on the basis that its ultimate parent company includes the company's cash flows in its own consolidated financial statements.
- Exemption from the financial instrument disclosure requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29A of FRS 102.
- Exemption from the requirements of FRS 102 Section 33 to disclose key management compensations in total.
- The company has taken advantage of the exemption under paragraphs 33.1A from the provisions of FRS 102 'Related Party Disclosures' from disclosing related party transactions with related parties that are part of the Avaya group.

Cash flow statement

The company is entitled to the exemption in accordance with Section 400 of the Companies Act 2006 from the obligation to prepare group accounts.

2. ACCOUNTING POLICIES *(continued)*

Revenue

During the year ended 30th September 2020 the directors made the decision to adopt a new accounting policy for revenue recognition. The core principle of the new policy is that an entity should recognize revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The change in the accounting policy has been applied retrospectively and the prior year published financial statements have been restated for comparative purposes. The impact & specific details of this change has been addressed in Note 29.

Revenue is presented net of value added tax and trade discounts.

Stand-alone product is recognised on shipment of products.

Products & professional services in relation to projects is generally recognised when the products are delivered, and the services performed, unless a contract specifies at completion.

Cloud and managed services arrangements pursuant to which the customer purchases and owns the solution and Avaya provides the software as a service ("SaaS"), control of the software generally transfers to the customer and the related revenue is recognized, at the point-in-time the SaaS commences. All other revenue from these arrangements are recognised during the period the contract is in place.

Maintenance services is recognised during the period the maintenance contract is in place.

Revenue from group company support is recognised at the time at which the relevant services are provided to each group company.

Exceptional items

Restructuring items of income and expense and one-off transactions are disclosed in the statement of comprehensive income for the period as exceptional items.

Financial assets and liabilities

The company has financial assets in the form of cash and loans to group companies and financial liabilities in the form of loans from group companies, details of which are disclosed in the notes to the financial statements.

Interest payable

Interest payable is recognised as it becomes due, in accordance with the relevant agreements.

Interest receivable

Interest receivable is recognised as it is due, in accordance with the relevant agreements.

Property, plant and equipment and depreciation

The cost of tangible fixed assets is their historic purchase cost, together with any incidental expenses of acquisition less accumulated depreciation and where applicable, provision for impairment.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values on a straight-line basis over the expected useful economic lives of the assets concerned. The principal rates used for this purpose are:

| | | |
|--------------------------|---|--|
| Short leasehold property | - | Shorter of the lease duration and 20 years |
| Plant and equipment | - | 2 to 10 years |

The carrying values of tangible fixed assets are reviewed annually for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

2. ACCOUNTING POLICIES *(continued)*

Leasing

Where a company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the statement of financial position as a tangible fixed asset and is depreciated over its estimated useful economic life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the statement of comprehensive income, and the capital element which reduces the outstanding obligations for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the statement of comprehensive income on a straight-line basis over the life of the lease.

Financial assets

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Work in progress represents the value of goods delivered to customers pending installation.

Provision is made where necessary for obsolete, slow moving or defective stocks.

Trade and other debtors

Trade and other debtors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases the receivables are stated at cost less impairment losses for bad and doubtful debts.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where provisions are expected to unwind over a period a suitable discount rate is selected.

Trade and other creditors

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

Share-based payments

The company operates an equity-settled share option scheme where a small number of the company's employees are awarded shares options in Avaya Holdings Corp. Equity-settled share-based payments are measured at fair value at the date of grant.

The company also has a scheme which issues restricted stock units ("RSUs") to a small group of employees each of which represents the right to receive one share of Avaya Holdings Corp. common stock when fully vested.

Where it is necessary to estimate the fair value of an option or share awarded, the Cox-Ross-Rubenstein method has been used.

All expenses related to both schemes are recorded in the books of Avaya Holdings Corp.

Avaya UK
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2020

2. ACCOUNTING POLICIES *(continued)*

Employee benefits

The company provides a range of benefits to employees including paid holiday arrangements and a defined contribution pension plan.

(i) Short term benefits:

Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plan:

The company operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

(ii) Employee Stock Purchase Plan:

Under the Employee Stock Purchase Plan (ESPP), eligible employees may purchase the Company's common stock through payroll deductions at a discount not to exceed 15% of the lower of the fair market values of the Company's common stock as of the beginning or end of each 3-month offering period. Payroll deductions are limited to 10% of the employee's eligible compensation and a maximum of 6,250 shares of the Company's common stock may be purchased by an employee each offering period. The first offering period began on June 01, 2020.

Taxation and deferred taxation

Current tax represents the amount expected to be paid or recovered in respect of taxable profits for the year and is calculated using the tax rates and laws that have been enacted or substantially enacted at the statement of financial position date.

Deferred tax is provided in full on an undiscounted basis, on all timing differences which result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at average rates expected to apply when they crystallise based on current tax rates and laws enacted or substantively enacted at the statement of financial position date. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. A net deferred tax asset is regarded as recoverable and is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Foreign currencies

(i) Functional and presentation currency

The company's functional and presentation currency is Pound Sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At the end of each financial year foreign currency monetary items are translated to pound sterling using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2. ACCOUNTING POLICIES *(continued)*

Intangible assets

Separately acquired customer lists are shown at historical cost. Customer lists acquired in a business combination are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. The UEL for intangible assets held in Avaya UK varies between 5 and 12 years.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements made in the process of preparing the company's financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these financial statements management has made judgements, estimates and assumptions that affect application of the company accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates. Key sources of estimation uncertainty and critical accounting judgements are as follows:

Tangible fixed assets:

The annual depreciation on tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Intangible fixed assets:

The annual amortisation on intangible fixed assets is sensitive to changes in the estimated useful economic lives and recoverable values of the assets. The useful economic lives and recoverable values are reviewed annually.

Carrying amount of trade debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The directors' have assessed the trade debtors and believe the carrying value to be recoverable in full.

Amounts due from Group companies

The Directors have assessed the recoverability of amounts due from group companies and believe all balances will be recovered in full in the future.

Fair value of multiple element arrangements

4. PERIOD OF FINANCIAL STATEMENTS

The financial statements have been prepared for the year ended 30 September 2020. The comparative figures relate to the 12-month period ended 30 September 2019.

5. GOING CONCERN

These financial statements have been prepared on a going concern basis.

The directors continue to monitor developments with, and potential impact of, COVID-19 in the short and medium term and is in particular, focused on the key risks of delays in customer contracting decisions and the impact of the current situation on the financial stability of our customers. At present, the company has not seen a material impact on our financial condition or operations but continues to review as the COVID-19 pandemic evolves.

We expect our existing cash balance, and cash generated by operations to be our primary sources of short-term liquidity. Our ability to meet our cash requirements will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Based on our current level of operations, as well as our current estimates of the impact that the COVID-19 pandemic will have on our business and cash flow, we believe these sources will be adequate to meet our liquidity needs for at least the next twelve months.

We also believe that our financial resources, along with appropriate management of discretionary expenses, and mitigation actions taken by management to reduce any potential disruption, will allow us to manage the anticipated impact of COVID-19 on our business operations, and specifically our liquidity, for the foreseeable future. However, the challenges posed by COVID-19 on our business are evolving rapidly and could result in the need for additional liquidity. Consequently, we will continue to evaluate our financial position in light of future developments.

As the company is part of a wider group, it has received a letter of support from its parent entity. The directors have considered the written confirmation received from Avaya Inc. that adequate financial and operational support will be provided to the company. The directors believe the parent has the ability and intent to support the company so that the company can meet its obligation for a period of at least 12 months from the date of approval of these financial statements, if required.

As a result, the Directors have concluded that the company has sufficient liquidity to prepare the financial statements on a going concern basis."

Avaya UK
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2020

continued

6. REVENUE

The revenue for the year has been derived from:

| | Year ended 30 September 2020 | As restated Year ended 30 September 2019 |
|---------------------------------|------------------------------------|---|
| | £ | £ |
| Global Communications Solutions | 7,935,660 | 12,265,961 |
| Avaya Global Services | 53,130,377 | 52,485,134 |
| Group Company Support | 37,463,861 | 43,564,687 |
| | <u>98,529,898</u> | <u>108,315,782</u> |

In the year under review, materially all of turnover and profit before taxation, by source and destination, was in the United Kingdom and generated from the sale and development of telecommunications equipment, provision of communication services and group company support.

Business analysis:

The company operates in three classes of business segment - Global Communications Solutions ("GCS"), Avaya Global Services ("AGS") and Group Company Support.

Global Communications Solutions:

The GCS segment develops, markets and sells communications systems including IP telephony solutions, multi-media contact centre infrastructure and converged applications in support of customer relationship management, unified communications applications, appliances such as IP telephone sets and traditional voice communications systems.

Avaya Global Services:

The AGS segment develops, markets and sells comprehensive end-to-end global service offerings that enable customers to plan, design, implement, monitor and manage their converged communications networks worldwide.

Group Company Support:

This segment provides sales and market support for Avaya International Sales Limited, a fellow group company registered in Ireland, performs contract research and development services for Avaya Inc. and provides administrative and regional support services to fellow group companies in Europe, The Middle East and Africa.

7. OPERATING PROFIT

| | Year ended 30 September 2020 | Year ended 30 September 2019 |
|---|------------------------------------|------------------------------------|
| | £ | £ |
| Operating profit is stated after charging/(crediting): | | |
| Depreciation of property, plant and equipment | 1,304,362 | 1,137,670 |
| Amortisation of goodwill | 724,000 | 724,000 |
| Loss on disposal of property, plant and equipment | 911 | 5,913 |
| Loss/(gain) on foreign currencies | 2,690,822 | (1,054,666) |
| Operating lease rentals | | |
| - Land and buildings | 1,563,658 | 1,580,495 |
| - Motor vehicles | 14,558 | 1,548 |
| Auditors' remuneration | | |
| - other assurance services | 105,575 | 181,124 |
| | <u>105,575</u> | <u>181,124</u> |

Avaya UK
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2020

continued

8. EXCEPTIONAL ITEMS

| | Year ended 30 September 2020 £ | Year ended 30 September 2019 £ |
|---------------------------------------|---|---|
| Provision for liabilities and charges | <u>(163,720)</u> | <u>(813,726)</u> |

Details in relation to property dilapidations and redundancies are included in note 22.

9. FINANCE INCOME

| | Year ended 30 September 2020 £ | Year ended 30 September 2019 £ |
|----------------|---|---|
| Other interest | <u>164,000</u> | <u>159,962</u> |

The total amount of the interest receivable relates to interest from group companies.

10. FINANCE COSTS

| | Year ended 30 September 2020 £ | Year ended 30 September 2019 £ |
|-------------------------------------|---|---|
| On amounts payable to third parties | <u>53,291</u> | <u>81,826</u> |
| | <u>53,291</u> | <u>81,826</u> |

11. EMPLOYEES AND REMUNERATION

Number of employees

The average number of persons employed (including executive directors) during the year was as follows:

| | Year ended 30 September 2020 Number | Year ended 30 September 2019 Number |
|-------------------------------|--|--|
| Management and administration | 30 | 23 |
| Technical | 47 | 48 |
| Sales/support | 220 | 232 |
| | <u>297</u> | <u>303</u> |

The staff costs (inclusive of directors' salaries) comprise:

| | Year ended 30 September 2020 £ | Year ended 30 September 2019 £ |
|-----------------------|---|---|
| Wages and salaries | 28,439,203 | 27,574,380 |
| Social security costs | 3,352,526 | 3,639,901 |
| Pension costs | 2,940,160 | 2,991,585 |
| | <u>34,731,889</u> | <u>34,205,866</u> |

Avaya UK
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2020

continued

12. TAX ON PROFIT

| | Year ended 30 September 2020 £ | Year ended 30 September 2019 £ |
|---|--|--|
| (a) Analysis of charge in the year | | |
| Current tax: | | |
| Corporation tax at 19% (30 September 2019: 19%) (Note 12 (b)) | - | 1,349,828 |
| Adjustment in respect of previous periods | <u>(379,193)</u> | <u>447,538</u> |

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom. The differences are explained below:

| | Year ended 30 September 2020 £ | As restated Year ended 30 September 2019 £ |
|---|--|---|
| Loss before Tax | <u>(589,421)</u> | <u>6,200,574</u> |
| Profit before tax | | |
| multiplied by the standard rate of corporation tax | | |
| in the United Kingdom at 19% (30 September 2018: 19%) | <u>(111,990)</u> | <u>1,178,109</u> |
| Effects of: | | |
| Expenses not deductible for tax purposes | 35,972 | 613,859 |
| Capital allowances in excess of depreciation | (128,117) | (140,073) |
| Movement in general provisions | (32,752) | (54,258) |
| Adjustment to tax charge in respect of previous periods | (379,193) | 447,538 |
| Group relief surrendered | 144,376 | (155,191) |
| Impact of 2019 restatement | <u>92,511</u> | <u>(92,511)</u> |
| Total tax charge for the year (Note 12 (a)) | <u>(379,193)</u> | <u>1,797,366</u> |

(c) Factors that may affect future tax charges

A change in the main UK corporation tax rate was announced in the budget on 3 March 2021 and was substantively enacted on 24 May 2021. From 1 April 2023 the main corporation tax rate will increase from 19% to 25% on profits over £250,000. The rate for small profits under £50,000 will remain at 19%. Where the company's profits fall between £50,000 and £250,000, the lower and upper limits, it will be able to claim an amount of marginal relief providing a gradual increase in the corporation tax rate. This will increase the Company's future tax charge accordingly.

Avaya UK
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2020

continued

13. INTANGIBLE FIXED ASSETS

| | Customer Lists £ | Total £ |
|-----------------------|---------------------------------|--------------------|
| Cost | | |
| At 1 October 2019 | 10,252,295 | 10,252,295 |
| Disposal | - | - |
| At 30 September 2020 | 10,252,295 | 10,252,295 |
| Amortisation | | |
| At 1 October 2019 | 8,395,000 | 8,395,000 |
| Charge for the year | 724,000 | 724,000 |
| At 30 September 2020 | 9,119,000 | 9,119,000 |
| Net book value | | |
| At 30 September 2020 | <u>1,133,295</u> | <u>1,133,295</u> |
| At 30 September 2019 | <u>1,857,295</u> | <u>1,857,295</u> |

14. PROPERTY, PLANT AND EQUIPMENT

| | Short leasehold property £ | Plant and Equipment £ | Total £ |
|-----------------------|---|--------------------------------------|--------------------|
| Cost | | | |
| At 1 October 2019 | 12,966,067 | 10,303,984 | 23,270,051 |
| Additions | 41,758 | 1,391,304 | 1,433,062 |
| Disposals | (8,335,935) | (1,753,500) | (10,089,435) |
| Cost transfer | (428,726) | 428,726 | - |
| At 30 September 2020 | 4,243,164 | 10,370,514 | 14,613,678 |
| Depreciation | | | |
| At 1 October 2019 | 9,917,320 | 6,994,209 | 16,911,529 |
| Charge for the period | 395,226 | 909,136 | 1,304,362 |
| On disposals | (8,335,935) | (1,752,589) | (10,088,523) |
| At 30 September 2020 | 1,976,911 | 6,150,756 | 8,127,367 |
| Net book value | | | |
| At 30 September 2020 | <u>2,266,553</u> | <u>4,219,758</u> | <u>6,486,311</u> |
| At 30 September 2019 | <u>3,048,747</u> | <u>3,309,775</u> | <u>6,358,522</u> |

15. INVENTORIES

| | 30 September 2020 £ | As restated 30 September 2019 £ |
|-------------------------------------|------------------------------------|--|
| Work in progress | 2,465 | 7,808 |
| Finished goods and goods for resale | 96,155 | 124,660 |
| | <u>98,620</u> | <u>132,468</u> |

There is no significant difference between the replacement cost of inventory and their carrying amounts. Inventories are stated after provisions for impairment of £96,086 (2019: £73,036).

Avaya UK
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2020

continued

16. DEBTORS

| | 30 September 2020 | As restated 30 September 2019 |
|---------------------------------|--------------------------|--------------------------------------|
| | £ | £ |
| Trade debtors | 20,321,572 | 17,318,542 |
| Amounts owed by group companies | 55,499,904 | 47,715,429 |
| Other debtors | 451,748 | 772,521 |
| Prepayments and accrued income | 1,536,459 | 1,589,259 |
| Taxation (Note 18) | 51,424 | - |
| | <u>77,861,107</u> | <u>67,395,751</u> |

Trade debtors are stated after provisions for impairment of £91,111 (2019: £209,943).

Amounts owed by group undertakings includes loans of £39,660,162 (2019: £5,189,625), which incurs interest at various rates during the year ranging from 1.81% - 3.07% (2019: 4%) and are repayable on demand.

Trading balances of £15,839,742 (2019: £42,635,804) owed by group undertakings are interest free, and there are no fixed repayment terms.

All amounts owed by group undertakings are unsecured.

17. CREDITORS

| | 30 September 2020 | As restated 30 September 2019 |
|--|--------------------------|--------------------------------------|
| | £ | £ |
| Amounts falling due within one year | | |
| Trade creditors | 3,983,073 | 3,156,370 |
| Amounts owed to group companies | 14,518,617 | 41,202,690 |
| Taxation (Note 18) | 4,281,114 | 4,358,751 |
| Other creditors | 6,365,642 | 4,847,572 |
| Accruals | 10,991,113 | 14,919,702 |
| | <u>40,139,559</u> | <u>68,485,085</u> |

The trading balances due to group undertakings are unsecured, repayable on demand and are not subject to interest.

18. TAXATION

| | 30 September 2020 | 30 September 2019 |
|-------------------------|--------------------------|--------------------------|
| | £ | £ |
| Creditors: | | |
| VAT and social security | 4,281,114 | 3,052,061 |
| Corporation tax | - | 1,306,690 |
| | <u>4,281,114</u> | <u>4,358,751</u> |
| Debtors: | | |
| Corporation tax | 51,424 | - |
| | <u>51,424</u> | <u>-</u> |

Avaya UK
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2020

continued

19. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts provided for deferred taxation are analysed below:

| | Dilapidation provision £ | Redundancy provision £ | Total provision £ |
|-----------------------------------|--------------------------------|------------------------------|-------------------------|
| As 1 October 2019 | 474,065 | - | 474,065 |
| Charge to profit & loss account | 21,732 | 163,720 | 185,452 |
| Amounts charged against provision | - | (163,720) | (163,720) |
| As at 30 September 2020 | <u>495,797</u> | <u>-</u> | <u>495,797</u> |

A dilapidation provision was created in relation to certain properties occupied by the company, based on the estimated present value of the costs likely to be incurred on the termination of the lease.

The company continued a restructuring program to September 2020, the redundancy provision has been calculated based on management's best estimate of the costs to be incurred in relation to the termination of the relevant employees' contracts. The redundancy provision was fully utilized in the year.

20. CALLED UP SHARE CAPITAL

| | | | 2020 £ | 2019 £ |
|---|------------------|----------------|-------------------|-------------------|
| Description | Number of shares | Value of units | | |
| Allotted, called up and fully paid | | | | |
| Ordinary Shares | 15,670,684 | £1 each | <u>15,670,684</u> | <u>15,670,684</u> |

There is a single class of share. There are no restrictions on the distribution of dividends and the repayment of capital.

21. OTHER RESERVES INCLUDING FAIR VALUE RESERVE

Other reserves

Other reserves balance on the statement of financial position represents the movement in the share-based payments scheme Avaya UK has in place for certain employees.

22. FINANCIAL COMMITMENTS

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

| | Land and buildings 30 Sep 2020 £ | Other as at 30 Sep 2020 £ | Land and buildings 30 Sep 2019 £ | Other as at 30 Sep 2019 £ |
|----------------------------|---|---------------------------------|---|---------------------------------|
| Due: | | | | |
| Within one year | 1,534,875 | 7,361 | 1,361,276 | - |
| Between one and five years | 6,006,610 | 6,748 | 4,309,106 | - |
| In over five years | 1,705,688 | - | 2,782,964 | - |
| | <u>9,247,173</u> | <u>14,109</u> | <u>8,453,346</u> | <u>-</u> |

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23. CAPITAL COMMITMENTS

The capital commitments in place at 30 September 2020 are outlined below:

| | Plant and equipment 30 Sep 2020 | Total as at 30 Sep 2020 | Plant and equipment 30 Sep 2019 | Total as at 30 Sep 2019 |
|----------------------------|---------------------------------------|----------------------------|---------------------------------------|----------------------------|
| | £ | £ | £ | £ |
| Due: | | | | |
| Within one year | 328,222 | 328,222 | 406,473 | 406,473 |
| Between one and five years | 215,825 | 215,825 | 544,047 | 544,047 |
| | <u>544,048</u> | <u>544,048</u> | <u>950,520</u> | <u>950,520</u> |

24. CONTINGENT LIABILITIES

A guarantee has been given to HMRC of £75,000 (2019: £75,000) in relation to duties to be paid on imports.

25. DIRECTORS' REMUNERATION

| | Year ended 30 September 2020 £ | Year ended 30 September 2019 £ |
|---|---|---|
| Remuneration | 554,680 | 414,221 |
| Pension contributions | 33,731 | 37,286 |
| | <u>588,411</u> | <u>451,507</u> |
| | £ | £ |
| Highest paid director - Amounts included above: | | |
| Emoluments and other benefits | 283,204 | 183,465 |
| Pension contributions | 12,492 | 17,030 |
| | <u>295,696</u> | <u>200,495</u> |

During the year 4 directors (12-month period ended 30 September 2019: 4) participated in money purchase pension schemes.

The emoluments of Mr Hastings, Ms Hunter, Mr Joyner and Ms Stacey were paid wholly by Avaya UK, and are not recharged to fellow Avaya UK Group companies. It is not possible to make an accurate apportionment of their emoluments in respect of each of the related subsidiaries

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26. PARENT AND ULTIMATE PARENT COMPANY

The company regards Avaya UK Holdings Limited as its parent company. Aurix Limited is the only remaining subsidiary of Avaya UK.

The company's ultimate parent undertaking is Avaya Holdings Corporation. The address of Avaya Holdings Corporation is 2605 Meridian Parkway, Suite 200, Durham, North Carolina, 27713, United States.

The parent of the largest group in which the results are consolidated is Avaya Holdings Corporation. Avaya Holdings Corporation is registered in the USA. The consolidated financial statements of Avaya Holdings Corporation are available from 2605 Meridian Parkway, Suite 200, Durham, North Carolina, 27713, United States.

27. DEFERRED TAXATION

A deferred tax asset has not been recognised in the financial statements as the directors cannot reasonably foresee in the short term that these timing differences will reverse.

The deferred tax asset will be recoverable when either depreciation exceeds capital allowances or utilisation of estimated provisions.

| | 2020 £ | 2019 £ |
|--------------------------------|------------------|------------------|
| Accelerated capital allowances | (385,314) | (248,497) |
| Other timing differences | 77,371 | 110,122 |
| | <u>(307,944)</u> | <u>(138,375)</u> |

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28. INVESTMENTS

| | Subsidiary undertakings shares £ | Total £ |
|-------------------------------------|---|------------|
| Investments | | |
| Cost | 21,600,000 | 21,600,000 |
| At 30 September 2019 and 2020 | 21,600,000 | 21,600,000 |
| Provisions for diminution in value: | | |
| At 30 September 2019 and 2020 | 21,600,000 | 21,600,000 |
| Carrying amount | | |
| At 30 September 2020 | - | - |
| At 30 September 2019 | - | - |

Carrying value written down to nil as companies which investment was held in were liquidated in prior period.

Subsidiary undertakings:

The company has the following principal subsidiary:

| Name of subsidiary undertaking | Country of incorporation | Nature of business | Details of investment | Proportion held by company |
|--------------------------------|--------------------------|--------------------|---|----------------------------|
| Aurix Limited | England and Wales | Trading | £0.01 GBP Ordinary shares £0.01 GBP A preference shares £0.01 GBP B preference shares | 100% |

The registered office for the above subsidiary of Avaya UK is as follows:

25 Moorgate
London
EC2R 6AY
United Kingdom

A subsidiary of Avaya UK, Avaya Limited was dissolved on 3 June 2020.

29. PRIOR YEAR FINANCIAL STATEMENTS RESTATEMENT

The Directors have made the decision to make a change in the accounting policy applied to the recognition of revenue. The adoption of this policy aligns Avaya's revenue recognition with that of the wider group and allows Avaya to leverage the controls and systems of the wider group.

The main changes to revenue recognition policy:

- Products revenue in relation to projects is generally recognised when the products are delivered as opposed to upon completion and acceptance of the project.
- Professional services are generally recognised as the services are performed as opposed to upon completion and acceptance of the project.
- Cloud and managed services arrangements pursuant to which the customer purchases and owns the solution and Avaya provides the software as a service ("SaaS"), control of the software generally transfers to the customer and the related revenue is recognised, at the point-in-time the SaaS commences, instead of over the life of the contract.

The main effect of adoption of the new accounting policy for revenue recognition on the statement of comprehensive income is a recognition of an additional revenue of £4.4m and cost of sales of £3.9m for the year ended 30 September 2019, resulting in a net impact of £487k. The main impact of this change on the statement of financial position as at 30 September 2019 is an increase in the contract asset balance of £6.2m, an increase in amounts owed to group companies of £7.2m, a decrease to accrued income of £1.6m and decrease to stocks of £22k, with a net impact on retained earnings of £487k as noted in respect of the changes in statement of comprehensive income. As part of this transition the group's transfer pricing model was also adjusted resulting in a movement of £2.2m which is included in the below restatement.

There was no change required from the adoption of the new revenue recognition accounting policy to the opening retained earnings balance as at 1 October 2018.

| | FY19 Published | Impact of change in accounting Policy | FY19 Restated |
|--|---------------------------|--|----------------------|
| Revenue | 103,902,569 | 4,413,213 | 108,315,782 |
| Cost of sales | (49,900,588) | (3,926,313) | (53,826,901) |
| Gross profit | 54,001,981 | 486,900 | 54,488,881 |
| Administrative expenses | (47,552,717) | - | (47,552,717) |
| Exceptional administrative expenses | (813,726) | - | (813,726) |
| Operating profit | 5,635,538 | 486,900 | 6,122,438 |
| Investment income | - | - | - |
| Finance income | 159,962 | - | 159,962 |
| Finance costs | (81,826) | - | (81,826) |
| Profit before taxation | 5,713,674 | 486,900 | 6,200,574 |
| Tax on profit | (1,797,366) | - | (1,797,366) |
| Total comprehensive income | 3,916,308 | 486,900 | 4,403,208 |

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29. PRIOR YEAR FINANCIAL STATEMENTS RESTATEMENT (continued)

| | FY19 Published | Impact of change in accounting Policy | FY19 Restated |
|---|---------------------------|--|----------------------|
| Non-Current Assets | | | |
| Intangible assets | 1,857,295 | - | 1,857,295 |
| Property, plant and equipment | 6,358,522 | - | 6,358,522 |
| | <u>8,215,817</u> | <u>-</u> | <u>8,215,817</u> |
| Current Assets | | | |
| Inventories | 154,459 | (21,991) | 132,468 |
| Debtors | 61,321,441 | 6,074,310 | 67,395,751 |
| Cash and cash equivalents | 43,488,253 | - | 43,488,253 |
| | <u>104,964,153</u> | <u>6,052,319</u> | <u>111,016,472</u> |
| Creditors: Amounts falling due within one year | <u>(62,919,666)</u> | <u>(5,565,419)</u> | <u>(68,485,085)</u> |
| Net Current Assets | <u>42,044,487</u> | <u>486,900</u> | <u>42,531,387</u> |
| Total Assets less Current Liabilities | <u>50,260,304</u> | <u>486,900</u> | <u>50,747,204</u> |
| Provisions for liabilities and charges | <u>(474,065)</u> | <u>-</u> | <u>(474,065)</u> |
| Net Assets | <u>49,786,239</u> | <u>486,900</u> | <u>50,273,139</u> |
| Equity | | | |
| Called up share capital | 15,670,684 | - | 15,670,684 |
| Other reserves including the fair value reserve | 1,005,665 | - | 1,005,665 |
| Retained earnings | 33,109,890 | 486,900 | 33,596,790 |
| Equity attributable to owners of the company | <u>49,786,239</u> | <u>486,900</u> | <u>50,273,139</u> |

30. EVENTS AFTER THE END OF REPORTING PERIOD

On December 31, 2020, the UK left the EU Single Market and Customs Union, as well as all EU policies and international agreements. As a result, the free movement of persons, goods, services and capital between the UK and the EU ended, and the EU and the UK formed two separate markets and two distinct regulatory and legal spaces. A trade and cooperation agreement has removed some uncertainty and a significant amount of financial risk associated with the UK's exit from the EU, as a result the impact on this company has been minimal.

However, there are still a number of areas of uncertainty in connection with the future of the UK and its relationship with the EU, and Brexit-related matters may take several years to be clarified and resolved. Management will continue to review developments in this area and take appropriate actions in relation to these developments.

There have been no other significant events since the statement of financial position date that the directors believe require adjustment to, or disclosure in the accounts.