THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering what action to take, you are recommended to seek your own personal financial advice immediately from your stockbroker, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you sell or have sold or otherwise transferred all of your Ordinary Shares please send this document, (but not the accompanying Form of Proxy) immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted into any jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you have sold or transferred part of your holding of Ordinary Shares you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The distribution of this document and/or the accompanying Form of Proxy into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or the accompanying Form of Proxy come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdictions.

The text of this Circular should be read as a whole. For a discussion of certain risks and other factors that should be considered in connection with the Resolution, see the section entitled "Risk Factors" set out in Part II of this document. Your attention is drawn to the letter from the Chairman of Pace which is set out on pages 6 to 11 of this Circular in which the Board recommends that you vote in favour of the Resolution. This Circular is being made available to all Shareholders, including any Shareholders not resident in the United Kingdom.

Pace plc

(incorporated in England and Wales under the Companies Acts 1948 to 1981 with registered number 1672847)

Proposed Acquisition of Aurora Networks, Inc.

and

Notice of General Meeting

Financial Adviser and Sponsor J.P. Morgan Cazenove

J.P. Morgan Cazenove, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for Pace as sole financial advisor and sponsor in connection with the Acquisition and for no one else and will not be responsible to anyone other than Pace for providing the protections afforded to clients of J.P. Morgan Cazenove or for giving advice in relation to the Acquisition or any other matter referred to in this document.

Notice of the General Meeting, to be held at Pace, Salts Mill, Victoria Road, Saltaire, West Yorkshire BD18 3LF on Monday 6 January 2014 at 9.30 a.m., is set out at the end of this document. Whether or not you intend to be present at the General Meeting, please complete the Form of Proxy enclosed with this document in accordance with the instructions printed on the Form of Proxy and return it to the Company's Registrars, Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 9.30 a.m. on Thursday 2 January 2014 (or, in the event of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting, excluding non business days). As an alternative to completing and returning the Form of Proxy, you may submit your Form of Proxy electronically at www.paceshares.com. For security purposes, existing share portal users will need to enter their username and password. New users will need their surname, postcode and unique investor code (shown on the Form of Proxy) to complete the registration process before voting online. CREST members who wish to appoint a proxy or proxies may do so through the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 9.30 a.m. on Thursday 2 January 2014 (or, in the event of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting, excluding non business days). Completion and return of the Form of Proxy will not preclude you from attending and voting at the General Meeting, should you so wish.

This document does not constitute an offer to sell, or a solicitation of offers to purchase or subscribe for, securities in the United States. The securities referred to herein have not been, and will not be, registered under the Securities Act of 1933, as amended, and may not be offered, exercised or sold in the United States absent registration or an applicable exemption from registration requirements.

Capitalised terms have the meaning ascribed to them in the section headed "Glossary and Definitions" of this document.

This document has been sent to all Shareholders on the register of members of the Company at the close of business on 12 December 2013.

PRESENTATION OF FINANCIAL INFORMATION

The financial information relating to the Aurora Group as at and for the three years ended 31 March 2011, 2012 and 2013 contained in Section B of Part III of this document (the "**Aurora Group Historical Financial Information**") has been prepared in accordance with IFRS and using the accounting policies of Pace.

The unaudited pro forma statement of net assets of the Enlarged Group (the "**Pro Forma Statement of Net Assets**") set out in Part IV of this document has been prepared to illustrate the effect on the net assets of the Enlarged Group of the Acquisition as if it had occurred on 30 June 2013. The Pro Forma Statement of Net Assets has been prepared for illustrative purposes and, because of its nature, addresses a hypothetical situation and does not reflect Pace's actual financial position or results.

FORWARD-LOOKING STATEMENTS

This Circular includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements contain words such as "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning. All statements other than statements of historical facts included in this Circular, including, without limitation, those regarding the Pace Group's, the Aurora Group's and the Enlarged Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to products and services) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Pace Group, the Aurora Group and the Enlarged Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Pace Group, the Aurora Group and the Enlarged Group, present and future business strategies and the environment in which the Pace Group, the Aurora Group and the Enlarged Group will operate in the future. These forward-looking statements speak only as at the date of this Circular, and are not guarantees of future performance; the Enlarged Group's actual results may differ materially from anything described in, or suggested by, the forward-looking statements contained in this Circular. Pace expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based except to the extent required by applicable law, the Prospectus Rules, the Listing Rules and the Disclosure Rules and Transparency Rules. This section does not serve to qualify the working capital statement in paragraph 7 of Part VI of this Circular.

Additional factors that could affect the Enlarged Group's ability to achieve its objectives and could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those discussed in the section headed "Risk Factors" set out in Part II of this document.

Information contained in this document will be updated by way of Regulatory Information Service announcements where required by the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.

CORPORATE DETAILS AND ADVISORS

Directors	Allan Leighton (*Chairman*) Michael Pulli (*Chief Executive Officer*) Roddy Murray (*Chief Financial Officer*) Patricia Chapman-Pincher (*Non-executive Director*) John Grant (*Non-executive Director*) Amanda Mesler (*Non-executive Director*)
Company Secretary	Anthony Dixon
Registered office	Victoria Road Saltaire West Yorkshire BD18 3LF
Sponsor and financial adviser	J.P. Morgan Limited 25 Bank Street Canary Wharf London E14 5JP
Legal adviser to the Company in respect of English law	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Legal adviser to the Company in respect of US law	Greenberg Traurig P.A. 401 East Las Olas Blvd. Suite 2000 Fort Lauderdale FL 33301 United States
Reporting accountants	PricewaterhouseCoopers LLP Benson House 33 Wellington Street Leeds LS1 4JP
Registrar	Capita Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Acquisition	23 October 2013
Posting and publication of this Circular	16 December 2013
Latest time and date for receipt of Form of Proxy for the General Meeting	9.30 a.m. on 2 January 2014
General Meeting	9.30 a.m. on 6 January 2014
Expected Completion of the Acquisition	6 January 2014

Each of the times and dates in this timetable is subject to change. References to time in this document are to London time, unless otherwise stated.

All references in this Circular to "$" are to the US dollar. All references to "£", "p", "sterling", "pounds", and "pence" are to UK pounds and pence sterling.

PART I

LETTER FROM THE CHAIRMAN OF PACE

(incorporated under the Companies Acts 1948 to 1981 and registered in England and Wales with registered number 1672847)

Directors and officers:
Allan Leighton (*Chairman*)
Michael Pulli (*Chief Executive Officer*)
Roddy Murray (*Chief Financial Officer*)
Patricia Chapman-Pincher (*Non-executive Director*)
John Grant (*Non-executive Director*)
Amanda Mesler (*Non-executive Director*)

Registered Office:
Victoria Road
Saltaire
West Yorkshire
BD18 3LF

16 December 2013

Dear Shareholder,

Proposed acquisition of Aurora Networks, Inc.

1. INTRODUCTION

On 23 October 2013, Pace announced that it had entered into a conditional agreement to acquire Aurora for a headline consideration of $310 million in cash, plus a further $13 million payable on Completion of the acquisition in connection with tax benefits to be recovered over the three years post Acquisition. The acquisition is being implemented by way of a merger of Merger Sub (an indirect wholly-owned subsidiary of Pace) with and into Aurora under the DGCL, whereby Aurora and its subsidiary undertakings will survive the Acquisition and become indirect wholly-owned subsidiaries of Pace. Approximately 15% of the headline consideration will be paid to existing Aurora management and certain key employees, including an amount equal to $24.9 million which will be placed into the Bonus Pool and payable to existing Aurora management and key employees pursuant to the Key Employee Retention Plan, with an element payable on completion and an element deferred from 6 months to two years as a retention mechanism. Aurora is a leading developer and manufacturer of advanced, next-generation Optical Transport and Access Network solutions for broadband networks that support the convergence of video, data and voice applications.

The terms and conditions of the Acquisition are contained in the Merger Agreement which is summarised in Part V of this Circular. Due to its size, the Acquisition requires the approval of Pace Shareholders at the General Meeting to be held on Monday 6 January 2014. The notice of General Meeting is set out at the end of this Circular.

I am writing to give you further background and details of the Acquisition, to explain why your Board considers the Acquisition to be in the best interests of Pace and to recommend that you vote in favour of the Resolution.

2. BACKGROUND TO AND REASONS FOR THE ACQUISITION

Since the announcement of the Pace Strategic Plan on 17 November 2011, the Company has consistently delivered on it, making substantial progress in achieving almost all of the milestones and targets laid out at that time, however there remains significant opportunity for development of the core business.

The acquisition of Aurora represents an important evolution in this process and enhances Pace's strategy to grow a broader platform across Hardware, Software and Services.

Specifically, the Board believes acquiring Aurora allows the Company to:

- Transform its industry position: The acquisition of a leading supplier of Optical Transport and Access Network solutions to cable operators positions Pace to support operators and consumers constant demand for cost effective delivery of ever increasing bandwidth

- Build deeper and more embedded relationships with customers: The acquisition increases the Company's share of wallet with core customers – particularly in US Cable – and creates potential cross-sell opportunities across the customer landscape
- Increase opportunities for the Transforming Core Economics workstream of the Pace Strategic Plan
- Accelerate progress towards improved profitability – 9% Return on Sales target in 2015

The headline consideration represents a historic EV/EBITDA multiple of 10.5x before synergies and 8.2x after expected annual run rate synergies, based on the results of Aurora for the 12 months to 31 March 2013.

The Board expects the Company to generate annual run rate cost synergies across CoGs and Opex of $8 million by the end of 2014 and have the opportunity to apply robust Pace working capital controls to deliver significant working capital benefits.[1]

Following completion of the Acquisition, Pace expects to be conservatively levered and retain significant financial flexibility, with the Acquisition expected to be significantly accretive to earnings in 2014.

Your attention is drawn to the section headed "Risk Factors" in Part II of this document.

3. INFORMATION ON AURORA

Aurora is a Delaware corporation that was formed in October 1999 and is based in Santa Clara, California. Aurora currently has three subsidiaries and has branches located in Asia and the United Kingdom.

Aurora is a leading developer and manufacturer of advanced, next-generation Optical Transport and Access Network solutions for broadband networks that support the convergence of video, data and voice applications. Aurora has approximately $1.3 billion of cumulative solutions deployed globally passing over 100 million homes. Using its understanding of cable networks, the company delivers solutions such as its fibre deep architecture and digital return technology to help solve critical network bandwidth capacity constraints. Aurora's solutions offer extensive functionality, providing savings on power, space and operating expenses whilst leveraging existing network investments.

Additionally, on 5 March 2013, Aurora completed the acquisition of certain assets from Harmonic, Inc. for total consideration of $46.9 million. The acquisition significantly increased Aurora's installed base in the optical transport market for next-generation service-providing products, creating long-term strategic growth opportunities.

Aurora products can be divided into three broad categories: headend and hub, outdoor plant and customer premise equipment. An overview of each product area is provided below.

(a) ***Headend and Hub***

Aurora's headend and hub equipment offers a comprehensive inventory of innovative, production-proven equipment, that is uniquely scaleable, flexible and easy to manage. Products include optical chassis, transmitters, receivers and passives and Passive Optical Networks (PON).

(b) ***Outdoor Plant***

Aurora's outdoor plant supports evolving network architectures whilst protecting investments in the cable plant. Aurora's evolutionary products eliminate the need to construct controlled facilities eliminating the need to acquire property and permits. Products include optical nodes, NodeQAM, passives and Node Passive Optical Network (Node PON).

(c) ***Customer Premise Equipment***

Aurora has a wide range of customer premises equipment devices optimised for both single and multiple dwelling units. As part of its industry-leading Unified PON portfolio, Aurora also offers a comprehensive selection of PON Optical Network Terminals (ONTs) that enable operators to deliver a wide variety of end-to-end services to their customers.

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1 See section 12 of Part VI for further information on projected synergies.

Aurora has a strong blue-chip client base with over 200 customers in 50 countries, including the top 10 US cable operators.

(d) ***Key individuals***

Key Management of Aurora and their respective functions are as follows:

Name	*Position*
Guy Sucharczuk	Chief Executive Officer and Founder
Charles Barker	Chief Scientist and Founder
Krzysztof Pradzynski	VP, R&D & Founder
Scott Weinstein	VP, New Business Development

4. FINANCIAL INFORMATION ON AURORA

For the year ended 31 March 2013, Aurora had revenues of $217 million, EBITDA of $30 million, profit before tax of $26 million and gross assets of $167 million as at 31 March 2013.

A full three-year financial track record for Aurora, prepared in accordance with IFRS and using the accounting policies adopted by Pace is set out in Section B of Part III of this document.

5. FINANCIAL EFFECTS OF THE ACQUISITION

An unaudited pro-forma statement of net assets illustrating the effect of the Acquisition on the Company's net assets as at 30 June 2013 as if it had been undertaken at that date, is set out in Part IV of this document. This information is unaudited and has been prepared for illustrative purposes only. It shows that the impact of the Acquisition would have led to a pro-forma movement in net assets from $509.5 million to $501.8 million as at 30 June 2013.

It is expected that the Acquisition will be accretive and earnings enhancing. However, this statement is not a profit forecast and nor is it intended to be interpreted to mean that the future earnings per share of the Enlarged Group will necessarily match or exceed the historical published earnings per share of Pace.

Pace's pro-forma gearing following Completion is maintained within appropriate limits, and the Directors believe that the Enlarged Group will be conservatively levered and retain significant financial flexibility.

If the Acquisition completes, Aurora will become a subsidiary undertaking of Pace as a result of which the assets and liabilities of Aurora will be consolidated into the financial statements of Pace.

The combination of the Aurora and Pace businesses is expected to deliver meaningful synergy benefits of scale and a broader platform. Estimated run-rate pre-tax cost synergies across CoGs and Opex of $8 million by the end of 2014 are expected to arise from the combination of the Pace and Aurora cost base and the purchasing benefits associated with a larger organisation. It is anticipated that the cost to achieve these synergies will be a one-off cost of approximately $4 million in 2014. In addition, the Company believes it will have the opportunity to apply robust Pace working capital controls to deliver significant working capital benefits.

The assumptions on which these anticipated synergies have been calculated are set out in section 12 of Part VI of this document.

6. PRINCIPAL TERMS OF THE ACQUISITION

Under the terms of the Merger Agreement, Pace has agreed to purchase Aurora for a headline consideration of $310 million in cash, plus a further $13 million in connection with tax benefits to be recovered over the three years post Acquisition. Approximately 15% of the headline consideration will be paid to existing Aurora management and certain key employees, including an amount equal to $24.9 million of the headline consideration which will be placed into the Bonus Pool and payable to existing Aurora management and key employees pursuant to the Key Employee Retention Plan with an element payable on Completion and an element deferred from six months to two years as a retention mechanism. The Base Purchase Price (being

$323 million less the amount of the Bonus Pool reserved for existing Aurora management and key employees), is subject to a post Completion adjustment in respect of net cash and working capital.

Completion is subject to the satisfaction of certain conditions, including the passing of the Resolution, and receipt of the necessary regulatory approvals in the US. Prior to Completion of the Acquisition, Aurora and Pace were required to submit Notification Forms to the US Federal Trade Commission (FTC) and US Department of Justice (DOJ) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("**HSR Act**") and observe the related 30-day statutory waiting period. The FTC and DOJ reviewed the Acquisition and granted early termination of the waiting period on 8 November 2013. As such, Aurora and Pace are now free to Complete the Acquisition from an HSR Act perspective.

The terms of the Acquisition have been approved by the boards of directors of both Pace and Aurora, and the necessary approvals from Aurora Stockholders have been obtained. Pace has agreed to pay a break fee to Aurora of $8 million under the Merger Agreement in certain circumstances, including if Completion does not occur because Pace Shareholders do not approve the Acquisition and all other conditions to the Acquisition have been satisfied. Further details of the break fee are set out in paragraph 11 of Part V of this document.

7. FINANCING OF THE ACQUISITION

The consideration for the Acquisition will be satisfied by the payment of cash on Completion, funded through a new $310 million 5-year amortising Term Loan Facility. In addition, the Company is using the Acquisition as an opportunity to refinance its existing debt facilities with a new $150 million 5-year Revolving Facility. These facilities are being provided pursuant to a Credit Agreement which the Company entered into on 12 December 2013, and which is summarised in paragraph 5.1(b) of Part VI of this document.

The Facilities will be available to finance the Acquisition until 30 April 2014, subject to customary conditions precedent (including the absence of an event of default and the satisfaction of the remaining conditions to completion under the Merger Agreement).

As a result of the Acquisition, the Enlarged Group's net debt position would have been $359.0 million as at 30 June 2013 on a pro forma basis.

8. RETENTION PLANS FOR AURORA MANAGEMENT

(a) ***Key Employee Retention Plan***

Pursuant to the Key Employee Retention Plan that was adopted by the Aurora Board prior to the execution of the Merger Agreement, existing Aurora Management and certain key employees were provided with an incentive to consummate a sale of Aurora and to remain with the business for period between six months and two years post-Completion, based on the roles of such employees. The Key Employee Retention Plan will be funded with a Bonus Pool in the amount of $24.9 million of the cash consideration otherwise payable to Aurora Stockholders under the Merger Agreement and settled in cash. To the extent that any of the Aurora employees do not remain with Aurora for their respective specified post-Completion employment period, then such amounts otherwise payable to those employees will be distributed proportionately to the other Aurora employees participating in the Key Employee Retention Plan. If there are no remaining Aurora employees eligible under the Key Employee Retention Plan at the time of a payment then the entire remaining balance of the Bonus Plan is payable to the Aurora Stockholders.

(b) ***Grants under the International PSP***

In addition to the amounts payable in cash pursuant to the Key Employee Retention Plan, post Completion the Company intends to grant to certain key Aurora employees nil cost deferred equity awards over Ordinary Shares under the International PSP. Vesting of the awards will be based upon achievement of Aurora adjusted EBITA targets in 2014 and 2015, with vesting of 50% of the awards dependent upon the adjusted EBITA outcome for each year and the relevant awardholder remaining an employee of the Enlarged Group for at least 3 years. On the third anniversary of the grant of awards, ordinary shares arising on vesting of awards will be transferable.

9. INTERIM RESULTS, CURRENT TRADING AND OUTLOOK

On 14 November 2013, Pace announced its interim trading update for the period 1 July 2013 to 13 November 2013.

(a) ***Trading Update***

- Trading performance in the period has shown good progress with continued momentum across the business
- Key wins have been achieved in the period giving further confidence for 2014. Project delivery for the new wins is well underway and the underlying demand across the business is strong
- Revenue in the period, as expected, was lower than the same period in 2012, reflecting the impact of dual-sourcing of Media Server supply by a large North American satellite customer
- Gross margins in the period benefitted from improved revenue mix and procurement savings resulting from improved supply chain effectiveness
- Operating costs in the period are lower than in the same period in 2012
- Adjusted EBITA and return on sales are higher than the same period in 2012, despite the lower revenue, reflecting Pace's continued progress towards improved medium term profitability
- Cash flow in the period has been strong following the completion of the Electronic Manufacturing Services (EMS) consolidation; working capital has been further reduced and Pace is now in a net cash position (against peak net debt of $321.7 million as at 31 December 2011)

(b) ***Outlook***

Trading in the period has been strong and the outlook for the remainder of the year is reiterated:

- Revenues for FY2013 expected to be broadly in-line with 2012
- Operating margin for FY2013 expected to be greater than 7.5%[(1)]
- Strong cash flow expected to continue, and excluding acquisitions, Pace expects to retain a net cash position through to the end of 2013

(1) See section 11 of Part VI (Additional Information) for details of the basis of preparation and principal assumptions of this profit forecast.

10. GENERAL MEETING

In view of its size relative to the Company, pursuant to the Listing Rules, the Acquisition requires the prior approval of Shareholders.

A General Meeting of the Company will be held on Monday 6 January at 9.30 a.m. at Salts Mill, Victoria Road, Saltaire, West Yorkshire BD18 3LF, at which the following resolution will be proposed as an ordinary resolution, the passing of which requires a majority of votes being cast in favour of the following resolution:

- To approve the Acquisition and to authorise the Directors to make such waivers, extensions and non-material amendments and variations to the terms and conditions of the Acquisition and to do all things as is considered necessary or expedient in connection with the Acquisition.

The full text of the Resolution is set out in the notice convening the General Meeting at the end of this document.

11. FURTHER INFORMATION

Shareholders should read the whole of this document in respect of the Acquisition and not just rely on the summarised information, including the summarised financial information, contained in this Part I.

12. ACTION TO BE TAKEN

Enclosed with this document is a Form of Proxy for use by Shareholders in connection with the General Meeting or any adjournment thereof. Whether or not you propose to attend the General Meeting, please complete and return the Form of Proxy in accordance with the instructions printed on it, as soon as possible and in any event so that it may be received by the Registrars by no later than 9.30 a.m. on Thursday 2 January 2014. As an alternative to completing and returning the Form of Proxy, you may submit your Form of Proxy electronically at www.paceshares.com. For security purposes, existing share portal users will need to enter their username and password. New users will need their surname, postcode and unique investor code (shown on the Form of Proxy) to complete the registration process before voting online. CREST members who wish to appoint a proxy or proxies may do so through the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 9.30 a.m. on Thursday 2 January 2014 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting excluding non business days). Completion and return of the Form of Proxy will not preclude you from attending and voting at the General Meeting, should you so wish.

13. FINANCIAL ADVICE

The Directors have received financial advice from J.P. Morgan Cazenove in relation to the Acquisition. In providing its financial advice to the Directors, J.P. Morgan Cazenove has relied upon the Directors' commercial assessment of the Acquisition.

14. RECOMMENDATION

The Board considers that the Acquisition and the Resolution are in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends you to vote in favour of the Resolution to be proposed at the General Meeting.

Yours sincerely

Allan Leighton
Non-executive Chairman

PART II

RISK FACTORS

You should carefully consider the risks and uncertainties described below, in addition to the other information in this document, before deciding what voting action to take in relation to your Ordinary Shares. If any of the adverse events described below actually occur, the business, financial condition and prospects of Pace, Aurora and, following Completion, the Enlarged Group could be materially and adversely affected by any of these risks. In such case the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

The following risks are those material risks of which the Directors are presently aware. Additional risks which are not presently known to the Directors, or that the Directors currently consider to be immaterial, may also negatively impact on Pace's, Aurora's and, following Completion, the Enlarged Group's business, financial condition and prospects. However, the risk factors set out below should not be construed as a qualification of the opinion of the Company as to working capital set out in paragraph 7 of Part VI.

The information given is as of the date of this document, and any forward-looking statements are made subject to the reservations specified under "Forward-Looking Statements" in the preamble to this Circular.

(a) Risk factors relating to the Acquisition

Integration of the Aurora Group

Following the Acquisition, it may be necessary for the Company to make changes to the structure of the Enlarged Group's business in order to optimise the potential benefits available from the integration of Aurora. The Enlarged Group may face unforeseen difficulties both with the integration of Aurora, and as structural changes are carried out. Furthermore, issues may come to light during the course of integrating Aurora into the Enlarged Group that could have an adverse effect on the financial condition and results of operations of the Enlarged Group. The Acquisition will place additional demands on the management of the Enlarged Group and may require the provision of supplemental resources.

General uncertainty related to the Acquisition could harm Pace and Aurora

Either or both of Pace's or Aurora's current and prospective customers may, in response to the announcement of the Acquisition, delay, change or defer purchasing decisions. If Pace's or Aurora's customers delay, change or defer purchasing decisions, the revenues of Pace or Aurora, respectively, could materially decline or any anticipated increases in revenue could be lower than expected. Also, speculation regarding the likelihood of Completion could increase the volatility of Pace's Ordinary Share price.

Failure to complete the Acquisition could harm Pace

Pace may be unable to complete the Acquisition if there is an event of default under the Credit Agreement or other event which causes the Lenders to withdraw the availability of the Facilities prior to Completion and Pace is unable to raise alternative financing for the Acquisition. Additionally, Pace will be unable to complete the Acquisition if the necessary Shareholder approval is not received. In either of these circumstances, in addition to the transaction costs incurred by Pace in connection with the Acquisition, Pace may have to pay Aurora $8 million by way of a break fee and/or damages for breach of the Merger Agreement.

Failure to complete the Acquisition may have an adverse effect on the financial condition and future operating results of Pace and the trading price of Ordinary Shares may decline.

The Escrow Funds may be insufficient to cover all losses

Two escrow funds will be established to meet potential indemnification claims by the Company under the Merger Agreement. The first escrow fund, equal to $23.25 million of the aggregate consideration payable pursuant to the Merger Agreement, will be put into escrow for a period of 18 months following Completion to meet potential indemnity claims by the Company arising from breaches of the representations, warranties and covenants given to the Company under the Merger Agreement or taxes or liabilities that relate to periods prior to the Completion. Customary representations and warranties relating to the Aurora Group and its business were given to the Company under the Merger Agreement, including in relation to the capital structure of Aurora, accounts, litigation, product liability, intellectual property, compliance with law and regulation, material contracts, employees, tax and environmental matters. In addition, customary undertakings were given to the Company in relation to the operation of the Aurora Group in the period between the date of the Merger Agreement and Closing, including an undertaking to run the Aurora business in the ordinary course. A breach of any of these representations, warranties and undertakings may result in an indemnification claim under the Merger Agreement. The second escrow fund, equal to $10 million of the aggregate consideration payable pursuant to the Merger Agreement, will be put into escrow and released to the Aurora Stockholders as the Enlarged Group recognises the tax benefits, with the remainder released on the earlier of (i) the date on which the Enlarged Group recognizes $13 million of tax benefits from the specified items or (ii) the filing of the Enlarged Group's U.S. Tax return for the second fiscal year following Completion. Aurora Stockholders' liability is limited to those sums held in the Escrow Funds, and the Escrow Funds may not be sufficient to cover all of the Company's losses in respect of claims indemnifiable under the Merger Agreement.

The Enlarged Group may fail to realise the perceived benefits of the Acquisition, including synergies

The Enlarged Group may not realise the expected benefits and synergies from the Acquisition or may encounter difficulties in achieving these anticipated benefits and synergies. There can be no assurance that the Enlarged Group will realise these benefits and synergies in the time expected or at all. In addition, there can be no assurance that the cost to achieve these synergies will not exceed those estimated. This could have a negative impact on the business, operating profit or overall financial condition of the Enlarged Group.

The Aurora business may not perform in line with expectations

If the results and cash flows generated by the Aurora Group are not in line with Pace's expectations, it may materially impact on the financial performance of the Enlarged Group, and a write-down may be required against the carrying value of Pace's investment in the Aurora Group which might have an adverse effect on the Enlarged Group's financial position and operating results. Such a write-down will reduce Pace's ability to generate distributable reserves by the extent of the write-down and consequently may affect the Enlarged Group's ability to pay dividends.

(b) Risk factors relating to Pace, Aurora and the Enlarged Group

Dependence on key customers and contracts

The Aurora Group and Pace, each has a relatively limited number of key customers and contracts that constitute a significant proportion of their respective businesses. The Aurora Group's five largest customers accounted for greater than 60% of revenues in the year ended 31 March 2013. More than 60% of the Aurora Group's revenues derive from the North American markets. In most cases, the key customers make no contractual commitment as to minimum volumes, and there can be no assurance that any of the Enlarged Group's customers will continue to purchase the Enlarged Group's products or services to the same extent, or at all, in the future. The loss of one or more of these key customers or contracts could result in lower than expected revenue, and may have an adverse effect on the financial condition and future operating results of the Enlarged Group. Dependence on a relatively limited number of key customers could also result in increased pressure from customers to deliver contracts at lower margins upon renegotiation of contract terms, which may have an adverse effect on the financial condition and future operating results of the Enlarged Group.

Infringement of third party intellectual property rights

Pace's and Aurora's products incorporate third party technology, usually provided under licence by the third party. Inadvertent actions may expose the Enlarged Group to the risk of infringing third party intellectual property rights. Potential claims can be submitted many years after a product has been deployed. The Enlarged Group is therefore exposed to the risk that it has been, or will in future be, subject to claims relating to infringement of third party intellectual property rights, notwithstanding the measures put in place by the

Directors to mitigate this exposure. The Enlarged Group will vigorously defend or negotiate all claims but, in the absence of agreement, unforeseen royalty claims could have a material adverse effect on the Enlarged Group's business, financial position and operating results.

Product delivery risk

In common with a number of competitors in the set top box, residential gateway, optical transport and access network industries, both Pace and, to a lesser extent, Aurora, are at risk of technological, supply chain, product development and other related problems that could delay delivery of contracted volumes of products to customers. These industries are subject to a rapid rate of technological change, reflected in increasing development and manufacturing complexity and in increasingly demanding consumer requirements, all of which can result in unforeseen problems in ensuring timely delivery of products on pre-agreed, contracted timescales. The Enlarged Group is subject to the risk that such development and manufacturing complexity and unforeseen problems in the product delivery chain, could result in the Enlarged Group being unable to fulfil contracts in a timely and/or complete manner. This could lead to customers seeking renegotiation of terms, invoking non-performance clauses of contracts or delaying or cancelling expected future orders from the Enlarged Group, all of which could have an adverse effect on the Enlarged Group's business, financial position and operating results.

Volatility of revenues

The combination of dependence on relatively few key customers or contracts and the award by those customers of infrequent, but sizeable, contracts is common to both the Enlarged Group and many competitors in the set top box, residential gateways, optical transport and access network industries. As a result, the Enlarged Group could be exposed to the risk of volatility in timing or delivery of future revenues, which could have an adverse effect on the Enlarged Group's business, financial position and operating results.

Product liability claims

In common with many companies in the consumer electronics industry, the Enlarged Group will be exposed to the risk of product liability claims made by customers, should the Enlarged Group's products not fulfil the terms of the contracts under which they are sold. Pace and Aurora both have put in place quality control and other operational procedures to mitigate this risk.

Exposure to warranty claims

Pace and Aurora provide product warranties for their products. It is difficult to make accurate predictions of potential failure rates or the possibility of an epidemic failure, as a warranty estimate must be calculated at the outset of a product before field deployment data is available, although these estimates improve during the lifetime of the product in the field. A provision for warranties is recognised when the underlying products are sold, though Pace and Aurora remain exposed to the risk of warranty claims over and above the level provided by management estimates, which could have an adverse effect on the Enlarged Group's business, financial position and operating results.

Dependence on key suppliers

The Enlarged Group will have only a limited number of potential suppliers for certain materials and hardware used in its products and a number of the agreements with suppliers could be short term in nature. It may prove difficult to source materials or hardware of sufficient quality or within required timescales if these suppliers do not continue to serve the Enlarged Group. It may also prove difficult to source materials or hardware at sufficiently economic prices. Should the Enlarged Group be unable to find alternative sources of supply, this could have a material impact on the Enlarged Group's ability to fulfil existing customer orders and win new contracts, which could have an adverse effect on the Enlarged Group's business, financial position and operating results.

Technological change

The set top box, residential gateways, optical transport and access network industries markets in which the Enlarged Group will operate are subject to rapid rates of technological development and changes in customer requirements and customer preferences. The Enlarged Group intends to monitor on a regular basis technological changes, in order to facilitate early identification and development of market-leading products and services. Nevertheless, the Enlarged Group may not be able to maintain the competitive advantage of its products or develop and deliver improved technological capability in its products, which could have a material adverse effect on the Enlarged Group's business, financial position and operating results.

Intellectual property

The Enlarged Group will depend to a material extent on the investments previously made, and to be made in the future, in intellectual property. The Enlarged Group owns a number of patents and licences that will be integral to the business in the future. The Enlarged Group will be exposed to the potential risk of these patents and/or licences being subject to challenge, unlawful copying or other unfair competitive practices. Notwithstanding that the Enlarged Group will aim to continue to protect its intellectual property in order to preserve its competitive position, there is a risk that its competitive position will be damaged by unlawful, unfair or unforeseen practices, or of its patents and/or licences being successfully challenged, any of which could have an adverse effect on the Enlarged Group's business, financial position and operating results.

Dependence on key management

The future success of the Enlarged Group will, in part, be dependent upon the successful integration, retention and motivation of key members of the Enlarged Group's management and staff. Failure to retain key individuals may affect the Enlarged Group's ability to successfully integrate the Aurora business and may have a detrimental effect on the future performance of the Enlarged Group.

(c) General risk factors

Economic and market cycles and volatility

The Enlarged Group's business may be affected by the general risks faced by all companies operating in the same markets as the Enlarged Group. The growth and development of the set top box, residential gateways, optical transport and access networks markets in which the Enlarged Group will operate depend on numerous factors, many of which are beyond its control and the exact effect of which cannot be accurately predicted. Such factors include general economic and political activities, including the extent of any governmental regulation and taxation. The Enlarged Group could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors, whether under English law or in any other jurisdictions in which the Enlarged Group operates now or in the future.

Approximately 56% of total revenue of the Enlarged Group on a pro forma basis were to customers in North America and the Enlarged Group is therefore particularly affected by North American economic conditions. Recessionary economic cycles may adversely affect the businesses of the Enlarged Group's customers, which may have the effect of reducing the volume of products or services they purchase from the Enlarged Group and thus may materially adversely affect the Enlarged Group's consolidated results of operations.

Exposure to foreign exchange fluctuations

The Enlarged Group will conduct a majority of its business outside the UK and in a number of foreign currencies. The Enlarged Group will be exposed to the potential effects of exchange rate fluctuations between currencies in which the Enlarged Group operates relative to the US dollar which, notwithstanding any hedging arrangements that may be put in place, may cause fluctuations in the Enlarged Group's financial results both as a result of foreign currency translation and transaction exposure. There can be no guarantee that hedging arrangements put in place by the Enlarged Group will be sufficient and accordingly, the Enlarged Group's results may be adversely affected by adverse currency fluctuations.

Competitive pressures

The Enlarged Group will be exposed to the risk that its competitors may be able to respond more quickly to new or emerging technologies or to changing consumer trends. Existing and/or increased competition could reduce the Enlarged Group's market share and thereby have an adverse effect on its business, financial position and operating results.

Environmental, health and safety laws, regulations and standards

Pace and Aurora are subject to a broad range of laws, regulations and standards, including those relating to pollution, health and safety of employees, protection of the public, protection of the environment and the storage and handling of hazardous substances and waste materials. These regulations and standards are becoming increasingly stringent.

It is Pace's policy to require that all of its subsidiaries comply with applicable laws, regulations and standards. However, violations of such laws, regulations and standards, in particular environmental and health and safety laws, could result in restrictions on the operations of the Enlarged Group's sites, damages, fines or other sanctions and increased costs of compliance with potential reputational damage.

PART III

FINANCIAL INFORMATION RELATING TO THE AURORA GROUP

Section A: Accountants' Report on the Aurora Group Historical Financial Information

The Directors
Pace plc
Victoria Road
Saltaire
BD18 3LF

J.P. Morgan Limited (the "**Sponsor**")
25 Bank Street
Canary Wharf
London
E14 5JP

16 December 2013

Dear Sirs

Historical financial information on Aurora Networks, Inc

We report on the financial information set out in Section B of Part III below (the "**Historical Financial Information**"). The Historical Financial Information has been prepared for inclusion in the circular dated 16 December 2013 (the "**Circular**") of Pace plc (the "**Company**") on the basis of the accounting policies set out in note 2. This report is required by 13.5.21R of the Listing Rules and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Historical Financial Information gives a true and fair view, for the purposes of the Circular and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

PricewaterhouseCoopers LLP, Benson House, 33 Wellington Street, Leeds LS1 4JP
T: +44 (0) 113 289 4000, F: +44 (0) 113 289 4460, www.pwc.co.uk

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Historical Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the Circular dated 16 December 2013, a true and fair view of the state of affairs of Aurora Networks, Inc. as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance International Financial Reporting Standards as adopted by the European Union and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest annual accounts.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section B: The Aurora Group Historical Financial Information

Aurora Networks, Inc.

CONSOLIDATED INCOME STATEMENT

For the years ended 31 March 2011, 2012 and 2013

	Note	*2011*	*2012*	*2013*
		$'000	*$'000*	*$'000*
Revenue	4	208,940	202,903	216,562
Cost of Sales		(119,890)	(117,608)	(126,502)
Gross Profit		**89,050**	**85,295**	**90,060**
Administrative expenses:				
Research and development	5	(17,624)	(24,622)	(28,349)
Other administrative expenses		(27,959)	(31,521)	(35,402)
Amortisation of other intangibles		–	(38)	(562)
Total administrative expenses		(45,583)	(56,181)	(64,313)
Operating profit		43,467	29,114	25,747
Finance costs	7	–	(1)	(1)
Finance income	7	241	332	263
(Loss)/Gain relating to changes in fair value of warrants	18	(121)	8	304
Loss relating to changes in fair value of financial instruments		(118)	–	–
Profit before taxation		**43,469**	**29,453**	**26,313**
Taxation	8	(15,191)	(10,614)	(7,683)
Profit for the year		**28,278**	**18,839**	**18,630**
Attributable to:				
Equity holders of the Company		28,365	18,831	18,638
Non-controlling interests		(87)	8	(8)

There is no other comprehensive income or losses for the periods and therefore no separate statement has been presented.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	*Share capital $'000*	*Other reserves $'000*	*Retained earnings $'000*	*Non controlling interest $'000*	*Total equity $'000*
Balance at 1 April 2010		18	2,676	17,519	–	20,213
Profit for the year and total comprehensive income		–	–	28,365	(87)	28,278
Transactions with owners						
Issue of new shares		–	92	–	–	92
Repurchase of shares		–	(3,103)	(56)	–	(3,159)
Share-based compensation expense	25	–	1,575	–	–	1,575
Income tax on share based compensation		–	900	–	–	900
Transactions with owners		–	(536)	(56)	–	(592)
Balance at 31 March 2011		18	2,140	45,828	(87)	47,899
Profit for the year and total comprehensive income		–	–	18,831	8	18,839
Transactions with owners						
Issue of new shares		–	211	–	–	211
Repurchase of shares		–	(1,839)	–	–	(1,839)
Share-based compensation expense	25	–	2,867	–	–	2,867
Income tax on share based compensation		–	722	–	–	722
Transactions with owners		–	1,961	–	–	1,961
Balance at 31 March 2012		18	4,101	64,659	(79)	68,699
Balance at 1 April 2012		18	4,101	64,659	(79)	68,699
Profit for the year and total comprehensive income		–	–	18,638	(8)	18,630
Transactions with owners						
Dividends	9	–	–	(20,840)	–	(20,840)
Issue of new shares		6	1,117	–	–	1,123
Repurchase of shares		–	(6,177)	–	–	(6,177)
Share-based compensation expense	25	–	2,612	–	–	2,612
Income tax on share based compensation		–	4,178	–	–	–
Transactions with owners		6	1,730	(20,840)	–	(19,104)
Balance at 31 March 2013		24	5,831	62,457	(87)	68,225

CONSOLIDATED BALANCE SHEET

As at 31 March 2010, 2011, 2012 and 2013

	Note	*2010* *$'000*	*2011* *$'000*	*2012* *$'000*	*2013* *$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	11	3,889	5,068	5,706	6,258
Long term investments	15	2,988	9,416	–	–
Intangible assets – other intangibles	10	–	–	371	15,673
Intangible assets – goodwill	10	–	–	2,170	21,665
Deferred tax asset	20	10,629	9,083	10,218	9,713
Total non-current assets		17,506	23,567	18,465	53,309
Current assets					
Inventories	13	30,740	45,559	50,469	63,930
Trade and other receivables	14	22,461	33,482	32,983	35,899
Cash and cash equivalents		47,720	27,584	46,970	14,295
Short-term investments	15	9,379	25,541	27,262	–
Total current assets		110,300	132,166	157,684	114,124
Total assets		127,806	155,733	176,149	167,433
EQUITY					
Share capital	21	18	18	18	24
Other reserves	22	2,676	2,140	4,101	5,831
Retained earnings	22	17,519	45,828	64,659	62,457
Non-controlling interest	23	–	(87)	(79)	(87)
Equity shareholder funds		20,213	47,899	68,699	68,225
Total equity		20,213	47,899	68,699	68,225
LIABILITIES					
Non-current liabilities					
Mandatorily redeemable convertible preferred shares	17	70,784	70,784	70,784	70,784
Warrants on mandatorily redeemable convertible preferred shares	18	1,049	1,170	1,016	712
Provisions	19	886	1,540	1,866	2,334
Non-current income tax liabilities		1,419	957	1,072	1,559
Deferred tax liabilities	20	411	880	1,191	608
Total non-current liabilities		74,549	75,331	75,929	75,997
Current liabilities					
Trade and other payables	16	29,755	30,242	28,708	20,219
Current tax liabilities		1,019	–	–	344
Provisions	19	2,270	2,261	2,813	2,648
Total current liabilities		33,044	32,503	31,521	23,211
Total liabilities		107,593	107,834	107,450	99,208
Total equity and liabilities		127,806	155,733	176,149	167,433

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 March 2011, 2012 and 2013

	Note	*2011* *$'000*	*2012* *$'000*	*2013* *$'000*
Cash flows from operating activities				
Profit before taxation		43,469	29,453	26,313
Adjustments for:				
Depreciation	11	2,253	2,955	3,231
Amortisation of intangible assets	10	–	38	562
Disposal of property, plant & equipment		9	4	2
Share based payments		1,575	2,867	2,612
Finance costs	7	–	1	1
Finance income	7	(241)	(332)	(263)
Loss/(gain) relating to changes in fair value of warrants		121	(8)	(304)
Fair value losses/(gains) on embedded derivative		349	(537)	–
Loss relating to changes in fair value of financial instruments		118	–	–
Changes in working capital:				
Increase in inventories		(14,819)	(1,646)	(3,133)
(Increase)/decrease in trade and other receivables		(11,021)	2,418	(3,267)
(Increase)/decrease in trade and other payables		878	(3,381)	(8,906)
(Increase)/decrease in provisions		645	240	(613)
Cash generated from operations		23,336	32,072	16,235
Interest paid		–	(1)	(1)
Tax paid		(14,695)	(11,223)	(1,586)
Net cash inflow from operating activities		8,641	20,848	14,648
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	26	–	(4,475)	(46,250)
Purchase of property, plant and equipment	11	(3,441)	(3,240)	(2,704)
Acquisition of financial investments		(47,487)	(34,456)	–
Sale of financial investments		24,977	42,151	27,262
Interest received		241	332	263
Net cash (outflow)/inflow from investing activities		(25,710)	312	(21,429)
Cash flows from financing activities				
Proceeds from issue of share capital	21	92	211	1,123
Purchase of warrant right from holder		–	(146)	–
Purchase of own shares		(3,159)	(1,839)	(6,177)
Dividends paid		–	–	(20,840)
Net cash outflow from financing activities		(3,067)	(1,774)	(25,894)
Net (decrease)/increase in cash and cash equivalents		(20,136)	19,386	(32,675)
Cash and cash equivalents at 1 April		47,720	27,584	46,970
Cash and cash equivalents at 31 March		27,584	46,970	14,295

1. GENERAL INFORMATION

In this Part III references to the "Company" are to Aurora Networks Inc. and references to the "Group" are to the Aurora Group.

Aurora Networks, Inc was incorporated in Delaware on 14 October 1999. The address of the registered office is: 5400 Betsy Ross Drive, Santa Clara, California 95054, USA. The principal activity is to address the rapidly growing market for next-generation optical system designed for cable networks, trading under the name Aurora Networks, Inc.

2. ACCOUNTING POLICIES

(a) *Basis of preparation*

This consolidated financial information presents the financial track record of the Group for the three years ended 31 March 2011, 2012 and 2013 and is prepared for the purposes of this circular in accordance with the requirements of the Listing Rules and this basis of preparation. This consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. IFRS as applied in the most recently published annual financial statements of Pace plc for the period ended 31 December 2012 have been applied.

The Group's deemed transition date to IFRS is 1 April 2010. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Group has not applied any of the optional exemptions under IFRS 1, other than Cumulative Translation Differences.

This Consolidated historical financial information is prepared in accordance with IFRS under the historical cost convention, as modified for the revaluation of certain financial instruments at fair value through profit and loss. The historical financial information is presented in thousands of US dollars ("$") except when otherwise indicated.

The principal accounting policies adopted in the preparation of the consolidated financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(b) *Going concern*

This consolidated financial information relating to the Group has been prepared on the going concern basis.

After making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of this historical financial information. For these reasons they continue to adopt the going in concern basis in preparing the Group's financial statements.

(c) *New standards, amendments and interpretations*

Standards, amendments and interpretations which are not effective or early adopted by the Group:

- **IAS 12 (amendment), 'Income taxes' on deferred taxes** (effective 1 April 2013). This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The amendment did not have a material impact on the consolidated financial statements.

- **IAS 19, (revised 2012), 'Employee benefits'** (effective 1 April 2013). This amendment introduces changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

- **IFRS 7 (amendment), 'Financial instruments – Disclosures' on asset and liability offsetting** (effective 1 April 2013). This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The amendment does not have a material impact on the consolidated financial information.

- **IFRS 13 'Fair value measurement'** (effective 1 April 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard did not have a material impact on the consolidated financial information.

- **Annual improvements 2011** (effective 1 April 2013). These annual improvements include changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. These amendments did not have material impact on the consolidated financial information.

- **Amendment to IFRS 1, First time adoption' on fixed dates and hyperinflation** (effective 1 April 2013). These amendments are based on two exposure drafts. The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. This amendment did not have a material impact on the consolidated financial information.

- **Amendment to IFRS 1, 'First time adoption', on government loans** (effective 1 April 2013). This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008. This amendment did not have a material impact on the consolidated financial information.

- **IAS 27 (revised 2011), 'Separate financial statements'** (effective 1 April 2014). This clarifies that the consequential amendments from IAS 27 to IAS 21 'The effect of changes in foreign exchanges rates', IAS 28 'Investments in associates', and IAS 31 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009. The amendment is not expected to have a material impact on the consolidated financial information.

- **IAS 28 (revised 2011), 'Investments in associates and joint ventures'** (effective 1 April 2014). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The amendment is not expected to have a material impact on the Consolidated financial information.

- **IAS 32 (amendment), 'Financial instruments – Presentation' on asset and liability offsetting** (effective 1 April 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group is yet to assess the impact of IAS 32 on its Consolidated financial information.

- **IFRS 10 'Consolidated financial statements'** (effective 1 April 2014). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the Consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard is not expected to have a material impact on the consolidation of subsidiaries.

- **IFRS 11 'Joint arrangements'** (effective 1 April 2014). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. The standard is not expected to have any impact on the Consolidated financial information, as the Group does not have any joint venture interests.

- **IFRS 12 'Disclosure of interests in other entities'** (effective 1 April 2014). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess the impact of IFRS 12 on the Consolidated financial information.

- **Amendments to IFRS 10, IFRS 11 and IFRS 12** (effective 1 April 2014). These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. These amendments are not expected to have a material impact on the Consolidated financial information.

- **IFRS 9 'Financial instruments', on 'Classification and measurement'** (effective 1 April 2015). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Amortised cost accounting will also be applicable for most financial liabilities, with bifurcation of embedded derivatives. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess the impact of IFRS 9 on its Consolidated financial information.

- **IASB issues narrow-scope amendments to IAS 36, 'Impairment of assets'** (effective 1 April 2014) These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment is not expected to have a material impact on the consolidated financial information.

(d) ***Basis of consolidation***

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Control is generally accompanied by a shareholding of more than one half of the voting rights. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operational policies by virtue of *de-facto* control. The financial information of subsidiaries is included in the consolidated financial information from the date that control commences until the date that control ceases. Accounting policies are changed where necessary to ensure consistency across the Group.

Transactions eliminated on consolidation

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

(e) ***Foreign Currency***

Items included in the historical financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated Financial Statements are presented in US Dollars which is the Company's functional and presentational currency.

Foreign currency Translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve is reclassified to the income statement as part of the gain or loss on disposal.

(f) ***Property, plant and equipment***

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases is recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in the other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment under finance leases is depreciated over the shorter of the useful life of the asset and lease term.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. The estimated useful lives are as follows:

• Leasehold improvements	depreciated over term of lease
• Plant, Machinery and Equipment	3 to 5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(g) ***Business combination***

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether controls is transferred from one party to another.

(h) ***Intangible assets***

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Initial measurement

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in administrative expenses.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Transaction costs that the Group incurs in connection with a business combination such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Other intangibles

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

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

Customer relationships	3-10 years
Technology	1-10 years
Other	1-10 years

(i) ***Impairment of non-financial assets***

Assets not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

(j) ***Research and development expenditure***

All on-going research expenditure is expensed in the period in which it is incurred. Where a product is technically feasible, production and sales are intended, a market exists, and sufficient resources are available to complete the project, development costs are capitalised and subsequently amortised on a straight-line basis over the estimated useful life of the product concerned from commercial launch. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Where these conditions are not met, development expenditure is recognised as an expense in the period in which it is incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The estimated useful lives for development expenditure are estimated to be in a range of between 6 and 30 months.

Capitalised development expenditure is not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions required to be treated as an asset in accordance with IAS 38.

The amortisation of capitalised development expenditure is charged to the income statement in research and development expenditure within the Administrative expenses category.

(k) ***Financial assets***

Classification

The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables comprise mainly cash and cash equivalents and trade and other receivables.

Held to Maturity Assets

All long-term and short-term investments are classified as held-to-maturity, as the Company believes it has the intent and ability to hold the securities to maturity. These investments are stated at amortized cost which approximates fair value.

Impairment of financial assets

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other operating costs in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(l) ***Inventories***

Inventories are stated at the lower of cost or net realisable value, cost being determined using the first-in, first-out method. Consideration is given to obsolescence, excessive levels of inventory, deterioration and other factors in evaluating the net realizable value.

(m) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities.

(n) ***Trade and other payables***

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

(o) ***Employee benefits***

Share-based payment transactions

The Group operates on an equity-settled, share-based compensation plan, the Aurora Networks, Inc Share Incentive Plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted calculated using appropriate option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest.

(p) ***Provisions***

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material and provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised in finance costs.

(q) ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(r) ***Revenue***

Revenue from product sales is recognised when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is reasonably assured. The Company's product sales do not generally involve multiple element arrangements. When the

Company provides services such as training or customer support services, sales of bundled items are accounted for as multiple element arrangements with the relative selling prices of undelivered elements, such as training or customer support, deferred until those items are delivered to the customer. Although the Company's products do contain embedded software, such software is incidental to the product in that the Company does not separately license, market or provide updates to such software, and the Company does not incur significant software development costs. The Company uses distributor arrangements in certain countries. Such distributor arrangements typically involve direct shipment to the end customer. The Company records revenue from sales to distributors when it has evidence of the sale to the end customer.

The Company records provisions against its gross revenue for estimated product returns and allowances in the period when the related revenue is recorded. These estimates are based on factors that include, but are not limited to, historical sales returns, analyses of credit memo activities, current economic trends and changes in our customers' demands. Should our actual product returns and allowances exceed our estimates, it would result in additional reductions to our revenue.

Deferred revenue

Deferred revenue, consists of deferred revenue on sales made to distributors or resellers pending sell through information, sales where collectability was not reasonably assured at the time of shipment, or sales where title has not transferred.

(s) ***Leases***

The costs associated with operating leases are taken to the income statement on an accruals basis over the period of the lease. Where the 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 accounting policy for which is disclosed in (f).

(t) ***Net finance costs***

Finance costs

Finance costs comprise interest payable on borrowings, and other payables, where appropriate.

Finance income

Finance income comprises interest receivable on funds invested. Interest income is recognised in profit or loss as it accrues using the effective interest method.

(u) ***Income tax***

Income tax for the years presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(v) ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting to the Aurora Board which has been identified as the chief operating decision maker. The Aurora Board consists of the Executive Directors.

(w) ***Employee benefits: Pension obligations***

The Company sponsors a 401(k) defined contribution plan covering all employees. Contributions made by the Company are determined annually by the Board of Directors. Contributions are recognised as employee benefit expenses when they are due. The Group has no further payment obligations once the contributions have been paid.

(x) ***Share Capital Repurchases***

In fiscal years ending 31 March 2011, 2012 and 2013, the Board of Directors authorized the Company to repurchase shares of common stock from employees and officers for the current market value. For each share repurchased, the Company reduced the other reserves account by the value paid for the shares. If other reserves are not sufficient to cover the value of the shares repurchased, the excess is allocated to retained earnings at the time of the repurchase. The Company retired all shares upon repurchase.

(y) ***Warrants on mandatorily redeemable convertible preferred shares***

The Company accounts for freestanding warrants related to the Company's mandatorily redeemable convertible preferred stock related to shares that are redeemable by classifying such instruments as a liability in its consolidated balance sheet. The warrants are subject to re-measurement at each balance sheet date and any change in fair value is recognised as a component of (loss)/gain relating to change in fair value of mandatorily redeemable convertible preferred share warrants in the Company's consolidated income statement. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrants or the completion of a liquidation event, at which time all preferred stock warrants will be exercised or converted into warrants to purchase common stock and, accordingly, the liability will be reclassified to stockholders' equity.

(z) Derivative financial instruments

The Group uses derivative financial instruments, usually forward foreign exchange contracts, to hedge its exposure to certain foreign exchange risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes. The directors have determined that the instruments qualify for cash flow hedge accounting.

Derivative financial instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction.

Derivatives are reviewed for effectiveness. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or highly probable forecast transaction, the effective part of any gain or loss on the movement in fair value of the derivative financial instrument is recognised directly in equity.

The gain or loss on any ineffective part of the hedge is immediately recognised in the income statement within finance income/costs. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or liability, the associated cumulative gains or losses that were recognised directly in equity are reclassified into the income statement when the transaction occurs.

(aa) ***Dividends payable***

Distributions to equity holders are disclosed as a component of the movement in shareholders' equity. A liability is recorded for a final dividend when the dividend is approved by the Company's shareholders and, for an interim dividend, when the dividend is paid.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial information under IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements 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. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the consolidated financial information.

Warranties

Aurora provides product warranties for its products. Although it is difficult to make accurate predictions of potential failure rates or the possibility of an epidemic failure, as a warranty estimate must be calculated at the outset of a product before field deployment data is available, these estimates improve during the lifetime of the product in the field.

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

4. SEGMENTAL REPORTING

Management has determined the operating segments based on the operating results reviewed by the Aurora Board that are used to assess both performance and strategic decisions. Management has identified that the Aurora Board is the Chief Operating Decision Maker ('CODM') in accordance with the requirements of IFRS 8 'Operating Segments'.

The Aurora Board considers the business to have a single group of related products and services being the development and manufacture of advanced, next-generation Optical Transport and Access Network solutions for broadband networks.

All revenue, profit before taxation, assets and liabilities are attributable to the principal activity of the Group.

Entity Wide Disclosures

Geographical Analysis

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	2011 $'000	2012 $'000	2013 $'000
North America	85,600	94,235	113,901
Latin America	58,378	45,000	50,934
Europe	10,937	16,840	11,414
Rest of World	54,025	46,828	40,313
	208,940	202,903	216,562

Non-current assets relate to property, plant and equipment and intangible assets and, as required under IFRS 8, exclude deferred tax assets, financial instruments and post-employment benefit assets. All of the non-current assets of the Group are located in North America.

Major Customers

Transactions with the Group's three (2011: three, 2012: three) largest customers represented 45% (2011: 40%, 2012: 43%) of the Group's total revenues.

5. EXPENSES AND AUDITORS REMUNERATION

	2011 $'000	2012 $'000	2013 $'000
Fees payable to the Company's auditors for the audit of:			
Company's annual Financial Statements	91	116	193
Fees payable to the Company's auditors and its associates for other services to the Group:			
Other services relating to taxation	7	7	7
Other services	18	–	–
Depreciation of plant, property and equipment			
Owned	2,253	2,955	3,231
Other operating lease rentals			
Land and buildings	1,288	1,527	1,659
Loss on disposal of plant, property and equipment	12	(2)	(1)
Net foreign exchange losses recognised within operating profit	80	(653)	47
Research and development expenditure recognised as an expense	17,624	24,622	28,349

6. EMPLOYEES AND DIRECTORS

(a) ***Staff costs for the Group during the year:***

	2011 $'000	2012 $'000	2013 $'000
Wages and salaries	26,975	31,245	37,020
Social security costs	1,384	2,063	2,276
Share based payments	1,575	2,867	2,612
Redundancy Costs	131	65	42
	30,065	36,240	41,950

Average monthly number of people (including Executive Directors) employed:

	2011	*2012*	*2013*
	number	*number*	*number*
Research and Development	66	82	108
Administration	21	24	27
Sales and marketing	69	72	77
Manufacturing and operations	66	67	86
	222	245	298

(b) ***Directors' emoluments***

	2011	*2012*	*2013*
	$'000	*$'000*	*$'000*
Aggregate emoluments	790	644	673

7. FINANCE INCOME/(COSTS)

	2011	*2012*	*2013*
	$'000	*$'000*	*$'000*
Finance income	241	332	263
Finance costs	–	(1)	(1)
Net finance income	241	331	262

8. TAXATION

	2011	*2012*	*2013*
	$'000	*$'000*	*$'000*
Analysis of credit in year			
Current tax on profits for the year	13,176	11,438	7,761
Total current tax	13,176	11,438	7,761
Deferred tax on profits for the year			
Origination and reversal of temporary differences	2,015	(824)	(78)
Total deferred tax (note 20)	2,015	(824)	(78)
Income tax charge	15,191	10,614	7,683

The tax charge for the year differs from the standard rate of corporation tax in the US of 35% (2012: 35%, 2011: 35%). The differences are explained below:

	2011	*2012*	*2013*
	$'000	*$'000*	*$'000*
Profit on ordinary activities before tax	43,469	29,453	26,313
Profit on ordinary activities multiplied by the rate of corporation tax in the US of 35% (2012: 35%, 2011: 35%)	15,214	10,309	9,210
Effects of:			
Other expenses not deductible	1,442	752	118
Enhanced relief for research and development expenditure	(1,410)	(568)	(1,411)
Adjustments in respect of prior years	(62)	119	(233)
Adjustments in respect of foreign tax rates	6	2	(1)
Total taxation charge	15,191	10,614	7,683

9. DIVIDENDS

	2011	*2012*	*2013*
	$'000	*$'000*	*$'000*
Dividends payable to Mandatorily Redeemable Convertible preferred shares ($0.147/share)	–	–	17,221
Dividends payable to Ordinary shareholders ($0.147/share)	–	–	3,619
	–	–	20,840

In November 2012, the Company paid a dividend to both the shareholders of Ordinary Shares and Mandatorily Redeemable Convertible Preferred Shares.

10. INTANGIBLE ASSETS

	Goodwill	*Customer Relationships*	*Technology*	*Other*	*Total Other Intangibles*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Cost					
At 1 April 2010 and 31 March 2011	–	–	–	–	–
Additions at cost	2,170	–	360	49	409
At 31 March 2012	2,170	–	360	49	409
Additions at cost	17,892	4,200	11,160	504	15,864
Fair value adjustment	1,603	–	–	–	–
At 31 March 2013	21,665	4,200	11,520	553	16,273
Accumulated amortisation					
At 1 April 2010 and 31 March 2011	–	–	–	–	–
Provided in the year	–	–	38	–	38
At 31 March 2012	–	–	38	–	38
Provided in the year	–	50	456	56	562
At 31 March 2013	–	50	494	56	600
Net book amount					
At 1 April 2010 and 31 March 2011	–	–	–	–	–
At 31 March 2012	2,170	–	322	49	371
At 31 March 2013	21,665	4,150	11,026	497	15,673

All goodwill and other intangible assets have arisen from business combinations and relate to the acquisitions described in note 26.

The carrying value of goodwill is allocated across the whole Group, which is considered to be the single cash-generating unit, on the basis that it represents the lowest level within the Group at which the associated goodwill is monitored for management purposes. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from a value in use calculation. This calculation uses cash flow projections based on the Group's 3 year forecast and a long-term growth rate of 1%. The cash flow forecasts are discounted back to present value using an appropriate market-based discount rate. The pre-tax discount rate used to calculate the value in use was 19%.

The key assumptions in the value in use calculation are those regarding discount rates, sales growth rates and expected changes to selling prices and direct costs. Sales growth, selling prices and direct costs are built up within the budget and 3 year forecast on a product by product basis utilising the knowledge and expertise of operational staff. The anticipated launch dates for new products, the achievable prices and direct costs to be incurred are therefore highly judgemental. The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money for the Group.

The Directors have sensitised the recoverable amounts of the CGU using changes in the key assumptions and they consider that there is sufficient headroom within the value in use calculations at 31 March 2013.

11. PROPERTY, PLANT & EQUIPMENT

	Leasehold Improvements $'000	*Plant, Machinery and Equipment $'000*	*Total $'000*
Cost			
At 1 April 2010	1,683	9,893	11,576
Additions	–	3,441	3,441
Disposals	–	(843)	(843)
At 31 March 2011	1,683	12,491	14,174
Additions	154	3,086	3,240
Acquisitions	–	357	357
Disposals	–	(78)	(78)
At 31 March 2012	1,838	15,855	17,692
Additions	83	2,622	2,704
Acquisitions	–	1,080	1,080
Disposals	–	(12)	(12)
At 31 March 2013	1,920	19,545	21,465
Accumulated depreciation			
At 1 April 2010	314	7,373	7,687
Provided in the year	316	1,936	2,253
Disposals	–	(834)	(834)
At 31 March 2011	630	8,476	9,106
Provided in the year	322	2,634	2,955
Disposals	–	(74)	(74)
At 31 March 2012	951	11,035	11,987
Provided in the year	363	2,868	3,231
Disposals	–	(11)	(11)
At 31 March 2013	1,314	13,893	15,207
Net book amount			
At 1 April 2010	1,370	2,520	3,889
At 31 March 2011	1,054	4,014	5,068
At 31 March 2012	886	4,819	5,706
At 31 March 2013	606	5,652	6,258

12. INVESTMENTS

The Company substantially owns directly or indirectly the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings.

Subsidiary undertakings of the Group at 31 March 2013 are presented below:

Subsidiary	*Nature of business*	*Country of incorporation*	*Proportion of ordinary shares held by parent*	*Proportion of ordinary shares held by the Group*
			%	*%*
Aurora Networks Canada, Inc	Trading	Canada	100	100
AN International LLP	Trading	US	100	100
AN Holdings	Trading	Cayman Islands	100	100
Design TECs, Inc	Trading	US	20	20

There are no restrictions on the Company's ability to access or use the assets and settle the liabilities of the Company's subsidiaries.

13. INVENTORIES

	2010	*2011*	*2012*	*2013*
	$'000	*$'000*	*$'000*	*$'000*
Raw materials	8,020	18,248	15,907	24,567
Work-in-progress	5,287	9,404	8,641	11,884
Finished goods	17,433	17,907	25,921	27,479
	30,740	45,559	50,469	63,930

The cost of inventory recognised as an expense and included in cost of sales amounted to $106,802,000 (2012: $104,582,000, 2011: $105,909,000). During the current year $2,525,000 (2012: $1,637,000, 2011: $2,699,000) was recognised as an expense relating to the write down of inventory to net realisable value.

14. TRADE AND OTHER RECEIVABLES

	2010	*2011*	*2012*	*2013*
	$'000	*$'000*	*$'000*	*$'000*
Amounts falling due within one year:				
Trade receivables	21,241	30,142	29,486	34,192
Prepayments and other receivables	1,220	3,340	3,497	1,707
	22,461	33,482	32,983	35,899

Trade and other receivables are all current and any fair value difference is not material. Trade and receivables are considered past due once they have passed their contracted due date.

15. LONG AND SHORT TERM INVESTMENTS

	2010	*2011*	*2012*	*2013*
	$'000	*$'000*	*$'000*	*$'000*
Short term investments	9,379	25,541	27,262	–
Long term investments	2,988	9,416	–	–
	12,367	34,957	27,262	–

All long-term and short-term investments are classified as held-to-maturity, as the Company believes it has the intent and ability to hold the securities to maturity. These investments are stated at amortized cost which approximates fair value. The investments are principally comprised of money debt instruments of the United States government and its agencies and high-quality corporate issuers.

16. TRADE AND OTHER PAYABLES

	2010	*2011*	*2012*	*2013*
	$'000	*$'000*	*$'000*	*$'000*
Trade payables	12,866	12,129	7,528	10,695
Accruals	3,011	2,924	3,700	2,687
Social security and other taxes	2,895	4,389	3,211	4,077
Deferred income	10,983	10,800	14,269	2,760
	29,755	30,242	28,708	20,219

The fair value of trade and other payables approximates their carrying value due to short maturities.

17. MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SHARES

The significant terms of each series of mandatorily redeemable convertible preferred stock are identical, except for specific amounts related to per share redemption rights, liquidation preference, and conversion price. Significant terms of the outstanding preferred stock at 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013 are as follows:

Series	*Shares Issued*	*Carrying Value ($'000)*	*Redemption Rights per Share*	*Liquidation Preference per Share*	*Conversion Ratio per Share*
A	29,685	29,604	$1.0000	$1.0000	1.4694
B	65,490	30,803	$0.4716	$0.4716	1.0000
C	7,309	10,377	$1.4271	$1.4271	1.0000
	102,484	70,784			

Voting

Each share of Series A, Series B and Series C mandatorily redeemable convertible preferred stock ("Preferred Stock") has voting rights equal to an equivalent number of shares of common stock into which it is convertible and votes together as one class with the common stock.

As long as at least 11,000,000 (adjusted to reflect subsequent stock dividends, contributions, stock splits or recapitalization) shares of Series A Preferred Stock remain outstanding, the Company must obtain approval from at least 66.67% of the holders of Series A Preferred Stock in order to alter the Articles of Incorporation as related to Series A Preferred Stock, change the authorized number of shares of common stock and Series A Preferred Stock, repurchase any shares of common stock other than shares subject to the right of repurchase by the Company, incur any indebtedness in excess of $3,000,000, authorize a dividend for any class or series other than Series A Preferred Stock, create a new class of stock, or effect a merger, consolidation or sale of assets where the existing stockholders retain less than 50% of the voting stock of the surviving entity.

As long as at least 24,000,000 (adjusted to reflect subsequent stock dividends, contributions, stock splits or recapitalization) shares of Senior Preferred Stock (Series B and Series C) remain outstanding, the Company must obtain approval from at least 68% of the holders of the Senior Preferred Stock in order to alter the Articles of Incorporation as related to Series B Preferred or Series C Preferred Stock, change the authorized number of shares of common stock and Series B Preferred or Series C Preferred Stock, repurchase any shares of common stock other than shares subject to the right of repurchase by the Company, incur any indebtedness in excess of $3,000,000, authorize a dividend for any class or series other than Series B Preferred or Series C Preferred Stock, create a new class of stock, or effect a merger, consolidation or sale of assets where the existing stockholders retain less than 50% of the voting stock of the surviving entity.

Dividends

Holders of Series A, B and Series C Preferred Stock are entitled to receive non-cumulative dividends when and if declared by the Aurora Board and in the amount determined by the Aurora Board. The holders of Series A, B and Series C Preferred Stock will also be entitled to participate in dividends on common stock, when and if declared by the Aurora Board, based on the number of shares of common stock held on an as-if converted basis. In November 2012, the Aurora Board declared a dividend of $0.147 per share to be paid on all shares of preferred stock (on an as converted to common stock basis) and common stock outstanding on the record date. The Company paid $20,840,000 in November 2012 related to this dividend. Prior to this date, no dividends had been declared by the company.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company, including a merger, acquisition or sale of assets where the beneficial owners of the Company's common stock and preferred stock own less than 51% of the resulting voting power of the surviving entity, the holders of Preferred Stock are entitled to receive an amount per share equal to the liquidation preference noted in the table above, plus any declared but unpaid dividends. This liquidation preference must be satisfied before any distributions are made to common stockholders.

After the distribution described above has been paid in full, the remaining assets of the Company available for distribution shall be distributed ratably among the holders of the Series A, B and Series C Preferred Stock, on an as-if converted basis, and holders of common stock in proportion to the number of shares of common stock held by them provided, however, the aggregate distributions made to Series C Preferred stock does not exceed an amount equal to twice the applicable Preference Amount for the Series C Preferred Stock plus any declared but unpaid dividends.

Should the Company's legally available assets be insufficient to satisfy the liquidation preferences, the entire assets and the funds will be distributed ratably among the holders of the Series A, B and Series C Preferred Stock in proportion to the full preferential amounts to which each such holder is entitled.

Redemption

At the request of the holders of at least the majority of the then outstanding shares of Series A, Series B or Series C Preferred Stock, each voting together as a separate class, the Company shall redeem all of the then outstanding shares of Series A, Series B or Series C Preferred Stock, as applicable, based on the amounts noted in the table above, plus all declared and unpaid dividends. Such redemption may occur in accordance with the terms of the preferred stock financing agreements.

Conversion

Each share of Series A, B and Series C Preferred Stock is convertible, at the option of the holder, according to a conversion ratio as defined in the table above, subject to adjustment for dilution. Each share of Series A, B and Series C Preferred Stock automatically converts into the number of shares of common stock into which such shares are convertible at the then effective conversion ratio upon the closing of a public offering of common stock at a per share price of at least $2.50 per share with gross proceeds of at least $25,000,000.

18. WARRANTS ON MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SHARES

The liability and terms for mandatorily redeemable convertible preferred stock warrants are as follows:

Issue Date	*Term (years)*	*Series of Preferred Stock*	*Exercise Price per Share*	*Number of Preferred Shares 2010*	*Number of Preferred Shares 2011*	*1 April 2010 Fair Value ($'000)*	*31 March 2011 Fair Value ($'000)*
1 April 2002	10	A	$1.00	22,000	22,000	32	36
30 April 2002	10	B	$0.47	169,635	169,635	173	197
6 December 2002	10	B	$0.47	169,635	169,635	219	161
20 December 2005	9	B	$0.47	424,088	424,088	565	401
31 May 2006	9	B	$0.47	159,033	159,033	213	150
				944,391	944,391	1,049	1,170

Issue Date	*Term (years)*	*Series of Preferred Stock*	*Exercise Price per Share*	*Number of Preferred Shares 2012*	*Number of Preferred Shares 2013*	*31 March 2012 Fair Value ($'000)*	*31 March 2013 Fair Value ($'000)*
1 April 2002	10	A	$1.00	22,000	–	19	–
6 December 2002	10	B	$0.47	169,635	169,635	219	161
20 December 2005	9	B	$0.47	424,088	424,088	565	401
31 May 2006	9	B	$0.47	159,033	159,033	213	150
				774,756	752,756	1,016	712

The estimated fair value of the warrants listed above was calculated using the following assumptions:

	1 April 2010	*31 March 2011*	*31 March 2012*	*31 March 2013*
Risk-free interest rate	1.4% to 3.0%	0.3% to 2.1%	0% to 1.1%	0% to 0.39%
Contractual terms	2 to 6 years	1 to 5 years	0 to 4 years	0 to 3 years
Dividend yield	0%	0%	0%	0%
Volatility	58%	57%	52%	42%

Upon the closing of a public offering of common stock, all of the mandatorily redeemable convertible preferred stock warrants will automatically convert into warrants for common stock.

In February of 2012, the Company paid $146,000 to one of its warrant holders to buy their right to exercise their warrant for approximately 170,000 shares of Series B preferred stock at $0.47 per share. In April 2012, the holder of the Series A warrants elected to cashless exercise the warrants as provided in the warrant agreement. The net exercise resulted in the issuance of 11,424 shares of Series A preferred stock.

19. PROVISIONS

	Warranty Provision $'000
At 1 April 2010	3,156
Net charge for the year	1,163
Utilisation	(518)
At 31 March 2011	3,801

	Warranty Provision $'000
Net charge for the year	561
Acquisitions	638
Utilisation	(321)
At 31 March 2012	4,679
Net charge for the year	341
Acquisitions	916
Utilisation	(954)
At 31 March 2013	4,982
Due within one year	2,648
Due after one year	2,334

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

Although it is difficult to make accurate predictions of potential failure rates or the possibility of an epidemic failure, as a warranty estimate must be calculated at the outset of product shipment before field deployment data is available, these estimates improve during the lifetime of the product in the field.

It is expected that the expenditure with regard to warranties will be incurred within five years of the balance sheet date.

20. DEFERRED TAX

Deferred tax assets/(liabilities)

The movements in deferred tax assets and liabilities during the year are shown below:

	Trading Losses $'000	*PPE & Intangible Assets $'000*	*Short term timing differences $'000*	*Other $'000*	*Total $'000*
Recognised assets/(liabilities)					
At 1 April 2010	2,012	(411)	6,037	2,580	10,218
Credited/(charged) to income statement	(331)	(469)	(97)	(1,118)	(2,015)
At 31 March 2011	1,681	(880)	5,940	1,462	8,203
Credited/(charged) to income statement	(328)	(311)	1,158	305	824
At 31 March 2012	1,353	(1,191)	7,098	1,767	9,027
Credited/(charged) to income statement	(372)	583	(260)	127	78
At 31 March 2013	981	(608)	6,838	1,894	9,105
Shown as deferred tax assets	981	–	6,838	1,894	9,713
Shown as deferred tax liabilities	–	(608)	–	–	(608)

The Group has not recognised deferred tax liabilities on unremitted earnings from foreign subsidiaries where the company controls the repatriation of earnings as the Group does not intend to repatriate those earnings.

21. CALLED UP SHARE CAPITAL

	2010	*2011*	*2012*	*2013*
Authorised				
Ordinary shares of $0.001 each:				
Number:	175,000,000	185,000,000	185,000,000	185,000,000
Allocated, called up and fully paid				
Ordinary shares of $0.001 each:				
Number:	17,834,388	18,336,331	18,873,899	24,827,805
$'000:	18	18	18	24

22. RESERVES

The following describes the nature and purpose of each reserve within shareholders' equity:

Other reserves

The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares; repurchase of shares; and share based compensation.

Retained earnings

Cumulative net gains and losses recognised in the Group income statement.

23. NON CONTROLLING INTEREST

Design TECs, Inc.(DTi), in which the Company holds a preferred share interest, was formed in July 2010 to provide customers with the following services; engineering analytics, design, customer support and warranty work. The two common shareholders of DTi are holders of Aurora common stock. These two individuals alone or in combination have an equity stake representing less than 1% of the common stock outstanding for Aurora. The Company has determined that it controls DTi because DTi's equity at risk is insufficient to permit DTi to carry on its activities without additional subordinated financial support from Aurora. The Company has also determined that it is the primary beneficiary for accounting purposes since (a) Aurora has the power to direct the service activities, which are the activities that most significantly impact DTi's economic performance, and (b) Aurora will absorb any cash shortfalls that could be potentially significant to DTi. As a result, Aurora consolidates DTi in its consolidated financial statements, Aurora eliminates intercompany transactions, and presents the interests that are not owned by Aurora as non-controlling interest on the consolidated balance sheets. Aurora eliminates net income(loss) attributable to non-controlling interest when reporting net income attributable to controlling interest in the Consolidated Statement of Operations. The carrying amounts of assets and liabilities associated with DTi, after eliminating the effect of intercompany transactions, were as follows (in thousands):

	2011 *$'000*	*2012* *$'000*	*2013* *$'000*
Cash	264	163	101
Prepaid Expenses	1	59	61
Accounts payable	(8)	(29)	(12)
	257	193	150

24. Commitments and contingencies

(a) ***Operating lease commitments***

The Company leases its facilities under non-cancellable operating lease agreements. The Company recognises rent expense on a straight-line basis over the lease period, and has accrued for rent expense incurred but not paid.

The future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2011	*2012*	*2013*
	$'000	*$'000*	*$'000*
Within 1 year	1,208	1,370	1,773
Later than 1 year and less than 5 years	2,899	2,641	1,677
After 5 years	–	203	–
	4,107	4,214	3,450

License Agreement Commitment

In May 2011, the Company entered into a Legacy Suite License Agreement with the San Francisco 49ers that gives the Company certain rights and privileges to the San Francisco 49ers stadium that is currently under construction. The License Agreement is non-cancellable for an initial 20 year period, beginning when the stadium is completed and a Team game is played in the stadium. The License fee payable under the Agreement is due in annual instalments of $250,000 per year in years one through ten of the Agreement, escalating in years eleven through twenty at 4% compounded annually. The Company has the right to make a one-time payment of $3,400,000 prior to March 31, 2015, to satisfy its License fee obligation for the 20 year term of the Agreement.

(b) ***Purchase Commitments***

The Company's standard purchase order terms allow for the cancellation and/or rescheduling of the purchase order without penalty to the Company.

The Company relies on certain suppliers for components and sub-assemblies that are single or limited source. Although the Company seeks to reduce dependence on these sole source and limited source suppliers, the partial or complete loss of certain of these sources could have at least a temporary adverse effect on the Company's results of operation and damage customer relationships.

Indemnification

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations, and accordingly, the Company has not accrued any amounts for such indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

25. EMPLOYEE BENEFITS

Pension

The Company sponsors a 401(k) defined contribution plan covering all employees. Contributions made by the Company are determined annually by the Aurora Board. No contributions have been made by the Company since inception.

Share Based Compensation

Share-based compensation expense is measured at grant date, based on the fair value of the instrument, and is recognized as expense over the requisite service period.

The Company awards a limited number of instruments to non-employees. Non-cash share-based expense from instruments issued to non-employees recorded by the Company for the years ended 31 March 2011, 2012, and 2013 was $85,000, $72,000, and $37,000 respectively.

The following table sets forth the total share-based compensation expense included in the Company's consolidated Statements of Operations:

	2011	*2012*	*2013*
	$'000	*$'000*	*$'000*
Cost of revenues	32	131	134
Research and development	448	1,093	947
Other administrative expenses	1,095	1,643	1,531
	1,575	2,867	2,612

As of 31 March 2013, $5.6 million of total unrecognized share-based compensation costs net of forfeitures related to non-vested instruments is expected to be recognized over the respective vesting terms of each instrument over the next 2.48 years. The Company has not capitalized any share-based compensation expense.

Valuation Assumptions

The Company's determination of fair value of share-based payment instruments on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of variables.

The weighted average estimated fair value of options granted during the twelve month periods ended 31 March 2011, 2012 and 2013, were calculated under the Black-Scholes model, using the following weighted-average assumptions:

	2011	*2012*	*2013*
Risk free interest rate	1.26% – 2.13%	0.96% – 2.13%	0.72% – 0.98%
Contractual terms	4.8 to 5.1 years	4.8 to 5.3 years	5.4 to 6.0 years
Dividend yield	0%	0%	0%
Volatility	57% – 60%	57% – 58%	58% – 59%

The fair value of each option award is estimated on the date of grant using the Black-Scholes valuation model. The Black-Scholes option-pricing model was developed for use in estimating the fair value of short-lived exchange traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of assumptions, including the option's expected life and the price volatility of the underlying stock.

Expected volatility was determined using a blended average of the historical volatility of the Company's historical experience and a number of peer companies to approximate expected volatility over the expected term of the options.

The Company determined the expected term of employee options granted based upon a blended average of the Company's historical experience and historical experience of a number of peer companies. The risk-free interest rate for periods within the contractual life of the option is based on the monthly average risk-free zero-coupon interest rate that corresponds to the expected term.

The Company declared a cash dividend to holders of preferred (on an as-converted basis) and common stock in November 2012 of $0.147 per share. The Company does not have plans to pay cash dividends in the foreseeable future.

The Company has used forfeiture rates in its calculation of share-based compensation expense for the twelve months ended 31 March 2011, 2012 and 2013, based on historical experience. Share-based compensation expense recognized in the Consolidated Statement of Operations for the twelve month period ended 31 March 2011, 2012 and 2013, is based on instruments ultimately expected to vest and has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. If pre-vesting forfeitures occur in the future, the Company will true up compensation expense related to such forfeitures as the forfeitures occur.

Valuation of Common Stock

In the absence of an active market for the Company's common stock, the Company's board of directors estimates the fair value of the Company's common stock, with input from management. The assumptions used in the estimate of the fair value include such factors as; the price of the most recent stock sales to investors, the amount of cash held by the Company, the preferences held by the preferred stock classes in favour of common shares, the valuations of comparable companies, the hiring of key personnel, the status of our development and sales efforts, revenue growth, and other factors relating to the Company's business.

The Company has historically granted stock options at not less than the fair market value of common stock as determined at the time of grant by the Company's board of directors. The valuations used to estimate fair value were based on estimates, judgments, and other assumptions, including selection of valuation methods, comparable companies and time to liquidity event. If different estimates or other assumptions had been used, the valuations would have been different.

Stock Option Plan

During 2009, the Company's Board of Directors approved the 2009 Equity Incentive Plan ("The Plan") which allows the Company to grant awards, defined as incentive and non-qualified stock options, restricted stock and stock appreciation rights and restricted stock units ("RSU"), to employees, directors and consultants. The 2009 Plan replaced the 1999 Stock Plan. In January 2011 the Company increased the share pool available to be granted by 10 million shares.

Stock options expire 10 years from the date of grant and generally vest over service periods that range from several months to four years. Stock purchase rights may be granted under such other terms, provisions and conditions not inconsistent with the Plan, as may be determined by the Board of Directors in its sole discretion.

Award activity for the Plan is summarized as follows:

	For Future Grant	*Options Outstanding*	*Exercise Price per Share*	*Number of RSU's*
Outstanding at 31 March 2010	1,933	31,745	0.32	–
Authorised	10,000	–	–	–
Granted	(1,824)	1,800	1.15	24
Exercised/released	–	(3,834)	0.17	–
Restricted Stock Unit Releases	–	–	–	(24)
Cancelled/terminated/forfeited	1,099	(1,099)	0.37	–
Shares traded for exercise price	497	–	–	–
Expired	20	(20)	0.10	–
Outstanding at 31 March 2011	11,725	28,592	0.40	–
Granted	(8,770)	8,548	1.26	222
Exercised/released	–	(1,940)	0.11	–
Restricted Stock Unit Releases	–	–	–	(46)
Cancelled/terminated/forfeited	663	(663)	0.83	–
Expired	80	(80)	0.10	–
Outstanding at 31 March 2012	3,698	34,457	0.62	176
Granted	(4,554)	4,523	1.24	31
Exercised/released	–	(10,893)	0.10	–
Restricted Stock Unit Releases	–	–	–	(42)
Cancelled/terminated/forfeited	144	(144)	1.20	–
Shares traded for exercise price	4,724	–	–	–
Expired	66	(66)	1.06	–
Outstanding at 31 March 2013	4,078	27,877	0.92	165

(in thousands, except per share data)

According to the Plan, shares used to pay the exercise price of an Award become available for future grant or sale under the Plan.

The following information summarizes information about stock options outstanding and exercisable under the Plan at 31 March 2013 (in thousands, except per share data):

	Awards Outstanding			*Awards Exercisable*		
Range of Exercise Prices	*Number of Shares*	*Remaining Contractual Life in years*	*Weighted average exercise price per share ($)*	*Number of Shares*	*Remaining Contractual Life in years*	*Weighted average exercise price per share ($)*
$0.10 - $0.21	5,590	2.50	$0.10	5,590	2.50	$0.10
$0.22 - $1.18	5,816	5.81	$0.73	4,888	5.50	$0.65
$1.19 - $1.24	5,007	8.85	$1.24	1,141	7.20	$1.23
$1.25 - $1.26	4,116	8.05	$1.25	1,900	8.05	$1.25
$1.27 - $1.42	7,348	6.97	$1.29	4,483	6.66	$1.30
	27,877	6.33	$0.92	18,002	5.23	$0.74

26. ACQUISITIONS

Harmonic Access Equipment Acquisition

In March 2013, the Company completed the acquisition of certain assets and liabilities of Harmonic Inc. related to its access equipment business for a purchase price of $46 million in cash. The acquisition included inventory, property and equipment, intangible assets and assumed warranty liabilities that existed at the date of closing. The acquisition qualifies as a business combination and was accounted for using the acquisition method of accounting. The Company believes that the acquisition broadens its product offering in the access and transportation market as well as provides the Company with a significant installed base of equipment.

The results of the Harmonic Access Equipment operations have been included in the consolidated financial statements since the date of the acquisition.

In accordance with the acquisition method of accounting for business combinations, the Company allocated the total purchase price to identifiable tangible and intangible assets based on each of the element's estimated fair value. Acquisition costs were expensed as incurred and totalled $1.0 million in the year ended 31 March 2013. Purchased intangibles will be amortised on a straight-line basis over their respective estimated useful lives. Goodwill was recorded based on the residual purchase price after allocating the purchase price to the fair market value of assets acquired and liabilities assumed. Goodwill arises as a result of, among other factors, future unidentified new products and new technologies as well as the implicit value of future cost savings as a result of the combining of the entities. The Company may adjust the preliminary purchase price allocation after obtaining more information regarding, among other things, liabilities assumed, and revision of preliminary estimates.

The following table summarises the estimated fair values of the assets and liabilities assumed at the acquisition date (in thousands):

	$'000
Inventory	12,164
Fixed assets	1,080
Intangible assets	15,780
Goodwill	17,892
Warranty provision	(916)
	46,000

The $17,892,000 of goodwill recorded on the acquisition of Harmonic Access Equipment is deductible for U.S. federal and state income tax purposes.

The acquired intangible assets were the result of developed technologies, in-process technology, customer relationships, and non-compete agreements. The $15.78 million of intangible assets is being amortized over estimated useful lives of three to ten years.

Trident 7 Acquisition

In September of 2011, the Company completed the acquisition of certain assets and liabilities of a division of Enablence Technologies (Trident 7) at a purchase price of $2.75 million consisting of $2.0 million in cash paid at the date of closing of the acquisition and a holdback of $0.75 million, of which $0.5 million was payable on 15 March 2012 and the remaining $0.25 million on 15 October 2012, subject to any potential claims against the seller (the "holdback"). The entire $0.75 million holdback is recorded in accrued liabilities at 31 March 2012. An amount of $0.25 million was paid in May of 2012. The remaining $0.5 million of holdback was eliminated in the year ending 31 March 2013 as a result of the subsequent reduction of asset values assigned to the transaction. The acquisition included accounts receivable, inventories, property and equipment, intangible assets, and assumed liabilities that existed at the closing date, including product warranties and accounts payable. The acquisition qualifies as a business combination and was accounted for using the acquisition method of accounting. The Company believes the acquisition will bolster its capability to deliver the right technology for emerging services such as IP video and strengthen its market position.

The operating results of Trident 7 operations have been included in the consolidated financial statements since the date of acquisition.

In accordance with the acquisition method of accounting for business combinations, the Company allocated the total purchase price to identifiable intangible assets based on each element's estimated fair value. Acquisition costs were expensed as incurred, and were immaterial for this transaction. Purchased intangibles will be amortized on a straight-line basis over their respective estimated useful lives. Goodwill was recorded based on the residual purchase price after allocating the purchase price to the fair market value of assets acquired and liabilities assumed. Goodwill arises as a result of, among other factors, future unidentified new products and new technologies as well as the implicit value of future cost savings as a result of the combining of entities. The Company may adjust the preliminary purchase price allocation after obtaining more information regarding, among other things, liabilities assumed, and revisions of preliminary estimates.

The following table summarises the estimated fair values of the assets and liabilities assumed at the acquisition date (in thousands):

	$'000
Accounts receivable	1,919
Accounts payable	(2,256)
Inventory	3,222
Fixed assets	329
Intangible assets	98
Goodwill	38
Warranty provision	(600)
	2,750

The acquired intangible assets were the result of non-compete agreements, trade names, and developed technologies. The $98,000 of intangible assets is being amortized over its estimated useful lives of one to five years.

The $38,000 of goodwill recorded on the acquisition of Trident 7 is deductible for U.S. federal and state income tax purposes. In the year ended 31 March 2013, the Company adjusted the values assigned to accounts receivable and inventory downward by $351,000 and $1.8 million, respectively, and reduced the hold back amount previously recorded in accrued liabilities by $500,000 as the Company determined that it would not be paid. Goodwill and intangible amortizable assets were increased by $1.6 million and $84,000, respectively, in the revaluation.

GoBack TV Acquisition

In April 2011, the Company completed the acquisition of certain assets and liabilities of GoBack TV at a purchase price of $2.5 million in cash. The acquisition included inventories, property and equipment, intangible assets, and assumed product warranty liabilities that existed at the closing date. The acquisition qualifies as a business combination and was accounted for using the acquisition method of accounting. The Company believes the acquisition will bolster its capability to deliver revenue generating stream based video solutions to its current customer base.

The operating results of GoBack TV operations have been included in the consolidated financial statements since the date of acquisition.

In accordance with the acquisition method of accounting for business combinations, the Company allocated the total purchase price to identifiable intangible assets based on each element's estimated fair value.

Acquisition costs were expensed as incurred, and were immaterial for this transaction. Purchased intangibles will be amortized on a straight-line basis over their respective estimated useful lives. Goodwill was recorded based on the residual purchase price after allocating the purchase price to the fair market value of assets acquired and liabilities assumed. Goodwill arises as a result of, among other factors, future unidentified new products and new technologies as well as the implicit value of future cost savings as a result of the combining of entities. The Company may adjust the preliminary purchase price allocation after obtaining more information regarding, among other things, liabilities assumed, and revisions of preliminary estimates.

	$'000
Inventory, net	42
Fixed assets	28
Intangible assets	311
Goodwill	2,132
Warranty Provision	(38)
	2,475

The $2.1 million of goodwill recorded on the acquisition of GoBack TV is deductible for U.S. federal and state income tax purposes.

The acquired intangible assets were primarily the result of developed technologies. The $311,000 of intangible assets is being amortized over its estimated useful lives of one to eight years.

27. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the Aurora Board. The group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed. Transactions are only undertaken if they relate to actual underlying exposures and hence cannot be viewed as speculative.

(a) ***Market risk***

(i) Currency risk

The Group is exposed to foreign currency risk arising from various currency exposures primarily with respect to the Canadian Dollar. Net currency gains and losses are recognised in the income statement. This risk is not considered to be significant.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(ii) *Cash flow interest rate risk*

The Group is exposed to interest rate risk in respect of its holdings of cash and cash equivalents deposited in demand and money market accounts. This risk is not considered to be significant.

(b) ***Credit risk***

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, short-term and long-term investments and accounts receivable. Cash and cash equivalents are deposited in demand and money market accounts in several financial institutions in the United States and internationally. Deposits held with financial institutions may exceed the amount of insurance provided on such deposits. The Company has not experienced any material losses on its deposits of cash and cash equivalents.

Concentrations of credit risk with respect to short-term and long-term investments are limited due to the Company's cash investment policies which limit cash investments to low-risk investments and limit concentration of investments with any one issuer. Short-term and long-term investments include certificates of deposits, debt instruments of the United States government and its agencies and high-quality corporate issuers.

Concentrations of credit risk with respect to trade accounts receivable and revenue are detailed in the table below. Certain customers represented more than 10 per cent. of the accounts receivable amounts and revenues for the periods presented. The Company performs ongoing credit evaluations of its customers and generally does not require collateral from its customers. The Company maintains an allowance for doubtful accounts based upon the expected collectability of accounts receivable. Individual customer revenue and accounts receivable balances are listed as a percentage of total revenue and total accounts receivable balance, respectively:

	Revenue years ended 31 March		
	2011	*2012*	*2013*
Company A	16%	17%	22%
Company B	10%	11%	12%
Company C	4%	2%	11%

	Accounts receivable 31 March		
	2011	*2012*	*2013*
Company C	9%	4%	20%
Company D	7%	15%	10%

Of the trade receivables at 31 March 2013, 77% were within terms (2012: 71%, 2011: 81%). Of the balance 6% were less than 30 days past due (2012: 12%, 2011: 13%), with the remaining amounts over 30 days past due. There was no material bad debt provisions deemed necessary against such balances in the current or preceding years.

(c) ***Liquidity risk***

The Group manages liquidity risk by maintaining adequate cash balances and banking facilities. Cash flow forecasting is performed in the operating entities of the Group. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Liquidity risk relates to trade and other payables, the cash flows of which are not expected to occur significantly differently in both timing and amounts from the analysis on the face of the balance sheet.

(d) ***Sensitivity analysis***

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. The directors consider that a change of 100 basis points in interest rates during a twelve-month period would have less than $0.1m impact on cash flows in each of the fiscal years 2011, 2012 and 2013.

The Group's foreign exchange exposures are in respect of the Canadian Dollar. A 1% strengthening of the US Dollar against these would have an adverse impact of less than $0.1m on the profit reported in the years ended 31 March 2013, 2012 and 2011; and an adverse impact of less than $0.1m in each of the three fiscal years 2011, 2012 and 2013 on equity.

(e) ***Capital risk management***

The Group manages their capital, being the net asset base, to ensure the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group comprises equity attributable to equity holders of Aurora Networks, Inc., consisting of share capital, reserves and retained earnings as disclosed in notes 22 and 23; and cash and cash equivalents as disclosed on the face of the balance sheet.

The Group maintains or adjusts the capital structure through the payment of dividends to shareholders, issue of new shares or the sale of assets.

(f) ***Fair value***

Fair value versus carrying amounts

The directors have considered the fair values of financial assets and liabilities and have determined that these are not materially different from the carrying amounts shown in the Group balance sheet.

Fair value hierarchy

All long-term and short-term investments are classified as held-to-maturity, as the Company believes it has the intent and ability to hold the securities to maturity. These investments are stated at amortized cost which approximates fair value. The investments are principally comprised of money debt instruments of the United States government and its agencies and high-quality corporate issuers.

28. RELATED PARTY TRANSACTIONS

In June 2010 the Company repurchased 3,355,919 shares of its common stock from certain executive officers of the Company for a total consideration of $3.2 million.

During the fiscal year ended 31 March 2012, the Company repurchased 1,448,079 shares of its common stock from certain executives and employees for a total consideration of $1.8 million.

During the fiscal year ended 31 March 2013, the Company repurchased 279,959 shares of common stock from certain employees for a total consideration of $347,000. During the fiscal year ended 31 March 2013, the Company allowed certain executives to net exercise options as allowed under the option agreements. In connection with the net exercise, the Company withheld 4.7 million shares in lieu of taxes and exercise price having a value of $5.8 million.

All of the repurchased shares are retired upon repurchase. The Company's policy is to first charge the cost in excess of par value of the shares repurchased to additional paid in capital to the extent available, with any excess then being charged to retained earnings.

29. POST BALANCE SHEET EVENTS

On 23 October 2013 Pace plc, a group listed in the London Stock Exchange, announced the proposed acquisition of the Aurora Networks Group for cash consideration of $310m. The terms and conditions are yet to be approved by the shareholders of Pace plc at a General Meeting to be held on 6 January 2014.

30. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2 these are the first Consolidated Financial Statements prepared in accordance with IFRS. The date of the Group transition to IFRS is 1 April 2010 (the "Transition date").

The accounting policies described in Note 2 were applied when preparing Consolidated Financial Statements for the years ended 31 March 2011, 2012 and 2013 and the Consolidated Statement of Financial Position as at the Transition Date.

In preparing its opening IFRS Consolidated Statement of Financial Position and adjusting amounts reported previously in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), the Group has applied IFRS 1 First-Time Adoption of International Financial Reporting Standards, which contains a number of voluntary exemptions and mandatory exceptions from the requirement to apply IFRS retrospectively.

Exceptions and Exemptions used during transition to IFRS

The Group has applied the following mandatory exception required by IFRS 1 in the conversion from US GAAP to IFRS:

Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under US GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

The group has applied the following optional exemptions in the conversion from US GAAP to IFRS:

Cumulative Translation Differences

IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* for cumulative translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election and has eliminated the cumulative translation difference and adjusted retained earnings by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

Adjustments Made in Connection with Transition to IFRS

The following material adjustments were made to the US GAAP financial statements in connection with the transition to IFRS:

(a) *Reclassifications*

To align the presentation of certain items of assets and liabilities, income and expenses with the accounting policies and practices of Pace plc, the Group made a number of reclassifications from the US GAAP financial statements.

The major reclassifications were:

- Offsetting of deferred revenue and costs: Previously under US GAAP the Group disclosed deferred revenue and the associated costs net of the balance sheet. These amounts represent revenue that has been invoiced but ownership has not yet passed to the customer. An adjustment has been made to gross up the deferred revenue, and recognise the costs as inventories (i.e. inventory in transit); and
- Offsetting of deferred tax assets and liabilities: Previously under US GAAP the Group offset their deferred tax assets and liabilities to disclose a net balance. An adjustment has been made to show these amounts gross, in line with the accounting policies used by Pace plc.
- Reclassification of foreign exchange gains and losses: Within the US GAAP financial statements these are shown within Finance income/costs, however, to align with the Pace plc policies, they have been reclassified into Cost of Sales;
- Reclassification of settlements on legal disputes;
- Splitting out amortisation of other intangible assets; and
- Offsetting of finance income and costs.

(b) *Other adjustments*

Other adjustments include all other individually insignificant adjustments required to make the financial statements compliant with IFRS and adjustments to deferred taxes necessary as a consequence of previous adjustments.

Reconciliations to IFRS of data provided under previous GAAP are provided in the tables below.

Impact on the cash flow statements

The Group has made a number of reclassifications to the numbers reported under US GAAP in order to present its cash flows in accordance with IFRS. These reclassification adjustments have no significant impact on the results presented for each type of the Group's activities.

Below the reconciliations of Statement of financial position as of 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013, and comprehensive income for the year ended 31 March 2013 are provided.

Reconciliation of the Balance Sheet
At 1 April 2010

	Under previous US GAAP $'000	Adjustments: Offsetting of deferred revenue $'000	Adjustments: Offsetting of deferred tax $'000	Adjustments: Total impact of change to IFRS $'000	Under IFRS $'000
Assets					
Non-current assets					
Property, plant and equipment	3,889	–	–	–	3,889
Long term investments	2,988	–	–	–	2,988
Intangible assets – other intangibles	–	–	–	–	–
Intangible assets – goodwill	–	–	–	–	–
Deferred tax asset	10,218	–	411	411	10,629
Total non-current assets	17,095	–	411	411	17,506
Current assets					
Inventories	24,176	6,564	–	6,564	30,740
Trade and other receivables	22,461	–	–	–	22,461
Cash and cash equivalents	47,720	–	–	–	47,720
Short term investments	9,379	–	–	–	9,379
Total current assets	103,736	6,564	–	6,564	110,300
Total assets	120,831	6,564	411	6,975	127,806
Capital and reserves attributable to the equity shareholders of the parent					
Share capital	18	–	–	–	18
Share premium	2,676	–	–	–	2,676
Retained earnings	17,519	–	–	–	17,519
Non-controlling interest	–	–	–	–	–
Equity shareholder funds	20,213	–	–	–	20,213
Total equity	20,213	–	–	–	20,213
Non-current liabilities					
Mandatorily redeemable convertible preferred shares	70,784	–	–	–	70,784
Warrants on mandatorily redeemable convertible preferred shares	1,049	–	–	–	1,049
Provisions	886	–	–	–	886
Non-current income tax liabilities	1,419	–	–	–	1,419
Deferred tax liabilities	–	–	411	411	411
Total non-current liabilities	74,138	–	411	411	74,549
Current liabilities					
Trade and other payables	23,191	6,564	–	6,564	29,755
Current tax liabilities	1,019	–	–	–	1,019
Provisions	2,270	–	–	–	2,270
Total current liabilities	26,480	6,564	–	6,564	33,044
Total liabilities	100,618	6,564	411	6,975	107,593
Total equity and liabilities	120,831	6,564	411	6,975	127,806

Reconciliation of the Balance Sheet
At 31 March 2011

	Under previous US GAAP $'000	Adjustments: Offsetting of deferred revenue $'000	Adjustments: Offsetting of deferred tax $'000	Total impact of change to IFRS $'000	Under IFRS $'000
Assets					
Non-current assets					
Property, plant and equipment	5,068	–	–	–	5,068
Long term investments	9,416	–	–	–	9,416
Intangible assets – other intangibles	–	–	–	–	–
Intangible assets – goodwill	–	–	–	–	–
Deferred tax asset	8,203	–	880	880	9,083
Total non-current assets	22,687	–	880	880	23,567
Current assets					
Inventories	41,961	3,598	–	3,598	45,559
Trade and other receivables	33,482	–	–	–	33,482
Cash and cash equivalents	27,584	–	–	–	27,584
Short term investments	25,541	–	–	–	25,541
Total current assets	128,568	3,598	–	3,598	132,166
Total assets	151,255	3,598	880	4,478	155,733
Capital and reserves attributable to the equity shareholders of the parent					
Share capital	18	–	–	–	18
Share premium	2,140	–	–	–	2,140
Retained earnings	45,828	–	–	–	45,828
Non-controlling interest	(87)	–	–	–	(87)
Equity shareholder funds	47,899	–	–	–	47,899
Total equity	47,899	–	–	–	47,899
Non-current liabilities					
Mandatorily redeemable convertible preferred shares	70,784	–	–	–	70,784
Warrants on mandatorily redeemable convertible preferred shares	1,170	–	–	–	1,170
Provisions	1,540	–	–	–	1,540
Non-current income tax liabilities	957	–	–	–	957
Deferred tax liabilities	–	–	880	880	880
Total non-current liabilities	74,451	–	880	880	75,331
Current liabilities					
Trade and other payables	26,644	3,598	–	3,598	30,242
Current tax liabilities	–	–	–	–	–
Provisions	2,261	–	–	–	2,261
Total current liabilities	28,905	3,598	–	3,598	32,503
Total liabilities	103,356	3,598	880	4,478	107,834
Total equity and liabilities	151,255	3,598	880	4,478	155,733

Reconciliation of the Balance Sheet
At 31 March 2012

	Under previous US GAAP $'000	Adjustments: Offsetting of deferred revenue $'000	Adjustments: Offsetting of deferred tax $'000	Total impact of change to IFRS $'000	Under IFRS $'000
Assets					
Non-current assets					
Property, plant and equipment	5,706	–	–	–	5,706
Long term investments	–	–	–	–	–
Intangible assets – other intangibles	371	–	–	–	371
Intangible assets – goodwill	2,170	–	–	–	2,170
Deferred tax asset	9,027	–	1,191	1,191	10,218
Total non-current assets	17,274	–	1,191	1,191	18,465
Current assets					
Inventories	44,303	6,166	–	6,166	50,469
Trade and other receivables	32,983	–	–	–	32,983
Cash and cash equivalents	46,970	–	–	–	46,970
Short term investments	27,262	–	–	–	27,262
Total current assets	151,518	6,166	–	6,166	157,684
Total assets	168,792	6,166	1,191	7,357	176,149
Capital and reserves attributable to the equity shareholders of the parent					
Share capital	18	–	–	–	18
Share premium	4,101	–	–	–	4,101
Retained earnings	64,659	–	–	–	64,659
Non-controlling interest	(79)	–	–	–	(79)
Equity shareholder funds	68,699	–	–	–	68,699
Total equity	68,699	–	–	–	68,699
Non-current liabilities					
Mandatorily redeemable convertible preferred shares	70,784	–	–	–	70,784
Warrants on mandatorily redeemable convertible preferred shares	1,016	–	–	–	1,016
Provisions	1,866	–	–	–	1,866
Non-current income tax liabilities	1,072	–	–	–	1,072
Deferred tax liabilities	–	–	1,191	1,191	1,191
Total non-current liabilities	74,738	–	1,191	1,191	75,929
Current liabilities					
Trade and other payables	22,542	6,166	–	6,166	28,708
Current tax liabilities	–	–	–	–	–
Provisions	2,813	–	–	–	2,813
Total current liabilities	25,355	6,166	–	6,166	31,521
Total liabilities	100,093	6,166	1,191	7,357	107,450
Total equity and liabilities	168,792	6,166	1,191	7,357	176,149

Reconciliation of the Balance Sheet
At 31 March 2013

	Under previous US GAAP $'000	*Adjustments* Offsetting of deferred revenue $'000	Offsetting of deferred tax $'000	Total impact of change to IFRS $'000	Under IFRS $'000
Assets					
Non-current assets					
Property, plant and equipment	6,258	–	–	–	6,258
Long term investments	–	–	–	–	–
Intangible assets – other intangibles	15,673	–	–	–	15,673
Intangible assets – goodwill	21,665	–	–	–	21,665
Deferred tax asset	9,105	–	608	608	9,713
Total non-current assets	52,701	–	608	608	53,309
Current assets					
Inventories	62,410	1,520	–	1,520	63,930
Trade and other receivables	35,899	–	–	–	35,899
Cash and cash equivalents	14,295	–	–	–	14,295
Short term investments	–	–	–	–	–
Total current assets	112,604	1,520	–	1,520	114,124
Total assets	165,305	1,520	608	2,128	167,433
Capital and reserves attributable to the equity shareholders of the parent					
Share capital	24	–	–	–	24
Share premium	5,831	–	–	–	5,831
Retained earnings	62,457	–	–	–	62,457
Non-controlling interest	(87)	–	–		(87)
Equity shareholder funds	68,225	–	–	–	68,225
Total equity	68,225	–	–	–	68,225
Non-current liabilities					
Mandatorily redeemable convertible preferred shares	70,784	–	–	–	70,784
Warrants on mandatorily redeemable convertible preferred shares	712	–	–	–	712
Provisions	2,334	–	–	–	2,334
Non-current income tax liabilities	1,559	–	–	–	1,559
Deferred tax liabilities	–	–	608	608	608
Total non-current liabilities	75,389	–	608	608	75,997
Current liabilities					
Trade and other payables	18,699	1,520	–	1,520	20,219
Current tax liabilities	344	–	–	–	344
Provisions	2,648	–	–	–	2,648
Total current liabilities	21,691	1,520	–	1,520	23,211
Total liabilities	97,080	1,520	608	2,128	99,208
Total equity and liabilities	165,305	1,520	608	2,128	167,433

Reconciliation of Income Statement
For the year ended 31 March 2013

	Under previous US GAAP $'000	*Adjustments* FX Charge/ Credit Reclassi- fication $'000	Gross out of finance income $'000	Reclassi- fication of amortisation of other intangibles $'000	Total impact of change to IFRS $'000	Under IFRS $'000
Revenue	216,562	–	–	–	–	216,562
Cost of Sales	(126,455)	(47)	–	–	(47)	(126,502)
Gross Profit	90,107	(47)	–	–	(47)	90,060
Administrative Expenses						
Research and Development	(28,349)	–	–	–	–	(28,349)
Other administrative expenses	(35,964)	–	–	562	562	(35,402)
Amortisation of intangibles	–	–	–	(562)	(562)	(562)
Total Administrative Expenses	(64,313)	–	–	–	–	(64,313)
Operating profit	25,794	–	–	(47)	25,747	
Finance expense	–	–	(1)	–	(1)	(1)
Finance income	215	47	1	–	48	263
(Loss)/Gain relating to changes in fair value of warrants	304	–	–	–	–	304
(Loss)/Gain relating to changes in fair value of financial instruments	–	–	–	–	–	–
Profit before taxation	26,313	–	–	–	–	26,313
Taxation	(7,683)	–	–	–	–	(7,683)
Profit for the year	18,630	–	–	–	–	18,630
Attributable to:						
Owners of the parent	18,638					18,638
Non-controlling interest	(8)					(8)

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

Section A: Accountants' Report on the Pro-Forma Statement of Net Assets

pwc

The Directors
Pace plc
Victoria Road
Saltaire
BD18 3LF

J.P. Morgan Limited (the "**Sponsor**")
25 Bank Street
Canary Wharf
London
E14 5JP

16 December 2013

Dear Sirs

Acquisition by Pace plc (the "Company") of Aurora Networks, Inc. (the "Acquisition")

We report on the unaudited pro forma net assets statement (the "**Pro forma financial information**") set out in Section B of Part IV of the Company's circular dated 16 December 2013 (the "**Circular**") which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the unaudited interim financial statements for the period ended 30 June 2013. This report is required by item 13.3.3R of the Listing Rules and is given for the purpose of complying with that Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma financial information in accordance with item 13.3.3R of the Listing Rules of the UK Listing Authority (the "**Listing Rules**").

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules as to the proper compilation of the Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

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Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section B: Unaudited Pro-Forma Statement of Net Assets

The following unaudited pro forma statement of net assets for the Enlarged Group has been prepared to illustrate the effect of the Acquisition on the net assets of Pace as if it had been completed on 30 June 2013.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, the unaudited pro forma statement addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position following the Acquisition.

The unaudited pro forma statement of net assets has been compiled on the basis set out in the notes below and in accordance with the requirements of Listing Rule 13.3.3R.

			Adjustments		
All figures in $'m	*Pace plc consolidated net assets 30 June 2013 Note (1)*	*Aurora consolidated net assets 31 March 2013 Note (2)*	*Refinancing of existing bank debt Note (3)*	*Acquisition Note (4)*	*Pro forma consolidated net assets 30 June 2013*
Property, plant and equipment	62.9	6.3	–	–	69.2
Intangible assets	532.3	37.3	–	165.7	735.3
Deferred tax assets	26.0	9.7	–	–	35.7
Other assets	–	–	–	2.1	2.1
Total non current assets	621.2	53.3	–	167.8	842.3
Inventories	188.3	63.9	–	–	252.2
Trade and other receivables	485.7	35.9	–	–	521.6
Cash and cash equivalents	83.3	14.3	(83.3)	0.6	14.9
Current tax assets	11.6	–	–	10.9	22.5
Current assets	768.9	114.1	(83.3)	11.5	811.2
Total assets	1,390.1	167.4	(83.3)	179.3	1,653.5
Mandatorily redeemable convertible preferred shares	–	70.8	–	(70.8)	–
Warrants on mandatorily redeemable convertible preferred shares	–	0.7	–	(0.7)	–
Deferred tax liabilities	64.2	0.6	–	–	64.8
Provisions	53.0	2.3	–	–	55.3
Other non current liabilities	–	1.6	–	–	1.6
Bank borrowings	–	–	–	274.8	274.8
Total non current liabilities	117.2	76.0	–	203.3	396.5
Trade and other payables	582.7	20.2	–	21.0	623.9
Current tax liabilities	10.0	0.3	–	–	10.3
Provisions	19.2	2.7	–	–	21.9
Bank borrowings	151.5	–	(82.3)	29.9	99.1
Total current liabilities	763.4	23.2	(82.3)	50.9	755.2
Total liabilities	880.6	99.2	(82.3)	254.2	1,151.7
Net assets	509.5	68.2	(1.0)	(74.9)	501.8

Notes

(1) The consolidated net assets of Pace as at 30 June 2013 have been extracted without material adjustment from its unaudited interim results for the six months ended 30 June 2013.

(2) The consolidated net assets of Aurora have been extracted without material adjustment from the financial information of Aurora set out in Section B of Part III of this document.

(3) $151.5 million of existing bank borrowings (representing $152.5 million of gross bank borrowings and $1.0 million of capitalised facility arrangement fees) are re-financed by $83.3 million of cash on balance sheet and $69.2 million of drawings on the new Revolving Credit Facility. The $1.0 million of capitalised facility arrangement fees relating to the refinanced facility are expensed.

(4) Acquisition adjustments relates to (i) the payment of consideration for the Transaction and (ii) associated Transaction costs, (iii) accounting for the Management Bonus and tax assets triggered by the Transaction and (iv) for consolidating adjustments resulting from the Transaction.

(i) Consideration of $309.4 million is calculated as set out below, adjusting the Headline Consideration for the payment in connection with tax benefits, cash items on the balance sheet of Aurora, debt-like items on the balance sheet of Aurora, vendor transaction fees which will be settled by Aurora, the Bonus Pool and an adjustment for the excess of Aurora's working capital on 31 March 2013 over target working capital. This consideration is funded by the drawdown of the $310.0 million Term Loan ($31.0 million of which is payable in less than one year and shown within bank borrowings in current liabilities and $279.0 million is payable in greater than one year and shown within bank borrowings in non current liabilities), with the $0.6 million balance of the drawdown going to cash on balance sheet.

Headline Consideration	**310.0**
Payment on Completion in connection with tax benefits	13.0
Cash free adjustment	14.3
Debt free adjustment	(4.8)
Vendor transaction fees	(5.0)
Bonus Pool	(24.9)
Normal level of working capital adjustment	6.8
Consideration to be paid on Completion	**309.4**

The adjustment for the normal level of working capital shown above illustrates the adjustment that would have been made on Completion if Aurora net working capital was equal to that as shown at 31 March 2013.

(ii) Transaction costs of $12.0 million are shown within trade and other payables in current liabilities and are accounted for with $5.3 million capitalised against bank borrowings ($1.1 million against current bank borrowings and $4.2 million against non-current bank borrowings) and $6.7 million expensed. Capitalised transaction fees are shown netted against the bank borrowings to which they relate, reducing bank borrowings in current liabilities to $29.9 million and in non-current liabilities to $274.8 million.

(iii) Bonus Pool of $24.9 million forms part of the $310 million headline consideration and is comprised of $9.0 million which becomes payable on Completion (shown in trade and other payables within current liabilities), $9.5 million falling due in the 12 months following Completion and $6.4 million falling due 24 months following Completion (these amounts are not accrued on Completion and therefore do not appear in the unaudited pro forma statement of net assets). The Bonus Pool amount becoming payable on Completion and exercise of share options give rise to a tax asset of $10.9 million (shown within current tax assets in current assets). A further $2.1 million will be recovered by way of tax deductions on Bonus Pool payments over the 24 months following Completion or through release from an Escrow Fund (shown as other assets in non current assets).

(iv) The unaudited pro forma statement of net assets has been prepared on the basis that the acquisition will be accounted for using the acquisition method of accounting. The excess of consideration over the book value of the net assets acquired (after eliminating the mandatorily redeemable convertible preferred shares, which convert into common stock on acquisition, and associated warrants) has been reflected as goodwill. A fair value exercise will be completed on acquisition, therefore no account has been taken of any additional intangible assets or fair value adjustments which may arise on the acquisition. The goodwill arising upon acquisition has been calculated as follows:

Consideration payable for Aurora	**309.4**
Net assets of Aurora	(68.2)
Net asset adjustment arising from Bonus Pool and tax benefits	(4.0)
Conversion of mandatorily redeemable convertible preferred shares and warrants	(71.5)
Goodwill	**165.7**

(5) No account has been taken of the trading of the Pace Group since 30 June 2013 or of Aurora since 31 March 2013.

PART V

PRINCIPAL TERMS OF THE ACQUISITION

PART A: THE MERGER AGREEMENT

1. INTRODUCTION

On 22 October 2013, Pace entered into a conditional agreement to acquire Aurora pursuant to an agreement and plan of merger between Pace, Merger Sub, Aurora and Shareholder Representative Services LLC (acting in its capacity as escrow representative). Under the Merger Agreement, the Acquisition will be implemented by way of a merger of Merger Sub (an indirect wholly-owned subsidiary of the Company) with and into Aurora, whereby Aurora and its subsidiary undertakings will survive the Acquisition and become indirect wholly-owned subsidiaries of the Company. At the Effective Time, all of the issued Aurora Capital Stock, Aurora Options and Aurora Warrants will be converted into rights to receive consideration in accordance with the terms of the Merger Agreement.

The Acquisition will become effective at the Effective Time.

2. CONSIDERATION

The headline consideration for the Acquisition is $310 million in cash, plus a further $13 million payable on Completion in connection with tax benefits to be recovered over the three years post Acquisition. An amount equal to $24.9 million of the headline consideration will be placed into the Bonus Pool and payable to existing Aurora management and certain key employees, with an element payable on Completion and an element deferred from six months to two years as a retention mechanism.

The Base Purchase Price (being $323 million) less the amount of the Bonus Pool reserved for existing Aurora management and certain key employees is subject to a post Completion adjustment in respect of net cash and working capital. An adjustment will only be made if the value of the adjustment exceeds $250,000. There is no maximum cap on the value of the adjustment.

Under the DGCL and Aurora's certificate of incorporation, stockholders of Aurora holding at least (i) a majority of all shares of Aurora Common Stock and Aurora Preferred Stock, each voting as a separate class, (ii) at least 66.67% of all outstanding shares of Series A Preferred Stock, and (iii) at least 68% of the outstanding shares of Series B Preferred Stock and Series C Preferred Stock voting together as a single class, were required to consent to the Acquisition. On 14 November 2013, the Requisite Majority of Aurora Stockholders gave their consent to the Acquisition. Aurora Stockholders holding Appraisal Shares, being shares held by Aurora Stockholders who did not give their consent to the Acquisition, are entitled under the DGCL to require that their Appraisal Shares be independently valued. Holders of Appraisal Shares are entitled to receive payment of the appraised value of such Appraisal Shares, in lieu of the consideration otherwise provided for in the Merger Agreement, in accordance with the provisions of the DGCL unless and until such holders fail to perfect or withdraw or otherwise lose their rights to appraisal and payment under the DGCL.

3. ESCROW

Upon Completion, an amount equal to $23.25 million of the aggregate consideration payable pursuant to the Merger Agreement will be deposited into the first Escrow Fund for a period of 18 months following the date of the Merger Agreement to satisfy potential claims by Pace arising from breaches of Aurora's representations, warranties or covenants set forth in the Agreement or taxes or liabilities that relate to periods prior to the Completion. To the extent that the aggregate balance exceeds the value of any unresolved claims under the agreement at the date of expiry of the first Escrow Fund, any surplus funds in the first Escrow Fund will be released to the relevant Aurora Stockholders.

Upon Completion, an amount equal to $10 million of the aggregate consideration payable pursuant to the Merger Agreement will be deposited into a second Escrow Fund to satisfy indemnification claims by Pace if it fails to recognize $13.0 million of tax benefits from specified items. The second Escrow Fund will be held in escrow until the earlier of the date on which the Enlarged Group recognizes the $13 million of tax benefits or the filing of the Enlarged Group's U.S. Tax return for the second fiscal year following the Completion. At the date of expiry of the second Escrow Fund, any surplus funds in the second Escrow Fund will be released to Pace.

4. REPRESENTATIONS, WARRANTIES AND INDEMNITIES

The Merger Agreement contains various representations, warranties and indemnities customary for a US acquisition of the size and nature of the Acquisition. The representations and warranties provided by Aurora will expire 18 months from the date of the Merger Agreement.

The representations and warranties from Aurora to the Company relate to, amongst other matters: organisation and qualification; subsidiaries; capitalisation; authority; regulatory matters and permits; compliance; financial statements; absence of certain changes or events; legal proceedings; employment matters and benefit plans; contracts; environmental matters; intellectual property; tax matters; inventories; receivables; absence of encumbrances; contracts; undisclosed liabilities; indebtedness with Affiliates; confidential information and invention assignment agreements; corporate documents; personal property; real property and leases; insurance; financial advisors; necessary consents; no conflicts and products warranties and services.

Subject to certain customary qualifications and limitations, a first Escrow Fund of $23.25 million has been established to indemnify the Company in respect of any losses incurred as a result of a breach of any representation, warranty or covenant under the Merger Agreement and a second Escrow Fund of $10.0 million has been established to indemnify the Company if it fails to recognize $13.0 million of tax benefits from specified items. The Company will be permitted to make claims against the Escrow Funds, until the funds contained in the Escrow Funds have been fully exhausted or distributed in accordance with the Escrow Agreement. The Aurora Stockholders do not have any personal liability for any damages in excess of the participant's pro rata share of the Escrow Funds, except with respect to losses incurred in connection with fraud or misrepresentation by such Stockholder. Other than with respect to breaches of Specified Representations or representations relating to product warranties or services, inventory or receivables, Pace is entitled to indemnification only if the aggregate amount of the damages incurred by Pace as a result of a breach of any representation, warranty or covenant under the Merger Agreement exceeds 1% of the base purchase price. Where there is a breach of a warranty in respect of product warranties or services, inventory or receivables, Pace is entitled to receive indemnification only if an individual breach results in damages in excess of $15,000 or until the aggregate of the damages arising from the breach of any such representation exceeds the amount of applicable Aurora reserves; provided, that in the case of a breach of the representation in respect of products, the applicable Aurora reserves shall mean that portion of the aggregate Aurora reserves for all such warranty and service liabilities that is equal to the general category of products (i.e. headend/hub equipment, node and node platforms and customer premises equipment) on the basis of revenue for each such product category during the Aurora's fiscal year ended 31 March 2013. With respect to damages resulting from the Specified Representations, including taxes arising before the Completion or from the inability of the Enlarged Group to recognize $13.0 million of tax benefits from the specified items, the Company is entitled to indemnification for all damages up to the amount of the relevant Escrow Fund.

The representations and warranties from Pace and Merger Sub to Aurora cover, amongst other matters: organisation; authority; adequacy of funds; financial advisers; necessary consents; and the absence of prior business activities or operations by Merger Sub.

From and after the Effective Time, Pace has undertaken to procure that Aurora will fulfil the obligations of Aurora and/or its subsidiary undertakings pursuant to any agreement entered into by Aurora and/or its subsidiary undertakings providing for the indemnification of any of the Aurora Group's officers or directors (current or former) of Aurora and/or its subsidiary undertakings and all other persons entitled to be indemnified pursuant to any such agreements. The Company will indemnify each indemnified party against any costs or expenses in connection with any claim arising out of any action or omission of a director, officer or employee of Aurora and/or its subsidiary undertakings; or any of the transactions contemplated by the Merger Agreement. The indemnity expires six years after the Effective Time. The Company's liability in respect of this indemnity is unlimited.

5. CONDUCT OF BUSINESS

Aurora has agreed that, prior to Completion, it will use commercially reasonable efforts to carry on its business in the ordinary course and in substantially the same manner as previously conducted.

Aurora has also agreed to certain restrictions in respect of its conduct during the period from the date of the Merger Agreement until the Effective Time, which include agreeing not to alter its existing share capital or issue new shares, declare any dividends, acquire or dispose of material assets, enter into any material contracts outside the ordinary course of business or prematurely terminate, amend or knowingly waive any material right under any significant contract, incur any indebtedness, authorise capital expenditure; make any material changes to its accounting methods; increase the compensation of any directors or employees (other than increases in salaries effected in the ordinary course of business consistent with past practices); commence a lawsuit or similar legal proceedings; make any material election concerning taxes (other than elections made in the ordinary course of business); amend its certificate of incorporation or bylaws; adopt a plan of liquidation or dissolution; or enter into a contract requiring Aurora to take any of the actions described.

6. KEY EMPLOYEE RETENTION PLAN

Pursuant to the Key Employee Retention Plan, existing Aurora management and certain key employees were provided with an incentive to consummate a sale of Aurora and to remain with the business for period between six months and two years post Completion, based on the roles of such employees. The maximum aggregate amount payable under the Key Employee Retention Plan is $24.9 million of the consideration otherwise payable to Aurora Stockholders under the Merger Agreement, which is to be settled in cash. Under the Key Employee Retention Plan, a key Aurora employee will be entitled to payment of a specified element of the bonus amount on Completion and a specified bonus amount payable in instalments over a six month or two year period, depending on the employee's position. In order to receive the payments, the key employee must be continuously employed by Aurora or a related entity on the date the bonus amount is to be paid. The key employees will not be entitled to any payments upon termination of employment, provided that, if the key employee is terminated without cause or the key employee terminates employment for good reason, he will receive all amounts payable under the plan. If there are no remaining Aurora employees eligible under the Key Employee Retention Plan at the time of a payment then the entire remaining balance of the Bonus Plan is payable to the Aurora Stockholders.

7. CONDITIONS

7.1 *Conditions to each party's obligations*

Completion is subject to the satisfaction, at or prior to the Completion Date, of various mutual conditions (which may, to the extent permitted by applicable law, be waived), including:

- the Resolution having been passed;
- written consent of the requisite Aurora Stockholders has been obtained by Aurora prior to the filing of the restated certificate, This condition was satisfied on 14 November 2013;
- expiration or early termination of any waiting period under the HSR Act. Prior to Completion of the Acquisition, Aurora and Pace were required to submit Notification Forms to the US Federal Trade Commission (FTC) and US Department of Justice (DOJ) under the HSR Act and observe the related 30-day statutory waiting period. The FTC and DOJ reviewed the Acquisition and granted early termination of the waiting period on 8 November 2013. As such, Aurora and Pace are now free to Complete the Acquisition from an HSR Act perspective.
- the FCA having approved this Circular. This condition was satisfied on 16 December 2013;

- there being no pending action by a governmental authority seeking to restrain, prohibit or enjoin the consummation of the Acquisition;

- there being no injunction or other order issued since the date of the Merger Agreement by any US federal or state court preventing the Acquisition; and there being no US federal or state law enacted since the date of the Merger Agreement that makes the Acquisition illegal; and

- the restated certificate having been filed with the Delaware Secretary of State and certain transactions regarding the exchange of Series D Shares in Aurora having been consummated.

7.2 ***Conditions to Aurora's obligations***

The obligation of Aurora to effect the Acquisition is subject to satisfaction (or waiver by Aurora) of certain conditions which include:

- the representations and warranties of Pace and Merger Sub contained in the Merger Agreement being accurate in all respects when made and as of the Completion, with the same force and effect as if made as of the Completion, except that any inaccuracies in such representations or warranties will be disregarded if such inaccuracies do not have a material adverse effect on the economic benefits to be derived by the Aurora Stockholders from the Merger;

- all agreements and covenants which Pace and Merger Sub are required to perform under the Merger Agreement have been performed in all material respects at or prior to the Completion;

- receipt by Aurora of satisfactory evidence from the Company that payments required to be made at the Completion will be made at the Completion; and

- Pace and the escrow agent having executed the Escrow Agreement and Pace having deposited or caused to be deposited all amounts required to be contributed to the Escrow Funds with the escrow agent.

7.3 ***Conditions to Pace's and Aurora's obligations***

The obligations of Pace and Merger Sub to effect the Acquisition are subject to satisfaction (or waiver by Pace) of certain conditions which include:

- the representations and warranties of Aurora contained in the Merger Agreement being accurate in all respects when made and as of the Completion, with the same force and effect as if made as of the Completion (except to the extent that any such representation or warranty speaks as of the date of the Agreement or any other specific date, in which case such representation or warranty shall have been accurate in all respects as of such date), except that any inaccuracies in such representations or warranties will be disregarded if such inaccuracies do not have a material adverse effect on Aurora;

- all agreements and covenants which Aurora is required to perform under the Merger Agreement have been performed in all material respects at or prior to the Completion;

- there having been no occurrences that, individually or in the aggregate, have had a material adverse effect on Aurora since the date of the Merger Agreement;

- the escrow agent and the escrow representative having executed the Escrow Agreement;

- Aurora having obtained the required Aurora Stockholders approval to permit the deductibility of the severance amounts that will be paid to Aurora's employees;

- each Designated Key Employee Employment Agreement executed by the Designated Key Employees is in full force and effect;

- each (i) Agreement to Protect Assets and (ii) letter agreement regarding employment following the Effective Time executed by each Key Employee other than the Designated Key Employees being in full force and effect; and

- the exercise of certain Aurora Options having occurred.

8. EMPLOYMENT AND BENEFIT ARRANGEMENTS

Pursuant to the Merger Agreement, Pace has agreed to procure that all US based employees of Aurora and its subsidiaries who continue their employment with the Enlarged Group following the Effective Time will be eligible to participate in certain Pace share schemes on the same terms as are available to similarly situated US based employees.

The relevant share schemes in which these employees will be entitled to participate are as follows:

- Pace Performance Share Plan
- International PSP
- US Sharesave Plan 2005

9. ANCILLARY AGREEMENTS

Pursuant to the Merger Agreement, each of the Designated Key Employees entered into a Designated Key Employee Employment Agreement contingent upon completion of the Merger Agreement.

The Designated Key Employee Employment Agreements set forth the terms of employment of the Designated Key Employees following Completion, including the applicable annual base salary to be paid and the benefits available to the Designated Key Employees. Each Designated Key Employee is an "at will" employee, meaning that Aurora will be free to terminate the employment relationship at any time. Three of the Designated Key Employees are entitled to receive a payment if their employment is terminated by Aurora without cause or by the employee for good reason within 12 months of Completion.

An Agreement to Protect Assets has also been or will be entered into between Pace, Aurora and certain Aurora Stockholders. Each of the Designated Key Employees entered into an Agreement to Protect Assets concurrently with the execution of the Merger Agreement, with the remaining specified Aurora Stockholders to enter into the agreements at or prior to Completion. Further details in respect of the Agreement to Protect Assets are set out in Part B of this Part V.

10. TERMINATION

The Merger Agreement may be terminated at any time prior to the Effective Time:

- by mutual written consent of Aurora and Pace duly authorised by their respective Boards of Directors;
- by either Aurora or Pace in the event that the merger has not been consummated by 30 April 2014 provided that the party wishing to terminate is not responsible for the failure of the Merger having not been consummated by this date;
- by either Aurora or Pace if (i) Pace's general meeting to consider the Resolution has taken place, and (ii) the Resolution was not passed at that meeting. However, a party will not be permitted to terminate the Merger Agreement if the failure to pass the Resolution results from a failure of that party to perform in any material respect any covenant or obligation in the Merger Agreement required to be performed by such party at or prior to the Effective Time;
- by either Aurora or Pace if an injunction (or similar) is in effect and is final and nonappealable provided that the right to terminate the Merger Agreement is not available to a party if the imposition of the injunction was caused by the failure of such party to perform any of its obligations under the Merger Agreement; or
- by Pace in the event that the written consent of the Requisite Majority of Aurora Stockholders has not been obtained and delivered to Pace by 15 November 2013. This condition was satisfied on 14 November 2013.

11. BREAK FEES

Pace has agreed to pay Aurora a termination fee of $8 million within five business days following termination if the Merger Agreement is not consummated for certain reasons by 30 April 2014. The obligation to pay this termination fee will only arise if (i) the Resolution has not been passed and/or the necessary FCA approval in respect of the Circular has not been obtained where such failure does not result from Aurora or any affiliate of Aurora failing to perform any of its obligations under the Agreement and (ii) all other conditions to the obligations of Pace to consummate the merger have been satisfied or waived (other than those conditions that by their terms are to be satisfied at or immediately prior to the Completion) or (iii) if the Agreement is terminated by Pace or Aurora by reason of the failure to pass the Resolution at the meeting at which it was considered.

Aurora agreed to pay Pace a termination fee of $8 million within five business days following termination by Pace if the written consent of the Requisite Majority of Aurora Stockholders was not obtained and delivered to Pace by 15 November 2013. This condition was satisfied on 14 November 2013.

12. GOVERNING LAW

The Merger Agreement is governed by and to be construed in accordance with the laws of the State of Delaware.

PART B: AGREEMENT TO PROTECT ASSETS

In connection with the Merger Agreement, certain Aurora Stockholders, who are also members of Aurora management, have entered into or will enter into an Agreement to Protect Assets with Pace and Aurora. Each of the Designated Key Employees entered into the agreement concurrently with the execution of the Merger Agreement, with the remaining Aurora Stockholders to enter into the agreement at or prior to Completion. Under the agreement, the Aurora Stockholder agrees not to engage in a competing business and not to solicit any Aurora employees, customers, suppliers or other contracting parties for a period ending on the earlier of (i) four years following the Effective Time or (ii) 12 months following the termination of the Aurora Stockholder's employment with Aurora or a related entity. For purposes of the agreement, a competing business is the business of Aurora as engaged in or contemplated as of the Effective Time, including advanced, next-generation optical transport and access systems for broadband networks that support the convergence of video, data and voice applications.

PART VI

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors (each of whose names appear in paragraph 3.1(a) of this Part VI) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INFORMATION ON PACE

2.1 ***Incorporation and principal place of business***

The Company was incorporated and registered in England and Wales on 20 October 1982 under the Companies Acts 1948 to 1981 as a private company limited by shares with registered number 1672847 and with the name Eldercloud Limited. On 21 June 1983, it changed its name to Pace Software Supplies Limited and on 7 September 1987 to Pace Micro Technology Limited. On 22 May 1996 the Company was re-registered as a public limited company and changed its name to Pace Micro Technology plc. On 16 May 2008, the name of the Company was changed to Pace plc. The domicile of the Company is England and Wales.

2.2 ***Registered office***

The registered office of the Company is Victoria Road, Saltaire, West Yorkshire BD18 3LF (telephone number +44 (0)1274 532 000).

2.3 ***Regulation***

The principal laws and legislation under which the Company operates are the laws of England and Wales.

2.4 ***Structure***

The Company is the ultimate parent company of the Group and will be the ultimate parent company of the Enlarged Group. All operating activities are conducted by companies which are members of the Group.

3. DIRECTORS AND SENIOR MANAGEMENT OF PACE

3.1 ***Directors and Senior Managers***

The Directors and Senior Managers and their respective functions are as follows:

Name	*Position*
(a) Directors	
Allan Leighton	*Chairman*
Michael Pulli	*Chief Executive Officer*
Roddy Murray	*Chief Financial Officer*
Patricia Chapman-Pincher	*Non-executive Director*
John Grant	*Non-executive Director*
Amanda Mesler	*Non-executive Director*
(b) Senior Managers	
Anthony Dixon	*General Counsel and Company Secretary*
Shane McCarthy	*President, Pace International*
Tim O'Loughlin	*President, Pace Americas*

3.2 ***Directors' service contracts and letters of appointment and remuneration***

Executive Directors' service contracts

The Executive Directors have service contracts on the following terms:

Name	*Date of Service Contract*	*Basic Salary (per annum) from 1 January 2013*
Michael Pulli	29 July 2013[(1)]	$750,000
Roddy Murray	23 February 2012[(2)]	£325,000

Note:

(1) Michael Pulli's service contract is with Pace Americas, Inc as employer.

(2) Roddy Murray's service contract is with the Company as employer.

In addition to their basic salaries, each of the Executive Directors participates in an annual bonus arrangement, a fully expensed car or car allowance, medical and healthcare arrangements, term life assurance and contributions to a pension plan or equivalent arrangement.

Each service contract may be terminated by a minimum of 12 months' written notice given by the Company or by a minimum of 6 months' written notice given by the Executive Director. The Company may, in its absolute discretion at any time lawfully terminate the service contract of an Executive Director by paying to the relevant Executive Director an amount equal to twelve months salary together with such further amount as is equal to fair value of any other benefits to which the Executive Director is contractually entitled (subject to a deduction at source of income tax and other statutory deductions).

Non-executive Directors' letters of appointment

The Chairman and each of the other Non-executive Directors have letters of appointment with the Company on the following terms:

Name	*Effective date of letter of appointment*	*Fees (£) (per annum) from 1 January 2013*
Allan Leighton	27/05/2011	162,000
Patricia Chapman-Pincher	14/02/2005	50,000
John Grant	25/07/2008	50,000
Amanda Mester	30/08/2012	42,000

All Non-executive Director appointments are for an initial 3 year term. All appointments are terminable at any time by the Company without contractual notice. Where notice is not given, termination is generally subject to payment of an amount equal to three months' directors' fees.

Emoluments

Details of the emoluments payable to the Directors including their salary and/or fees, bonus, pension and other benefits (other than share options, details of which are set out in paragraph 3.3 of this Part VII (Additional Information)) for the year to 31 December 2012 are shown below:

Name	*Salaries & fees & other benefits $'000*	*Bonuses $'000***	*Termination payments $'000*	*Total 2012 $'000*	*2012 Pension $'000*
Allan Leighton	257	–	–	257	–
Michael Pulli*	768	617	–	1385	233
Roddy Murray*	434	343	–	777	62
Patricia Chapman-Pincher	79	–	–	79	–
John Grant	79	–	–	79	–
Amanda Mester*	22	–	–	22	–
Total	1639	960	0	2599	295

Notes:

* Remuneration referable only to the period of the financial year from date of appointment.

** Figures relate to the cash element of the performance-related bonus. The following additional amounts were approved under the terms of the annual performance-related bonus plan but will be deferred into shares of the Company for a period of two years under the terms of the Group Deferred Share Bonus Plan and normally subject to forfeiture if the director leaves the Company during the period: Michael Pulli $308,471 and Roddy Murray $176,713. An enhanced bonus has been approved and will be deferred into shares of the Company for a period of three years under the terms of the Group Deferred Share Bonus Plan: Michael Pulli $762,187 and Roddy Murray 100,000 shares.

3.3 As at 12 December 2013 (the latest practicable date prior to the publication of this document), the interests (all of which are or will be beneficial unless otherwise stated) of the Directors and Senior Managers in the share capital of the Company are as follows:

(a) *Directors' and Senior Managers' shareholdings*

Name	*Number of Ordinary Shares*	*Percentage of Ordinary Shares beneficially held at present*[(1)]
Michael Pulli	531,379	0.16927
Roddy Murray	100,000	0.0319
Allan Leighton	169,405	0.054
Patricia Chapman-Pincher	15,551	0.005
John Grant	65,000	0.021
Amanda Mesler		
Anthony Dixon	179,958	0.0573
Shane McCarthy	16,501	0.0053
Tim O'Loughlin	57,112	0.0182

Note:

(1) Based on 313,926,809 Ordinary Shares in issue as of 12 December 2013 (the latest practicable date prior to the date of this document).

(b) *Directors' and Senior Managers' share awards*

Name	*Number of Ordinary Shares under Share Plans*	*Total awards as Percentage of total issued share capital as at the date of this document*(1)
Allan Leighton	938,810	0.2991
Michael Pulli	3,491,287	1.1121
Roddy Murray	1,376,005	0.4383
Patricia Chapman-Pincher		
John Grant		
Amanda Mesler		
Anthony Dixon	736,846	0.2347
Shane McCarthy	799,254	0.2546
Tim O'Loughlin	790,019	0.2517

Note:

(1) Based on 313,926,809 Ordinary Shares in issue as of 12 December 2013 (the latest practicable date prior to the date of this document).

3.4 Save as disclosed in paragraph 3.3 of this Part VI, none of the Directors or Senior Managers nor any person connected with them, has any interest, whether beneficial or non-beneficial, in the share capital of Pace or of any of its subsidiary or associated undertakings.

4. SUBSTANTIAL SHAREHOLDINGS

4.1 As at 12 December 2013 (the latest practicable date prior to the publication of this document), the Company had been notified of the following interests representing 3% of the Company's issued share capital:

Name	*Number of Ordinary Shares*	*Percentage of issued share capital*(1)
Prudential plc Group of Companies	37,599,554	11.97
Schroders plc	34,189,630	10.89
Norges Bank	15,607,286	4.97
David Hood and related companies and family trusts	16,117,559	5.13

Note:

(1) Based on 313,926,809 Ordinary Shares in issue as of 12 December 2013 (the latest practicable date prior to the date of this document).

Save as disclosed in paragraph 4.1 of this Part VI, the Directors are not aware of any person who as at 12 December 2013 (being the latest practicable date prior to the publication of this document), directly or indirectly, has an interest in Ordinary Shares which represents 3% or more of Pace's issued share capital.

5. MATERIAL CONTRACTS

5.1 ***Pace Group***

The following contracts are material contracts (not being contracts entered into in the ordinary course of business) which: (i) have been entered into within the two years prior to the date of this document by members of the Pace Group; or (ii) contain provisions under which any member of the Pace Group has an obligation or entitlement which is or may be material to the Pace Group as at the date of this document:

(a) *Merger Agreement*

A summary of the principal terms of the Merger Agreement is set out in Part V of this document.

(b) *Credit Agreement*

The Company (the "**Borrower**") and certain of its subsidiaries (together with the Borrower, the "**Loan Parties**") entered into a credit agreement (the "**Credit Agreement**") with the lenders party thereto (collectively, the "**Lenders**") and HSBC Bank plc as administrative agent (the "**Administrative Agent**") dated 12 December 2013 under which the Lenders will make available to the Borrower (i) a $310 million term loan facility ("**Term Loan Facility**") and (ii) a $150 million revolving credit facility (the "**Revolving Facility**") (Term Loan A and the Revolving Facility together, the "**Facilities**"). The principal of Term Loan Facility shall amortize over the 5 year term of the Facilities as set forth in the Credit Agreement. The Borrower shall have the right to increase the amount of the Facilities by incurring an incremental term loan or increasing the Revolving Facility provided that the Borrower meets certain conditions.

The Facilities will be available to finance the Acquisition until 30 April 2014, subject to customary conditions precedent (including the absence of an event of default and the satisfaction of the remaining conditions to completion under the Merger Agreement). The Facilities mature 5 years from the Closing Date.

The Credit Agreement states (i) that funds drawn under Term Loan Facility are to be used to fund, in part the Aggregate Consideration (as such term is defined in the Merger Agreement), repay certain existing indebtedness of the Company and the Company's subsidiaries and pay fees, commissions and expenses owed in connection with the Merger, and (ii) that funds drawn under the Revolving Facility are to be used for the general corporate and working capital purposes of the Loan Parties.

The Credit Agreement contains customary provisions relating to voluntary and mandatory prepayment of the Facilities (including on a change of control of the Company).

The Credit Agreement contains certain representations, warranties, undertakings and events of default which are usual for an agreement of this nature, including specific financial covenants.

There are a number of initial and ongoing fees owed to the Administrative Agent and Lenders in relation to the operation of the Facilities under the Credit Agreement.

Pursuant to the terms of the Credit Agreement, each Loan Party guarantees to the Administrative Agent (for the benefit of the Lenders) punctual performance by each other Loan Party of all that Loan Party's obligations under the Credit Agreement.

5.2 ***Aurora Group***

The following contracts are material contracts (not being contracts entered into in the ordinary course of business) which: (i) have been entered into within the two years prior to the date of this document by members of the Aurora Group; or (ii) contain provisions under which any member of the Aurora Group has an obligation or entitlement which is or may be material to the Aurora Group as at the date of this document.

(a) *Credit Agreement with Wells Fargo Bank*

Aurora entered into a credit agreement with Wells Fargo Bank, National Association, on 1 March 2012, as amended on 15 November 2012 and on 21 February 2013. Under the credit agreement, Wells Fargo provides a line of credit to Aurora of up to $30 million. Advances under the credit agreement are secured by substantially all of the assets of Aurora, excluding certain intellectual property. The credit agreement expires on 1 March 2014 and no amounts are currently outstanding under the credit agreement.

(b) *Asset Purchase Agreement with Harmonic Inc. ("Harmonic")*

Aurora entered into an asset purchase agreement with Harmonic on 18 February 2013 pursuant to which Aurora purchased certain assets from Harmonic relating to its access equipment business for total consideration of $46.9 million and also entered into cross-licenses with Harmonic. Under the asset purchase agreement, Harmonic is subject to a three-year non-competition covenant with Aurora expiring in February 2016. Harmonic is required to indemnify Aurora for breaches of certain representations and warranties within 18 months of the closing of the asset purchase agreement, indefinitely or until the applicable expiration of the statute of limitations related to claims relating to such covenant, representation or warranty. Any claims by Aurora for indemnification for losses relating to notices of infringement of Harmonic intellectual property disclosed to Aurora are capped at $23.5 million.

6. LITIGATION

6.1 *Pace Group*

On November 4, 2013, TQ Delta, LLC, the owner of a portfolio of patents by assignment purportedly covering DSL technology, issued a claim against Pace Americas, Inc. in the District Court of Delaware for patent infringement. The complaint alleges that Pace Americas, Inc. is infringing 19 US patents held by TQ Delta and seeks an unspecified amount of damages and an injunction. Pace disputes the allegations of wrongdoing and intends to defend itself vigorously in this matter.

Except as set out above, there are no litigation or governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Pace is aware), and there have not during the period of 12 months prior to the date of this Circular been any litigation or governmental, legal or arbitration proceedings, in each case which may have, or have had, a significant effect on Pace's and/or the Pace Group's financial position or profitability.

6.2 *Aurora Group*

Aurora has made an indemnification claim in the aggregate amount of approximately $2.0 million against Enablence with respect to alleged breaches of representations in connection with Aurora's purchase of certain assets from Enablence in 2011. The claims relate to uncollectible accounts receivable, an invalid software license, and inventory that was not in merchantable condition, and not saleable or usable at the time of purchase. Aurora may initiate legal action with respect to this claim.

Except as set out above, there are no litigation or governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Pace is aware), and there have not during the period of 12 months prior to the date of this Circular been any litigation or governmental, legal or arbitration proceedings, in each case which may have, or have had, a significant effect on Aurora's and/or the Aurora Group's financial position or profitability.

7. WORKING CAPITAL

The Company is of the opinion that, taking into account the bank facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document.

8. SIGNIFICANT CHANGE

8.1 *Pace Group*

Save as it relates to the Company's net cash position of $5.4 million as at 30 November 2013, compared to a net debt position of $68.2 million as at 30 June 2013, there has been no significant change in the financial or trading position of the Pace Group since 30 June 2013, being the date to which the latest unaudited interim results of the Pace Group have been prepared.

8.2 ***Aurora Group***

There has been no significant change in the financial or trading position of the Aurora Group since 31 March 2013, being the date to which the financial information in respect of the Aurora Group presented in Section B of Part III of this document has been prepared.

9. RELATED PARTY TRANSACTIONS

Details of related party transactions to which the Company has been party for the three year period ended 31 December 2012 are contained in the financial statements, notes to accounts and remuneration reports in the audited annual report and accounts of the Group for each of the financial years ended 31 December 2012, 31 December 2011 and 31 December 2010. This information has been incorporated by reference.

Details of related party transactions to which the Company has been party for the period from 1 January 2013 to 12 December 2013 are as follows:

Identity of related parties

The Company has a related party relationship with its subsidiaries and with its directors.

Transactions with subsidiaries

The main transactions between the Company and its subsidiaries consist of payments by the Company for distribution, engineering and administrative support provided by Pace Americas, Inc., 2Wire, Inc., Pace France SAS and Pace Micro Technology (India) Private Ltd.

Total transactions of approximately $1,261.1 million were made in the period from 1 January 2013 to 12 December 2013 (being the latest practicable date prior to the publication of this Circular).

Amounts are owed both by Pace to its subsidiary undertakings and by subsidiary undertakings to Pace. The net amounts due to or payable by the Company from Pace Americas, Inc., 2Wire, Inc., Pace France SAS and Pace Micro Technology (India) Ltd as at 12 December 2013 (being the latest practicable date) amounted to $136.2 million receivable, $16.8 million payable, $23.1 million payable and $2.9 million payable respectively.

Transactions with key management personnel

Key management of the Group is through the executive directors of the Company.

The main transactions with these individuals are as disclosed in their service contracts, share schemes and other remuneration, details of which are set out at section 3.2 of this Part VI.

10. CONSENTS

(a) J.P. Morgan Cazenove has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

(b) PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in this document of its accountant's report on the historical financial information relating to the Aurora Group in Section A of Part III of this document and its accountant's report on the unaudited pro-forma financial information in Section A of Part IV of this document in the form and context in which they are included.

11. PROFIT FORECAST

11.1 *Profit forecast for the year ending 31 December 2013*

On 14 November 2013, Pace plc published its Interim Management Statement for the period 1 July 2013 to 13 November 2013. The Interim Management Statement contained the following statements:

"Trading in the period has been strong and the outlook for the remainder of the year is reiterated:

- Revenue for FY2013 expected to be broadly in-line with 2012;
- Operating margin for FY2013 is expected to be greater than 7.5%; and
- Strong cash flow will continue, and excluding acquisitions, Pace expects to retain a net cash position through to the end of 2013."

The statements above regarding profits in FY2013 represent a profit forecast under the Listing Rules. A forecast has been made on adjusted EBITA, which is operating profit before exceptional costs and amortisation of other intangibles. Adjusted EBITA has been used as an alternative to profit before tax because adjusted EBITA key measure of financial performance for management, which is easily understood, highly visible internally and externally and which is regularly monitored and reported.

The Directors have considered the above statement and continue to believe that it is valid based on the assumptions below.

11.2 *Basis of preparation and principal assumptions*

(a) *Basis of preparation*

The profit forecast above is based upon:

- the unaudited interim results for the six months ended 30 June 2013;
- unaudited management accounts of the Company for the eleven months ended 30 November 2013; and
- the Directors' forecast for remaining one month of the year ending 31 December 2013.

The profit forecast is for adjusted EBITA (as stated by the Company in past results announcements) and has been prepared on a basis consistent with the accounting policies adopted by the Company in its annual financial statement for the year ended 31 December 2012.

(b) *Principal assumptions*

(i) Assumptions for factors exclusively outside the influence or control of the Directors:

- Ports remain open and are not subject to any unscheduled or unexpected disruption preventing delivery to and acceptance of product by customers.

(ii) Assumptions for factors that may come under the influence or control of the Directors:

- Known orders and shipments currently in transit to customers for delivery prior on or before 31 December 2013;
- Pricing of product to customers and input pricing for products is consistent with those assumed; and
- Operating costs remaining in line with normal trading activity and are managed in line with revenue.

12. BASIS OF SYNERGIES

The Board expects that there will be a reduction in the cost of goods sold and operating expenses of approximately $8 million (excluding one-off costs of achieving the synergies as set out below) by the end of the financial year ended 31 December 2014 when compared to the cost of goods sold and operating expenses of $190.8 million as shown in the financial information for the year ended 31 March 2013 relating to the Aurora business as set out in Part III of this document.

The reduction in operating expenses is expected to be achieved as a result of a focus on eliminating duplication across functional areas and implementing Pace's efficient operating model, cost discipline and number–focused culture, while retaining the Aurora culture of innovation and market focus. The expected synergies described above are contingent on Completion of the Acquisition and could not be achieved by the Pace Group independently:

- Cost of Goods Sold: Application of rigorous procurement process and leverage supply chain scale;
- General & Admin: Economies of scale in support functions (HR, Finance, Legal) looking to leverage existing resources;
- Sales & Marketing: Optimisation of salesforce across combined customer base and combination of marketing efforts (e.g. Trade Show efforts);
- Research & Development: Implementation of best practices across the combined organisation.

The Board expects to incur one-time expenditure of approximately $4 million during the financial year ending 31 December 2014 to achieve run-rate pre-tax synergies across CoGs, as set out in section 5 of Part I. The Board confirms that the $8 million reduction in CoGs and Opex and the anticipated one-time expenditure of $4 million reflect the beneficial elements and relevant costs associated in achieving these synergies.

In addition to the above the Board expects to have a significant opportunity to apply robust Pace working capital controls to deliver working capital benefits through focused debtor collection, optimization of stock days and normalisation of creditor days.

Pace has a strong history of successfully integrating its acquisitions. Phillips' STB and CS business was acquired in April 2008 and the business was turned profitable within three months and fully integrated within 18 months. 2Wire was acquired in October 2010 and $30 million of synergies were forecast; $50 million of synergies were subsequently delivered within the first full year of ownership.

13. SOURCES AND BASES FOR FINANCIAL INFORMATION

The financial information on the Aurora Group contained in this document has been extracted without material adjustment from the financial information relating to Aurora contained in Section B and Section C of Part III, such information having been prepared on the basis of the accounting policies of Pace for the year ended 31 December 2012 as set out in the annual report and accounts.

14. DOCUMENTS ON DISPLAY

Copies of the documents listed below may be inspected free of charge at the offices of the Company at Victoria Road, Saltaire BD18 3LF during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including 6 January 2014 and will also be available for inspection at the General Meeting for at least fifteen minutes prior to and during the General Meeting:

(a) the Articles of Association;

(b) the audited annual report and accounts of the Group for the two financial years ended 31 December 2012 and 31 December 2011;

(c) the interim report of the Group for the six months ended 30 June 2013;

(d) the reports from PricewaterhouseCoopers LLP contained in Parts III and IV of this document respectively;

(e) the written consents referred to in paragraph 10 of this Part VI; and

(f) the Merger Agreement.

16 December 2013

PART VII

INCORPORATION OF INFORMATION BY REFERENCE

The following information is incorporated by reference into this document, in accordance with LR13.1.3.

Document	*Section*	*Page number(s) in such document*
Pace Annual Report and Accounts for the financial year ended 31 December 2012 (available on the Pace website at http://www.pace.com/Documents/Investors/ra_2012/ra_2012.pdf)	Note 29 to the audited accounts (Related parties)	75
	Note 16 to the audited accounts (Trade and other receivables)	61
	Note 17 to the audited accounts (Trade and other payables)	62
	Directors' remuneration report	23-30
Pace Annual Report and Accounts for the financial year ended 31 December 2011 (available on the Pace website at http://www.pace.com/documents/investors/ra_2011.pdf)	Note 29 to the audited accounts (Related parties)	76
	Note 16 to the audited accounts (Trade and other receivables)	64
	Note 17 to the audited accounts (Trade and other payables)	64
	Directors' remuneration report	26-29
Pace Annual Report and Accounts for the financial year ended 31 December 2010 (available on the Pace website at http://www.pace.com/Documents/Investors/ra_2010.pdf)	Note 28 to the audited accounts (Related parties)	70
	Note 15 to the audited accounts (Trade and other receivables)	59
	Note 16 to the audited accounts (Trade and other payables)	59
	Remuneration report	21-28

GLOSSARY AND DEFINITIONS

"**2000 Unapproved Plan**"	the Pace 2000 Unapproved Share Option Plan
"**2006 Act**"	the Companies Act 2006
"**Acquisition**"	the proposed acquisition by Pace of the Aurora Group pursuant to the terms of the Merger Agreement
"**Appraisal Shares**"	shares in the capital of Aurora held by Aurora Stockholders who did not give their consent to the Acquisition and is entitled to demand and properly demands appraisal rights for such shares of Aurora in accordance with the DGCL
"**Approved Plan**"	the Pace Approved Discretionary Share Option Plan 2005
"**Articles of Association**"	the articles of association of the Company
"**Aurora**"	Aurora Networks, Inc., a Delaware corporation
"**Aurora Board**" or "**Aurora Directors**"	the directors of Aurora
"**Aurora Capital Stock**"	the Aurora Common Stock and the Aurora Preferred Stock
"**Aurora Common Stock**"	common stock par value $0.001 per share of Aurora
"**Aurora Group**"	Aurora and its subsidiary undertakings
"**Aurora Options**"	options to purchase shares of Aurora Common Stock granted by Aurora
"**Aurora Preferred Stock**"	Series A Preferred Stock par value $0.001 per share, Series B Preferred Stock par value $0.001 per share, Series C Preferred Stock par value $0.001 per share, Series D-1 Preferred Stock par value $0.001 per share, Series D-2 Preferred Stock par value $0.001 per share, Series D-3 Preferred Stock par value $0.001 per share, in each case of Aurora
"**Aurora Stockholders**"	holders of Aurora Capital Stock, Aurora Warrants and Aurora Options
"**Aurora Warrants**"	warrants to purchase shares of Aurora Capital Stock granted by Aurora
"**Base Purchase Price**"	$310,000,000 less the amount of the Bonus Pool, plus $13,000,000
"**Bonus Pool**"	$24,900,000, representing the aggregate amount payable under the Key Employee Retention Plan
"**Circular**" or "**this document**"	this circular, prepared in accordance with the Listing Rules
"**CoGs**"	cost of goods sold
"**Company**" or "**Pace**"	Pace plc
"**Completion**" or "**Closing**"	the completion of the Acquisition pursuant to the terms of the Merger Agreement
"**Credit Agreement**"	as defined in section 5.1(b) of Part VI of this document

"**CREST**"	the relevant system (as defined in the Uncertified Securities Regulations 2000) in respect of which CRESTCo is the operator (as defined in the Uncertified Securities Regulations 2000)
"**CRESTCo**"	Euroclear UK & Ireland Limited, the operator of CREST
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
"**Deferred Share Plan**"	the Pace Deferred Share Plan
"**Designated Key Employees**"	Guy Sucharczuk, Charles Barker, Krzysztof Pradzynski and Scott Weinstein
"**Designated Key Employee Agreement**"	the agreement to be entered into by Designated Key Employes, details of which are set out in section 9 of Part V
"**DGCL**"	Delaware General Corporation Law
"**Directors**" or "**Board**"	the directors of the Company, whose names are set out in paragraph 3.1(a) of Part VI of this document
"**Disclosure Rules and Transparency Rules**"	the disclosure rules and transparency rules made by the FCA under Part VI of FSMA (as amended from time to time)
"**Effective Time**"	the effective time of the Acquisition, being the filing of the certificate of merger with the Secretary of State for the State of Delaware, US, upon Completion
"**Enablence**"	Enablance Technologies Inc., a Canadian corporation
"**Enlarged Group**"	the Pace Group and the Aurora Group following the Acquisition
"**Escrow Agreement**"	the escrow agreement to be entered into at Completion among Pace, Shareholder Representative Services LLC (as the escrow representative) and the escrow agent
"**Escrow Funds**"	the escrow funds to be established pursuant to the Merger Agreement
"**Facilities**"	as defined in section 5.1(b) of Part VI of this document
"**Form of Proxy**"	the form of proxy relating to the General Meeting being sent to Shareholders with this document
"**FCA**"	Financial Conduct Authority of the United Kingdom
"**FSMA**"	Financial Services and Markets Act 2000 (as amended)
"**General Meeting**"	the General Meeting of the Company convened for 9.30 a.m. on 6 January 2014, notice of which is set out at the end of this document
"**IFRS**"	International Financial Reporting Standards maintained by the International Accounting Standards Board and which are in force from time to time, as adopted by the European Union
"**International PSP**"	The Pace International Performance Share Plan
"**J.P. Morgan Cazenove**"	J.P. Morgan Limited, which operates its investment banking business in the UK under the name J.P. Morgan Cazenove

"**Key Employee Retention Plan**"	The Aurora 2013 Retention Plan adopted by the Aurora Board prior to the date of the Merger Agreement
"**Listing Rules**"	the listing rules made by the FCA under Part VI of FSMA (as amended from time to time)
"**Merger Agreement**"	the agreement dated 22 October 2013 relating to the Acquisition, a summary of the principal terms of which is set out in Part V of this document
"**Merger Sub**"	Hockey Acquisition Corporation, a Delaware corporation and indirect wholly-owned subsidiary of the Company
"**Opex**"	operating expense
"**Ordinary Shares**"	ordinary shares of 5 pence each in the capital of the Company
"**Pace Group**" or "**Group**"	Pace plc and its subsidiaries
"**Performance Share Plan**"	the Pace Performance Share Plan
"**Prospectus Rules**"	the Prospectus Rules made by the FCA under Part VI of FSMA (as amended from time to time
"**Registrars**" or "**Capita Registrars**"	Capita Asset Services of 34 Beckenham Road, Beckenham, Kent BR3 4TU
"**Requisite Majority of Aurora Stockholders**"	The requisite majority of Aurora Stockholders required to consent to the Acquisition under the DGCL and Aurora's certificate of incorporation as described in Section 2 and Part A of Part V of this Circular
"**Resolution**"	the resolution to be proposed at the General Meeting as set out in the notice of General Meeting at the end of this document
"**Senior Managers**"	the senior executives of Pace who are not Directors, whose names are set out in paragraph 3.1(b) of Part VI of this document
"**Share Plans**"	the Approved Plan, the Unapproved Plan, the Sharesave Plan, the 2000 Unapproved Plan, the US Sharesave Plan 2005, the Deferred Share Plan and the Performance Share Plan
"**Shareholders**"	holders of Ordinary Shares
"**Sharesave Plan**"	the Pace Sharesave Plan 2005
"**Specified Representations**"	Representations and warranties of Aurora in the Merger Agreement with respect to organisation, capitalisation, authority, environmental matters, tax matters and financial advisors
"**Sterling**", "**£**", "**p**" or "**pence**"	relates to £ or pounds sterling and p or pence (sterling)
"**subsidiary**", "**subsidiary undertaking**", and "**associated undertaking**"	have the meanings given by the 2006 Act (but for this purpose ignoring paragraph 20(i)(b) of Schedule 4A of the 2006 Act)
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland, its territories and dependencies
"**UK Listing Authority**"	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA

"**Unapproved Plan**"	the Pace Unapproved Discretionary Share Option Plan 2005
"**uncertificated**" or "**in uncertificated form**"	recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"**US GAAP**"	the generally accepted accounting principles in the US which are in force from time to time
"**US Sharesave Plan 2005**"	the Pace Americas US Sharesave Plan 2005
"**US**" or "**United States**"	the United States of America, its territories and dependencies
"**$**"	the lawful currency of the US
"**VDSL**"	very-high-bitrate DSL
"**VDSL2**"	very-high-bitrate DSL generation 2

PACE PLC

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Pace plc (the "**Company**") will be held at 9.30 a.m. on Monday 6 January 2014 at Pace plc, Salts Mill, Victoria Road, Saltaire, West Yorkshire BD18 3LF for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as an **ORDINARY RESOLUTION**:

ORDINARY RESOLUTION

1. That the proposed acquisition by the Company of Aurora Networks, Inc. by way of merger (the "**Acquisition**") substantially on the terms and subject to the conditions of the merger agreement between the Company, Merger Sub, Aurora Networks, Inc. and Shareholder Representative Services LLC dated 22 October 2013 (the "**Merger Agreement**") and all agreements and arrangements made or entered into, or which may in the future be made or entered into, by the Company or any of its subsidiaries in connection with, or which are ancillary to, the Acquisition or the Merger Agreement, be and are hereby approved and the directors of the Company (or any duly constituted committee thereof) be and are hereby authorised to take all such steps as they consider necessary, desirable or expedient to effect the Acquisition and to waive, amend, vary, revise or extend (to such extent as will not constitute a material waiver, amendment, variation, revision or extension in the context of the Acquisition as a whole) any such terms and conditions as they may consider appropriate and to do or procure to be done all such other things as they may consider necessary, desirable or expedient in connection with the Acquisition.

Dated 16 December 2013

By order of the Board
Anthony Dixon
Company Secretary

Registered office:
Victoria Road
Saltaire
BD18 3LF

Registered Number: 1672847

Notes:

1. A member of the Company entitled to attend and vote at the General Meeting may appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. To appoint a proxy you may:

   (a) use the Form of Proxy enclosed with this Notice of General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 9.30 a.m. on Thursday 2 January 2014 at the Company's registrars, Capita Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; or

   (b) submit your proxy electronically by accessing www.paceshares.com. Existing share portal users should enter their username and password. New users should click on the "Registration" link in the right hand menu and enter their surname, post code and unique investor code (shown on the Form of Proxy), complete the rest of the registration process and click on the "Register" button. To vote online, existing and new users should click on the "Online Voting" link under the "Other Services" menu. If you require any assistance please contact Capita Asset Services on 0871 664 0300 (calls cost 10p per minute plus network extras) or if dialling from overseas call 0044 208 639 3399. Alternatively you can contact Capita Asset Services by emailing your enquiry to shareholderenquiries@capita.co.uk; or

   (c) if you are a CREST member, appoint a proxy or proxies through the CREST electronic proxy appointment service as detailed in notes 6 and 7 below.

   Members who have lodged Forms of Proxy or appointed a proxy electronically are not thereby prevented from attending the General Meeting and voting in person if they so wish.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company at 6.00 p.m. on 2 January 2014 or, in the event that the General Meeting is adjourned, in the register of members at the time that is 48 hours (excluding non business days) before the time of any adjourned

meeting, shall be entitled to attend and vote at the General Meeting or any adjourned meeting in respect of the number of shares registered in their names at that time. Changes to the entries on the register of members after 6.00 p.m. on 2 January 2014, or, in the event that the General Meeting is adjourned, in the register of members after the time that is 48 hours (excluding non business days) before the time of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. To appoint more than one proxy, you may photocopy the Form of Proxy. Please indicate the proxy holder's name and number of shares in relation to which they are authorised to act as your proxy (which, in aggregate should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.

5. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact Capita Asset Services. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior). If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent, Capita Asset Services (ID RA10), by the latest time for receipt of proxy appointments specified in this Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. it is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

10. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

11. The statement of the rights of shareholders in relation to the appointment of proxies in notes 1, 2, 4, 5, 6 and 7 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

12. A corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

13. A copy of this notice, and other information required by s311A of the Companies Act 2006, can be found at www.pace.com.