Grant Thornton

Financial Statements
Xtera Communications Ltd.

For the year ended 30 September 2011

Registered number: 4260336

Company Information

Company number

4260336

Registered office

Devonshire House
60 Goswell Street
LONDON
EC1M 7AD

Directors

P Colan
J Hopper
H Fevrier (appointed 2 December 2011)

Auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Grant Thornton House
Kettering Parkway
Kettering Venture Park
Kettering
Northamptonshire
NN15 6XR

Bankers

HSBC Bank plc
79 Piccadilly
LONDON
W1V 9JN

HSBC Bank USA
One HSBC Plaza
ROCHESTER
USA 14639

Solicitors

Morgan Denton Jones LLP
Park House
Greyfriars Road
CARDIFF
CF10 3AF

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Directors' report
For the year ended 30 September 2011

The directors present their report and the financial statements for the year ended 30 September 2011

Principal activities

The principal activity during the year was the design, manufacture, marketing and sale of optical transmission equipment for telecommunications applications

Business review

Turnover for the year was £8,770,917 (2010 - £12,408,880) Gross margin decreased between periods by approximately 5% due to continual price pressure within the market and delays associated with the launch of our 40G product Cost of materials has decreased although the reduction has not been as great as the reduction in selling prices Operational expenditures were within budget and higher than fiscal 2010 due to costs associated with the final development work related to the 40G product Profit for the year was £199,663 (2010 - £1,438,426) and was below management's expectations due to the overall weak market

A significant portion of our focus in fiscal 2011 reflects the development of our 40G NXT product offering During the year, we have substantially completed development of the product and have made a significant investment in the Company's future Research and development expenditures are up approximately 30% over 2010 as a result of these efforts It is anticipated that the expenditure for research and development will remain at this higher level as we continue to develop a 100G NXT product offering

We currently have a significant order for our 40G solution and are anticipating commercial acceptance of the system in the first half of fiscal 2012 Additionally, we continue development of our 100G networks solution that will be commercially available in late fiscal 2012 or early fiscal 2013 The 40G and 100G product lines will allow the Company to remain a leader in the submarine telecommunications equipment market We will continue to secure additional deployments, expand existing deployments and maximize gross margin The addition of the 40G network solution will provide additional leverage to maintain or increase our level of gross margin Competitive and economic forces will be a significant challenge, although migration toward the 40G network solution will allow us to significantly grow turnover Operational costs are expected to be similar to fiscal 2011

Results

The profit for the year, after taxation, amounted to £199,663 (2010 - £1,438,426) The directors cannot recommend a dividend for the year ended 30 September 2011 (2010 - £nil)

Key performance indicators

Financial

1 Turnover is a key measure of the company's performance Sales for the year were £8 8m (2010 - £12 4m)

2 Gross profit is a key indicator of the company's performance The gross profit for the financial year was £3 0m (2010 - £5 0m)

3 Net worth is seen as an important target for the business At the year end, the level of shareholders' funds was £2 0m (2010 - £1 8m)

Directors' report
For the year ended 30 September 2011

Financial risk management objectives and policies

The company actively monitors a mixture of long-term and short-term debt finance, including trade creditors, that is designed to ensure the company has sufficient available funds for operations and planned grants

The company's operations and debt financing expose it to a variety of financial risks that include currency risk, interest rate risk and credit risk Given the size of the company, responsibility for monitoring financial risk management is in the hands of the Board The Board seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs The company does not use derivative financial instruments to manage financial risks and as such, no hedge accounting is applied

Currency risk
The company is exposed to transaction foreign exchange risk The directors seek, whenever possible, to use sterling as the currency denomination when transacting with foreign suppliers If considered necessary, transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements

Interest rate risk
The company has both interest bearing assets and interest bearing liabilities Interest bearing assets include only short-term deposits, which earn interest at a fixed rate, and cash balances, which earn interest at a floating rate

Credit risk
The company seeks to manage its credit risk by dealing with established customers or otherwise checking the credit-worthiness of new customers, establishing clear contractual relationships with those customers, having credit insurance protection and by identifying and addressing any credit issues arising in a timely manner

Research and development

The company continued with its programme of research and development and this activity is continuing in 2011/2012 Research and development expenditure for the year was £2,303,609 (2010 - £1,767,324) of which an amount of £462,595 (2010 - £273,134) was included in the research and development tax claim submitted to HM Revenue & Customs

Directors

The directors who served during the year were

P Colan
J Hopper
H Fevrier (appointed 2 December 2011)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Directors' report

For the year ended 30 September 2011

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

This report was approved by the board on 11 JANUARY 2012 and signed on its behalf

P Colan
Director

Grant Thornton

Independent auditor's report to the members of Xtera Communications Ltd.

We have audited the financial statements of Xtera Communications Ltd for the year ended 30 September 2011, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor
As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Xtera Communications Ltd.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Grant Thornton UK LLP.

John Corbishley (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Kettering
Date

17 JANUARY 2012

Profit and loss account

For the year ended 30 September 2011

	Note	2011 £	2010 £
Turnover	1,2	**8,770,917**	12,408,880
Cost of sales		**(5,737,681)**	(7,439,411)
Gross profit		**3,033,236**	4,969,469
Administrative expenses	3	**(2,836,236)**	(3,347,536)
Operating profit	4	**197,000**	1,621,933
Interest receivable and similar income		**443**	201
Interest payable and similar charges	6	**-**	(195,208)
Profit on ordinary activities before taxation		**197,443**	1,426,926
Tax on profit on ordinary activities	7	**2,220**	11,500
Profit for the financial year	15	**199,663**	1,438,426

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account

The notes on pages 9 to 20 form part of these financial statements

Balance sheet

As at 30 September 2011

	Note	£	2011 £	£	2010 £
Fixed assets					
Tangible assets	8		**313,334**		218,103
Current assets					
Debtors	9	**3,923,120**		5,351,330	
Cash at bank		**1,431,862**		713,494	
		5,354,982		6,064,824	
Creditors: amounts falling due within one year	10	**(396,052)**		(366,484)	
Net current assets			**4,958,930**		5,698,340
Total assets less current liabilities			**5,272,264**		5,916,443
Creditors: amounts falling due after more than one year	11		**(3,124,996)**		(3,990,277)
Provisions for liabilities					
Other provisions	12		**(176,504)**		(155,065)
Net assets			**1,970,764**		1,771,101
Capital and reserves					
Called up share capital	14		**5,109**		5,109
Share premium account	15		**20,344,530**		20,344,530
Other reserves	15		**10,287,160**		10,287,160
Profit and loss account	15		**(28,666,035)**		(28,865,698)
Shareholders' funds	16		**1,970,764**		1,771,101

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

11 JANUARY 2012

J Hopper
Director

The notes on pages 9 to 20 form part of these financial statements

Cash flow statement

For the year ended 30 September 2011

	Note	2011 £	2010 £
Net cash flow from operating activities	17	**913,362**	20,858
Returns on investments and servicing of finance	18	**443**	201
Taxation		**11,500**	-
Capital expenditure and financial investment	18	**(206,937)**	(193,268)
Increase/(Decrease) in cash in the year		**718,368**	(172,209)

Reconciliation of net cash flow to movement in net funds/debt

For the year ended 30 September 2011

	2011 £	2010 £
Increase/(Decrease) in cash in the year	**718,368**	(172,209)
Movement in net debt in the year	**718,368**	(172,209)
Net funds at 1 October 2010	**713,494**	885,703
Net funds at 30 September 2011	**1,431,862**	713,494

The notes on pages 9 to 20 form part of these financial statements

Notes to the financial statements

For the year ended 30 September 2011

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The accounting policies remain unchanged from the prior year

The financial statements have been prepared on a going concern basis, which assumes that the company will continue to trade for the foreseeable future During the year the company generated a profit after tax of £0 2m (2010 - £1 4m) and had an accumulated profit and loss account deficit of £28 7m at 30 September 2011

The directors have obtained confirmation that the parent company, Xtera Communications Inc , will continue, as far as they are able, to provide financial support for the company through the group creditor balances which will enable it to continue its activities for the foreseeable future As a result, the directors believe that the company will remain financially viable and therefore that it is appropriate that these financial statements are prepared on the going concern basis This basis of preparation assumes that the company will continue in operational existence for a period of at least twelve months from the date of approval of these financial statements, the validity of which depends on Xtera Communications Ltd not being required to repay the balance to Xtera Communications Inc The financial statements do not include any adjustments that might arise if the going concern basis is not appropriate

1.2 Turnover

The company recognizes its revenue in accordance with the Revenue Recognition of the FASB ASC and UK GAAP Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection is reasonably assured Delivery does not occur until products have been shipped or services have been provided to the customer and title and risk of loss have transferred to the customer The company also provides for estimated costs that may be incurred for product warranties and for sales returns When other significant obligations or acceptance terms remain after products are delivered, revenue is recognized only after such obligations are fulfilled Revenue is recognized net of cash discounts and sales tax

Contracts for optical network solutions often involve multiple deliverables which may include any combination of products, solutions, installation or other services Revenue under multiple element arrangements is recognized in accordance with the Accounting for Revenue Arrangements with Multiple Deliverables of the FASB ASC A multiple-element arrangement is separated into more than one unit of accounting if all of the following criteria are met

• The delivered item(s) has value to the client on a stand-alone basis,
• If the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the company

Notes to the financial statements
For the year ended 30 September 2011

1. Accounting policies (continued)

The guidance establishes a selling price hierarchy for determining the selling price of a deliverable in a sale arrangement The selling price for each deliverable is based on vendor-specific objective evidence (VSOE) if available, third-party evidence (TPE) if VSOE is not available, or the Company's best estimated selling price (BESP) if neither VSOE nor TPE are available This method allocates any discount in the arrangement proportionately to each deliverable on the basis of the deliverable's estimated fair value

VSOE of selling price is used in the selling price allocation where it exists. However, in most instances, VSOE is unavailable for the Company's products because the product solution delivered differs for each customer Further, substantial majority of the selling prices of each deliverable in our product solution offerings has not been consistent, and do not fall within a reasonable narrow pricing range

Xtera's product solutions contain significant elements of proprietary technology and the solution offered differs substantially from that of the competitors Also, the Company's product offerings contain a significant level of configuration unique to a specific customer installation and network which will not generally be interchangeable with a third party product solution Furthermore, the Company is unable to legally and reliably determine what similar competitor products' selling prices are on a standalone basis Therefore, it is typically difficult to obtain the reliable standalone competitive pricing necessary to establish TPE

Instances where established VSOE or reliable TPE is unavailable for the Company products, the Company uses BESP in its allocation of arrangement consideration VSOE is unavailable for the Company products because the product solution delivered differs for each customer In addition, reliable TPE does not exist because our product solution is configured to comply with a pre-defined set of customer specific criteria which largely will not be interchangeable with a third party product solution The objective of BESP is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis The Company determines BESP for a product or service by considering multiple factors including, but not limited to, cost of production, market conditions, competitive landscape, gross margin objectives, pricing practices, geographies, customer classes and distribution channels

Deferred revenue is recorded when cash has been received from the customer and the arrangement does not qualify for revenue recognition under the revenue recognition policies described above Costs incurred for projects not completed are deferred and recorded as a cost upon recognition of the related revenue

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Test equipment	-	over 2 - 3 years
Office equipment and fittings	-	over 1 - 3 years
Computer equipment	-	over 2 -3 years

Notes to the financial statements

For the year ended 30 September 2011

1. Accounting policies (continued)

1 4 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks

1.5 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1.8 Research and development

Research and development expenditure is written off in the year in which it is incurred

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

Notes to the financial statements

For the year ended 30 September 2011

1. Accounting policies (continued)

1.10 Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity

Notes to the financial statements

For the year ended 30 September 2011

2. Turnover

The whole of the turnover is attributable to the one principal activity of the company The company's turnover for the year was £8,770,917 (2010 - £12,408,880)

A geographical analysis of turnover is as follows

	2011	2010
	£	£
United Kingdom	**259,093**	1,889,843
Rest of Europe	**872,280**	12,020
Rest of world	**7,639,544**	10,507,017
	8,770,917	12,408,880

3. Other operating charges

	2011	2010
	£	£
Distribution costs	**1,310,913**	1,456,289
Administrative expenses	**1,525,323**	1,891,247
	2,836,236	3,347,536

4. Operating profit

The operating profit is stated after charging

	2011	2010
	£	£
Depreciation of tangible fixed assets		
- owned by the company	**111,706**	64,542
Auditor's remuneration	**17,000**	16,500
Operating lease rentals		
- Land and buildings	**135,348**	135,348
Loss on foreign exchange	**81,171**	123,923
Research and development expenditure	**2,303,609**	1,767,324

During the year, no director received any emoluments (2010 - £NIL)

Notes to the financial statements
For the year ended 30 September 2011

5. Staff costs

Staff costs were as follows

	2011	2010
	£	£
Wages and salaries	**1,989,680**	1,907,556
Social security costs	**264,157**	213,760
Other pension costs	**39,061**	38,859
	2,292,898	2,160,175

The average monthly number of employees, including the directors, during the year was as follows

	2011	2010
	No.	No
Sales and marketing	**4**	5
Research and development	**22**	18
Administration	**2**	1
Operations	**3**	3
	31	27

6. Interest payable

	2011	2010
	£	£
On loans from group undertakings	**-**	195,208

7. Taxation

	2011	2010
	£	£
UK corporation tax credit on profit for the year	**(2,220)**	(11,500)

Notes to the financial statements

For the year ended 30 September 2011

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 27% (2010 - 28%) The differences are explained below

	2011	2010
	£	£
Profit on ordinary activities before tax	**197,443**	1,426,926
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 27% (2010 - 28%)	**53,310**	399,540
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**2,114**	1,127
Capital allowances for year in excess of depreciation	**(70,251)**	(70,695)
Utilisation of tax losses	**229,759**	(329,947)
Adjustments to tax charge in respect of prior periods	**-**	(11,525)
Non-taxable income	**(217,152)**	-
Current tax credit for the year (see note above)	**(2,220)**	(11,500)

Factors that may affect future tax charges

Unrelieved tax losses of £23 6m (2010 - £22 8m) remain available to offset against future taxable trading profits

Notes to the financial statements

For the year ended 30 September 2011

8. Tangible fixed assets

	Test equipment £	Office equipment and fittings £	Computer equipment £	Construction in progress £	Total £
Cost					
At 1 October 2010	1,707,938	137,545	262,648	185,340	2,293,471
Additions	183,263	11,681	11,993	-	206,937
Transfer between classes	185,340	-	-	(185,340)	-
At 30 September 2011	2,076,541	149,226	274,641	-	2,500,408
Depreciation					
At 1 October 2010	1,700,349	120,760	254,259	-	2,075,368
Charge for the year	95,874	6,430	9,402	-	111,706
At 30 September 2011	1,796,223	127,190	263,661	-	2,187,074
Net book value					
At 30 September 2011	280,318	22,036	10,980	-	313,334
At 30 September 2010	7,589	16,785	8,389	185,340	218,103

9. Debtors

	2011 £	2010 £
Due after more than one year		
Amounts recoverable on long term contracts	904,959	2,758,196
Due within one year		
Trade debtors	201,270	1,202,971
Other debtors	18,304	27,324
Prepayments and accrued income	113,251	73,733
Amounts recoverable on long term contracts	2,685,336	1,289,106
	3,923,120	5,351,330

Notes to the financial statements

For the year ended 30 September 2011

10. Creditors: Amounts falling due within one year

	2011	2010
	£	£
Trade creditors	77,498	79,822
Social security and other taxes	74,482	74,508
Accruals and deferred income	244,072	212,154
	396,052	366,484

11. Creditors: Amounts falling due after more than one year

	2011	2010
	£	£
Amounts owed to group undertakings	3,124,996	3,990,277

12. Provisions

	Warranty provision
	£
At 1 October 2010	155,065
Created	133,280
Amounts released	(111,841)
At 30 September 2011	176,504

Notes to the financial statements

For the year ended 30 September 2011

13. Deferred taxation

The company's provision for deferred taxation consists of the tax effect of timing differences in respect of

	2011 Provided £	2011 Unprovided £	2010 Provided £	2010 Unprovided £
Accelerated capital allowances	-	191,984	-	279,612
Short term timing differences	-	31,390	-	186,890
Tax losses carried forward	-	6,128,347	-	6,372,840
Net deferred tax asset	-	6,351,721	-	6,839,342

14. Share capital

	2011 £	2010 £
Authorised		
13,192 Ordinary shares of £1 each	13,192	13,192
Allotted, called up and fully paid		
5,109 Ordinary shares of £1 each	5,109	5,109

15. Reserves

	Share premium account £	Other reserves £	Profit and loss account £
At 1 October 2010	20,344,530	10,287,160	(28,865,698)
Profit for the year	-	-	199,663
At 30 September 2011	20,344,530	10,287,160	(28,666,035)

16. Reconciliation of movement in shareholders' funds

	2011 £	2010 £
Opening shareholders' funds	1,771,101	332,675
Profit for the year	199,663	1,438,426
Closing shareholders' funds	1,970,764	1,771,101

Notes to the financial statements
For the year ended 30 September 2011

17. Net cash flow from operating activities

	2011	2010
	£	£
Operating profit	197,000	1,621,933
Depreciation of tangible fixed assets	111,706	64,542
Decrease/(increase) in debtors	1,418,929	(1,954,518)
(Decrease)/increase in creditors	(835,712)	133,836
Increase in provisions	21,439	155,065
Net cash inflow from operating activities	913,362	20,858

18. Additional cash flow statement analysis

	2011	2010
	£	£
Returns on investments and servicing of finance		
Interest received	443	201

	2011	2010
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(206,937)	(193,268)

19. Analysis of changes in net debt

	1 October 2010	Cash flow	Other non-cash changes	30 September 2011
	£	£	£	£
Cash at bank and in hand	713,494	718,368	-	1,431,862
Net funds	713,494	718,368	-	1,431,862

20. Contingent liabilities

There were no contingent liabilities at 30 September 2011 or 30 September 2010

21. Capital commitments

The company had no capital commitments at 30 September 2011 or 30 September 2010

22. Pension commitments

Notes to the financial statements

For the year ended 30 September 2011

The company operates a defined contribution scheme for its directors and employees The assets of the scheme are held separately from those of the company in an independently administered fund The pension charge for the year was £39,061 (2010 - £38,859) and £3,443 (2010 - £3,334) was included in creditors at the year end

23. Operating lease commitments

At 30 September 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2011	2010
	£	£
Expiry date:		
Within 1 year	**100,559**	-
Between 2 and 5 years	**-**	124,000

24. Related party transactions

As a subsidiary undertaking, 100% of whose voting rights are controlled within the group, the company has taken advantage of the exemption not to disclose transactions with entities that are part of the group, in accordance with FRS8

25. Controlling party

The company's immediate parent undertaking is Azea Networks Inc, which is incorporated in the State of Delaware, USA and its ultimate parent undertaking and controlling party is Xtera Communications Inc, which is incorporated in the State of Delaware, USA, and this is the largest and smallest group of which the company is a member and for which group financial statements are prepared. Copies of these group financial statements may be obtained from the company secretary