

GENBAND Telecommunications (UK) Limited

Directors' Report and Financial Statements

Year Ended 31 December 2012

Registered number: 04992536

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DIRECTORS AND OTHER INFORMATION

Board of Directors

Graham Heath
Zachary Green (USA)

Solicitors

Baker & McKenzie LLP
100 New Bridge Street
London
EC4V 6JA

Secretary

Abogado Nominees Limited

Bankers

JP Morgan Chase Bank
125 London Wall
London
EC2Y 5AJ

Registered Office

Bray House
4 Maidenhead Office Park
Maidenhead
Berkshire S16 3QH
England

Registered number: 04992536

Statutory Auditors

PricewaterhouseCoopers
Harris House
IDA Small Business Centre
Tuam Road
Galway
Ireland

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012

Principal activity

The principal activity of the company is the performance of sales and marketing activities and technical services on behalf of the GENBAND group. The company also has some third party trading activities, in the provision of IP infrastructure and application solutions. The GENBAND group's core business is the provision of IP infrastructure and application solutions, enabling fixed, mobile and cable service providers around the world to evolve communications networks through IP innovation.

Business review

The directors consider the results for the year to be satisfactory.

Future developments

The directors plan to continue to develop the activities of the company.

Results and dividends

The results for the year are set out in the profit and loss account on page 8. The company's profit for the financial year was £658,770 (2011: £885,979). The directors do not recommend payment of a dividend (2011: Nil).

Financial risk management

The company's operations expose it to a variety of financial risks that include the effect of changes in debt market prices, foreign exchange risk, credit risk, liquidity risk and interest rate risk. The company, in conjunction with its parent, GENBAND Holdings Company, has in place a risk management programme that seeks to manage the financial exposures of the company.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies are set by the board of directors and are implemented by the company's finance department. The GENBAND group has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Price risk

The company has limited exposure to product price risk as the majority of its revenues are derived from services provided to other GENBAND group companies under the group's transfer pricing structure. The directors will revisit this assessment should the company's operations change.

Credit risk

The company has implemented policies that require appropriate credit checks on third party customers before credit sales are made. To minimise the company's exposure to credit risk associated with financial assets, the company places its cash deposits with high quality credit institutions.

Foreign exchange risk

The company is exposed to foreign exchange risks in the normal course of business. The company's policy on mitigating the effect of foreign currency exposure is to minimise the amount of foreign currency balances outstanding at any time. The company does not engage in any foreign currency hedging.

Liquidity risk

The company is equity financed and has no external debt. The company has sufficient available funds for operations and planned expansions.

Interest rate and cash flow risk

The company does not have any interest bearing assets or liabilities.

DIRECTORS' REPORT - continued

Directors

The directors who held office during the year and since the year end are detailed below. Unless otherwise indicated they served as directors for the full year.

Graham Heath
Zachary Green

Research and development

The company does engage in research and development activities on behalf of the GENBAND group. This activity is mainly directed towards the development of next generation IP Media, high performance gateway solutions, session border, fixed mobile convergence, IMS, video, and mobile or fixed broadband data solutions. Research and development costs are recharged to the GENBAND group in accordance with the group's transfer pricing structure.

Post balance sheet events

There have been no significant events affecting the company since the balance sheet date.

Statement of directors' responsibilities

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

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

In preparing these financial statements, the directors are required to

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

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

Disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Subsidiary undertakings

The company has availed of the exemption under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements deal with the results of the company as a single entity only. The disclosures required under Part 1 and 2 of Schedule 4 to S1 2008/410, in respect of subsidiary undertakings, are provided in note 8 to the financial statements.

DIRECTORS' REPORT - continued

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting



ZACHARY GREEN



GRAHAM HEATH

By order of the Board



Independent auditors' report to the members of GENBAND Telecommunications (UK) Limited

We have audited the financial statements of GENBAND Telecommunications (UK) Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out in the Directors' Report, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

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 31 December 2012 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.

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T +353 (0)91 764620 F +353 (0)91 764621, www.pwc.com/ie*



Independent auditors' report to the members of GENBAND Telecommunications (UK) Limited - continued

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

A handwritten signature in cursive script, appearing to read 'Ann Lavin', written over a horizontal line.

**Ann Lavin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Galway**

6 June 2013

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	2	12,533,508	12,944,272
Cost of sales		<u>(1,007,472)</u>	<u>(973,139)</u>
Gross profit		11,526,036	11,971,133
Administrative expenses		<u>(10,867,266)</u>	<u>(11,084,067)</u>
Profit on ordinary activities before taxation	3	658,770	887,066
Tax on profit on ordinary activities	6	<u>-</u>	<u>(1,087)</u>
Profit for the financial year		<u>658,770</u>	<u>885,979</u>

All amounts above relate to continuing operations.

The company had no recognised gains or losses other than those reflected in the profit and loss account above and, therefore, no separate statement of total recognised gains and losses has been presented.

GENBAND Telecommunications (UK) Limited**BALANCE SHEET**
31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	7	<u>838,896</u>	<u>1,088,762</u>
		<u>838,896</u>	<u>1,088,762</u>
Current assets			
Debtors	9	5,376,232	6,372,522
Cash at bank and in hand		<u>74,544</u>	<u>186,499</u>
		5,450,776	6,559,021
Creditors - amounts falling due within one year	10	<u>(4,931,888)</u>	<u>(6,948,769)</u>
Net current assets/(liabilities)		<u>518,888</u>	<u>(389,748)</u>
Net assets		<u>1,357,784</u>	<u>699,014</u>
Capital and reserves			
Called up share capital	11	100	100
Capital contribution	12	4,564,329	4,564,329
Profit and loss account	13	<u>(3,206,645)</u>	<u>(3,865,415)</u>
Equity shareholders' funds	14	<u>1,357,784</u>	<u>699,014</u>

The financial statements on pages 8 to 17 were approved by the board of directors on 6 June 2013 and signed on its behalf by

**ZACHARY GREEN****GRAHAM HEATH**

GENBAND Telecommunications (UK) Limited
Registered Number: 04992536

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

These financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Historical cost convention

The financial statements are prepared under the historical cost convention.

Estimation techniques

The application of the company's accounting policies may in some instances require the use of judgement and estimation techniques. Any significant estimates or judgements made are disclosed in the relevant note to the financial statements.

Turnover and revenue recognition

Turnover represents amounts derived from the sale of telecommunications equipment, licensing software and post contract support (technical support and software upgrades) supplied to third parties and service revenue charged to affiliated companies. Revenue is recognised when persuasive evidence of an arrangement exists, delivery has occurred, the fees are fixed or determinable and collection is probable. Turnover relating to post contract support is deferred and recognised over the term of the support. All other revenue is recognised on delivery of the software or equipment once all delivery obligations have been satisfied. Revenue for services to affiliated companies is recognised as the services are provided and charged to the affiliate, in accordance with the group's transfer pricing structure.

Deferred revenue and costs

Deferred revenue is reflected within creditors falling due within one year, unless it is not expected to be recognised over the next 12 months.

The company defers costs for all customer sales arrangements in which there is a deferral of revenue recognition. Deferred costs consist of direct and associated costs related to the arrangement, such as the cost of the hardware, installation costs, third party costs and other direct costs associated with the revenue. These costs are only deferred up to the fair value of the products or services being sold and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at historical cost, less accumulated depreciation. Historical cost includes all costs directly related to the acquisition of the asset. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	5 years
Furniture and Office equipment	5 years
Lab and Manufacturing Equipment	5 years
Computer equipment and software	3 years

Assets under construction are not depreciated until they are brought into use.

Foreign currency translation

The financial statements are presented in Sterling denoted by the symbol '£'. Transactions denominated in foreign currencies are translated to Sterling at the exchange rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at rates of exchange ruling at the balance sheet date. All exchange gains and losses are included in the profit and loss account for the year. Monetary assets are monies held and amounts to be received in monies, all other assets are non-monetary assets.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting policies - continued

Taxation

Corporation tax is provided on taxable profits at current rates. Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes. Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted. Deferred tax assets are recognised only to the extent that they are considered to be recoverable in the foreseeable future.

Pensions

The company operates a defined contribution pension scheme which is independently administered. The company's contributions under this scheme are charged to the profit and loss account in the period to which they relate.

Leases

Operating lease rentals are charged to the profit and loss account in the period to which they relate. Operating lease incentives are recognised in the profit and loss account on a straight line basis over the term of the lease.

Financial assets

Financial assets are stated at cost less any provision for impairment.

Consolidation

The financial statements relate to the results of GENBAND Telecommunications (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its intermediate parent, GENBAND Cooperatie U.A., a company incorporated in the Netherlands.

2 Turnover

Turnover comprises the invoiced value of goods and services, exclusive of value added tax. An analysis of turnover by geographical market is as follows:

	2012 £	2011 £
UK	3,053,499	5,329,995
Europe	8,684,275	6,733,462
Other	795,734	880,815
	<u>12,533,508</u>	<u>12,944,272</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Profit on ordinary activities before taxation	2012	2011
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Employee costs (note 4)	8,850,718	8,815,589
Foreign exchange (gain)/loss	(14,869)	(177,693)
Depreciation of tangible fixed assets (note 7)	318,480	442,085
Operating lease rentals - premises	271,222	423,605
Services provided by the company's auditor		
Fees payable for the audit	19,633	19,000
Fees payable for other services	-	-
	<u> </u>	<u> </u>
4 Employees	2012	2011
	Number	Number
Number of employees		
The average monthly number of persons, including executive directors, employed by the company during the year, analysed by activity, was as follows		
Marketing and sales	25	25
Support and operations	68	70
Finance and administration	7	10
	<u>100</u>	<u>105</u>
	2012	2011
	£	£
Employment costs		
Wages and salaries	7,271,805	6,972,929
Severance	319,375	614,511
Social security costs	910,438	759,067
Pension costs	<u>349,100</u>	<u>469,082</u>
	<u>8,850,718</u>	<u>8,815,589</u>
5 Directors' emoluments	2012	2011
	£	£
Aggregate emoluments	<u>75,342</u>	<u>72,615</u>

Contributions amounting to £4,327 (2011 £5,400) were made to a defined contribution pension scheme on behalf of one of the directors of the company

The company has only one director in receipt of emoluments

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Tax on profit on ordinary activities	2012 £	2011 £
Current tax		
UK corporation tax on profit for the year	-	-
Adjustments in respect of prior periods	-	1,087
Total current tax charge	-	1,087
Deferred tax	-	-
Total tax on profit on ordinary activities	-	1,087

The current tax charge for the year differs for the charge which would result from applying the standard rate of corporation tax in the UK of 24.5% (2011 26.5%) to the profit for the year. The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before tax	658,770	887,066
Profit on ordinary activities multiplied by standard rate in the UK 24.5% (2011 26.5%)	161,399	235,072
Effects of:		
Expenses not deductible for tax purposes	19,223	16,666
Difference between capital allowances and depreciation	12,390	45,238
Other timing differences	(5,616)	3,564
Tax losses utilised	(187,396)	(300,540)
Adjustments in respect of prior period	-	1,087
Total current tax charge	-	1,087

A deferred tax asset has not been recognised in respect of timing differences relating to fixed assets and unused tax losses as the directors consider that there is presently insufficient evidence to support the recognition of a deferred tax asset. The amount of the asset not recognised is £661,294 (2011 £904,375).

Factors affecting current and future tax charges

A reduction in the UK main corporation tax rate to 23% was substantially enacted on 3 July 2012 and is effective from 1 April 2013. The deferred tax provision has been re-measured at this rate.

Further reductions to the UK corporation tax were announced in the March 2012 budget. The change, which is expected to be enacted later this year, proposes to reduce the rate by 1% to 22% by April 2014. This change has not been substantively enacted at the balance sheet date and, therefore, is not recognised in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Tangible assets	Computer Equipment & Software £	Furniture & Office Equipment £	Lab & Manufacturing Equipment £	Leasehold Improvements £	Total £
Cost					
At 1 January 2012	504,398	146,016	324,736	1,065,992	2,041,142
Additions	<u>5,413</u>	<u>18,566</u>	<u>0</u>	<u>44,635</u>	<u>68,614</u>
At 31 December 2012	<u>509,811</u>	<u>164,582</u>	<u>324,736</u>	<u>1,110,627</u>	<u>2,109,756</u>
Accumulated depreciation					
At 1 January 2012	380,961	114,027	199,750	257,642	952,380
Charge for the year	<u>76,112</u>	<u>13,025</u>	<u>32,384</u>	<u>196,959</u>	<u>318,480</u>
At 31 December 2012	<u>457,073</u>	<u>127,052</u>	<u>232,134</u>	<u>454,601</u>	<u>1,270,860</u>
Net book amount					
At 31 December 2012	<u>52,738</u>	<u>37,530</u>	<u>92,602</u>	<u>656,026</u>	<u>838,896</u>
At 31 December 2011	<u>123,437</u>	<u>31,989</u>	<u>124,986</u>	<u>808,350</u>	<u>1,088,762</u>

8 Financial assets

The company is the immediate parent of GENBAND UK Limited, all of whose shares were transferred to GENBAND Telecommunications (UK) Limited by a fellow GENBAND company as part of a group restructure during 2010. The shares were transferred for nil consideration and thus there is no amount reflected on the balance sheet for this financial asset.

Details of the company's subsidiary are as follows

Name	Place of Incorporation	Registered Office	Interest in ordinary shares
GENBAND UK Limited	UK	Bray House 4 Maidenhead Office Park Maidenhead Berkshire S16 3QH	100%

GENBAND UK Limited ceased trading in 2011

9 Debtors	2012 £	2011 £
Amounts owed by group undertakings	3,976,549	3,339,027
Trade debtors	738,187	1,793,565
Corporation tax	-	913
Prepayments, other debtors and accrued income	494,842	951,079
Deferred costs	<u>166,654</u>	<u>287,938</u>
	<u>5,376,232</u>	<u>6,372,522</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Creditors - amounts falling due within one year	2012	2011
	£	£
Trade creditors	33,709	97,635
Amounts owed to group undertakings	3,061,108	5,185,499
Taxation and social security	68,694	29,117
Deferred revenue	656,994	280,253
Value added tax	70,346	257,757
Accruals and other creditors	<u>1,041,037</u>	<u>1,098,508</u>
	<u>4,931,888</u>	<u>6,948,769</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

11 Share capital	2012	2011
	£	£
Authorised		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

12 Capital Contribution	2012	2011
	£	£
Capital Contribution	<u>4,564,329</u>	<u>4,564,329</u>

The capital contribution comprises of the forgiveness of an intercompany balance due to Next Point Inc , a GENBAND group company, by way of a capital contribution in 2010. This contribution did not confer any rights, to the share capital of GENBAND Telecommunications (UK) Limited, on Next Point Inc.

13 Reserves	Profit and loss account	Total
	£	£
At 1 January 2012	(3,865,415)	(3,865,415)
Profit for the year	<u>658,770</u>	<u>658,770</u>
At 31 December 2012	<u>(3,206,645)</u>	<u>(3,206,645)</u>

14 Reconciliation of movements in equity shareholders' funds	2012	2011
	Total	Total
	£	£
Profit for the year	<u>658,770</u>	<u>885,979</u>
Net increase in shareholders' funds	658,770	885,979
Opening shareholders' funds/(deficit)	<u>699,014</u>	<u>(186,965)</u>
Closing shareholders' funds	<u>1,357,784</u>	<u>699,014</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Financial commitments

The company had no capital commitments at the balance sheet date.

At 31 December 2012, the company had annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings	
	2012	2011
	£	£
After 5 years	<u>261,184</u>	<u>261,668</u>

16 Pension

The pension entitlements of employees, including certain directors, arise under a defined contribution pension scheme and are secured by contributions by the company to a separately administered pension fund. The cost to the company for the year was £349,100 (2011 £469,082)

17 Share based payments

Some employees of the company were granted share options by the former US parent of the group, GENBAND Inc (the 1999 Stock Option Plan). When the group was reorganised in 2010, this stock option plan was not transferred to GENBAND Holdings Company. Participants in the plan were notified that all outstanding awards under the plan would remain in effect with their original terms and would be settled in shares of Genband Inc common stock and not in shares of GENBAND Holdings Company. The options granted to the employees of GENBAND Telecommunications (UK) limited were granted on 23 May 2009 and vest over 4 years. The exercise price was \$1.05 and the options expire 10 years from the grant date. 60,000 options were granted to employees of the UK company under this plan, of which 3,126 had not yet vested as at 31 December 2012 (2011 21,251). The fair value of the options granted in 2009, as measured using the Black-Scholes option pricing model, was US\$0.03.

18 Related party transactions

The company has availed of the exemption contained in FRS 8 "Related Party Disclosures" in respect of subsidiary undertakings, 100% of whose voting rights are controlled within a group. Consequently, the financial statements do not contain disclosure of transactions with entities 100% owned in the GENBAND Holdings Company group.

19 Ultimate parent undertaking

The immediate parent undertaking is GENBAND Holdings BV, a company incorporated in the Netherlands.

The ultimate parent undertaking controlling party is GENBAND Holdings Company, a company incorporated in the Cayman Islands.

The smallest group to consolidate the financial statements of GENBAND Telecommunications (UK) Limited is that headed by GENBAND Cooperatie U.A., a company incorporated in the Netherlands. These consolidated financial statements are available from Strawinskylaan 1135WTC Tower 11e, 1077 Amsterdam, Netherlands. The largest group to consolidate the financial statements of GENBAND Telecommunications (UK) Limited is that headed by GENBAND Holdings Company.

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Cash flow statement

The company has availed of the exemption contained in FRS1 "Cash Flow Statements" (revised), which permits qualifying subsidiaries of a parent undertaking, which itself publishes consolidated financial statements which include the subsidiary, not to present a cash flow statement