

GENBAND Telecommunications (UK) Limited

Annual Report

Year Ended 31 December 2015

Registered number: 04992536



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DIRECTORS AND OTHER INFORMATION

Board of Directors

Graham Heath
Jody Bishop

Solicitors

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

Secretary

Abogado Nominees Limited

Bankers

JP Morgan Chase Bank
125 London Wall
London
EC2Y 5AJ
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Registered Office

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

Registered number: 04992536

Statutory Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Harris House
IDA Small Business Centre
Tuam Road
Galway
Ireland

STRATEGIC REPORT

Strategic Report for the year ended 31 December 2015

The directors present their strategic report on the company for the year ended 31 December 2015.

Review of the Business

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 to customers in the UK.

The results of the company for the year, as set out on page 10, show a profit after tax of £4,158,272 (2014: £1,014,895). The directors consider the results for the year to be satisfactory.

The directors monitor the progress of the company by reference to the following KPIs:

	2015	2014
Operating Profit Margin	5.6%	5.7%
Current Ratio	4.4:1	1.9:1

GENBAND is a global leader in real time communications software solutions for service providers, enterprises, independent software vendors, systems integrators and developers in over 80 countries. Its market-leading Network Modernization, Unified Communications, Mobility and Embedded Communications solutions enable customers to quickly capitalize on growing market segments and introduce differentiating products, applications and services.

The process of risk management is addressed through a framework of policies, procedures and internal controls. The company's financial risk management programme is outlined in the Directors' Report on page 4.

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

By order of the Board



Graham Heath
Director

DIRECTORS' REPORT

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

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 to customers in the UK. The GENBAND group is a global leader in real time communications software solutions for service providers, enterprises, independent software vendors, systems integrators and developers in over 80 countries.

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 10. The company's profit for the financial year was £4,158,272 (2014: £1,014,895). The directors do not recommend payment of a dividend (2014: Nil). The increase in profit year on year was due to a dividend of £3.5m received during the year from the company's subsidiary.

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 other financial risks 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. The company has no exposure to equity securities price risk.

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 any 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. The majority of the company's transactions are denominated in Sterling.

Liquidity risk

The company is equity financed and has no external debt. All funds are swept into a group bank account with sufficient funds being made available to the company for operations and planned expansions.

Interest rate and cash flow risk

The company's only interest income and charges arise on intercompany balances.

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 – resigned 31 July 2015

Justin Ferguson – appointed 31 July 2015, resigned 31 December 2015

Jody Bishop – appointed 31 December 2015

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 strategic report, 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

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 United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

DIRECTORS' REPORT - continued

Political donations

The company did not make any political donations in either year.

Subsidiary undertakings

The company has availed of the exemption under Section 401 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 12 to the financial statements.

By order of the Board

A handwritten signature in black ink, appearing to read 'Graham Heath', is written over a horizontal line.

Graham Heath
Director



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

Report on the financial statements

Our opinion

In our opinion, GENBAND Telecommunications (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.
-

What we have audited

GENBAND Telecommunications (UK) Limited's financial statements comprise:

- the Balance Sheet as at 31 December 2015;
- the Profit and Loss Account for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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Chartered Accountants



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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities on page 5, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.



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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

A handwritten signature in black ink, 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**

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2015

	Notes	2015 £	2014 £
Turnover	5	12,648,763	13,600,195
Cost of sales		<u>(427,880)</u>	<u>(908,582)</u>
Gross profit		12,220,883	12,691,613
Administrative expenses		<u>(11,512,542)</u>	<u>(11,910,743)</u>
Operating profit	6	708,341	780,870
Income from shares in group undertakings	12	<u>3,553,376</u>	<u>-</u>
Profit on ordinary activities before interest and taxation		4,261,717	780,870
Interest receivable and similar income	7	72,959	-
Interest payable and similar charges	7	<u>-</u>	<u>(34,684)</u>
Profit on ordinary activities before taxation		4,334,676	746,186
Tax on profit on ordinary activities	10	<u>(176,404)</u>	<u>268,709</u>
Profit for the financial year		<u>4,158,272</u>	<u>1,014,895</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 comprehensive income has been presented.

BALANCE SHEET
As at 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible assets	11	550,750	901,287
		<u>550,750</u>	<u>901,287</u>
Current assets			
Debtors	13	8,543,959	4,502,220
		<u>8,543,959</u>	<u>4,502,220</u>
Creditors - amounts falling due within one year	14	(1,944,204)	(2,411,274)
Net current assets		<u>6,599,755</u>	<u>2,090,946</u>
Net assets		<u>7,150,505</u>	<u>2,992,233</u>
Capital and reserves			
Called up share capital	15	100	100
Capital contribution	16	4,564,329	4,564,329
Retained earnings		<u>2,586,076</u>	<u>(1,572,196)</u>
Total equity		<u>7,150,505</u>	<u>2,992,233</u>

The notes on pages 13 to 27 are an integral part of these financial statements.

The financial statements on pages 10 to 27 were authorised for issue by the board of directors on 17 JUNE 2016 and signed on its behalf by:


Graham Heath
Director

GENBAND Telecommunications (UK) Limited
Registered Number: 04992536

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

	Called up share capital £	Capital contribution £	Retained earnings £	Total £
Balance as at 1 January 2014	<u>100</u>	<u>4,564,329</u>	<u>(2,587,091)</u>	<u>1,977,338</u>
Profit for the financial year	-	-	1,014,895	1,014,895
Other comprehensive income for the financial year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial year	<u>-</u>	<u>-</u>	<u>1,014,895</u>	<u>1,014,895</u>
Balance as at 31 December 2014	<u>100</u>	<u>4,564,329</u>	<u>(1,572,196)</u>	<u>2,992,233</u>
Balance as at 1 January 2015	<u>100</u>	<u>4,564,329</u>	<u>(1,572,196)</u>	<u>2,992,233</u>
Profit for the financial year	-	-	4,158,272	4,158,272
Other comprehensive income for the financial year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial year	<u>-</u>	<u>-</u>	<u>4,158,272</u>	<u>4,158,272</u>
Balance as at 31 December 2015	<u>100</u>	<u>4,564,329</u>	<u>2,586,076</u>	<u>7,150,505</u>

NOTES TO THE FINANCIAL STATEMENTS

1 General information

GENBAND Telecommunications (UK) Limited sells real time communications software solutions to service providers, enterprises, independent software vendors, systems integrators and developers.

GENBAND Telecommunications (UK) is incorporated as a company limited by shares and is incorporated and domiciled in England. The address of its registered office is Bray House, 4 Maidenhead Office Park, Maidenhead, Berkshire S16 3QH, England.

The immediate parent undertaking of GENBAND Telecommunications (UK) Limited is GENBAND Holdings BV, a company incorporated in the Netherlands. The ultimate parent undertaking and 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 Holdings Company. The largest group into which the results of GENBAND Telecommunications (UK) Limited are consolidated is that headed by JP Morgan Chase. These consolidated financial statements are available at 270 Park Avenue, New York, USA.

GENBAND Telecommunications (UK) Limited had a subsidiary, of which it owned 100% of the equity share capital. This subsidiary was dissolved on 2 February 2016. As GENBAND Telecommunications (UK) Limited is included in the consolidated accounts of JP Morgan Chase it is exempt, by virtue of Section 401 of the Companies Act 2006, from the requirement to prepare group financial statements.

These financial statements are the company's separate financial statements.

2 Statement of compliance

The individual financial statements of GENBAND Telecommunications (UK) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 22.

(a) Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There are no areas of the company's financial statements involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Going concern

The company meets its day-to-day working capital requirements through cash generated from operations. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will generate sufficient cash flows from its operations. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore these entity financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(c) Disclosure exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company is a qualifying entity and has taken advantage of the following disclosure exemptions for qualifying entities:

- (i) Exemption from the requirements of Section 7 of FRS 102 and FRS 102 paragraph 3.17(d) to present a statement of cash flows; and
- (ii) Exemption from the requirement of FRS 102 paragraph 33.7 to disclose key management personnel compensation in total.

(d) Foreign currency translation

(i) *Functional and presentation currency*

The company's functional and presentation currency is Sterling, denominated by the symbol "£".

(ii) *Transactions and balances*

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

At the end of each financial year foreign currency monetary items are translated to Sterling using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable and similar income' or 'interest payable and similar charges' as appropriate. All other foreign exchange gains and losses are presented in the profit and loss account within 'administrative expenses'.

(e) Turnover and revenue recognition

(i) *Turnover*

The company derives revenue from the sales of telecommunications hardware and software products, complex customised solutions, and services including post contract support, maintenance, installation and training that are generally sold pursuant to a contract, and the terms of the contract taken as a whole determine the appropriate revenue recognition model to be applied. Product revenue includes revenue from arrangements that include services such as installation and engineering where the services could not be separated from the arrangement because the services are essential or fair value could not be established under the software revenue recognition guidance. In addition, product revenue includes all amounts billed to customers related to shipping and handling with the related expense as a cost of sale. Where services are not bundled with product sales, service revenue is accounted for separately.

The company makes judgments and estimates to determine revenue to be recognised in any accounting period. Material differences may result in the amount and timing of revenue for any period if the company makes different judgements or utilises different estimates. These estimates affect deferred and recognised revenue in the company's financial statements. The company recognises revenue using the following criteria:

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(e) Turnover and revenue recognition

(i) Turnover - continued

Persuasive evidence of an arrangement. The company considers a non-cancellable executed agreement (such as a customer purchase order, contract, etc) or, a group of closely-related agreements signed by all parties involved, to be persuasive evidence of an arrangement.

Delivery has occurred. The company generally considers delivery to have occurred when title to and the risk of loss of the products has passed to the customer and no post-delivery obligations exist, except for support. In instances where there are post-delivery obligations, delivery is deemed to occur when the customer specifications have been met with customer acceptance or delivery of the additional elements has occurred. For arrangements where the criteria for revenue recognition have not been met because legal title or risk of loss on products does not transfer to the customer until final payment has been received or where delivery has not occurred, revenue is deferred to a later period when the outstanding criteria has been met.

Fees are fixed and determinable. The company assesses whether fees are fixed and determinable at the time of sale. The company considers the fee to be fixed or determinable if the fees are due within the company standard payment terms and the fees are not subject to refund or adjustment. If the arrangement fees are not fixed or determinable, including arrangements with extended payment terms, revenue is recognised as cash is collected.

Collection is probable. The company evaluates credit worthiness for all customers with significant transactions at the time of the transaction. Collection is deemed probable if the company expects that the customer will be able to pay amounts under the arrangement as payments become due. If the company determines that collection is not probable, revenue is deferred and recognised upon cash collection.

Depending on the terms of the contract and types of products and services sold, the company recognises revenue following the guidance for construction-type and production-type contracts, multiple-element arrangements, and software revenue recognition in addition to the general revenue recognition guidance. Revenues are reduced for returns, allowances, discounts and other offerings in accordance with the agreement terms.

For deliveries related to specialised network solutions designed and built to customer specific requirements, revenues are generally recognised using the percentage-of-completion method based on the ratio of actual costs incurred to date to the estimated total costs expected to be incurred. Profit estimates on these contracts are revised periodically based on changes in circumstances and any losses on contracts are recognised in the period that such losses become known. In circumstances where reasonably dependable cost estimates cannot be made for a specialised network solution or build-out, all revenues and related costs are deferred until completion of the solution or deliverable (completed contract method). Generally, the terms of the customer contracts provide for progress billings based on completion of certain phases of work. Unbilled contract revenues recognised are included in accounts receivable, net. Billings in excess of revenues recognised to date on these contracts are recorded within deferred revenue until recognised. This classification also applies to billings in advance of revenue recognised on combined units of accounting.

For sales of software and software related services, the company generally uses the residual method to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered items equals the total value of the software deliverables less the fair value of the undelivered items. For software arrangements where fair value does not exist for any undelivered item, revenue is not recognised until the earlier of (i) delivery of such item or (ii) when fair value of the undelivered item is established, unless the undelivered item is a service, in which case the revenue is recognised as the service is performed under the cumulative catch-up method once the service is the only undelivered item.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(e) Turnover and revenue recognition

(i) Turnover - continued

Service elements are generally recognised according to the proportional performance method. The proportional performance is used when the provision of services extends beyond an accounting period with more than one performance act, and permits the recognition of revenue ratably over the service period and no other pattern of performance is discernible. The nature of the service contract is reviewed to determine which revenue recognition method best reflects the nature of the services performed. Provided all other revenue recognition criteria have been met, the revenue recognition method selected reflects the pattern in which the obligations to the customers have been fulfilled.

Accounting for multiple deliverable arrangements

The Company follows the accounting guidance under US GAAP for multiple deliverable arrangements. This guidance is consistent with the requirements of UK GAAP. The company separates deliverables into more than one unit of accounting if the delivered item(s) have value to the customer on a stand-alone basis and delivery of the undelivered item(s) is probable and substantially in the company's control. The company determines the selling price for each deliverable based upon the selling price hierarchy for multiple-deliverable arrangements. Under this hierarchy, the selling price for each deliverable is determined using VSOE (vendor specific objective evidence) of selling price if it exists; otherwise the selling price is determined based on TPE (third-party evidence) of selling price. If neither VSOE nor TPE of selling price exist, the company uses BESP (best estimate of selling price) for that deliverable. VSOE is established when the item is sold separately on a stand-alone basis or based on the contractual renewal provision.

The company has VSOE for some but not all offerings. The company has been unable to establish TPE of selling price because there are relatively few observable competitor transactions, which along with the varying levels of customisation of products make it difficult to compare to competitors products and services. In determining BESP, the company considers market conditions as well as entity-specific factors which include the impact on pricing based on geography, the pricing and profit objectives by customer class and region, consideration of customisation needed, expected technological life and probability of selling the product/service on a stand-alone basis.

For arrangements without significant customisation, and hardware and software components together provide the product's essential functionality, the company only recognises revenue allocated to delivered items that are not contingent on the future delivery of products, services or other performance obligations. Once the company allocates revenue to each deliverable, the company recognises revenue in accordance with its recognition policy outlined above.

(ii) Other income

GENBAND Telecommunications (UK) Limited also earns interest income and dividend income which are accounted for as set out below;

- *Interest income*
Interest income is recognised using the effective interest rate method. Interest income is presented as 'interest receivable and similar income' in the profit and loss account.
- *Dividend income*
Dividend income is recognised when the right to receive payment is established. Dividend income is presented as 'income from shares in group undertakings' in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(f) Deferred revenue and costs

Deferred revenue consists of PCS services revenue that is deferred and recognised over the support term and revenue transactions that have outstanding deliverables, or collectability issues. 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.

(g) Employee benefits

The company provides a range of benefits to employees, including short term employee benefits such as annual bonus arrangements and paid holiday arrangements and post-employment benefits, in the form of a defined contribution pension plan.

(i) Short term employee benefits

Short term employee benefits, including paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service. The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(ii) Defined contribution pension plan

The company operates a defined contribution plan for certain employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the company in independently administered funds. The contributions to the defined contribution plan are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

(h) Taxation

The taxation expense for the financial year comprises current and deferred tax recognised in the financial year. The income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. A current tax liability is recognised where appropriate and measured on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(h) Taxation

(ii) *Deferred tax*

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial year end and that are expected to apply to the reversal of the timing difference.

(i) **Tangible fixed assets**

Tangible fixed assets are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

(i) *Leasehold improvements*

Leasehold improvements are carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Furniture and office equipment, computer equipment and software*

Furniture and office equipment and computer equipment and software are carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Lab and manufacturing equipment*

Lab and manufacturing equipment, is carried at cost less accumulated depreciation and accumulated impairment losses.

(iv) *Depreciation and residual values*

Depreciation on assets is calculated, using the straight-line method over their estimated useful lives, as follows:

Leasehold improvements	5 years
Furniture and office equipment	5 years
Computer equipment and software	3 years
Lab and manufacturing equipment	2 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

(v) *Subsequent additions and major components*

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

The carrying amount of any replaced component is derecognised. Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives

Repairs, maintenance and minor inspection costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(i) Tangible fixed assets - continued

(vi) Derecognition

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(j) Investments in subsidiaries

Investments in subsidiary undertakings are carried at historical cost less accumulated impairment losses.

(k) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(ii) Lease incentives

Incentives received to enter into an operating lease are recognised as a reduction of the operating lease expense on a straight-line basis over the period of the lease.

(l) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(m) Cash and cash equivalents

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

(n) Financial instruments

The company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and cash equivalents and amounts due from group undertakings are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows for the asset expire or are settled, or subsequently all of risks and rewards of the asset are transferred to another party or, control of the asset has been transferred to another party.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest.

Trade and other payables are subsequently carried at amortised cost, using the effective interest method.

Trade payables are obligations to pay for goods or services that have been required in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due in one year or less.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, corrected or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(o) Share capital

Ordinary shares are classified as equity. Equity shares issued are recognised at the proceeds received. Incremental costs directly attributable to the issue of new equity shares are shown in equity as a deduction, net of tax, from the proceeds.

(p) Distributions to equity shareholders

Dividends and other distributions to company's equity shareholders are recognised as a liability in the financial statements in the financial year in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

4 Critical accounting judgements and estimation uncertainty

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

(a) Critical judgement in applying the entity's accounting policies

The company has not used any critical judgement, apart from those involving estimates, in applying the entity's accounting policies.

(b) Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions made in preparing these financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 Turnover

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

	2015 £	2014 £
UK	3,345,280	4,043,857
Europe	9,303,483	9,556,338
	<u>12,648,763</u>	<u>13,600,195</u>
Analysis of turnover by category:		
Intercompany services	9,303,483	9,556,338
Provision of IP solutions	3,345,280	4,043,857
	<u>12,648,763</u>	<u>13,600,195</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Operating profit	2015 £	2014 £
Operating profit is stated after charging:		
Staff costs (note 8)	8,854,979	9,600,650
Foreign exchange losses	3,195	295
Depreciation of tangible fixed assets (note 11)	412,399	372,127
Operating lease charges	252,840	235,818
Severance costs	69,920	7,152
Audit fees payable to the company's auditor	22,100	26,029
Fees payable for other services to the company's auditor	-	-
	<u> </u>	<u> </u>
7 Net interest income/expense	2015 £	2014 £
(a) Interest receivable and similar income		
Intercompany interest receivable	72,959	-
	<u> </u>	<u> </u>
(b) Interest payable and similar charges		
Intercompany interest payable	-	(34,684)
	<u> </u>	<u> </u>
8 Employees and directors	2015 Number	2014 Number
Employees		
The average monthly number of persons, including executive directors, employed by the company during the year, analysed by activity, was as follows:		
Selling and distribution	30	26
Support and operations	54	59
Administration	10	9
	<u>94</u>	<u>94</u>
	2015 £	2014 £
Staff costs		
Wages and salaries	7,676,446	8,236,416
Social security costs	830,961	1,022,611
Pension costs (note 18)	347,572	341,623
Staff costs	<u>8,854,979</u>	<u>9,600,650</u>
9 Directors' emoluments and highest paid director	2015 £	2014 £
Aggregate emoluments	<u>78,958</u>	<u>81,194</u>

Contributions amounting to £4,488 (2014: £4,488) 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

10 Income Tax	2015	2014
	£	£
(a) Tax expense included in profit or loss		
Current Tax:		
UK corporation tax on profit for the year	-	-
Total current tax	-	-
Deferred tax:		
Deferred tax (charge)/credit for the financial year (note 13)	(176,404)	268,709
Total deferred tax	(176,404)	268,709
Tax (charge)/credit on profit on ordinary activities	(176,404)	268,709

(b) Reconciliation of tax charge

The current tax charge for the year differs from the charge which would result from applying the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%) to the profit for the year. The differences are explained below:

	2015	2014
	£	£
Profit on ordinary activities before tax	4,334,676	746,186
Tax on profit at standard UK tax rate of 20.25% (2014: 21.49%)	877,772	160,355
Effects of:		
Expenses not deductible for tax purposes	19,839	19,464
Re-measurement of deferred tax – change in UK tax rate	(2,169)	(12,467)
Adjustment to deferred tax in respect of prior years	521	-
Recognition of previously unrecognised deferred tax asset	-	(436,061)
Non taxable income	(719,559)	-
Tax charge for the year	176,404	(268,709)

(c) Tax rate changes

The tax rate for the current period is lower than the prior period due to changes in the UK corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Further reductions to the UK corporation rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015. These reduce the main rate to 19% from 1 April 2017 and 18% from 1 April 2020. The deferred tax asset and liabilities reflect these rates.

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Tangible assets	Computer equipment and software £	Furniture and office equipment £	Lab and manufacturing equipment £	Leasehold Improvements £	Total £
At 31 December 2014					
Cost	622,304	182,133	869,427	1,175,627	2,849,491
Accumulated depreciation and impairment	(538,392)	(151,931)	(383,711)	(874,170)	(1,948,204)
Net book amount	83,912	30,202	485,716	301,457	901,287
Year ended 31 December 2015					
Opening net book amount	83,912	30,202	485,716	301,457	901,287
Additions	5,806	14,689	39,258	2,109	61,862
Depreciation	(38,828)	(16,280)	(142,695)	(214,596)	(412,399)
Closing net book amount	50,890	28,611	382,279	88,970	550,750
At 31 December 2015					
Cost	628,110	196,822	908,685	1,177,736	2,911,353
Accumulated depreciation and impairment	(577,220)	(168,211)	(526,406)	(1,088,766)	(2,360,603)
Net book amount	50,890	28,611	382,279	88,970	550,750

12 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 was no amount reflected on the balance sheet for this financial asset.

Details of the company's subsidiary were 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 and the company was dissolved on 2 February 2016. During 2015 GENBAND Telecommunications (UK) Limited received a dividend of £3,553,376 by way of a reassignment of an intercompany receivable balance from GENBAND UK Limited to GENBAND Telecommunications(UK) Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Debtors	2015	2014
	£	£
Amounts owed by group undertakings	7,130,035	2,523,428
Trade debtors	645,619	462,599
Prepayments, other debtors and accrued income	651,027	1,209,274
Deferred tax asset (a)	92,305	268,709
Deferred costs	24,973	38,210
	<u>8,543,959</u>	<u>4,502,220</u>

Amounts owed by group undertakings are unsecured, interest bearing, have no fixed date of repayment and are repayable on demand.

(a) Deferred tax asset	2015	2014
	£	£
Balance at 1 January	268,709	-
(Charge)/credit to profit and loss account	(176,404)	268,709
Balance at 31 December	<u>92,305</u>	<u>268,709</u>

The deferred tax asset is comprised as follows:

	2015	2014
	£	£
Timing differences on assets and liabilities	53,971	15,185
Unused tax losses	38,334	253,524
Balance at 31 December	<u>92,305</u>	<u>268,709</u>

The entirety of the deferred tax asset of €92,305 is expected to reverse in 2016.

14 Creditors - amounts falling due within one year	2015	2014
	£	£
Trade creditors	292,714	332,172
Other taxation and social security	380,500	411,723
Deferred income	96,389	9,383
Value added tax	8,477	243,795
Accruals and other creditors	1,166,124	1,414,201
	<u>1,944,204</u>	<u>2,411,274</u>

15 Share capital	2015	2014
	£	£
Authorised		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

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

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Capital Contribution	2015 £	2014 £
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.

17 Financial commitments

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

At 31 December 2015, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015 £	2014 £
Payments due:		
Not later than one year	176,952	241,680
Later than one year and not later than five years	1,135,439	979,440
Later than five years	-	152,640
	<u>1,312,391</u>	<u>1,373,760</u>

The company had no other off-balance sheet arrangements.

18 Pension obligations

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 £347,572 (2014: £341,623) of which £57,508 (2014: £49,703) was outstanding at the end of the year.

19 Related party transactions

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the GENBAND Holdings Company Group.

20 Controlling parties

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

The ultimate parent undertaking and 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 Holdings Company. The largest group into which the results of GENBAND Telecommunications (UK) Limited are consolidated is that headed by JP Morgan Chase. These consolidated financial statements are available from 270 Park Avenue, New York, New York 10017 USA.

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Events after the end of the reporting period

There have been no significant events affecting the company since the year end.

22 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. There were no changes in accounting policies which result in a remeasurement of the profit for the financial year ended 31 December 2014 and there is no difference between the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.