

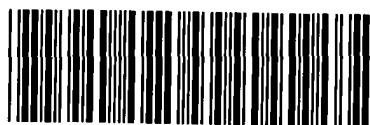
GENBAND Telecommunications (UK) Limited

Annual Report

Year Ended 31 December 2016

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
England

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 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

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 9, show a profit after tax of £621,035 (2015: £4,158,272). 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:


	2016	2015
Operating Profit Margin	5.6%	5.6%
Current Ratio	4.5:1	4.4:1

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 2016

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

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 9. The company's profit for the financial year was £621,035 (2015: £4,158,272). The directors do not recommend payment of a dividend (2015: Nil). The decrease in profit year on year was due to a dividend of £3.5m received in the prior year from a subsidiary undertaking, which was dissolved at the start of 2016.

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's directors oversee the pricing of the company's products and services in the market. The majority of the company's 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. The company itself does not hold any cash/bank deposits as all bank accounts are swept daily to the company's parent.

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
Jody Bishop

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; 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

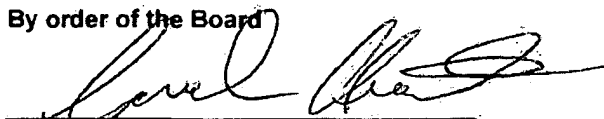
Political donations

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

Independent auditors

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

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

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 2016 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.

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2016;
- 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 United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

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.



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

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

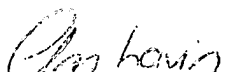
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.


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

26 June 2017

GENBAND Telecommunications (UK) Limited

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2016

	Notes	2016 £	2015 £
Turnover	5	12,014,727	12,648,763
Cost of sales		(453,928)	(427,880)
Gross profit		<u>11,560,799</u>	<u>12,220,883</u>
Administrative expenses		(10,892,480)	(11,512,542)
Operating profit	6	668,319	708,341
Income from shares in group undertakings		-	3,553,376
Profit on ordinary activities before interest and taxation		668,319	4,261,717
Interest receivable and similar income	7	<u>150,379</u>	<u>72,959</u>
Profit on ordinary activities before taxation		818,698	4,334,676
Tax on profit on ordinary activities	10	(197,663)	(176,404)
Profit for the financial year		<u>621,035</u>	<u>4,158,272</u>

All amounts above relate to continuing operations.

The company had no other comprehensive income in either year and, therefore, no separate statement of comprehensive income has been presented.

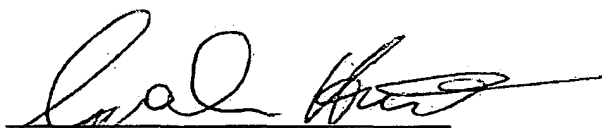
GENBAND Telecommunications (UK) Limited

BALANCE SHEET
As at 31 December 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	11	364,238	550,750
		<u>364,238</u>	<u>550,750</u>
Current assets			
Debtors	12	9,548,332	8,543,959
		<u>9,548,332</u>	<u>8,543,959</u>
Creditors - amounts falling due within one year	13	<u>(2,141,030)</u>	<u>(1,944,204)</u>
Net current assets		<u>7,407,302</u>	<u>6,599,755</u>
Net assets		<u>7,771,540</u>	<u>7,150,505</u>
Capital and reserves			
Called up share capital	14	100	100
Capital contribution	15	4,564,329	4,564,329
Retained earnings		<u>3,207,111</u>	<u>2,586,076</u>
Total equity		<u>7,771,540</u>	<u>7,150,505</u>

The notes on pages 12 to 25 are an integral part of these financial statements.

The financial statements on pages 9 to 25 were authorised for issue by the board of directors on 6/6/17 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 2016

	Called up share capital €	Capital contribution €	Retained earnings €	Total €
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>
Balance as at 1 January 2016	<u>100</u>	<u>4,564,329</u>	<u>2,586,076</u>	<u>7,150,505</u>
Profit for the financial year	-	-	621,035	621,035
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>621,035</u>	<u>621,035</u>
Balance as at 31 December 2016	<u>100</u>	<u>4,564,329</u>	<u>3,207,111</u>	<u>7,771,540</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.

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

2 Statement of compliance

The entity's financial statements have been prepared on a going concern basis and in accordance 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 used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The entity's 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 key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors 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 its bank facilities and 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

(i) Functional and presentation currency

The company's functional and presentation currency is Sterling, denominated by the symbol "£", and unless otherwise stated, the financial statements have been presented in £.

(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.

(e) 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, with software related 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 component of cost of revenue.

The company makes significant 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 uses the following assumptions and estimates:

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(e) Turnover and revenue recognition - continued

(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 have 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.

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 BEBP (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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(e) Turnover and revenue recognition - continued

(i) Turnover - continued

The company has VSOE for some but not all offerings. In cases where VSOE does not exist 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 and the use of third parties, among other factors.

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.

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.

Deferred revenue and costs

Deferred revenue consists of Post-Contract Customer Support (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.

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(e) Turnover and revenue recognition - continued

(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.

(f) 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.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the company before normal retirement age or whenever an employee accepts voluntary redundancy in exchange for those benefits. The company recognises termination benefits when it has a constructive or legal obligation and can no longer withdraw the offer of those benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(g) Income tax

Income tax 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(g) Income tax - continued

(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.

(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 and that are expected to apply to the reversal of the timing difference.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(h) Tangible fixed assets - continued

(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.

(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.

(i) 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.

(j) 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

(k) Cash and cash equivalents

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

(l) 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 supplies. 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

(m) 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.

(n) Distributions to equity shareholders

Dividends and other distributions to the 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:

	2016 £	2015 £
UK	4,159,499	3,345,280
Europe	7,855,228	9,303,483
	<u>12,014,727</u>	<u>12,648,763</u>

Analysis of turnover by category:

Intercompany services	7,855,228	9,303,483
Provision of IP solutions	4,159,499	3,345,280
	<u>12,014,727</u>	<u>12,648,763</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Operating profit	2016 £	2015 £
Operating profit is stated after charging:		
Staff costs (note 8)	7,999,596	8,854,979
Foreign exchange losses	408,700	3,195
Depreciation of tangible fixed assets (note 11)	258,010	412,399
Operating lease charges	219,541	252,840
Severance costs	71,205	69,920
Audit fees payable to the company's auditor	28,946	22,100
Fees payable for other services to the company's auditor	-	-
Inventory recognised as an expense	592,864	252,222
Research and development expenditure	426,040	421,053
	<u> </u>	<u> </u>
7 Net interest income/expense	2016 £	2015 £
(a) Interest receivable and similar income		
Intercompany interest receivable	150,379	72,959
	<u> </u>	<u> </u>
(b) Interest payable and similar charges		
Intercompany interest payable	-	-
	<u> </u>	<u> </u>
8 Employees and directors	2016 Number	2015 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	28	30
Support and operations	53	54
Administration	8	10
	<u>89</u>	<u>94</u>
	2016 £	2015 £
Staff costs		
Wages and salaries	6,840,971	7,676,446
Social security costs	824,020	830,961
Pension costs (note 17)	334,605	347,572
Staff costs	<u>7,999,596</u>	<u>8,854,979</u>
9 Directors' emoluments and highest paid director	2016 £	2015 £
Aggregate emoluments	<u>80,027</u>	<u>78,958</u>

Contributions amounting to £4,488 (2015: £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	2016 £	2015 £
(a) Tax expense included in profit or loss		
Current Tax:		
UK corporation tax charge on profit for the year	166,221	-
Total current tax	<u>166,221</u>	<u>-</u>
Deferred tax:		
Deferred tax charge for the financial year (note 12)	31,442	176,404
Total deferred tax	<u>31,442</u>	<u>176,404</u>
Tax charge on profit on ordinary activities	<u>197,663</u>	<u>176,404</u>

(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% (2015: 20.25%) to the profit for the year. The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>818,698</u>	<u>4,334,676</u>
Tax on profit at standard UK tax rate of 20% (2015: 20.25%)	163,740	877,772
Effects of:		
Expenses not deductible for tax purposes	30,720	19,839
Re-measurement of deferred tax – change in UK tax rate	3,203	(2,169)
Adjustment to deferred tax in respect of prior years	-	521
Non taxable income	-	(719,559)
Tax charge for the year	<u>197,663</u>	<u>176,404</u>

(c) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

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 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
Year ended 31 December 2016					
Opening net book amount	50,890	28,611	382,279	88,970	550,750
Additions	23,570	-	47,928	-	71,498
Depreciation	(46,476)	(9,252)	(147,377)	(54,905)	(258,010)
Closing net book amount	27,984	19,359	282,830	34,065	364,238
At 31 December 2016					
Cost	651,680	196,822	956,613	1,177,736	2,982,851
Accumulated depreciation and impairment	(623,696)	(177,463)	(673,783)	(1,143,671)	(2,618,613)
Net book amount	27,984	19,359	282,830	34,065	364,238

12 Debtors	2016 £	2015 £
Amounts owed by group undertakings	8,098,348	7,130,035
Trade debtors	570,393	645,619
Prepayments, other debtors and accrued income	582,820	651,027
Deferred tax asset (a)	60,863	92,305
Deferred costs	235,908	24,973
	9,548,332	8,543,959

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

(a) Deferred tax asset	2016 £	2015 £
Balance at 1 January	92,305	268,709
Charge to profit and loss account	(31,442)	(176,404)
Balance at 31 December	60,863	92,305

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Debtors - continued

	2016	2015
	£	£
The deferred tax asset is comprised as follows:		
Timing differences on assets and liabilities	60,863	53,971
Unused tax losses	-	38,334
Balance at 31 December	<u>60,863</u>	<u>92,305</u>

The entirety of the deferred tax asset is expected to reverse in 2017.

13 Creditors - amounts falling due within one year

	2016	2015
	£	£
Trade creditors	378,081	292,714
Other taxation and social security	334,396	380,500
Deferred income	166,661	96,389
Value added tax	46,690	8,477
Corporation tax	166,221	2,601
Accruals and other creditors	1,048,981	1,163,523
	<u>2,141,030</u>	<u>1,944,204</u>

14 Share capital

	2016	2015
	£	£
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.

15 Capital Contribution

	2016	2015
	£	£
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.

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial commitments

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

At 31 December 2016, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016	2015
	£	£
Payments due:		
Not later than one year	250,681	176,952
Later than one year and not later than five years	884,758	1,135,439
Later than five years	-	-
	<u>1,135,439</u>	<u>1,312,391</u>

The company had no other off-balance sheet arrangements.

17 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 £334,605 (2015: £347,572) of which £48,677 (2015: £57,508) was outstanding at the end of the year.

18 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.

19 Controlling parties

The immediate parent undertaking of the company 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.

20 Events after the end of the reporting period

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