

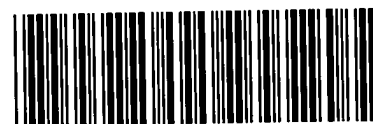
**GENBAND Telecommunications (UK) Limited**

**Annual Report**

**Year Ended 31 December 2017**

**Registered number: 04992536**

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**DIRECTORS AND OTHER INFORMATION**

**Board of Directors**

Graham Heath  
Daryl Raiford

**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 SL6 3QH  
England

**Registered number:** 04992536

**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 2017

The directors present their strategic report on the company for the year ended 31 December 2017.

#### Business update

Effective 27 October 2017, GENBAND Holdings Company, the then ultimate parent company of the company, together with two affiliated companies, GENBAND, Inc. and GENBAND II, Inc. (GENBAND Holdings Company, GENBAND, Inc. and GENBAND II, Inc. collectively referred to as "GENBAND") merged with Sonus Networks, Inc. ("Sonus"), an unrelated publicly traded company in the United States, and became Ribbon Communications Inc. ("Ribbon"), a publicly traded corporation in the United States under the NASDAQ symbol "RBBN". As a result of this merger, Ribbon became the ultimate parent company of the company.

#### 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 Ribbon 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 £708,689 (2016: £621,035). 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:

	2017	2016
Operating Profit Margin	6.2%	5.6%
Current Ratio	2.8 : 1	4.5 : 1

Ribbon provides secure real-time communications software, hardware and cloud-native solutions for service providers and enterprises. Ribbon's communications solutions are widely deployed at over 1,000 customers globally, provide high scale, reliability and performance, and are deployable from the public, private and hybrid cloud, in-network or on the enterprise premises.

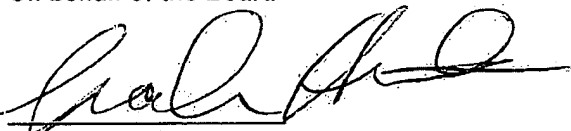
The process of risk management is addressed through a framework of policies, procedures and internal controls. The company's financial risk management programme is outlined in the Directors' Report on page 4.

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

#### Principal risks and uncertainties

Communication service providers are seeing continuing market drivers that put pressure on their existing business models. As a result of these forces, service providers are embracing the key trends of cloud, mobile, over the top applications and user experience to drive competitive differentiation and cost structure. As these trends evolve, the Ribbon group will continue to lead the migration of legacy communications traffic to real time IP-based networks. The company is guided by a forward-thinking leadership team that is focused on continual innovation and providing its global customer base with best-in-class solutions and services.

On behalf of the Board



Graham Heath  
Director

## DIRECTORS' REPORT

### Directors' report for the year ended 31 December 2017

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

### Business update

Effective 27 October 2017, GENBAND Holdings Company, the then ultimate parent company of the company, together with two affiliated companies, GENBAND, Inc. and GENBAND II, Inc. (GENBAND Holdings Company, GENBAND, Inc. and GENBAND II, Inc. collectively referred to as "GENRAN") merged with Sonus Networks, Inc. ("Sonus"), an unrelated publicly traded company in the United States, and became Ribbon Communications Inc. ("Ribbon"), a publicly traded corporation in the United States under the NASDAQ symbol "RBBN". As a result of this merger, Ribbon became the ultimate parent company of the company.

### Principal activity

The principal activity of the company is the performance of sales and marketing activities and technical services on behalf of the Ribbon 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 Ribbon group provides secure real-time communications software, hardware and cloud-native solutions for service providers and enterprises.

### Future developments

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

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### 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 £708,689 (2016: £621,035). The directors do not recommend payment of a dividend (2016: Nil).

### Financial risk management

The company's operations expose it to a variety of financial risks that include the effect of changes in debt market prices, foreign exchange risk, credit risk, liquidity risk and interest rate risk. The company in conjunction with its parent, Ribbon Communications Inc., 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 Ribbon 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 and are satisfied that the procedures in this area are appropriate. 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 a fellow group company.

#### *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.

## **DIRECTORS' REPORT - continued**

### **Financial risk management - continued**

#### *Interest rate and cash flow risk*

The company's only interest income arises on intercompany balances. The company does not have any interest bearing liabilities.

### **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

Jody Bishop resigned as director on 28 February 2018 and Daryl Raiford was appointed director on 28 February 2018.

### **Research and development**

The company does engage in research and development activities on behalf of the Ribbon 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 other companies in the Ribbon 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, comprising 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:

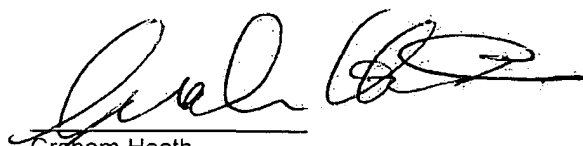
- there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**DIRECTORS' REPORT - continued**

**Political donations**

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

On behalf of the Board

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Graham Heath  
Director

20/09/18



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

### **Report on the audit of the financial statements**

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#### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise:

- the balance sheet as at 31 December 2017;
  - 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 description of the significant accounting policies.
- 

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.



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## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

### *Responsibilities of the directors for the financial statements*

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

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.

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## Other required reporting

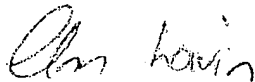
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### Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



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

21 September 2018

**PROFIT AND LOSS ACCOUNT**  
**Financial Year Ended 31 December 2017**

	Notes	2017 £	2016 £
<b>Turnover</b>	5	12,197,398	12,014,727
Cost of sales		(1,287,524)	(453,928)
<b>Gross profit</b>		10,909,874	11,560,799
Administrative expenses		(10,151,484)	(10,892,480)
<b>Operating profit</b>	6	758,390	668,319
<i>Interest receivable and similar income</i>	7	121,397	150,379
<b>Profit before taxation</b>		879,787	818,698
Tax on profit	11	(171,098)	(197,663)
<b>Profit for the financial year</b>		708,689	621,035

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.

**BALANCE SHEET**  
As at 31 December 2017

	Notes	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	12	336,061	364,238
		<u>336,061</u>	<u>364,238</u>
<b>Current assets</b>			
Debtors	13	12,643,113	9,548,332
		<u>12,643,113</u>	<u>9,548,332</u>
<b>Creditors - amounts falling due within one year</b>	14	<u>(4,498,945)</u>	<u>(2,141,030)</u>
<b>Net current assets</b>		<u>8,144,168</u>	<u>7,407,302</u>
<b>Net assets</b>		<u>8,480,229</u>	<u>7,771,540</u>
<b>Capital and reserves</b>			
Called up share capital	15	100	100
Capital contribution	16	4,564,329	4,564,329
Retained earnings		<u>3,915,800</u>	<u>3,207,111</u>
<b>Total equity</b>		<u>8,480,229</u>	<u>7,771,540</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 20/9/2018 and signed on its behalf by:



Graham Heath  
Director

GENBAND Telecommunications (UK) Limited  
Registered Number: 04992536

**STATEMENT OF CHANGES IN EQUITY**  
Financial Year ended 31 December 2017

	Called up share capital £	Capital Contribution £	Retained Earnings £	Total Equity £
<b>Balance as at 1 January 2016</b>	<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>
<b>Balance as at 31 December 2016</b>	<u>100</u>	<u>4,564,329</u>	<u>3,207,111</u>	<u>7,771,540</u>
<b>Balance as at 1 January 2017</b>	<u>100</u>	<u>4,564,329</u>	<u>3,207,111</u>	<u>7,771,540</u>
Profit for the financial year	-	-	708,689	708,689
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>708,689</u>	<u>708,689</u>
Credit relating to equity settled share-based payments	-	-	116,179	116,179
Charge from parent for equity settled share-based payments	<u>-</u>	<u>-</u>	<u>(116,179)</u>	<u>(116,179)</u>
Total transactions recognised directly in equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance as at 31 December 2017</b>	<u>100</u>	<u>4,564,329</u>	<u>3,915,800</u>	<u>8,480,229</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 a company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is Bray House, 4 Maidenhead Office Park, Maidenhead, Berkshire SL6 3QH, England. The company's registered number is 04992536.

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 Ribbon Communications Inc., a company incorporated in Delaware, USA.

The smallest and largest group to consolidate the financial statements of GENBAND Telecommunications (UK) Limited is that headed by Ribbon Communications Inc. Ribbon Communications Inc. financial statements are publically available as part of the filings required by the United States (US) Securities and Exchange Commission (SEC).

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

### 2 Statement of compliance

The entity's financial statements have been prepared 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 their 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 be able to operate within its facilities. 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.
- (ii) Exemption from the requirement of FRS 102 paragraph 33.7 to disclose key management personnel compensation in total.
- (iii) Exemption from the disclosure of a reconciliation of the number of shares outstanding at the beginning and end of the period.
- (iv) Exemption from certain financial instrument disclosure requirements of Section 11 of FRS 102.
- (v) Exemption from certain disclosure requirement of Section 26 of FRS 102 in respect of share based payments.

(d) Foreign currency

(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.

(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 derives subscription revenue from fees received from customers for time-based license arrangements and CPaaS offerings. The company invoices subscription agreements in advance over the subscription period. Subscription revenue is generally recognised ratably over the subscription term when all revenue recognition criteria have been met.

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 recognises revenue when the following criteria are met:

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 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.



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 competitor's 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.

The company also provides support services to other group entities. These revenues are recognised in the period in which the services are provided in line with the underlying intercompany service agreements.

**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 which is 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.

(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 these 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.

(iv) *Share based payments*

Certain employees have received share based awards from the company's ultimate parent company. These awards are measured at fair value at the grant date. The awards are recognised as an expense in profit or loss, either on the grant date, if there is no vesting period, or on a straight line basis over the vesting period. A corresponding credit is made to equity to reflect the contribution from the company's parent.

The company is charged by the ultimate parent for the cost of share based payments arrangements, and such amounts are treated as a charge in equity.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(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.

(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.

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~~(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.

(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*

Furniture and office equipment and computer equipment 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(h) Tangible fixed assets - continued

(iv) *Depreciation and residual values*

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

Leasehold improvements	Shorter of lease term or asset life
Furniture and office equipment	5 years
Computer equipment	3 – 5 years
Lab and manufacturing equipment	2 – 5 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.

(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 arrangements 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 to the lessee 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(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.~~

(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 substantially all of risks and rewards of the asset are transferred to another party or, control of the asset has been transferred to another party.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3 Summary of significant accounting policies - continued

#### (l) Financial instruments - continued

##### (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 rate method.

Trade payables are obligations to pay for goods or services that have been acquired 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, cancelled 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.

#### (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 judgements in applying the entity's accounting policies

The company has not used any critical judgements, 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

**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:

	2017 £	2016 £
UK	9,498,577	4,159,499
Europe	2,698,821	7,855,228
	<u>12,197,398</u>	<u>12,014,727</u>

Analysis of turnover by category:

Intercompany services	2,698,821	7,855,228
Provision of IP solutions	9,498,577	4,159,499
	<u>12,197,398</u>	<u>12,014,727</u>

**6 Operating profit**

Operating profit is stated after charging:

	2017 £	2016 £
Staff costs (note 8)	8,048,401	7,999,596
Foreign exchange (gains) / losses	(11,361)	408,700
Depreciation of tangible fixed assets (note 12)	176,527	258,010
Operating lease charges	195,439	219,541
Severance costs	181,275	71,205
Audit fees payable to the company's auditors	27,050	28,946
Fees payable for other services to the company's auditors	-	-
Inventory recognised as an expense	940,849	592,864
Research and development expenditure	<u>473,030</u>	<u>426,040</u>

**7 Net Interest income**

Interest receivable and similar income  
Intercompany interest receivable

	2017 £	2016 £
	<u>121,397</u>	<u>150,379</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Employees and directors	2017 Number	2016 Number
<b>Employees</b>		
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	28
Support and operations	51	53
Administration	8	8
	<u>87</u>	<u>89</u>
	2017 £	2016 £
<b>Staff costs</b>		
Wages and salaries	6,798,695	6,840,971
Social security costs	805,724	824,020
Pension costs (note 18)	327,803	334,605
Share-based payments (note 10)	116,179	-
<b>Staff costs</b>	<u>8,048,401</u>	<u>7,999,596</u>
<b>9 Directors' emoluments and highest paid director</b>	2017 £	2016 £
Aggregate emoluments	<u>80,141</u>	<u>80,027</u>

Contributions amounting to £4,488 (2016: £4,488) were made to a defined contribution pension scheme on behalf of one of the directors of the company. Retirement benefits are accruing to one director under the company's defined contribution scheme.

The company has only one director in receipt of emoluments.

**10 Share-based payments**

Certain employees of the company have been awarded shares in the company's ultimate parent company. These awards had no vesting conditions and the company has recognised a share based payment expense based on the grant date fair value of the shares awarded. The share based compensation expense for the year was £116,179 (2016: £nil).

The company was charged by its parent for these share awards. The charge for the year was £116,179 (2016: £ nil).



NOTES TO THE FINANCIAL STATEMENTS - continued

11 Income Tax	2017 £	2016 £
<b>(a) Tax expense included in profit or loss</b>		
Current Tax:		
UK corporation tax charge on profit for the year	161,501	166,221
Adjustment in respect of previous periods	(1,557)	-
Total current tax	<u>159,944</u>	<u>166,221</u>
Deferred tax:		
Deferred tax charge for the financial year (note 13)	11,154	31,442
Total deferred tax	<u>11,154</u>	<u>31,442</u>
<b>Tax charge on profit</b>	<u>171,098</u>	<u>197,663</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 19.25% (2016: 20%) to the profit for the year. The differences are explained below:

	2017 £	2016 £
Profit before tax	<u>879,787</u>	<u>818,698</u>
Tax on profit at standard UK tax rate of 19.25% (2016: 20%)	169,359	163,740
Effects of:		
Expenses not deductible for tax purposes	3,296	30,720
Adjustment in respect of prior year	(1,557)	-
Re-measurement of deferred tax – change in UK tax rate	-	3,203
<b>Tax charge for the year</b>	<u>171,098</u>	<u>197,663</u>

**(c) Tax rate changes**

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate 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

12 Tangible assets	Computer equipment £	Furniture and office equipment £	Lab and manufacturing equipment £	Leasehold Improvements £	Total £
<b>At 1 January 2017</b>					
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)
<b>Net book amount</b>	<u>27,984</u>	<u>19,359</u>	<u>282,830</u>	<u>34,065</u>	<u>364,238</u>
<b>Year ended 31 December 2017</b>					
Opening net book amount	27,984	19,359	282,830	34,065	364,238
Additions	41,447	-	111,240	-	152,687
Disposals	(4,337)	-	-	-	(4,337)
Depreciation	(14,274)	(6,448)	(132,333)	(23,472)	(176,527)
<b>Closing net book amount</b>	<u>50,820</u>	<u>12,911</u>	<u>261,737</u>	<u>10,593</u>	<u>336,061</u>
<b>At 31 December 2017</b>					
Cost	674,541	196,822	1,067,853	1,177,736	3,116,952
Accumulated depreciation and impairment	(623,721)	(183,911)	(806,116)	(1,167,143)	(2,780,891)
<b>Net book amount</b>	<u>50,820</u>	<u>12,911</u>	<u>261,737</u>	<u>10,593</u>	<u>336,061</u>

13 Debtors	2017 £	2016 £
Amounts owed by group undertakings	8,169,178	8,098,348
Trade debtors	3,745,552	570,393
Prepayments, other debtors and accrued income	677,994	582,820
Deferred tax asset (a)	49,709	60,863
Deferred costs	680	235,908
	<u>12,643,113</u>	<u>9,548,332</u>

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	2017 £	2016 £
Balance at 1 January	60,863	92,305
Charge to profit and loss account	(11,154)	(31,442)
<b>Balance at 31 December</b>	<u>49,709</u>	<u>60,863</u>
The deferred tax asset is comprised as follows:		
Timing differences on assets and liabilities	49,709	60,863
Unused tax losses	-	-
<b>Balance at 31 December</b>	<u>49,709</u>	<u>60,863</u>

The deferred tax asset expected to reverse in 2018 is £12,000.

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Creditors - amounts falling due within one year	2017 £	2016 £
Trade creditors	347,314	378,081
Other taxation and social security	369,742	334,396
Deferred income	1,604,747	166,661
Value added tax	571,856	46,690
Corporation tax	161,501	166,221
Accruals and other creditors	1,443,785	1,048,981
	<u>4,498,945</u>	<u>2,141,030</u>

15 Share capital	2017 £	2016 £
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Allotted and fully paid</b>		
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.

16 Capital Contribution	2017 £	2016 £
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 Ribbon 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 2017, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017 £	2016 £
Payments due:		
Not later than one year	353,903	250,681
Later than one year and not later than five years	530,855	884,758
Later than five years	-	-
	<u>884,758</u>	<u>1,135,439</u>

The company had no other off-balance sheet arrangements.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**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 £327,803 (2016: £334,605) of which £54,850 (2016: £48,677) 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 Ribbon Group.

**20 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 Ribbon Communications Inc., a company incorporated in Delaware.

The smallest and largest group to consolidate the financial statements of GENBAND Telecommunications (UK) Limited is that headed by Ribbon Communications Inc. Ribbon Communications Inc. financial statements are publically available as part of the SEC filings.

**21 Events after the end of the reporting period**

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