

ANNUAL REPORT AND FINANCIAL STATEMENTS
RIBBON COMMUNICATIONS UK LIMITED
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2020
COMPANY NUMBER: 04992536

WEDNESDAY



AAE25K3W

A45

29/09/2021

#2

COMPANIES HOUSE

RIBBON COMMUNICATIONS UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

CONTENTS	PAGE
DIRECTOR AND OTHER INFORMATION	2
STRATEGIC REPORT	3 - 4
DIRECTOR'S REPORT	5 - 7
DIRECTOR'S RESPONSIBILITIES STATEMENT	8
INDEPENDENT AUDITOR'S REPORT	9 - 12
STATEMENT OF COMPREHENSIVE INCOME	13
BALANCE SHEET	14
STATEMENT OF CHANGES IN EQUITY	15
NOTES TO THE FINANCIAL STATEMENTS	16 - 32

RIBBON COMMUNICATIONS UK LIMITED

DIRECTORS AND OTHER INFORMATION

DIRECTORS

Graham Heath
Miguel Lopez

AUDITOR

Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Galway Financial Service Centre
Moneenageisha Road
Galway
Republic of Ireland

BANKERS

JP Morgan Chase Bank
125 London Wall
London
EC2Y 5AJ
England

SOLICITOR

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

REGISTERED OFFICE

Bray House
Westacott Way
Maldenhead
Berkshire
England
SL6 3QH

COMPANY NUMBER

04992536

RIBBON COMMUNICATIONS UK LIMITED

STRATEGIC REPORT

The directors present their strategic report of Ribbon Communications UK Limited ('the company') for the year ended 31 December 2020.

BUSINESS UPDATE

Effective 27 October 2019, 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 13, show a profit after tax of £583,060 (2019: £844,204). 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:

	2020	2019
Operating profit margin	4.8%	6.7%
Current ratio	4.8: 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 5.

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.

RIBBON COMMUNICATIONS UK LIMITED

STRATEGIC REPORT – CONTINUED

In 2020, a novel strain of the coronavirus (COVID-19) was declared by the World Health Organisation to be a global pandemic. The COVID-19 pandemic has had a negative effect on the global economy, disrupting the various manufacturing, commodity and financial markets and increasing volatility, and has impeded global supply chains. Continued dampened global economic conditions as a result of the COVID-19 pandemic may cause our customers to restrict spending or delay purchases for an indeterminate period of time and consequently cause our revenues to decline. In addition, our ability to deliver our solutions as agreed upon with our customers depends on the ability of our global contract manufacturers, vendors, licensors and other business partners to deliver products or perform services we have procured from them. While, to date, we have not experienced material issues, if the continuing COVID-19 pandemic impairs the ability of our business partners to support us on a timely basis, or negatively impacts the demand for our customers' other products and services, our ability to perform our customer contracts as well as the demand for our solutions may suffer. In addition, disruptions from the COVID-19 pandemic could include, disruption of logistics necessary to import, export and deliver our solutions. The COVID-19 pandemic has also limited the ability of our associates to perform their work due to illness caused by the pandemic or government legislation requiring associates to remain at home. The degree to which the COVID-19 pandemic ultimately impacts our business, financial position and results of operations will depend on future developments beyond our control, including the severity of the pandemic, the frequency and duration of future waves of infection, the effectiveness and timing of any vaccines, the extent of actions to contain or treat the virus, how quickly and to what extent normal economic and operating conditions can resume, and the severity and duration of the global economic downturn that results from the pandemic.

As a response to the ongoing COVID-19 pandemic, we have implemented plans to manage our costs. As part of that plan, we implemented a temporary wage reduction of 10% to the base salary of our employees, which salary reduction has now ended. We have significantly limited the addition of new employees and third-party contracted services, eliminated all travel except where necessary to meet customer or regulatory needs, and acted to limit discretionary spending. To the extent the business disruption continues for an extended period, additional cost management actions will be considered. Any future asset impairment charges, increases in the allowance for doubtful accounts or restructuring charges could be more likely and will be dependent on the severity and duration of this crisis.

Approved by the Board and signed on its behalf by:



DIRECTOR

Date:

21 / SEPT / 2021

RIBBON COMMUNICATIONS UK LIMITED

DIRECTOR'S REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

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.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 13. The company's profit for the financial year was £583,060 (2019: £844,204). The directors do not recommend payment of a dividend (2019: 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.

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.

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.

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
Daryl Raiford (resigned 29 June 2019)
Miguel Lopez (appointed 15 August 2019)

RIBBON COMMUNICATIONS UK LIMITED

DIRECTOR'S REPORT - CONTINUED

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.

GOING CONCERN

The company meets its day-to-day working capital requirements through its own cash resources and inter-group 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 having considered the impact of Covid-19 as set out in Note 1. Therefore these entity financial statements have been prepared on a going concern basis.

POLITICAL DONATIONS

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

RIBBON COMMUNICATIONS UK LIMITED

DIRECTOR'S REPORT - CONTINUED

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware;

and

- (2) The directors have taken all 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

A resolution to reappoint Deloitte Ireland LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by



DIRECTOR

Date:

21 / SEPT / 2021

RIBBON COMMUNICATIONS UK LIMITED
DIRECTOR'S RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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; 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.

Independent auditor's report to the members of Ribbon Communications UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Ribbon Communications UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Continued on next page/

/Continued from previous page

Independent auditor's report to the members of Ribbon Communications UK Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

As part of an audit in accordance with ISAs (UK), the auditor exercises professional judgment and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the entity's financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. The auditor includes an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Concludes on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that the use of the going concern basis of accounting is appropriate and no material uncertainties have been identified, the auditor reports these conclusions in the auditor's report. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Continued on next page/

/Continued from previous page

Independent auditor's report to the members of Ribbon Communications UK Limited

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included data protection, employee regulations and environmental regulations.

We discussed among the audit engagement team including relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

Revenue Recognition

- We assessed the design and determined the implementation of the key controls over recording of revenue on contracts; and
- we selected a sample of revenue contracts around the financial year end to determine if they had been recognised in the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

Report on other legal and regulatory requirements

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 the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Continued on next page/

/Continued from previous page

Independent auditor's report to the members of Ribbon Communications UK Limited

Matters on which we are required to report by exception

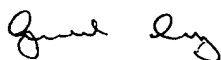
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Gerard Casey (Senior Statutory Auditor)
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Galway Financial Services Centre
Moneenageisha Road
Galway, Ireland

Date: 27 September 2021

RIBBON COMMUNICATIONS UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
TURNOVER	3	12,960,151	13,921,131
Cost of sales		(533,393)	(226,136)
GROSS PROFIT		12,426,758	13,694,995
Administrative expenses		(11,802,954)	(12,756,375)
OPERATING PROFIT		623,804	938,620
Interest receivable and similar income	5	68,563	200,018
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	692,367	1,138,638
Tax on profit on ordinary activities	9	(109,307)	(294,434)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		583,060	844,204
Other comprehensive income for the financial year		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		583,060	844,204

All recognised gains and losses for both the current financial year and previous financial year are included in the statement of comprehensive income. All of the above result from continuing operations.

RIBBON COMMUNICATIONS UK LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
FIXED ASSETS			
Tangible assets	10	198,935	314,207
CURRENT ASSETS			
Debtors (Amounts falling due within one financial year)	11	13,255,861	12,548,921
Cash at bank and in hand		-	8,712
		13,255,861	12,557,633
CREDITORS (Amounts falling due within one year)	12	(2,773,643)	(2,773,747)
NET CURRENT ASSETS		10,482,218	9,783,886
TOTAL ASSETS LESS CURRENT LIABILITIES		10,482,218	9,783,886
NET ASSETS		10,681,153	10,098,093
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Capital contribution	14	4,564,329	4,564,329
Retained earnings		6,116,724	5,533,664
SHAREHOLDERS' FUNDS		10,681,153	10,098,093

The financial statements of Ribbon Communications UK Limited, 04992536, were approved by the director on 21 September 2021 and signed on its behalf by:



GRAHAM HEATH
DIRECTOR

21/SEPT/2021

RIBBON COMMUNICATIONS UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Called up Share capital £	Capital Contribution £	Retained Earnings £	Total £
AT 1 JANUARY 2020	100	4,564,329	5,533,664	10,098,093
Total comprehensive income	-	-	583,060	583,060
AT 31 DECEMBER 2020	100	4,564,329	6,116,724	10,681,153

In respect of prior financial year:

	Called up Share capital £	Capital Contribution £	Retained Earnings £	Total £
AT 1 JANUARY 2019	100	4,564,329	4,689,460	9,253,889
Total comprehensive income	-	-	844,204	844,204
AT 31 DECEMBER 2019	100	4,564,329	5,533,664	10,098,093

RIBBON COMMUNICATIONS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES

The significant accounting policies adopted by the company are as follows:

GENERAL INFORMATION AND BASIS OF ACCOUNTING

Ribbon Communications UK Limited sells real time communications software solutions to service providers, enterprises, independent software vendors, systems integrators and developers.

Ribbon Communications UK Limited 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, Westacott Way, Maidenhead, Berkshire SL6 3QH, England. The company's registered number is 04992536.

The immediate parent undertaking of Ribbon Communications UK Limited is Ribbon Networks 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 Ribbon Communications 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.

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.

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.

GOING CONCERN

The company meets its day-to-day working capital requirements through its bank facilities and cash generated from 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.

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.

1. ACCOUNTING POLICIES - CONTINUED

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.

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 Sales are defined as either the sale of a complete system (i.e. hardware and software when sold as one solution) or the sale of individual hardware or software. The Company recognises revenue based on guidance outlined in group Revenue policy which aligns to IFRS 15 when the contract includes hardware or hardware and software with the tangible product and the software deliverables considered essential or integral to one another in forming a complete solution.

For product sales that do not require significant modification or customization of the underlying software, the Company commences the recognition of revenue when the following criteria are met:

1. Identify the contract with the customer
2. Identify the performance obligation
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

Particular attention should be given in the following situations: The Company has future performance obligations to the customer, when contingencies exist, such as customer acceptance, right of return, refund, or other material rights, etc.

The following information will guide the determination of when the revenue recognition criteria are satisfied. This policy should be read in its entirety. Professional judgment is required in the final determination of revenue recognition in many instances.

1) Identify the contract with the customer

The Company's standard and customary business practice is to sell products pursuant to a binding written contract and a customer purchase order. Therefore, the following criteria must be met:

- a.) All parties have approved the master customer agreement including amendments, a SoW or any other legal document required no later than midnight (in the local time zone on the last day of the reporting period) on the last day of the reporting period and are committed to perform their respective obligations
- b.) The entity can identify each party's rights regarding the goods and services to be transferred
- c.) The entity can identify each party's payment terms for the goods and services to be transferred
- d.) The arrangement has commercial substance
- e.) It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods and services that will be transferred to the customer

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES - CONTINUED

REVENUE RECOGNITION – Continued

Turnover - continued

2) Identify the performance obligations in the Contract:

The Company is required to identify the distinct goods or services promised in a contract (ie. unbundling). Distinct goods or services are accounted for as separate performance obligations (PoB's). To qualify as a PoB, each promise to the customer must meet the criteria outlined below:

- a.) A good or service (or a bundle of goods or services) that is distinct
- b.) A series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer

A promised good or service is distinct (and therefore a PoB) if both of the following criteria are met:

- a.) Capable of being distinct – the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer
- b.) Distinct within the context of the contract – the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract

3) Determine the transaction price:

The amount of consideration an entity expects to be entitled to in exchange for the promised goods or services in the contract. The transaction price can be fixed or variable because of discounting, rebates, refunds, credits, concessions, performance incentives, penalties or other similar items. The Company must consider the following when determining the transaction price:

- a.) Variable consideration – When the transaction price includes a variable amount (associated with any item described above) the Company is required to estimate the variable consideration by using either an expected value based upon probability or a most likely amount whichever is more predictive of the amount to which the entity will be entitled. Generally, Variable Consideration will not be an element of any arrangement as all transactions are fixed and determinable; however, in situations involving creditworthiness, non-standard payment terms, or risk of payment less than what the Company would expect to receive after having transferred product or services to a customer it will likely be utilised to constrain revenue.
- b.) Significant financing component – Adjustments for the time value of money are required if the arrangement includes significant financing component. For any arrangement including payment terms beyond one year, the Company will assess the facts and circumstances to determine if an adjustment to the promised consideration is required.

4) Allocate the transaction price to the performance obligations in the Contract

The Company will allocate the transaction price to the performance obligations identified by using the following approaches:

- a.) Allocating the transaction price to the performance obligations based upon stand-alone selling price
- b.) Allocating a discount to one or more, but not all, of the performance obligations in the contract
- c.) Allocating variable consideration to one or more, but not all, of the performance obligations in the contract
- d.) Allocating changes in the transaction price to the performance obligations in the contract

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES - CONTINUED

REVENUE RECOGNITION – Continued

(i) Turnover - continued

5) Recognise revenue when (or as) the entity satisfies a performance obligation:

The Company shall recognise revenue when (or as) it satisfies its performance obligation by transferring a promised good (ie. an asset) to a customer. The asset is transferred when (or as) the customer obtains control of that asset. A single model (based on control) applies to all revenue transactions to determine when revenue should be recognised. Control of an asset is defined as "the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset". Additional criteria for recognizing revenue is as follows:

- a.) The "ability" – the customer must have the present right to direct the use of the asset
- b.) To direct the use of the asset – means that the customer can (1) use the asset in its own activities; (2) allow the asset to be used in another entity's activities, or (3) restrict another entity from using the asset
- c.) And obtain substantially all of the remaining benefits from the asset (using, consuming, disposing of, selling, exchanging, pledging or holding the asset)

The Company believes that transfer of control must also meet additional criteria such as:

- 1.) The entity has a present right to payment
- 2.) The customer has legal title to the asset
- 3.) The entity has transferred physical possession of the asset (must not be consigned)
- 4.) The customer has the significant risks and rewards of ownership of the asset
- 5.) The customer has accepted the asset

5.0 SUPPORT AND MAINTENANCE REVENUE

Revenue pertaining to support and maintenance contracts are generally recognised ratably over the term of the support arrangement, provided the other criteria listed above are met. In the situation with a multiple element arrangement where the related product sale has been deferred, due to Acceptance rights, any related maintenance to that specific product sale shall be deferred until such time the product is deemed recognizable for revenue under this policy, at which point the corresponding maintenance revenue would be recognised as well. Historically, the Company would carve-out for any implied maintenance period beginning upon shipment and ending at the time of revenue recognition. For purposes of maintenance, "evidence of an arrangement" would be either a currently effective service agreement or a customer purchase order. In situations that include paid for maintenance beginning upon completed installation, the Company will include an implied maintenance period and allocate revenue accordingly. The implied maintenance period is defined to be the time from date of shipment to when installation has been completed based upon historical transactions.

The support and maintenance period should commence at the time of transfer of control, generally upon shipment or delivery, not upon expiration of the warranty. If a customer has substantive Acceptance rights, the maintenance period commences upon acceptance of the product.

6.0 TRAINING AND PROFESSIONAL SERVICE REVENUE

Training is generally recognised as the services are rendered, provided all other revenue recognition requirements are met.

Professional services revenue is generally recognised as the services are performed and transfer of control takes place provided all other revenue recognition criteria are met.

INTEREST INCOME

The Company earns interest income. Interest income is recognised in the profit and loss account using the effective interest rate method. Interest income is presented as 'interest receivable and similar income' in the profit and loss account.

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

2. ACCOUNTING POLICIES - CONTINUED

REVENUE RECOGNITION – Continued

DEFERRED COGS POLICY

The company defers costs for all customer sales arrangements in which there is a deferral of revenue recognition due to substantive acceptance. In this situation 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.

The company will also defer costs if transfer of control has not taken place i.e. product has shipped but not delivered/transfer of control has not occurred based on customer specific Inco terms.

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 as of the grant date, with the grant date fair value equal to the closing price of the stock on the date of grant. 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.

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES - CONTINUED

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.

(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.

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES - CONTINUED

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.
- (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.

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.

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES - CONTINUED

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.

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.

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.

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES - CONTINUED

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.

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.

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.

COMPARATIVE AMOUNTS

Comparative amounts for cost of sales and administration expenses have been regrouped on the same basis as those for the current year.

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in the Statement of Accounting Policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

There were no critical judgements made by the directors during the year.

Key sources of estimation uncertainty

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.

3. TURNOVER

	2020	2019
	£	£
An analysis of the company's turnover by geographical market is set out below:		
United Kingdom	5,103,607	6,056,112
Asia	101,278	311,127
Europe	7,755,266	7,553,892
	12,960,151	13,921,131
An analysis of the company's turnover is as follows:		
Intercompany services	7,755,266	7,539,692
Provision of IP solutions	5,204,885	6,381,439
	12,960,151	13,921,131

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

4. EMPLOYEES AND REMUNERATION

The average monthly number of persons employed by the company during the financial year was as set out below:

	2020 No.	2019 No.
Selling and distribution	41	43
Support and operations	38	42
Administration	2	4
	<u>81</u>	<u>89</u>
	£	£
The staff costs are comprised of:		
Wages and salaries	8,023,322	8,132,649
Social welfare costs	1,003,604	1,064,359
Pension costs (Note 16)	340,365	343,981
Share-based payments (Note 8)	259,232	160,677
	<u>9,626,523</u>	<u>9,701,666</u>

5. NET INTEREST INCOME

	2020 £	2019 £
Intercompany interest receivable	<u>68,563</u>	<u>200,018</u>

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2020	2019
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs	9,626,523	9,701,666
Foreign exchange expense	498,045	129,822
Depreciation of tangible fixed assets (Note 10)	99,511	109,987
Operating lease charges	357,281	377,683
Severance costs	(32,153)	505,177
Audit fees payable to the company's auditors	22,182	20,369
Fees payable for other services to the auditors	-	-
Inventory recognised as an expense	-	-
Research and development expenditure	1,774,059	1,702,860
	<u></u>	<u></u>
7. DIRECTORS' EMOLUMENTS AND HIGHEST PAID DIRECTOR	2020	2019
	£	£
Aggregate emoluments	83,501	90,083
	<u></u>	<u></u>

Contributions amounting to £4,932 (2019: £4,821) 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.

8. SHARE-BASED PAYMENTS

Certain employees of the company have been awarded shares or stock units in the company's ultimate parent company. These awards have service conditions for vesting. The company has recognised share-based compensation expense based on the grant date fair value of the shares awarded. The share based compensation expense for the year was £259,232 (2019: £160,677).

The company was charged by its parent for these share awards. The charge for the year was £259,232 (2019: £160,677).

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

9. TAX ON PROFIT ON ORDINARY ACTIVITIES	2020	2019
	£	£
Current tax:		
UK corporation tax charge on profit for the year	166,009	246,246
Adjustment in respect of previous periods	(29,935)	39,774
	<hr/>	<hr/>
Tax on profit on ordinary activities	136,074	286,020
Deferred tax:		
Deferred tax (credit) / charge for the financial year (Note 11)	(13,857)	9,403
Effect of changes in tax	(12,910)	(989)
	<hr/>	<hr/>
Total tax charge	109,307	294,434
	<hr/>	<hr/>

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% (2019: 19%) to the profit for the year. The differences are explained below:

Factors affecting tax charge for the financial year:	2020	2019
	£	£
Profit on ordinary activities before tax	692,367	1,138,638
Profit on ordinary activities before tax is multiplied by 19% (2019: 19%) being the average standard rate of corporation tax in the UK	131,550	216,341
Effects of:		
Expenses not deductible for tax purposes	24,937	52,284
Adjustment in respect of prior year	(29,935)	39,744
Re-measurement of deferred tax – change in UK tax rate	(12,910)	(989)
Other temporary differences	(4,335)	(12,946)
	<hr/>	<hr/>
Current tax charge for the financial year	109,307	294,434
	<hr/>	<hr/>

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 19.25% to 19% from 1 April 2019. 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. In his budget on 11 March 2020, the Chancellor of the Exchequer confirmed that the UK corporation tax rate would remain at 19% on 1 April 2020 and would no longer reduce to 17%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In addition, the UK Budget 2021 announcements on 3 March 2021 included a proposal to increase the UK corporation tax rate from 19% to 25%, effective from 1 April 2023. This change was not substantively enacted as at the balance sheet date and hence has not been reflected in the measurement of deferred tax balances at the period end.

RIBBON COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

10. TANGIBLE ASSETS

	Computer Equipment £	Furniture & Office Equipment £	Lab and Manufacturing Equipment £	Leasehold Improvements £	Total £
COST:					
At 1 January 2020	665,440	196,822	1,129,506	1,355,279	3,347,047
Additions	-	-	48,813	-	48,813
Disposals	(19,566)	-	(330,385)	-	(349,951)
At 31 December 2020	645,874	196,822	847,934	1,355,279	3,045,909
ACCUMULATED DEPRECIATION:					
At 1 January 2020	(654,569)	(196,822)	(994,836)	(1,186,613)	(3,032,840)
Charge for the financial year	(3,303)	-	(60,699)	(35,509)	(99,511)
Disposals	11,998	-	273,379	-	285,377
At 31 December 2020	(645,874)	(196,822)	(782,156)	(1,222,122)	(2,846,974)
Net Book Value:					
At 31 December 2020	-	-	65,778	133,157	198,935
At 31 December 2019	10,871	-	134,670	168,666	314,207

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

11. DEBTORS (Amounts falling due within one financial year)	2020 £	2019 £
Amounts owed by group company	9,824,493	9,330,777
Trade debtors	672,717	1,797,386
Prepayments	2,606,097	1,232,446
Deferred tax asset (a)	149,844	123,077
Value added tax	-	65,235
Deferred costs	2,710	-
	13,255,861	12,548,921

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	2020 £	2019 £
Balance at 1 January	123,077	131,492
Adjustment in respect of prior years	13,857	-
Effect of tax changes	12,910	(8,414)
	149,844	123,077

The deferred tax asset is comprised as follows:

Timing differences on assets and liabilities	149,844	123,077
Unused tax losses	-	-
	149,844	123,077

12. CREDITORS (Amounts falling due within one financial year)	2020 £	2019 £
Trade creditors	162,351	246,789
Other taxation and social security	401,152	331,109
Deferred income	209,377	424,339
Value added tax	472,976	-
Corporation tax	91,112	171,373
Accruals and other creditors	1,436,675	1,600,137
	2,773,643	2,773,747

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

13. CALLED UP SHARE CAPITAL	2020	2019
	£	£
Authorised:		
100,000 Ordinary Shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>
Allotted and fully paid:		
100 Ordinary Shares of £1 each	100	100
	<u> </u>	<u> </u>

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

14. CAPITAL CONTRIBUTION	2020	2019
	£	£
Capital contribution	4,564,329	4,564,329
	<u> </u>	<u> </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 Ribbon Communications UK Limited, on Next Point Inc.

15. FINANCIAL COMMITMENTS

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

At 31 December 2020, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020	2019
	£	£
Payments due:		
Within 1 financial year	105,539	244,770
Within 2 to 5 financial years	1,823,842	271,275
After 5 financial years	186,502	322,139
	<u> </u>	<u> </u>
	2,115,883	838,184
	<u> </u>	<u> </u>

The company had no other off-balance sheet arrangements.

RIBBON COMMUNICATIONS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

16. 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 £340,365 (2019: £343,981) of which £72,327 (2019: £64,513) was outstanding at the end of the year.

17. 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.

18. CONTROLLING PARTIES

The immediate parent undertaking of the company is Ribbon Networks 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 Ribbon Communications UK Limited is that headed by Ribbon Communications Inc. Ribbon Communications Inc. financial statements are publically available as part of the SEC filings.

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

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