

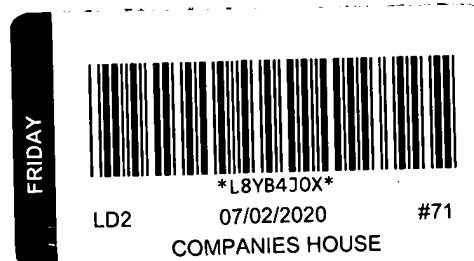
Registered number: 05320461

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**ADTRAN EUROPE LIMITED**

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**FINANCIAL STATEMENTS**  
**INFORMATION FOR FILING WITH THE REGISTRAR**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



**ADTRAN EUROPE LIMITED**  
**REGISTERED NUMBER: 05320461**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	Unaudited 2017 £
<b>Fixed assets</b>			
Tangible assets	6	112,766	201,970
		<u>112,766</u>	<u>201,970</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	1,341,880	660,090
Cash at bank and in hand		344,387	162,163
		<u>1,686,267</u>	<u>822,253</u>
Creditors: amounts falling due within one year	8	(818,053)	(98,040)
<b>Net current assets</b>		<u>868,214</u>	<u>724,213</u>
<b>Total assets less current liabilities</b>		<u>980,980</u>	<u>926,183</u>
<b>Provisions for liabilities</b>			
Deferred tax	9	(1,659)	(15,257)
		<u>(1,659)</u>	<u>(15,257)</u>
<b>Net assets</b>		<u>979,321</u>	<u>910,926</u>
<b>Capital and reserves</b>			
Called up share capital	10	4	4
Share option reserve		12,096	12,096
Profit and loss account		967,221	898,826
		<u>979,321</u>	<u>910,926</u>

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**ADTRAN EUROPE LIMITED**  
**REGISTERED NUMBER: 05320461**

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**BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2018**

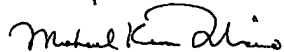
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The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
03/02/2020



**M K Foliano**  
Director

The notes on pages 4 to 14 form part of these financial statements.

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**ADTRAN EUROPE LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
<b>At 1 January 2017</b>	<b>4</b>	<b>-</b>	<b>771,923</b>	<b>771,927</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	126,903	126,903
Share based payment	-	12,096	-	12,096
<b>At 1 January 2018</b>	<b>4</b>	<b>12,096</b>	<b>898,826</b>	<b>910,926</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	68,395	68,395
<b>At 31 December 2018</b>	<b>4</b>	<b>12,096</b>	<b>967,221</b>	<b>979,321</b>

The notes on pages 4 to 14 form part of these financial statements.

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## ADTRAN EUROPE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. General information

Adtran Europe Limited is a private company, limited by shares, domiciled in England & Wales, registration number 05320461. The registered office is 2200 Renaissance, Basing View Business Park, Basingstoke, Hampshire, RG21 4EQ.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

##### 2.2 Going concern

The Company has reported a profit after tax of £68,395 (2017 - £126,903) and had net assets of £979,321 (2017 - £910,926) as at the balance sheet date.

The parent company has provided a letter of support confirming that they will support the Company in ensuring it can meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. As a result, the directors consider it appropriate to prepare these financial statements on a going concern basis.

##### 2.3 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is GBP.

###### Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The principal activity of the Company in the year under review was that of supplying goods to UK customers. The Company acts as an agent for the US parent company, Adtran Inc. The contracts with the UK customers stipulates that the fulfilment of orders ultimately lie with Adtran Inc and thus the Company does not bear the risks and rewards associated with the sales of goods. Adtran Inc calculates the annual transfer pricing adjustment of operating costs plus 7% and subsequently self-bill Adtran Europe for their net revenue.

**2.5 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

**2.6 Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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## ADTRAN EUROPE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.7 Pensions

###### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

##### 2.8 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

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**ADTRAN EUROPE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.9 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.



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**ADTRAN EUROPE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.10 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using either the straight-line or reducing balance method.

Depreciation is provided on the following basis:

Long-term leasehold property	- over 5 years on a straight line basis
Plant and machinery	- over 4 years on a straight line basis
Fixtures and fittings	- 25% reducing balance
Computer equipment	- 35% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

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**ADTRAN EUROPE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.11 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

**Tangible fixed assets**

Fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values.

**Agent vs Principle**

The contracts between the Company and its customers, stipulates that the Company does not have the responsibility for price setting or inventory risk. As the Company does not bear the risks and rewards associated with the sale of goods, the Company is considered to be operating as an agent.

**4. Employees**

The average monthly number of employees, excluding the directors, during the year was as follows:

	2018 No.	2017 No.
Employees	<u>7</u>	<u>7</u>

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ADTRAN EUROPE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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5. Taxation

	2018 £	Unaudited 2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	29,772	-
Adjustments in respect of previous periods	-	41,829
<b>Total current tax</b>	<u>29,772</u>	<u>41,829</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(13,598)	(12,563)
<b>Taxation on profit on ordinary activities</b>	<u>16,174</u>	<u>29,266</u>

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**ADTRAN EUROPE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**6. Tangible fixed assets**

	Long-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2018 (unaudited)	157,783	66,099	327,935	61,930	613,747
Additions	-	3,896	208	2,156	6,260
Transfers intra group	-	(63,094)	-	(4,580)	(67,674)
At 31 December 2018	157,783	6,901	328,143	59,506	552,333
<b>Depreciation</b>					
At 1 January 2018 (unaudited)	61,773	19,123	282,812	48,069	411,777
Charge for the year on owned assets	31,557	16,691	11,324	4,907	64,479
Transfers intra group	-	(33,883)	-	(2,806)	(36,689)
At 31 December 2018	93,330	1,931	294,136	50,170	439,567
<b>Net book value</b>					
At 31 December 2018	64,453	4,970	34,007	9,336	112,766
At 31 December 2017 (unaudited)	96,010	46,976	45,123	13,861	201,970

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**ADTRAN EUROPE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**7. Debtors**

	2018	<i>Unaudited</i> 2017
	£	£
Trade debtors	26,571	9,857
Amounts owed by group undertakings	1,285,413	606,729
Other debtors	-	14,603
Prepayments	29,896	28,901
	<u>1,341,880</u>	<u>660,090</u>

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

**8. Creditors: Amounts falling due within one year**

	2018	<i>Unaudited</i> 2017
	£	£
Trade creditors	52,264	13,516
Amounts owed to group undertakings	660,674	-
Corporation tax	27,457	41,829
Other taxation and social security	57,452	25,561
Other creditors	1,056	2,742
Accruals	19,150	14,392
	<u>818,053</u>	<u>98,040</u>

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

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**ADTRAN EUROPE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**9. Deferred taxation**

	2018 £
At beginning of year (unaudited)	(15,257)
Charged to profit or loss	13,598
	<u>13,598</u>

The provision for deferred taxation is made up as follows:

	2018 £	Unaudited 2017 £
Accelerated capital allowances	(1,659)	(15,257)
	<u>(1,659)</u>	<u>(15,257)</u>

**10. Share capital**

	2018 £	Unaudited 2017 £
Allotted, called up and fully paid		
4 (2017 - 4) Ordinary shares shares of £1.00 each	4	4
	<u>4</u>	<u>4</u>

**11. Share based payments**

	2018 £	2017 £
Equity-settled schemes	-	12,096
	<u>-</u>	<u>12,096</u>

**12. Pension commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £30,394 (2017 - £28,737). Contributions totaling £1,056 (2017 - £2,742) were payable to the fund at the balance sheet date and are included in creditors.

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**ADTRAN EUROPE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**13. Related party transactions**

Adtran Europe Limited has taken the exemption under FRS 102, Section 33 Related Party Disclosures paragraph 33.1A, whereby the Company, being a wholly owned subsidiary, is not required to disclose transactions with the immediate an ultimate parent undertaking.

**14. Controlling party**

The immediate and ultimate parent company is Adtran Inc, a company incorporated in the USA whose registered office is 901 Explorer Boulevard, Huntsville, Alabama, 35806, USA. The results of the Company are included in the consolidated financial statements of Adtran Inc.

**15. Auditors' information**

The auditors' report on the financial statements for the year ended 31 December 2018 was unqualified.

The audit report was signed on 6 February 2019 by Stuart Hinds (Senior statutory auditor) on behalf of Ecovis Wingrave Yeats LLP.