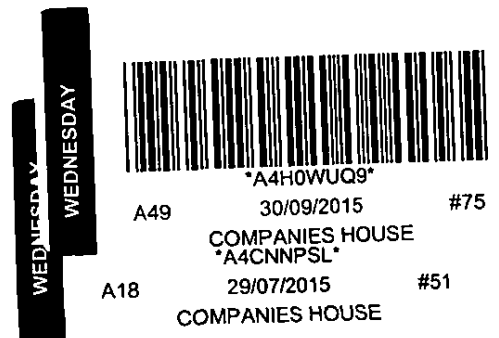


TRANSMODE (UK) LIMITED

**UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014**

**The MGroup Partnership
Chartered Certified Accountants
Cranbrook House
287-291 Banbury Road, Oxford
OX2 7JQ**



Company Registration Number: 04968653

TRANSMODE (UK) LIMITED

**UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

CONTENTS	PAGES
Company information	1
Directors' report	2 to 3
Accountants' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 to 13

TRANSMODE (UK) LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2014**

DIRECTORS

K Thedeen
J Wilsby

SECRETARY

The company does not have an appointed secretary

REGISTERED OFFICE

Cranbrook House
287-291 Banbury Road
Oxford
OX2 7JQ

COMPANY REGISTRATION NUMBER

04968653 England and Wales

ACCOUNTANTS

The MGroup Partnership
Chartered Certified Accountants
Cranbrook House
287-291 Banbury Road
Oxford
OX2 7JQ

TRANSMODE (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their annual report with the unaudited financial statements of the company for the year ended 31 December 2014

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the management of certain contracts for optical networking undertaken by the immediate parent company, Transmode Systems AB

RISKS AND UNCERTAINTIES

As with many businesses, the company is exposed to macroeconomic factors of an uncertain nature such as changes in inflation and interest rates, consumer spending patterns and levels of disposable income

FUTURE DEVELOPMENTS

Likely future developments in the business of the company are that the company will continue to develop its trade

With the above mentioned risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen events outside of our control

DIRECTORS

The following directors held office during the year

K Thedeen
J Wilsby

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director 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 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 estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

TRANSMODE (UK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

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.

SPECIAL EXEMPTION

The above report is prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

BY ORDER OF THE BOARD OF DIRECTORS



K Thedeen
Director

Date approved by the board 16/3/2015

TRANSMODE (UK) LIMITED

**ACCOUNTANTS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

**REPORT TO THE DIRECTORS ON THE PREPARATION OF THE UNAUDITED STATUTORY ACCOUNTS OF
TRANSMODE (UK) LIMITED FOR THE YEAR ENDED 31 DECEMBER 2014**

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the accounts of Transmode (UK) Limited for the year ended 31 December 2014 as set out on pages 5 to 13, which comprise the Profit and Loss Account, the Balance Sheet and the related notes, from the company's accounting records and from information and explanations that you have given us

As a practising member firm of the Association of Chartered Certified Accountants, we are subject to its ethical and other professional requirements which are detailed at www.accaglobal.com

This report is made solely to the Board of Directors of Transmode (UK) Limited, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken solely to prepare for your approval the accounts of Transmode (UK) Limited and state those matters that we have agreed to state to the Board of Directors of Transmode (UK) Limited, as a body, in this report in accordance with the requirements of the Association of Chartered Certified Accountants as detailed at www.accaglobal.com. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Transmode (UK) Limited and its Board of Directors as a body for our work or for this report.

It is your duty to ensure that Transmode (UK) Limited has kept adequate accounting records and to prepare statutory accounts that give a true and fair view of the assets, liabilities, financial position and profit / (loss) of Transmode (UK) Limited. You consider that Transmode (UK) Limited is exempt from the statutory audit requirement for the year ended 31 December 2014.

We have not been instructed to carry out an audit or a review of the accounts of Transmode (UK) Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory accounts.



THE MGROUP PARTNERSHIP
CHARTERED CERTIFIED ACCOUNTANTS

20 July 2015

TRANSMODE (UK) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 £	2013 £
TURNOVER	2	2,548,900	2,375,738
Cost of sales		2,313,497	2,165,866
GROSS PROFIT		235,403	209,872
Administrative expenses		91,773	77,553
OPERATING PROFIT	3	143,630	132,319
Other interest receivable and similar income		167	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		143,797	132,319
Tax on profit or loss on ordinary activities	6	41,884	37,262
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	13	101,913	95,057

There were no acquisitions and no discontinued operations in either of the years

The only recognised gains or losses for both periods are the profits reported above

TRANSMODE (UK) LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2014**

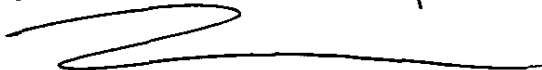
	Notes	2014 £	2013 £
CURRENT ASSETS			
Debtors	8	370,193	495,873
Cash at bank and in hand		90,411	57,830
		<u>460,604</u>	<u>553,703</u>
CREDITORS Amounts falling due within one year	9	357,813	347,825
		<u></u>	<u></u>
NET CURRENT ASSETS		102,791	205,878
NET ASSETS		<u>102,791</u>	<u>205,878</u>
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Profit and loss account	13	102,790	205,877
		<u></u>	<u></u>
SHAREHOLDER'S FUNDS		<u>102,791</u>	<u>205,878</u>

X For the financial year ended 31 December 2014 the company was entitled to exemption from audit under section 479A of the Companies Act 2006

No notice has been deposited under section 476 of the act requesting the company to obtain an audit

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 386 and for preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to accounts, so far as applicable to the company

Signed on behalf of the board of directors



K Thedeen
Director

Date approved by the board 16/3/2015



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1 STATEMENT OF ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. There were no material departures from these standards.

Cash Flow Statement

The accounts do not include a cash flow statement because the company, as a subsidiary undertaking where 90 per cent or more of the voting rights are controlled within the group and the subsidiary is included within publicly available consolidated accounts, is exempt from the requirement to prepare such a statement in accordance with the Financial Reporting Standard 1.

Inter-group transactions

The accounts do not include disclosure of inter-group transactions. This is because the company, being a wholly owned subsidiary undertaking, is included within publicly available consolidated accounts. It is exempt from disclosing inter-group transactions.

Turnover

Turnover represents the amounts, excluding value added tax, receivable during the year for the provision of contract management services to Transmode Systems AB. The company recognises revenue on a cost plus basis, based on the level of expenses incurred during the year in delivering contract management services to Transmode Systems AB.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Deferred taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements and is fully provided for, except in circumstances where losses are deemed irrecoverable, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws.

Pensions

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the amount payable in the year. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments in the balance sheet.

TRANSMODE (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****1 STATEMENT OF ACCOUNTING POLICIES (continued..)****Foreign currencies**

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange prevailing at that date. Exchange differences are taken into account in arriving at the operating profit or loss.

2 TURNOVER

	2014	2013
	£	£
The analysis of turnover by geographical area is as follows		
Europe	<u>2,548,900</u>	<u>2,375,738</u>

3 OPERATING PROFIT

	2014	2013
	£	£
The operating profit is stated after charging:		
Company contributions to employee pension schemes	108,056	105,412
Non audit and accountancy fees	<u>34,608</u>	<u>29,837</u>
Non audit and accountancy fees comprise the following:		
Auditors' remuneration - non audit fees	3,500	3,470
Fees relating to tax advisory and share options	-	0
Payroll fees	5,516	5,150
Management accounts	<u>25,592</u>	<u>21,217</u>
	<u>34,608</u>	<u>29,837</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

4 STAFF COSTS

	2014 Number	2013 Number
Average number of persons employed by the company, including directors, during the year		
Sales	14	15
	<u>14</u>	<u>15</u>
	2014 £	2013 £
Staff costs incurred during the year in respect of these employees were		
Wages and salaries	1,634,328	1,548,135
Social security costs	183,970	174,796
Other pension costs	108,056	105,412
	<u>1,926,354</u>	<u>1,828,343</u>

5 PENSION COSTS

The company operates a defined contribution scheme. During the year, the company made pension contributions of £108,056 (2013 - £105,412) on behalf of its employees. At the year end, there were contributions owing to the pension scheme of £8,420 (2013 - £24,403).

TRANSMODE (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

6 TAXATION ON ORDINARY ACTIVITIES

	2014	2013
	£	£
Corporation tax charge	37,492	32,069
Corporation tax adjustment regarding prior year	4,392	-
Deferred tax assets (Note 11)	-	5,193
	<u>41,884</u>	<u>37,262</u>

The taxation charge for 2014 was calculated at 21.33%

Reconciliation of current tax charge

Profit on ordinary activities before taxation	<u>143,797</u>	<u>132,319</u>
Profit on ordinary activities by rate of tax	30,197	31,757
Expenses not deductible for tax purposes	6,609	8,161
Loss utilised during the year	-	(5,913)
Effect of rate change	832	(1,205)
Marginal relief	(146)	(731)
	<u>37,492</u>	<u>32,069</u>

7 DIVIDENDS

	2014	2013
	£	£
Dividend paid on ordinary shares	<u>205,000</u>	<u>-</u>

8 DEBTORS

	2014	2013
	£	£
Amounts owed from group undertakings	359,730	484,522
Other debtors	10,463	11,351
	<u>370,193</u>	<u>495,873</u>

9 CREDITORS: amounts falling due within one year

	2014	2013
	£	£
Corporation tax	37,492	32,069
Other taxation and social security	78,212	92,949
Accruals and deferred income	28,904	30,863
Other creditors	213,205	191,944
	<u>357,813</u>	<u>347,825</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

10 SHARE BASED PAYMENTS

On 22 May 2013, the ultimate parent undertaking, Transmode Holding AB, established an unapproved share option scheme (Long Term Incentive Plan), of which 8 (2013 - 8) employees of Transmode (UK) Limited are part of. The employees are required to make monthly contributions from their salaries during the first 12 months with which they can purchase shares at market value. At the end of the scheme (31 May 2016) providing certain conditions have been met, the employees will receive free performance and matching shares in proportion to the number of shares they have purchased.

In order for the matching and performance conditions to be satisfied, the employee must remain an employee until the end of the vesting period and an average operating margin of at least 8% must be achieved over the 3 years.

At the beginning of the year, the number of shares which had been purchased by the UK employees totalled 527 at a cost of £9.82 per share. During the year a further 2,586 shares were purchased at an average cost of £7.47 per share. The number of shares forfeited during the period was 212 (2013 - 87), which were valued at an average cost of £8.22 per share (2013 - £9.82). The maximum number of matching shares that will be awarded to UK employees will be 2,872 and it is anticipated that no performance shares will be awarded. The estimated exercise price is £4.57 per share.

The maximum number of shares available within the scheme as a whole (i.e. including all other group companies) is 125,220.

The liability imposed on Transmode (UK) Limited is limited to the social security charges that finally rests upon the company according to law. The holders are liable for all other social security charges arising and all tax costs associated with the warrants.

On 13 May 2014, the ultimate parent undertaking, Transmode Holding AB, established another unapproved share option scheme (Long Term Incentive Plan), of which 9 employees of Transmode (UK) Limited are part of. The employees are required to make monthly contributions from their salaries during the first 12 months with which they can purchase shares at market value. At the end of the scheme (31 May 2017) providing certain conditions have been met, the employees will receive free performance and matching shares in proportion to the number of shares they have purchased.

In order for the matching and performance conditions to be satisfied, the employee must remain an employee until the end of the vesting period and an average operating margin of at least 8% must be achieved over the 3 years.

The number of shares purchased by the UK employees during the year totalled 3,441 at an average cost of £4.65 per share. No shares were forfeited during the year. The maximum number of matching shares that could be awarded to UK employees is 3,441 and the maximum number of performance shares is 7,509. The estimated exercise price is £4.57 per share.

The maximum number of shares available within the scheme as a whole (i.e. including all other group companies) is 136,457.

The liability imposed on Transmode (UK) Limited is limited to the social security charges that finally rests upon the company according to law. The holders are liable for all other social security charges arising and all tax costs associated with the warrants.

TRANSMODE (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

11 DEFERRED TAX ASSETS

Deferred Taxation	Provided	
	2014 £	2013 £
Losses	-	-
Balance carried forward	-	-

All deferred taxation has been fully provided and the asset has been included within other debtors

Movements on deferred taxation provision	2014 £	2013 £
Balance brought forward	-	5,193
Transfer during the year	-	(5,193)
Balance carried forward	-	-

12 SHARE CAPITAL

	Nominal value £	Number	2014 £	2013 £
Allotted, called up and fully paid:				
Ordinary share	1	1	1	1

13 PROFIT AND LOSS ACCOUNT

	2014 £	2013 £
Balance brought forward	205,877	110,820
Profit for the financial year	101,913	95,057
Dividends (Note 7)	(205,000)	-
Balance carried forward	102,790	205,877

14 RELATED PARTY TRANSACTIONS

During the year, the following transactions with related parties took place

Party and relationship	Description of transaction and amounts
Mr K Thedeen	Mr K Thedeen, a director of Transmode (UK) Limited is also the Chief Executive Officer and director of Transmode Systems AB, Transmode (UK) Limited's immediate parent company

Included within Note 8 is an amount owed from Transmode Systems AB, the company's immediate parent undertaking, totalling £359,730 (2013 - £484,522)

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 'Related Party Transactions' not to disclose transactions with other group companies as 100% of its voting rights are controlled within the group and its results are included in the consolidated financial statements of its ultimate controlling party Transmode Holding AB

15 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Transmode Systems AB

The ultimate parent undertaking and controlling party is Transmode Holding AB, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Transmode AB was incorporated in Sweden. Copies of the consolidated financial statements of Transmode Holding AB can be obtained from Fredsborgsgatan 24 SE-117 43 Stockholm Sweden