Registration number: 07113794

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Annual Report and Financial Statements

for the Year Ended 31 December 2018

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

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Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Company Information

Directors	C Aitkenhead F De Maio
Registered office	Reading International Business Park Basingstoke Road Reading Berkshire RG2 6DA
Auditors	Ernst & Young LLP Statutory Auditor Reading RG1 1YE

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Business review

The principal activity of Verizon Connect Telo UK Limited (formerly Telogis UK Ltd) (the "Company") is to support the sales and development of telematics, GPS, automatic vehicle location and other location-based services and software.

The profit for the year ended 31 December 2018 before taxation amounted to £161,611 (2017:£139,667, restated).

In comparison with the preceding year, the 2018 operating profit has increased by £21,944.

The Company will continue to focus on supporting growth in key areas of the Telematics business by offering innovative products to our global customers. It will also continue to focus on cost and operational efficiencies.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are similar to those facing other companies in the Telematics sector, namely, competition from businesses with competing products, rapidly changing technology and price pressure. The Company also has exposure to foreign currency risk which arises from purchases in currencies other than its functional currency. These risks are managed at a global and a European regional level, and are significantly mitigated by being an integral part of a leading global communications provider, delivering innovative, cost-effective, advanced communications connectivity to businesses, governments and consumers.

Approved by the Board on 20 September 2019 and signed on its behalf by:

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C Aitkenhead
Director

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

The audited financial statements for the year ended 31 December 2018 are set out on pages 8 to 23.

The name of the company was changed from Telogis UK Ltd to Verizon Connect Telo UK Limited with effect from 6th March 2018.

Future developments
The directors are satisfied with the performance of the Company for the year and do not expect any significant changes in future activities of the business.

Going concern
The company's business activities are set out in the Strategic report.

The company has a service agreement with Verizon Connect Telo Inc. for the provision of promotion and marketing services. This, combined with the level of financial support available from Verizon Communications Inc., gives the directors no reason to believe that a material uncertainty exists about the ability of the company to ensure that it meets its liabilities to third parties as they fall due and continue as a going concern for a period of at least a year from the date of approval of these financial statements.

Dividends
No interim dividend (2017: £nil) was paid during the year. The directors do not recommend the payment of a final dividend (2017: £nil).

Directors' of the company
The directors, who held office during the year, were as follows:

C Aitkenhead

F De Maio

Auditors
The directors have appointed Ernst & Young LLP as auditors for the Company. Ernst &Young LLP have been reappointed as auditors of the Company for the financial year ended 31 December 2019.

Disclosure of information to the auditors
So far as the directors at the date of approving this report are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the auditor is unaware. Having made enquiries of the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board on 20 September 2019 and signed on its behalf by:

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C Aitkenhead
Director

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Directors' 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 have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Opinion

We have audited the financial statements of Verizon Connect Telo UK Limited (formerly Telogis UK Ltd) for the year ended 31 December 2018, which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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 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

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

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

Independent Auditor's Report to the Members of Verizon Connect Telo UK Limited (formerly Telogis UK Ltd) (continued)

Other Information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
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 material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement (set out on page 4), 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.

Independent Auditor's Report to the Members of Verizon Connect Telo UK Limited (formerly Telogis UK Ltd) (continued)

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Ernst & Young LLP

Evangelos Gkirtsos (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
RG1 1YE

Date: 24 September 2019

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Statement of Profit or Loss Account and Other Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £	Restated* 2017 £
Turnover	3	3,393,835	3,282,009
Expenditure			
Distribution costs		(3,017,761)	(2,764,193)
Administrative expenses		(214,463)	(378,149)
Operating profit	4	161,611	139,667
Profit on ordinary activities before taxation		161,611	139,667
Tax on profit on ordinary activities	7	(422)	(27,574)
Profit for the year		161,189	112,093
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		161,189	112,093

The above results were derived from continuing operations.

*See Note 2 Foreign currencies

The notes on pages 11 to 24 form an integral part of these financial statements.

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Balance Sheet as at 31 December 2018

	Note	2018 £	Restated* 2017 £
Fixed assets			
Tangible assets	8	19,660	35,746
Current assets			
Debtors - due within one year	9	1,151,364	864,625
Debtors - due after one year	9	85,773	77,989
Cash at bank and in hand	10	186,466	117,655
		1,423,603	1,060,269
Creditors: Amounts falling due within one year	11	(897,187)	(716,089)
Net current assets		526,416	344,180
Net assets		546,076	379,926
Capital and reserves			
Called up share capital	12	100	100
Reserves		545,976	379,826
Shareholders' funds		546,076	379,926

*See Note 2 Foreign currencies

Approved by the Board on 20 September 2019 and signed on its behalf by:

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C Aitkenhead

Director

The notes on pages 11 to 24 form an integral part of these financial statements.

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Statement of Changes in Equity for the Year Ended 31 December 2018

	Called-up Share capital £	Reserves £	Total £
At 1 January 2018	100	379,826	379,926
Effect of adoption of IFRS 15 (note 16)	-	4,961	4,961
At 1 January 2018 (as restated)	100	384,787	384,887
Profit for the year	-	161,189	161,189
At 31 December 2018	100	545,976	546,076

	Called-up Share capital £	Reserves £	Total £
At 1 January 2017 - restated*	100	267,733	267,833
Profit for the year - restated*	-	112,093	112,093
At 31 December 2017	100	379,826	379,926

*See Note 2 Foreign curencies

1 Authorisation of financial statements and statement of compliance

The financial statements of Verizon Connect Telo UK Limited (formerly Telogis UK Ltd) (the "Company") for the year ended 31 December 2018 were authorised for issue by the board of directors on 20 September 2019 and the balance sheet was signed on the board's behalf by Clare Aitkenhead. Verizon Connect Telo UK Limited (formerly Telogis UK Ltd) is a private limited by shares company, incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The results of Verizon Connect Telo UK Limited (formerly Telogis UK Ltd) are included in the consolidated financial statements of Verizon Communications Inc. which are available from 1095 Avenue of the Americas, New York, New York 10036 USA.

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclose Framework.

Summary of disclosure exemptions
The company has taken advantage of the following disclosure exemptions under FRS 101:

(i) the requirements of paragraph 17 of IAS 24 Related Party Disclosures

(ii) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

(iii) the requirements of IAS 7 Statement of Cash Flows

(iv) the requirements of paragraphs 45b and 46-52 of IFRS 2 Share Based Payment because the share based payment arrangement concerns the instruments of another group entity

(v) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement

(vi) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 and paragraph 73(e) of IAS 16 Property Plant and Equipment

(vii) the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements

(viii) the requirements of paragraph 30 and 31 of IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors

(ix) the requirements of IFRS 7 Financial Instruments: Disclosures

2 Accounting policies (continued)

(x) the requirements of IFRS 9 Financial Instruments: Disclosures

Going concern

The financial statements have been prepared on a going concern basis. The company has a service agreement with Verizon Connect Telo Inc. for the provision of promotion and marketing services. This, combined with the level of financial support available from Verizon Communications Inc., gives the directors no reason to believe that a material uncertainty exists about the ability of the company to ensure that it meets its liabilities to third parties as they fall due and continue as a going concern for a period of at least a year from the date of approval of these financial statements.

New standards, amendments and IFRIC interpretations

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described under the 'Revenue from contracts with customers' and 'Financial instruments' sections below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Revenue from contracts with customers

The company has adopted IFRS 15 Revenue from contracts with Customers in these financial statements for the first time. The company applied IFRS 15 on a modified retrospective basis by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings (note 16).

The company has a service agreement with Verizon Connect Telo Inc. for the provision of promotion and marketing services.

Expenses incurred by the Company in the performance of agreed upon services and any other expenses as agreed between the parties, except income taxes (in aggregate, the "Expenses"), are incorporated into the service agreements.

Revenue is recognised on an accruals basis when the underlying services are performed and expenses are incurred.

IFRS 15 requires the deferral of incremental costs incurred to obtain a customer contract, which are then amortised to expense, over the respective period. 50% of sales commissions costs are deferred and amortised over the weighted-average contract term.

2 Accounting policies (continued)

Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted substantively at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Statement of Profit or Loss.

Tangible fixed assets and depreciation

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation and any provisions for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost of tangible fixed assets, less their estimated residual values, over their expected useful lives using the straight line basis.

Fixtures and equipment 5 years.

2 Accounting policies (continued)

Financial Instruments

Financial Assets

The company has applied IFRS 9 with effect from 1 January 2018 and going forward.

The company has availed of the disclosure exemptions available in accordance with FRS 101 as mentioned in the summary of disclosure exemptions.

Following review of the company's financial assets and financial liabilities, no material recognition, measurement or transition impacts from the application of IFRS 9 have been identified with financial assets and liabilities being recognised in the same manner under IFRS 9 as was recognised under the previously applicable standard IAS 39, Financial Instruments.

Initial recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at amortized cost, and financial assets at fair value through profit or loss.

Derecognition of financial assets:

A financial asset (or, where applicable, a part of a financial asset) is primarily derecognised (i.e. removed from the company's statement of financial position) when:
· The rights to receive cash flows from the asset have expired
or
· The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

The company's financial assets are classified as loans and receivables and include cash, intercompany and other receivables.

Cash at bank and in hand

Cash in the balance sheet comprises cash at banks and in hand.

2 Accounting policies (continued)

Intercompany and other debtors

The company impairs intercompany receivables using the IFRS 9 general impairment approach, which involves calculating an amount equal to 12 months expected credit losses where the Credit Risk is assessed below.

Changes in the credit risk associated with these assets are assessed on both an individual basis and collective basis. To date, there has been no indication of impairment on a collective basis.

Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the company retains continuing involvement, financial guarantee contracts, commitments to provide a loan at a below market interest rate, and contingent consideration recognized by an acquirer in accordance with IFRS 3, Business Combinations.

Derecognition of financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Trade and other creditors

Trade and other short term creditors are carried at the lower of their original invoiced value and payable amount.

Loans and borrowings

Loans and borrowings are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

2 Accounting policies (continued)

Foreign currencies

The company's functional currency is Sterling (GBP) and the company's financial statements are presented in Sterling. The company previously presented the financial statements in the currency of the primary economic environment of its parent company (US Dollar). The financial statements for 2017 have been re-presented in GBP to align with the company's functional currency.

The significant majority of the company's earnings are denominated in GBP. The change in presentation currency will give users a clearer understanding of performance.

- As at 31 December 2017, monetary assets and liabilities were translated at exchange rates prevailing on the balance sheet date, which was US Dollars 1 : GBP 0.74003;
- For the year ended 31 December 2017, income and expense items were translated at the average exchange rates for the period, which was US Dollars 1 : GBP 0.78037;
- Differences resulting on the re-translation on the opening net assets and results for the year had been included as an exchange gain or loss in the Statement of Comprehensive Income;
- Share capital was translated at the historic rate during incorporation of the entity.
- Reserves were translated at the exchange rates prevailing at the balance sheet date.

	31 December 2017	31 December 2017
Restatement of equity:	$	£
Share capital	154	100
Reserves	329,186	267,733
P&L for year	182,761	112,093
	512,101	379,926

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Leases

Operating lease rentals are charged to the Statement of Profit or Loss on a straight line basis over the period of the lease.

Defined contribution pension obligation

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the Statement of Profit or Loss represents the contributions payable to the scheme in respect of the accounting period.

2 Accounting policies (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the assets recoverable amount in order to determine the extent of the impairment loss. An assets recoverable amount is the higher of an assets or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment losses is recognised immediately in the Statement of Profit or Loss, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Share based payments

The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model.

No expense is recognised for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments which will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in equity.

Where the terms of an equity settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period.

In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if the difference is negative.

Where an equity settled award is cancelled it is treated as if it had vested on the date of the cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

3 Turnover

An analysis of the company's turnover which is wholly derived from its US parent is as follows:

	2018 £	Restated 2017 £
Cost plus basis on expenses	3,393,835	3,282,009

4 Operating profit

Operating profit is stated after charging/(crediting):

	2018 £	Restated 2017 £
Depreciation of property, plant and equipment	10,735	20,499
Operating lease payments	-	56,368
Rental expense	121,133	26,483
Staff costs	2,143,599	1,857,105
Auditor's remuneration		
- audit of the financial statements	31,300	27,886
- other services	-	-

5 Staff costs

The average number of persons employed by the company during the year, was:

	2018 No.	Restated 2017 No.
Selling and administrative employees	27	24

Their aggregate remuneration comprised:

	2018 £	Restated 31 December 2017 £
Wages and salaries	1,804,155	1,575,593
Social security costs	231,030	203,700
Other pension costs	108,414	77,812
	2,143,599	1,857,105

6 Directors' remuneration

The directors are employed by Verizon group companies and their services as directors is incidental to their main employment. Consequently, they do not receive emoluments for their services as directors of this company.

The directors are employed by Verizon UK Limited and their total remuneration for the year, including bonus, benefits and pension contributions to a money purchase scheme was £644,000 (2017: £627,000). The aggregate remuneration of the highest paid director was £354,000 (2017: £344,000).

7 Income tax

Tax charged/(credited) in the profit and loss account

	2018 £	Restated 31 December 2017 £
Current taxation		
UK corporation tax	-	37,689
Total current income tax	-	37,689
Deferred taxation		
Arising from origination and reversal of temporary differences	422	(10,115)
Tax charge in the profit and loss account	422	27,574

Reconciliation of the total tax charge

	2018 £	Restated 31 December 2017 £
Profit from continuing operations before taxation	161,611	139,667
Tax at UK statutory rate of 19% (2017: 19.25%)	30,706	26,886
Expenses not deductible for tax purposes	760	750
Fixed asset timing differences	1,381	4,074
Other timing differences	(3,218)	1,405
Deferred tax liability recognised during the year	422	(10,115)
Group relief claimed	(29,629)	(33,115)
Amounts underprovided in prior years	-	37,689
Total tax charge	422	27,574

Change in Corporation Tax Rate

The Finance Act 2015 reduced the main rate of UK corporation tax from 20% to 19% from 1 April 2017. The main rate of UK corporation tax will further reduce to 17% effctive from 1 April 2020 as enacted in the Finance Act 2016.

7 Income tax (continued)

Deferred tax

	2018 £	Restated 2017 £
Deferred tax liability included in the balance sheet as follows		
Deferred tax	656	234
	656	234

8 Tangible assets

	Furniture, fittings and equipment £
Cost or valuation	
At 1 January 2018	76,857
Disposals	(11,166)
Net exchange differences on retranslation of accounts to functional currency	(10,284)
At 31 December 2018	55,407
Depreciation	
At 1 January 2018	41,111
Charge for the year	10,735
Disposals	(11,166)
Net exchange differences on retranslation of accounts to functional currency	(4,933)
At 31 December 2018	35,747
NBV	
At 31 December 2018	19,660
At 1 January 2018	35,746

9 Trade and other debtors

	2018 £	Restated 31 December 2017 £
Due within one year:		
Amounts due from parent company	870,222	715,876
Prepayments	114,885	20,327
Deferred commissions	26,937	107,603
Other debtors	139,320	20,819
	1,151,364	864,625

Amounts due from the parent company are interest free and repayable on demand.

	2018 £	Restated 2017 £
Due after one year:		
Deferred commissions	85,773	77,989

10 Cash and cash equivalents

	2018 £	Restated 31 December 2017 £
Cash at bank	186,466	117,655

11 Creditors: amounts falling due within one year

	2018 £	Restated 31 December 2017 £
Trade creditors	307,007	202,118
Accrued expenses	256,235	325,704
Amounts due to group undertakings	214,442	30,138
Social security and other taxes	103,568	66,114
Corporation tax payable	15,279	91,781
Deferred tax liability	656	234
	897,187	716,089

12 Share capital

	2018	Restated 2017
	£	£
Authorised and issued		
100 (2017:100) ordinary shares of GBP 1 each	100	100

13 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £108,414 (2017:£77,812).

As at 31 December 2018 there was a pension scheme accrual relating to the Company contributions of £16,364 (2017: £16,076) which is included within accrued expenses in Note 11.

14 Share-based payments

On 1 February 2018 employees were issued the Verizon Special Award grant of Restricted Stock Units ("RSUs"). Eligible full-time employees received 50 RSUs and eligible part-time employees receive 25 RSUs. Employees will receive a cash bonus opportunity based on the value of Verizon Communications Inc's stock price at the vesting date plus any dividend payments.

If an employee satifies the vesting requirements for the award, 50% of the award vests on 31 January 2019 and the remaining 50% vests on 31 January 2020.

15 Parent and ultimate parent undertaking

The company is a subsidiary undertaking of Verizon Connect Telo Inc. a company incorporated in the USA. The company is a wholly owned indirect subsidiary of Verizon Communications Inc., a company incorporated in the United States of America, whose principal place of business is 1095 Avenue of the Americas, New York, New York 10036 USA and is the ultimate parent undertaking and controlling party of the Company.

Verizon Communications Inc. is the ultimate parent company of the largest and smallest group in which the results of the Company are consolidated.

16 Adoption of IFRS 15

The cumulative effect of initially adopting IFRS 15 is detailled below:

	Original position 01-Jan-18 £	Deferred commission costs Note 1 £	Other operating income Note 2 £	Restated 01-Jan-18 £
Debtors - due within one year	942,614	(99,233)	104,194	947,576
Retained earnings	(379,826)	99,233	(104,194)	(384,787)

Note 1 - IFRS 15 requires the deferral of incremental costs incurred to obtain a customer contract, which are then amortised to expense, over the respective period of expected benefit. As a result, an amount of sales commission costs, which were historically expensed have been deferred. The amount of amortisation in 2018 from the deferral commissions made as at 1 January 2018 is £37,766.

Note 2 - All of the above items are subject to operating income adjustments derived from the telecommunications service agreement with Verizon Connect Telo Inc.