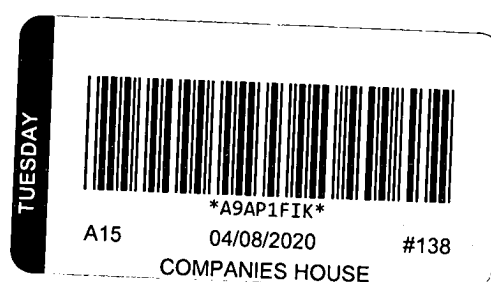


**Verizon Digital Media Services UK  
Limited**

**Report and financial statements**

**Registered number 8524398**

**31 December 2019**



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## **Corporate information**

### **Directors**

A Watkins (resigned 11 March 2020)  
S Flint (resigned 24 January 2020)  
K Carlet (appointed 25 February 2020)

### **Secretary**

M Samuels

### **Bankers**

Bank of America, N.A.  
2 King Edward Street  
London EC1A 1HQ

### **Auditor**

Ernst & Young  
Chartered Accountants  
Harcourt Centre  
Harcourt Street  
Dublin  
Ireland

### **Registered Office**

MidCity Place  
71 High Holborn  
London, WC1V 6EA  
United Kingdom

## Strategic report

The director presents the strategic report for the year ended 31 December 2019.

The accounts of Verizon Digital Media Services UK Limited (the "Company") are prepared under FRS 101 – Reduced Disclosure Framework and the Company has taken advantage of the disclosure exemptions allowed under this standard. The Company's immediate parent undertaking Verizon Digital Media Services Inc. ("VDMS Inc."), a company incorporated and existing in the United States of America, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions.

### *Business review*

#### *Performance in the year*

The Company was incorporated on 10 May 2013. The Company continues to look to develop its footprint and brand.

The Company is a direct subsidiary of VDMS Inc. whose principal activity is the delivery of data through a global content delivery network. Verizon Communications Inc. acquired VDMS Inc. on 23 December 2013.

The profit for the financial year was £2,316,980 (2018 loss: £57,383,366). The loss in 2018 resulted primarily from costs incurred relating to its intellectual property which are not present in 2019. The Company additionally incurred a loss of £23,143,259 on a sale of a financial investment in 2018.

Turnover for the year was £12,510,321 (2018: £16,485,617). The decrease in turnover in 2019 results from the cessation of royalty income in 2018 from licensing activities relating to its intellectual property.

On 18 December 2019, the Company received a subscription letter from VDMS Inc. applying for the allotment and issue of one (1) ordinary share at a nominal value of £1 with a premium of £69,999,999 to recapitalize the Company. The Company received full payment of the subscription price for the new share in December 2019 and such amount will be used for the day to day business operations of the Company.

### *Principal risks and uncertainties*

The principal risks and uncertainties facing the Company are:

#### *Operational risks*

There are several operational risks that could, alone or in combination with other factors, impede companies in the industry from the ability to increase revenues and/or moderate expenses, including:

- continuing market pressure to decrease our prices;
- failure to adequately enhance our services and develop attractive new ones;
- inability to limit our co-location and bandwidth costs;
- increased headcount or other operating expenses;
- inability to develop effective new sales channels; and
- failure of a significant number of customers to pay our fees on a timely basis or at all or failure to continue to purchase our services in accordance with their contractual commitments.

## Strategic report (continued)

### *Funding risk*

The risk of being unable to fund the operations on an ongoing basis has been mitigated through the level of financial support available from the ultimate parent company.

### *Economic risk*

Coronavirus (COVID-19) is an infectious disease caused by a new virus. This disease was first reported in December 2019 in Wuhan, China before spreading out to numerous countries worldwide including the United Kingdom and then being declared a pandemic by the World Health Organisation ('WHO').

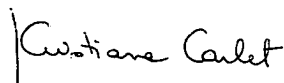
COVID-19 has caused severe disruption to both the UK and global economy and could potentially create widespread business continuity issues of as yet unknown magnitude and duration.

Verizon is taking a variety of measures to ensure the availability of its critical infrastructure, promote the safety and security of its employees, and adhere to local governmental direction. These measures include, among other things, permitting alternative working arrangements for employees where practicable, and reinforcing to employees the importance of complying with local governmental direction.

Public and private sector policies and initiatives to reduce the transmission of COVID-19 in the UK, such as the imposition of travel restrictions, the promotion of social distancing and the adoption of work-from-home and online learning by companies and institutions, could impact our operations and the amount and ways our customers use our services. In addition, COVID-19 may affect the ability of our suppliers and vendors to provide products and services to us. Some of these factors could increase the demand for our services, while others could decrease demand or make it more difficult for us to serve our customers.

Due to the speed with which the situation is developing, we are not able at this time to estimate the impact of COVID-19 on our financial or operational results, but the impact could be material. Management are continuing to assess the impact on the business with particular reference to customers and vendors but at this point the impact is not significant.

By order of the Board



K Carlet  
Director  
6 May 2020

## Director's report

The director presents the financial statements of Verizon Digital Media Services UK Limited (the "Company") for the period from 1 January 2019 to 31 December 2019.

The audited financial statements for the year ended 31 December 2019 are set out on pages 10 to 24.

### *Dividends*

The director does not recommend the payment of a final dividend (2018: £nil).

### *Future developments*

Future growth will be focused on expansion of current infrastructure and growth of sales.

### *Going Concern*

The Company's business activities are set out in the Strategic Report.

Management response to the impact of COVID-19 is set out in the economic risk section of the Strategic report. It is the director's view, and to the best of their current knowledge, that COVID-19 will not have a material adverse impact on the Company's ability to continue as a going concern.

The director has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the director continues to adopt the going concern basis of accounting in preparing the annual financial statements.

### *Directors of the company*

The directors who served during the period and to the date of this report were as follows:

A Watkins (resigned 11 March 2020)  
S Flint (resigned 24 January 2020)  
K Carlet (appointed 25 February 2020)

### *Director's Indemnity*

The Company has granted indemnity to its directors against liability in respect of proceedings brought by third parties, subject to conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision was in force during the period and is in force as at the date of approving the directors' report.

### *Events since the balance sheet date*

In January 2020, the Company made a partial settlement of its principal loan payable to Oath Inc., Oath (Americas) Inc., Adapt.tv, Inc., and Millennial Media LLC for a total amount of \$93,600,000.

As COVID-19 continues to spread and significantly impact many countries around the world, including the United Kingdom, Verizon is taking a variety of measures to ensure the availability of its critical infrastructure, promote the safety and security of its employees, and adhere to local governmental direction. These measures include, among other things, permitting alternative working arrangements for employees where practicable, and reinforcing to employees the importance of complying with local governmental direction.

Public and private sector policies and initiatives to reduce the transmission of COVID-19, such as the imposition of travel restrictions, the promotion of social distancing and the adoption of work-from-home and online learning by companies and institutions, could impact our operations and the amount and ways our customers use our services. In addition, COVID-19 may affect the ability of our suppliers and vendors to provide products and services to us. Some of these factors could increase the demand for our services, while others could decrease demand or make it more difficult for us to serve our customers.

Due to the speed with which the situation is developing, we are not able at this time to estimate the impact of COVID-19 on our financial or operational results, but the impact could be material. Management are continuing to assess the impact on the business with particular reference to customers and vendors but at this point the impact is not significant.

## Director's report (continued)

### *Events since the balance sheet date - continued*

Other than as described above in relation to COVID-19 and the partial settlement of the loan payable, there were no other significant events to report.

### *Disabled employees*

The Company gives full consideration to applications for employment from disabled persons in compliance with local law. Where existing employees become disabled or where a job applicant is disabled, it is the Company's practice to make reasonable adjustments in the workplace. This might include for example providing continuing employment under normal terms and conditions, offering retraining, and making changes to the physical environment wherever practicable.

### *Employee consultation*

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through regular information bulletins, which seek to achieve a common awareness of the financial and economic factors affecting the performance of the business.

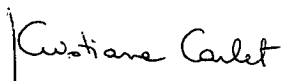
### *Disclosure of information to auditor*

So far as the director at the date of approving this report is 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 director has taken all the necessary steps to make herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### *Auditor*

In accordance with the Companies Act 2006, the Company is not obligated to convene an Annual General Meeting. Ernst & Young, Chartered Accountants, will continue as the Company's auditor.

By order of the Board



**K Carlet**  
Director  
6 May 2020

## Director's responsibilities statement

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 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 those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is responsible for keeping proper 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. The director is 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.

By order of the Board



*Director*  
6 May 2020





**Building a better  
working world**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERIZON DIGITAL MEDIA SERVICES  
UK LIMITED (Continued)**

**Other information**

The other information comprises the information included in the annual report set out on pages 2 to 5, 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Director's 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 director's 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
- the financial statements are not in agreement with the accounting records; 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.

*Continued /...*



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERIZON DIGITAL MEDIA SERVICES UK LIMITED**

### **Opinion**

We have audited the financial statements of Verizon Digital Media Services UK Limited for the year ended 31 December 2019 which comprise the Income Statement and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 17, 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 company's affairs as at 31 December 2019 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.

*Continued /...*

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERIZON DIGITAL MEDIA SERVICES  
UK LIMITED (Continued)**

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

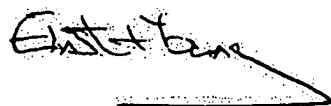
**Auditor's responsibilities for the audit of the financial statements**

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.

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.



Dermot Quinn (Senior statutory auditor)  
for and on behalf of Ernst & Young Chartered Accountants, Statutory Auditor

Dublin

11 May 2020

**Income statement and other comprehensive income**  
*for the year ended 31 December 2019*

	Notes	Continuing operations 2019 £	Total 2019 £	Continuing operations 2018 £	Discontinued operations 2018 £	Total 2018 £
Turnover	3	12,510,321	12,510,321	12,111,954	4,373,663	16,485,617
Cost of sales		(5,127,009)	(5,127,009)	(4,657,710)	-	(4,657,710)
Gross profit		<u>7,383,312</u>	<u>7,383,312</u>	<u>7,454,244</u>	<u>4,373,663</u>	<u>11,827,907</u>
Net operating expenses		<u>(2,652,399)</u>	<u>(2,652,399)</u>	<u>(12,785,270)</u>	<u>(49,606,264)</u>	<u>(62,391,534)</u>
Operating profit/(loss)	4	4,730,913	4,730,913	(5,331,026)	(45,232,601)	(50,563,627)
Interest payable and similar charges to group undertakings	10	(10,589,996)	(10,589,996)	(10,277,317)	-	(10,277,317)
Interest payable and similar charges to third parties		-	-	(7,128)	-	(7,128)
Interest receivable and similar income from group undertakings	9	8,157,723	8,157,723	3,456,723	-	3,456,723
Interest receivable and similar income from third parties		<u>14,179</u>	<u>14,179</u>	<u>7,983</u>	<u>-</u>	<u>7,983</u>
Profit/(loss) on ordinary activities before taxation		2,312,819	2,312,819	(12,150,765)	(45,232,601)	(57,383,366)
Tax on profit/(loss) on ordinary activities	7	<u>4,161</u>	<u>4,161</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(loss) for the financial year		<u>2,316,980</u>	<u>2,316,980</u>	<u>(12,150,765)</u>	<u>(45,232,601)</u>	<u>(57,383,366)</u>
Other comprehensive profit/(loss) for the year, net of tax		-	-	-	-	-
Total comprehensive profit/(loss) for the year		<u>2,316,980</u>	<u>2,316,980</u>	<u>(12,150,765)</u>	<u>(45,232,601)</u>	<u>(57,383,366)</u>

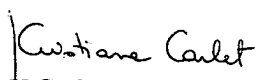
**Statement of changes in equity***For the year ended 31 December 2019*

	Share capital £	Share Premium £	Equity contributions from parent £	Profit and loss account £	Total Equity £
<b>At 1 January 2018</b>	<b>61,920,301</b>	<b>5,859,728</b>	-	<b>(75,354,600)</b>	<b>(7,574,571)</b>
Share-based payment transaction	-	-	234,204	-	234,204
Total comprehensive loss for the financial year	-	-	-	(57,383,366)	(57,383,366)
<b>At 31 December 2018</b>	<b>61,920,301</b>	<b>5,859,728</b>	<b>234,204</b>	<b>(132,737,966)</b>	<b>(64,723,733)</b>
Issuance of new shares	1	69,999,999			70,000,000
Share-based payment transaction	-	-	(73,963)	-	(73,963)
Total comprehensive income for the financial year	-	-	-	2,316,980	2,316,980
<b>At 31 December 2019</b>	<b>61,920,302</b>	<b>75,859,727</b>	<b>160,241</b>	<b>(130,420,986)</b>	<b>7,519,284</b>

**Balance sheet**  
*at 31 December 2019*

	<i>Notes</i>	<b>2019</b> £	<b>2018</b> £
<b>Fixed assets</b>			
Tangible assets	8	<u>873,173</u>	<u>1,812,886</u>
		<b>873,173</b>	<b>1,812,886</b>
<b>Current assets</b>			
Debtors:			
- due within one year	9	3,515,102	7,567,562
- due after one year	9	191,099,551	194,188,750
Cash		<u>79,329,241</u>	<u>14,919,906</u>
		<b>273,943,894</b>	<b>216,676,218</b>
Creditors: amounts falling due within one year	10	<u>(121,882,496)</u>	<u>(70,291,198)</u>
<b>Net current assets</b>		<b>152,061,398</b>	<b>146,385,020</b>
Creditors: amounts falling due after one year	10	<u>(145,415,287)</u>	<u>(212,921,639)</u>
<b>Net assets/(liabilities)</b>		<b>7,519,284</b>	<b>(64,723,733)</b>
<b>Capital and reserves</b>			
Share capital	12	61,920,302	61,920,301
Share premium		75,859,727	5,859,728
Equity contributions from parent	13	160,241	234,204
Profit and loss account deficit		<u>(130,420,986)</u>	<u>(132,737,966)</u>
<b>Equity shareholders' surplus/(deficit)</b>		<b>7,519,284</b>	<b>(64,723,733)</b>

These financial statements were approved by the director on 6 May 2020.

  
K Carlet  
Director

## Notes to the financial statements

*(forming part of the financial statements)*

### 1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of the Company for the year ended 31 December 2019 were authorised for issue by the board of directors on 6 May 2020 and the balance sheet was signed on the board's behalf by Kristiana Carlet. The Company is 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 Company's financial statements are presented in £ Sterling.

The results of the Company are included in the consolidated financial statements of Verizon Communications Inc. which are available from 1095 Avenue of the Americas, New York, New York 10013 USA.

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

### 2 Accounting policies

#### *Basis of accounting and preparation*

The Company applies FRS 101 for all periods presented.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. 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 91-99 of *IFRS 13 Fair Value Measurement*
- (v) 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*
- (vi) the requirements of paragraphs 10(d), 10(f) and 134-136 of *IAS 1 Presentation of Financial Statements*
- (vii) the requirements of paragraph 30 and 31 of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*
- (viii) the requirements of *IFRS 7 Financial Instruments: Disclosures*
- (ix) the requirements of paragraphs 6 and 21 of *IFRS 1 First-time Adoption of International Financial Reporting Standards*

**Notes to the financial statements (continued)****2 Accounting policies (continued)*****Going concern***

In light of the COVID-19 pandemic, it is the director's view, and to the best of their current knowledge, that COVID-19 will not have a material adverse impact on the Company's ability to continue as a going concern.

The director has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the director continues to adopt the going concern basis of accounting in preparing the annual financial statements.

***Tangible assets and depreciation***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes cost directly attributable to making the asset capable of operating as intended including internal employee costs, which are directly attributable to the capital activities of the Company.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

<i>Computer equipment</i>	-	<i>3-5 years</i>
<i>Leasehold improvements</i>	-	<i>Lesser of life of improvements or life of lease</i>
<i>Fixtures and fittings</i>	-	<i>5 years</i>

An asset is regarded as being in the course of construction until ready for its intended use, when it is reclassified and depreciated over its estimated useful economic life.

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Tangible fixed assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

***Intangible Assets***

Intangible assets are recorded at cost less any accumulated amortisation. The amortisation is recorded on a straight line basis so as to write the asset down over its estimated useful life.

***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. Recoverable amount is the higher of 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 income statement 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 income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.



## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### *Cash and short-term deposits*

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertibly to a known amount of cash and subject to an insignificant risk of changes in value.

#### *Leases*

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Income taxes*

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 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 income statement.

#### *Revenue Recognition*

Revenue is recognised on the basis of usage of networks, the provision of services or economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably.

#### *Usage of network*

Fixed fees for circuits and certain other services may be billed in advance or in the month of usage, but are recognised as revenue in the month of usage. Where fees are based on traffic and variable fees, they are generally billed in arrears and recognised in the month of usage.

#### *Provision of services*

Revenue for maintenance and monitoring service is recognised over the term of the contracts as we provide the services. Where there is a contractual arrangement with multiple deliverables that cannot be considered separate for accounting purposes, the revenue is recognised evenly over the term of the contract.

#### *License fees*

Revenue is recognised when the Company's right to receive the payment is established as per the license agreement.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### *Foreign currency*

Transactions denominated in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gains or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

#### *Provisions*

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, the expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability.

#### *Financial Instruments*

##### Financial Assets

##### *Initial recognition and measurement*

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Company determines the classification of its financial assets at initial recognition.

The Company's financial assets are classified as loans and receivables and includes cash, trade and other receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently at amortised cost.

The financial asset, which relates to an investment in a subsidiary, is an available for sale financial asset, which is measured initially and subsequently at fair value, with changes in fair value being recognised directly in Equity.

##### 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, loans and borrowings or as derivatives designed as hedging instruments as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities are classified as loans and borrowings and include payables due to related parties, trade and other creditors. They are initially measured at fair value and subsequently at amortised cost using the effective interest method. The long term loan due to related parties accrues interest at an arm's length basis.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### *New and amended standards and interpretations*

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company.

#### *IFRS 16 Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model with some exemptions for short-term and low-value leases. The lessee recognises a right-to-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

Lessor accounting under IFRS 16 is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contained a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company has reviewed the impact of applying IFRS 16 and has concluded that the new standard does not have an impact on the financial statements, as the Company is not party to any lease in the financial year.

#### *New and amended standards and interpretations issued but not yet effective or early adopted*

Other changes to IFRS have been issued but are not yet effective. However, they are either not expected to have a material effect on the Financial Statements or they are not currently relevant to the Company. The Company has not yet early adopted any standards, interpretations or amendments that have been issued but not yet effective.

**Notes to the financial statements (continued)****3 Turnover**

Turnover is based on the invoiced value, exclusive of VAT, of services supplied by the Company in the normal course of business, in accordance with the revenue recognition policy in Note 2. The total turnover of the Company for the year has been split by the following geographical areas:

	Continuing operations 2019 £	Total 2019 £	Continuing operations 2018 £	Discontinued operations 2018 £	Total 2018 £
United Kingdom	1,883,891	1,883,891	1,384,232	1,676,604	3,060,836
Europe	9,644,745	9,644,745	9,003,952	963,456	9,967,408
United States	3,332	3,332	47,943	-	47,943
Rest of World	978,353	978,353	1,675,827	1,733,603	3,409,430
	<b>12,510,321</b>	<b>12,510,321</b>	<b>12,111,954</b>	<b>4,373,663</b>	<b>16,485,617</b>

**4 Operating profit/(loss)**

Operating profit/(loss) is stated after charging/(crediting) the following:

	Continuing operations 2019 £	Total 2019 £	Continuing operations 2018 £	Discontinued operations 2018 £	Total 2018 £
Research and Development	-	-	-	8,284,510	8,284,510
Cost Share (i)	-	-	-	-	3,349,512
Business service fee (ii)	4,204,537	4,204,537	3,349,512	-	1,346,494
Depreciation (Note 8)	922,615	922,615	1,346,494	-	20,106,042
Amortization	-	-	-	20,106,042	5,535,490
Net foreign exchange (gain)/loss	(4,321,895)	(4,321,895)	5,535,490	-	-
Loss on disposal of fixed assets (Note 8)	17,098	17,098	-	-	-
Auditor's remuneration – audit of the financial statements	27,897	27,897	39,913	-	39,913

- (i) Effective 1 January 2017, the Company entered a cost sharing arrangement (“CSA”) with Oath Inc., Oath (Americas) Inc., Adap.tv, Inc., and Millennial Media LLC, under this arrangement, participants share the costs and risks associated with developing intangibles in proportion to their shares of reasonably anticipated benefits (“RAB Shares”) from their individual exploitation of the intangibles assigned to them under the arrangement. This agreement was terminated effective 1 July 2018.
- (ii) The business service fee relates to a Master Business Services Agreement the Company entered into on 23 December 2016 with VDMS Inc., which had an effective date of 1 January 2016. For services provided to the Company by VDMS Inc. the Company pays a fee, which is included in Cost of sales.

**Notes to the financial statements (continued)****5 Staff costs**

The average number of persons employed by the Company (including the executive director) during the period was as follows:

	<b>Number of employees</b>	
	<b>2019</b>	<b>2018</b>
Sales	7	7
Administration	23	20
	<u>30</u>	<u>27</u>

The aggregate payroll costs of these persons were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	3,350,811	4,114,801
Social security costs	646,469	485,891
Share-based payments (Note 14)	231,512	377,536
Other pension costs (Note 15)	135,561	132,579
	<u>4,364,353</u>	<u>5,110,807</u>

**6 Remuneration of the directors**

The directors of the Company in 2019 were employed by another Verizon group company and any services as director were incidental to their main employment. Consequently, there are no emoluments received for services as a director of this company.

**Notes to the financial statements (continued)****7 Taxation****(a) Tax (credited)/charged in the income statement**

	2019 £	2018 £
<b>Current income tax:</b>		
UK corporation tax charge	-	-
Adjustments in respect of prior years	(4,161)	-
	<hr/>	<hr/>
Total current income tax (credit) / charge	(4,161)	-
	<hr/>	<hr/>
<b>Tax (credit) / charge in the income statement</b>	<b>(4,161)</b>	<b>-</b>
	<hr/>	<hr/>

**(b) Reconciliation of the total tax (credit)/ charge**

	2019 £	2018 £
Profit/(Loss) on ordinary activities from continuing/discontinued operations before taxation	<u>2,312,819</u>	<u>(57,383,366)</u>
Tax calculated at UK statutory rate of 19% (2018: 19%)	439,436	(10,902,840)
Expenses / (income) not deductible / (taxable)	1,307	1,682,109
Deferred tax unrecognised/(recognised) in the year	26,170	(1,480,042)
Adjustments in respect of prior years	(4,161)	-
Loss relief	(104,802)	-
Group relief (claimed)/surrendered	(362,111)	10,700,773
	<hr/>	<hr/>
<b>Total tax (credit)/charge</b>	<b>(4,161)</b>	<b>-</b>
	<hr/>	<hr/>

**(c) Change in corporation tax rate**

The Finance Act 2015 included legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017. This was substantively enacted on 18 November 2015. Whilst the Finance Act 2016 included legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020. This was substantively enacted on 15 September 2016.

**(d) Deferred tax asset**

As at 31 December 2019 there is £Nil (2018: £Nil) of deferred tax asset. A deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. There is currently insufficient evidence that sufficient suitable taxable profits will be generated, and therefore the deferred tax asset has not been recognised.

**Notes to the financial statements (continued)****8 Tangible assets**

	<b>Computer equipment</b>	<b>Leasehold improvements, fixtures and fittings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<i>Cost</i>			
At 1 January 2019	4,391,789	171,886	4,563,675
Retirements	(29,522)	(171,886)	(201,408)
<b>At 31 December 2019</b>	<b>4,362,267</b>	<b>-</b>	<b>4,362,267</b>
<i>Depreciation</i>			
At 1 January 2019	2,579,236	171,553	2,750,789
Charge for the year	922,472	143	922,615
Retirements	(12,614)	(171,696)	(184,310)
<b>At 31 December 2019</b>	<b>3,489,094</b>	<b>-</b>	<b>3,489,094</b>
<i>Net book value</i>			
<b>At 31 December 2019</b>	<b>873,173</b>	<b>-</b>	<b>873,173</b>
<b>At 31 December 2018</b>	<b>1,812,553</b>	<b>333</b>	<b>1,812,886</b>

**9 Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<i>Amounts falling due within one year:</i>		
Trade debtors	514,932	1,918,455
Amounts owed by group undertakings	2,823,532	5,577,423
Other debtors	176,638	71,684
	<b>3,515,102</b>	<b>7,567,562</b>
<i>Amounts falling due after one year:</i>		
Amounts owed by group undertakings	<b>191,099,551</b>	<b>194,188,750</b>

Trade debtors are non-interest bearing with payment due on receipt of the invoice.

**Notes to the financial statements (continued)****9 Debtors - continued**

On 1 July 2018, the Company assigned and transferred its Intellectual Property to Oath, Inc. for a total consideration of \$201,000,000 equivalent to £154,508,417 (2018: £157,597,616) which resulted in a gain of £10,772,861 in 2018. In relation to this, Oath Inc. issued a promissory note, which bears an interest rate of 4.3% per annum and is repayable on 1 July 2028. As at 31 December 2019, accrued interest recorded amounts to \$2,088,725 or £1,611,422 (2018: \$4,321,500 or £3,388,349).

Effective 30 November 2018, the Company sold its 100% investment in AOL Holdings (IP Transfer) LLC to Oath (Netherlands) B.V. for a total consideration of £36,591,134 which resulted in a loss of £23,143,259 in 2018. Oath (Netherlands) B.V. issued a promissory note bearing an interest of 3.725% per annum and repayable on 30 November 2023. As at 31 December 2019, accrued interest recorded amounts to £1,022,265 (2018: £112,029).

For the year ended 31 December 2019, total interest income on the above promissory notes were £8,157,723 (2018: £3,456,723).

Other debtors includes advances to employees, prepayments, VAT credits, and lease deposits.

**10 Creditors**

	2019 £	2018 £
<i>Amounts falling due within one year:</i>		
Trade creditors	376,208	259,573
Value Added Tax	-	258,029
Amounts owed to group undertakings	120,675,581	68,762,203
Corporation tax payable	-	4,161
Accruals	830,707	1,007,232
	<u>121,882,496</u>	<u>70,291,198</u>
<i>Amounts falling due after one year:</i>		
Amounts owed to group undertakings	<u>145,415,287</u>	<u>212,921,639</u>

Effective on 31 December 2016 there was a Loan Note Instrument deed for \$249,900,000, converted to £192,097,778 (2018: £195,938,529), between the Company and the four entities; Oath Inc., Oath (Americas) Inc., Adap.tv, Inc., and Millennial Media LLC. The notes are 5.4% fixed rate unsecured loan notes and are issued in full consideration for the purchase of the IP. The rate used is at arm's length and this was verified through an analysis performed by an external third party. The interest is repayable on the maturity date of the notes, which is 31 December 2026. As at 31 December 2019, accrued interest recorded amounts to \$32,870,747 or £25,267,698. Interest expense for the year ended 31 December 2019 amounts to £10,589,996 (2018: £10,277,317).

In January 2020, the Company made a partial settlement of the loan principal for a total amount of \$93,600,000 equivalent to £71,950,189 classified as amounts falling due within one year in the Company's balance sheet.

The credit risk of the Company not being able to repay the loan note when it falls due is offset by the value of the promissory notes repayable in 2023 and 2028 (Note 9).



**Notes to the financial statements (continued)****11 Financial Instruments**

	2019	2018
	£	£

*Financial assets that are loans and receivables measured at amortised cost*

Amounts owed by group undertakings (Note 9)	191,099,551	194,188,750
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*Financial liabilities that are loans measured at amortised cost*

Amounts owed to group undertakings (Note 10)	217,365,476	212,921,639
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Details on the risks relating to financial liabilities have been disclosed in the creditors note (Note 10).

**12 Share capital**

	2019	2018
	£	£
<i>Allotted, called up and fully paid</i>		
61,920,302 shares at £1 each	61,920,302	61,920,301

On 18 December 2019, the Company received a subscription letter from VDMS Inc. applying for the allotment and issue of one (1) ordinary share at a nominal value of £1 with a premium of £69,999,999 to recapitalize the Company. The Company received full payment of the subscription price for the new share in December 2019 and such amount will be used for the day to day business operations of the Company.

**13 Equity contributions from parent**

The reserve records the contribution made by Verizon Communications Inc. in respect of the Share Based Payments made to the employees of the Company.

**14 Share-based payments*****Restricted stock units***

Verizon Communications Inc. offers restricted stock awards to its employees. The vesting of restricted stock awards is generally subject to meeting certain performance-based objectives, the passage of time, or a combination of both, and continued employment through the vesting period. Restricted stock award grants are generally measured at fair value on the date of grant based on the number of shares granted and the quoted price of the Verizon Communications Inc. common stock. Such value is recognised as an expense over the corresponding service period.

In February 2018, Verizon Communications, Inc. announced a broad-based employee special award of RSUs under the 2017 Plan to eligible full-time and part-time employees. These RSUs will vest in two equal instalments on each anniversary of the grant date, and will be paid in cash.

## Notes to the financial statements (continued)

### 14 Share-based payments - continued

The charges for the year relating to share based payment plans was £231,512 (2018: £377,536) being recognised in net operating expenses.

The weighted average share price of RSU's at 31 December 2019 was \$56.66 (2018: \$49.19).

### 15 Pension obligations

The Company contributed to a defined contribution scheme, for which the pension cost charged for the year amounted to £135,561 (2018: £132,579).

### 16 Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary undertaking of Verizon Digital Media Services Inc., a company incorporated in the United States of America.

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 10013 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.

### 17 Events since the balance sheet date

In January 2020, the Company made a partial settlement of its loan payable to Oath Inc., Oath (Americas) Inc., Adapt.tv, Inc., and Millennial Media LLC for a total amount of \$93,600,000 (Note 10).

COVID-19 continues to spread and significantly impact many countries around the world, including the United Kingdom. Due to the speed with which the situation is developing, we are not able at this time to estimate the impact of COVID-19 on our financial or operational results, but the impact could be material. Management are continuing to assess the impact on the business with particular reference to customers and vendors but at this point the impact is not significant.

Other than as described above in relation to COVID-19 and the partial settlement of the loan payable, there were no other significant events to report.