

**Verizon Digital Media Services UK
Limited**

Report and financial statements
Registered number 8524398
31 December 2020

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Registered number 8524398

Verizon Digital Media Services UK Limited
Report and financial statements
31 December 2020

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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)
R Heho	(appointed 25 February 2021)
J Partridge	(appointed 25 February 2021)

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 6DA
United Kingdom

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Verizon Digital Media Services UK Limited
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Strategic report

The directors present the strategic report for the year ended 31 December 2020.

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.

Gross profit for the financial year is similar to prior year. Revenue has decreased by £5,069,868 from 2019 due to a loss of a significant customer during the year. This decrease was partially offset by a receipt of a business support fee received in 2020 of £1,489,010. Cost of Sales has decreased by £4,678,430 from 2019 due to the company not having to make any business support fee payment in 2020.

Profit before tax for the financial year was £7,423,280 (2019: £2,312,819). This arose mainly as a result of a reduction in interest expense of £3,723,489 on the prior year.

In December 2019, the Company received £70,000,000 from the issue of 1 new ordinary share to VDMS Inc. The monies received helped to partially repay, its loan payable to Oath Inc., Oath (Americas) Inc., Adapt.tv, Inc., and Millennial Media LLC for a total amount of \$93,600,000 in January 2020. During 2020 the company also became party to a 'Cash pooling arrangement' with Verizon Media Netherlands BV (formerly Oath (Netherlands) B.V.) which entails cash sitting in the Company's bank account being swept to a Verizon Media Netherlands B.V.'s bank account at the end of each day. This explains the decrease in the cash balance in the 2019 balance sheet of £79,329,241 to nil in 2020.

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.

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.

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Strategic report (continued)

Economic risk

The COVID-19 outbreak has continued to impact businesses and society to varying degrees in many countries across the world including the United Kingdom. The responses, in dealing with the pandemic, continue to interfere with normal activity levels across the community, the economy and business operations as it has done so since March 2020.


The rollout of several newly developed vaccines coupled with Government policy should see a gradual and safe return to a more normal, pre pandemic, situation. It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the company at this time.

So far, the Company has not seen a significant impact on our business to date.

Events since the balance sheet date

In May 2021, Verizon Communications Inc, together with Verizon Business International Holdings B.V., a private limited liability company organized under the laws of the Netherlands and wholly owned subsidiary of Verizon Communications Inc (together with Verizon, the "Sellers"), entered into a stock purchase agreement (the "Purchase Agreement") with College Parent, L.P., a Delaware limited partnership ("Purchaser"). Pursuant to the Purchase Agreement, upon the terms and subject to the conditions thereof, the Sellers will sell to Purchaser all of the outstanding equity interests of Oath Inc., a Delaware corporation, and Verizon Media Netherlands B.V., a private limited liability company organized under the laws of the Netherlands, which together comprise Verizon's Verizon Media Group business (the "Sale"). The consideration for the Sale will consist of \$4.25 billion in cash, subject to customary adjustments, \$750,000,000 in non-convertible preferred limited partnership units of the Purchaser, and 10% of the fully-diluted common limited partnership units of the Purchaser. Oath Inc. is an intermediate parent entity of Verizon Digital Media Services UK Limited.

The Sale is subject to customary regulatory approvals and closing conditions but is anticipated to close before the end of 2021.

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Richard Heho
Director
10 June 2021

Registered number 8524398

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Directors' report

The directors present the financial statements of Verizon Digital Media Services UK Limited (the "Company") for the period from 1 January 2020 to 31 December 2020.

The audited financial statements for the year ended 31 December 2020 are set out on pages 11 to 25.

Dividends

The directors do not recommend the payment of a final dividend (2019: £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 the ongoing COVID-19 pandemic is set out in the economic risk section of the Strategic report. It is the directors' 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 directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue 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)
R Heho	(appointed 25 February 2021)
J Partridge	(appointed 25 February 2021)

Directors' 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

Subsequent to the end of the financial year, the COVID-19 outbreak has continued to impact businesses and society to varying degrees in many countries across the world including the United Kingdom. The responses, in dealing with the pandemic, continue to interfere with normal activity levels across the community, the economy and business operations as it has done so since March 2020.

The rollout of several newly developed vaccines coupled with Government policy should see a gradual and safe return to a more normal, pre pandemic, situation. It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the company at this time.

So far, the Company has not seen a significant impact on our business to date.

Registered number 8524398

Verizon Digital Media Services UK Limited
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31 December 2020**Directors' report (continued)*****Events since the balance sheet date (continued)***

In May 2021, Verizon Communications Inc, together with Verizon Business International Holdings B.V., a private limited liability company organized under the laws of the Netherlands and wholly owned subsidiary of Verizon Communications Inc (together with Verizon, the "Sellers"), entered into a stock purchase agreement (the "Purchase Agreement") with College Parent, L.P., a Delaware limited partnership ("Purchaser"). Pursuant to the Purchase Agreement, upon the terms and subject to the conditions thereof, the Sellers will sell to Purchaser all of the outstanding equity interests of Oath Inc., a Delaware corporation, and Verizon Media Netherlands B.V., a private limited liability company organized under the laws of the Netherlands, which together comprise Verizon's Verizon Media Group business (the "Sale"). The consideration for the Sale will consist of \$4.25 billion in cash, subject to customary adjustments, \$750,000,000 in non-convertible preferred limited partnership units of the Purchaser, and 10% of the fully-diluted common limited partnership units of the Purchaser. Oath Inc. is an intermediate parent entity of Verizon Digital Media Services UK Limited.

The Sale is subject to customary regulatory approvals and closing conditions but is anticipated to close before the end of 2021.

Other than as described above, there were no other significant events to report.

Disabled employees

The Company gives full consideration to applications for employment from people with disabilities.

Where existing employees become disabled, it is the Company's policy, wherever practicable, to make all reasonable adjustments, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion, wherever appropriate.

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 directors are aware as at the date of approving this report, 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 necessary steps to make themselves 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

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Richard Heho

Director

10 June 2021

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Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the 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 directors are 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 directors are 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 directors 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.

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Richard Heho
Director
10 June 2021



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 2020 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 2020 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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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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, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

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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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 101 *Reduced Disclosure Framework*, Companies Act 2006 and relevant tax compliance regulations in the UK.
- We understood how Verizon Digital Media Services UK Limited is complying with those frameworks by making enquiries of management. We corroborated our enquiries through reading the board minutes of the company and we noted that there was no contradictory evidence.

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

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by enquiry of management, those charged with governance and others within the entity, as to whether they have knowledge of any actual or suspected fraud. Where this risk was considered higher, we performed audit procedures to address the fraud risk. These procedures included testing manual journal entries and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reading board minutes to identify any non-compliance with laws and regulations and enquiries of management.

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

14 June 2021

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for the year ended 31 December 2020

	<i>Notes</i>	2020 £	2019 £
Turnover	3	7,440,453	12,510,321
Cost of sales		<u>(448,579)</u>	<u>(5,127,009)</u>
Gross profit		6,991,874	7,383,312
Net operating expenses		<u>(671,832)</u>	<u>(2,652,399)</u>
Operating profit	4	6,320,042	4,730,913
Interest payable and similar charges to group undertakings	10	(6,866,507)	(10,589,996)
Interest receivable and similar income from group undertakings	9	7,953,913	8,157,723
Interest receivable and similar income from third parties		<u>15,832</u>	<u>14,179</u>
Profit on ordinary activities before taxation		7,423,280	2,312,819
Tax on profit on ordinary activities	7	<u>-</u>	<u>4,161</u>
Profit for the financial year		7,423,280	2,316,980
Other comprehensive profit/(loss) for the year, net of tax		-	-
Total comprehensive profit for the year		7,423,280	2,316,980

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	Share capital	Share Premium	Equity contributions from parent	Profit and loss account	Total Equity
	£	£	£	£	£
At 1 January 2019	61,920,301	5,859,728	234,204	(132,737,966)	(64,723,733)
Issuance of new shares	1	69,999,999	-	-	70,000,000
Share-based payment transaction	-	-	(73,963)	-	(73,963)
Profit for the financial year	-	-	-	2,316,980	2,316,980
At 31 December 2019	61,920,302	75,859,727	160,241	(130,420,986)	7,519,284
Share-based payment transaction	-	-	(41,866)	-	(41,866)
Profit for the financial year	-	-	-	7,423,280	7,423,280
At 31 December 2020	61,920,302	75,859,727	118,375	(122,997,706)	14,900,698

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Balance sheet
at 31 December 2020

	<i>Notes</i>	2020 £	2019 £
Fixed assets			
Tangible assets	8	<u>424,594</u> 424,594	<u>873,173</u> 873,173
Current assets			
Debtors:			
- due within one year	9	18,047,668	3,515,102
- due after one year	9	149,286,987	191,099,551
Cash		-	79,329,241
		<u>167,334,655</u>	<u>273,943,894</u>
Creditors: amounts falling due within one year	10	(6,329,988)	(121,882,496)
Net current assets		<u>161,004,667</u>	<u>152,061,398</u>
Creditors: amounts falling due after one year	10	(146,528,563)	(145,415,287)
Net assets		<u>14,900,698</u>	<u>7,519,284</u>
Capital and reserves			
Share capital	12	61,920,302	61,920,302
Share premium		75,859,727	75,859,727
Equity contributions from parent	13	118,375	160,241
Profit and loss account deficit		(122,997,706)	(130,420,986)
Equity shareholders' surplus		<u>14,900,698</u>	<u>7,519,284</u>

These financial statements were approved by the director on 10 June, 2021.

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Richard Heho

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Richard Heho
Director

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Verizon Digital Media Services UK Limited
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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 2020 were authorised for issue by the board of directors on 10 June 2021 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 2020. 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*

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Verizon Digital Media Services UK Limited
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Notes to the financial statements (continued)

2 Accounting policies (continued)

Going concern

In light of the ongoing COVID-19 pandemic, it is the directors' 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 directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue 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.

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.

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Notes to the financial statements (continued)

2 Accounting policies (continued)

Cash

Cash in the balance sheet comprises cash at banks.

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 enforceable 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.

Business Service Fee

The Company is party to a Master Business Services Agreement, entered into with VDMS Inc., effective from 1 January 2016. VDMS Inc. provides the Company with the necessary services to enable the Company to market and sell the business in the UK. A service fee is normally paid to VDMS Inc but it can on occasion result in a payment from VDMS Inc. depending on the company's financial results.

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.

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.

New and amended standards and interpretations

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company.

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.

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31 December 2020**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 and services:

	2020 £	2019 £
United Kingdom	1,910,569	1,883,891
Europe	2,565,897	9,644,745
United States	1,489,010	3,332
Rest of World	1,474,977	978,353
	7,440,453	12,510,321

	2020 £	2019 £
Content Delivery Network income	5,951,443	12,510,321
Business Service Fee income	1,489,010	-
	7,440,453	12,510,321

4 Operating profit

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

	2020 £	2019 £
Business service fee (income)/expense	(1,489,010)	4,204,537
Depreciation (Note 8)	488,579	922,615
Net foreign exchange gain	(5,965,735)	(4,321,895)
Loss on disposal of fixed assets (Note 8)	-	17,098
Auditor's remuneration – audit of the financial statements	29,327	27,897

(i) The Company is party to a Master Business Services Agreement, entered into with VDMS Inc., effective from 1 January 2016. VDMS Inc. provides the Company with the necessary services to enable the Company to market and sell the business in the UK. A service fee is normally paid to VDMS Inc but it can on occasion result in a payment from VDMS Services Inc depending on the company's operating results. In 2020 the company received a payment of £1,489,010 from VDMS Inc. as a business service income recognised under the Company's turnover disclosed in note 3 (2019: £4,204,537 business service fee recognised under the Company net operating expenses).

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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:

	Number of employees	
	2020	2019
Sales	6	7
Administration	26	23
	<u>32</u>	<u>30</u>

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
Wages and salaries	3,714,696	3,350,811
Social security costs	523,351	646,469
Share-based payments (Note 14)	265,913	231,512
Other pension costs (Note 15)	167,948	135,561
	<u>4,671,908</u>	<u>4,364,353</u>

6 Remuneration of the directors

The directors of the Company during 2020 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.

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31 December 2020**Notes to the financial statements (continued)****7 Taxation***(a) Tax charged / (credited) in the income statement*

	2020 £	2019 £
Current income tax:		
UK corporation tax charge	-	-
Adjustments in respect of prior years	-	(4,161)
	<hr/>	<hr/>
Total current income tax charge / (credit)	-	(4,161)
	<hr/>	<hr/>
Tax charge / (credit) in the income statement	<hr/> - <hr/>	<hr/> (4,161) <hr/>

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

	2020 £	2019 £
Profit on ordinary activities from continuing-operations before taxation	<u>7,423,280</u>	<u>2,312,819</u>
Tax calculated at UK statutory rate of 19% (2019: 19%)	1,410,423	439,436
Expenses not deductible	156	1,307
Movement in unrecognised deferred tax	(28,476)	26,170
Adjustments in respect of prior years	-	(4,161)
Loss relief	-	(104,802)
Group relief (claimed)	(1,382,103)	(362,111)
	<hr/>	<hr/>
Total tax charge / (credit)	<hr/> - <hr/>	<hr/> (4,161) <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. In Budget 2020, the government announced that the Corporate Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%.

(d) Deferred tax asset

As at 31 December 2020 there is £Nil (2019: £Nil) deferred tax asset recognised. 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.

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31 December 2020**Notes to the financial statements (continued)****8 Tangible assets**

	Computer equipment £	Total £
<i>Cost</i>		
At 1 January 2020	4,362,267	4,362,267
At 31 December 2020	4,362,267	4,362,267
<i>Depreciation</i>		
At 1 January 2020	3,489,094	3,489,094
Charge for the year	448,579	448,579
At 31 December 2020	3,937,673	3,937,672
<i>Net book value</i>		
At 31 December 2020	424,594	424,594
At 31 December 2019	873,173	873,173

9 Debtors

	2020 £	2019 £
<i>Amounts falling due within one year:</i>		
Trade debtors	541,248	514,932
Amounts owed by group undertakings	17,428,740	2,823,532
Other debtors	77,680	176,638
	18,047,668	3,515,102
<i>Amounts falling due after one year:</i>		
Amounts owed by group undertakings	149,286,987	191,099,551

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31 December 2020**Notes to the financial statements (continued)****9 Debtors – continued***Amounts falling due within one year:*

At 31 December 2020 trade debtors are non-interest bearing with payment due on receipt of the invoice.

During the year the Company became a party to a Cash Pooling Agreement with Verizon Media Netherlands B.V. (formerly Oath (Netherlands) B.V.) resulting in a balance of £16,998,196 at 31 December 2020 (2019: £nil).

Effective 30 November 2018, the Company sold its 100% investment in AOL Holdings (IP Transfer) LLC to Verizon Media Netherlands B.V. for a total consideration of £36,591,134. Verizon Media Netherlands B.V. issued a promissory note bearing an interest of 3.725% per annum and repayable on 30 November 2023. However, in November 2020 the promissory note was settled. Outstanding interest on the promissory loan as 31 December 2020 is nil (2019: £1,022,265).

At 31 December 2020 outstanding interest on a promissory loan note detailed below with Oath Inc was £445,787 at 31 December 2020 (2019: £1,611,422). Other various intercompany receivables balances amount to £4,923 (2019: £189,845).

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

Amounts falling due after one year:

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 £149,286,987 at the end of December 2020 (2019: £154,508,417). 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. The 2019 amount included a receivable loan note from Verizon Media Netherlands B.V. noted above of £36,591,134.

At 31 December 2020 Interest income for the year ended 31 December 2020 amounts to £7,953,913 (2019: £8,157,723).

10 Creditors

	2020 £	2019 £
<i>Amounts falling due within one year:</i>		
Trade creditors	195,155	376,208
Value Added Tax	24,130	-
Amounts owed to group undertakings	5,310,609	120,675,581
Accruals	800,094	830,707
	<hr/> 6,329,988 <hr/>	<hr/> 121,882,496 <hr/>
<i>Amounts falling due after one year:</i>		
Amounts owed to group undertakings	<hr/> 146,528,563 <hr/>	<hr/> 145,415,287 <hr/>

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31 December 2020**Notes to the financial statements (continued)****10 Creditors (continued)**

Effective on 31 December 2016 there was a Loan Note Instrument deed for \$249,900,000, between the Company and the four entities; Oath Inc., Oath (Americas) Inc., Adap.tv, Inc., and Millennial Media LLC. 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. The outstanding balance as of 31 December 2020 is \$156,300,000 or £116,087,344 (2019: \$249,900,000 or £192,097,778). The notes are 5.4% fixed rate unsecured loan notes and are issued in full consideration for the purchase of the Intellectual Property. 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 2020, accrued interest recorded amounts to \$40,981,976 or £30,441,219 (2019: \$32,870,747 or £25,267,698).

At 31 December 2020 Interest expense for the year ended 31 December 2020 amounts to £6,866,507 (2019: £10,589,996).

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 note repayable in 2028 (Note 9).

11 Financial Instruments

	2020	2019
	£	£
<i>Financial assets that are loans and receivables measured at amortised cost</i>		
Amounts owed by group undertakings (Note 9)	166,285,183	191,099,551
	<hr/>	<hr/>
<i>Financial liabilities that are loans measured at amortised cost</i>		
Amounts owed to group undertakings (Note 10)	146,528,563	217,365,476
	<hr/>	<hr/>

Details on the risks relating to financial liabilities have been disclosed in the creditors note (Note 10).

12 Share capital

	2020	2019
	£	£
<i>Allotted, called up and fully paid</i>		
61,920,302 shares at £1 each	61,920,302	61,920,302
	<hr/>	<hr/>

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. No changes occurred during 2020.

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Notes to the financial statements (continued)

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.

In 2020, Verizon announced a broad-based program that provides for the annual award of cash-settled RSUs under the 2017 Plan to all full-time and part-time employees who meet eligibility requirements on the annual grant date.

The charges for the year relating to share based payment plans was £265,913 (2019: £231,512) being recognised in net operating expenses.

The weighted average share price of RSU's at 31 December 2020 was \$57.38 (2019: \$56.66).

15 Pension obligations

The Company contributed to a defined contribution scheme, for which the pension cost charged for the year amounted to £167,948 (2019: £135,561).

16 Ultimate parent undertaking and controlling party

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

The Company is a wholly owned indirect subsidiary of Verizon Communications Inc., a company incorporated and existing 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.

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Notes to the financial statements (continued)

17 Events since the balance sheet date

Subsequent to the end of the financial year, the COVID-19 outbreak has continued to impact businesses and society to varying degrees in many countries across the world including the United Kingdom. The responses, in dealing with the pandemic, continue to interfere with normal activity levels across the community, the economy and business operations as it has done so since March 2020.

The rollout of several newly developed vaccines coupled with Government policy should see a gradual and safe return to a more normal, pre pandemic, situation. It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the company at this time.

So far, the Company has not seen a significant impact on our business to date.

In May 2021, Verizon Communications Inc, together with Verizon Business International Holdings B.V., a private limited liability company organised and existing under the laws of the Netherlands and wholly owned subsidiary of Verizon Communications Inc (together with Verizon, the "Sellers"), entered into a stock purchase agreement (the "Purchase Agreement") with College Parent, L.P., a Delaware limited partnership ("Purchaser"). Pursuant to the Purchase Agreement, upon the terms and subject to the conditions thereof, the Sellers will sell to Purchaser all of the outstanding equity interests of Oath Inc., a Delaware corporation, and Verizon Media Netherlands B.V., a private limited liability company organized under the laws of the Netherlands, which together comprise Verizon's Verizon Media Group business (the "Sale"). The consideration for the Sale will consist of \$4.25 billion in cash, subject to customary adjustments, \$750,000,000 in non-convertible preferred limited partnership units of the Purchaser, and 10% of the fully-diluted common limited partnership units of the Purchaser. Oath Inc. is an intermediate parent entity of Verizon Digital Media Services UK Limited.

The Sale is subject to customary regulatory approvals and closing conditions but is anticipated to close before the end of 2021.

Other than as described above, there were no other significant events to report.