Registration number: 07113794

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Annual Report and Financial Statements

for the Year Ended 31 December 2017

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Contents

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Company Information

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

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

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

The profit for the year ended 31 December 2017 after taxation amounted to $143,640 (2016:$270,925).

In comparison with the preceding year, the 2017 operating profit has decreased by $163,177. This is primarily due to the flucuation in exchange rates on translation of the financial statements in US Dollar (the currency of the primary economic environment of the parent company). In 2017 this resulted in an FX loss of $21,297 (2016: gain $133,158).

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

Principal risks and uncertainties

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

Approved by the Board on 18 September 2018 and signed on its behalf by:

....
C Aitkenhead
Director

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

The audited financial statements for the year ended 31 December 2017 are set out on pages 8 to 22.

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

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

The directors, having assessed future profit forecasts and the level of financial support available from Verizon Communications Inc., have no reason to believe that a material uncertainty exists about the ability of the company to ensure that it meets its liabilities to third parties as they fall due and continue as a going concern for a period of at least a year from the date of approval of these financial statements.

Dividends
No interim dividend (2016: $nil) was paid during the year. The directors do not recommend the payment of a final dividend (2016: $nil).

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

C Aitkenhead

F De Maio

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

Auditors
The directors have appointed Ernst & Young LLP as auditors for the Company. Ernst &Young LLP have been reappointed as auditors of the Company for the financial year ended 31 December 2018.

Disclosure of information to the auditors

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

Approved by the Board on 18 September 2018 and signed on its behalf by:

....
C Aitkenhead
Director

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Opinion
We have audited the financial statements of Verizon Connect Telo UK Limited (formerly Telogis UK Ltd) for the year ended 31 December 2017, which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 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 Pratice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Other Information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst & Young LLP

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

18 September 2018

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Statement of Profit or Loss Account and Other Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 $	2016 $
Turnover	3	4,205,709	4,482,245
Expenditure			
Distribution costs		(3,542,157)	(3,870,510)
Administrative expenses		(484,577)	(269,583)
Operating profit	4	178,975	342,152
Profit on ordinary activities before taxation		178,975	342,152
Tax on profit on ordinary activities	7	(35,335)	(71,227)
Profit for the year		143,640	270,925
Other comprehensive income for the year, net of tax			
Translation to presentation currency		39,120	(128,856)
Total comprehensive income for the year		182,760	142,069

The above results were derived from continuing operations.

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Balance Sheet as at 31 December 2017

	Note	2017 $	2016 $
Fixed assets			
Tangible assets	8	48,304	78,105
Current assets			
Debtors - due within one year	9	1,272,459	637,175
Cash at bank and in hand	10	158,987	-
		1,431,446	637,175
Creditors: Amounts falling due within one year	11	(967,649)	(385,939)
Net current assets		463,797	251,236
Net assets		512,101	329,341
Capital and reserves			
Called up share capital	12	154	154
Reserves		511,947	329,187
Shareholders' funds		512,101	329,341

Approved by the Board on 18 September 2018 and signed on its behalf by:

....

C Aitkenhead

Director

The notes on pages 11 to 22 form an integral part of these financial statements.

Verizon Connect Telo UK Limited (formerly Telogis UK Ltd)

Statement of Changes in Equity for the Year Ended 31 December 2017

	Called-up Share capital $	Reserves $	Share option reserve $	Total $
At 1 January 2017	154	329,187	-	329,341
Profit for the year	-	143,640	-	143,640
Other comprehensive income	-	39,120	-	39,120
At 31 December 2017	154	511,947	-	512,101

	Called-up Share capital $	Reserves $	Share option reserve $	Total $
At 1 January 2016	154	645,040	85,058	730,252
Profit for the year	-	270,925	-	270,925
Other comprehensive income	-	(128,856)	-	(128,856)
Cost of share based payments	-	-	100,311	100,311
Cancellation of share based payment scheme	-	(457,922)	(185,369)	(643,291)
At 31 December 2016	154	329,187	-	329,341

The notes on pages 11 to 22 form an integral part of these financial statements.

1 Authorisation of financial statements and statement of compliance

The financial statements of Verizon Connect Telo UK Limited (formerly Telogis UK Ltd) (the "Company") for the year ended 31 December 2017 were authorised for issue by the board of directors on 18th September 2018 and the balance sheet was signed on the board's behalf by Clare Aitkenhead. Verizon Connect Telo UK Limited (formerly Telogis UK Ltd) is a private limited by shares company, incorporated and domiciled in England and Wales.

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

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

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

2 Accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

(x) the requirements of paragraphs 6 and 21 of IFRS 1 First-time Adoption of International Financial Reporting Standards

Going concern

The financial statements have been prepared on a going concern basis. The directors, having assessed the structure of the company and the level of financial support available from the ultimate parent company (Verizon Communications Inc.), have no reason to believe that a material uncertainty exists about the ability of the company to ensure that it can meet its liabilities to third parties as they fall due and continue as a going concern for a period of at least 12 months from the date of approval of these financial statements.

Revenue recognition

Turnover represents amounts derived from the parent undertaking in the United States based on a mark-up on total costs incurred. Revenue can only be recognised when the costs incurred or to be incurred can be measured reliably.

Tax

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

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

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

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

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

2 Accounting policies (continued)

Tangible fixed assets and depreciation

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

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

Fixtures and equipment 5 years

Financial Instruments

Financial Assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 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 designed 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 include cash, intercompany and other receivables.

Cash at bank and in hand

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

Intercompany and other debtors

Intercompany debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

2 Accounting policies (continued)

Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 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 trade and other creditors and loans and borrowings.

Trade and other creditors

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

Loans and borrowings

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

Foreign currencies

The company's functional currency is Sterling (GBP). The individual financial statements are presented in the currency of the primary economic environment of its parent company (US Dollar). For the purpose of presenting the financial statements in US Dollars, the monetary assets and liabilities are translated at exchange rates prevailing on the balance sheet date, which was US Dollars 1.234: GBP 1 (2016: US Dollars 1.234: GPB 1). Income and expense items are translated at the average exchange rates for the period, which was US Dollars 1.370: GBP 1 (2016: US Dollars 1.370: GBP 1), unless exchange rates fluctuate significantly during that period, in which case the rates at the date of transactions are used. Exchange differences are recognised in other comprehensive income in the period in which they arise.

Cash and cash equivalents

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

Leases

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

Defined contribution pension obligation

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

2 Accounting policies (continued)

Impairment of non-financial assets

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

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

Share based payments

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

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

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

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

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

2 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their useful equipment life. Useful equipment life is based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for appropriateness.

3 Turnover

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

	2017	2016
	$	$
Cost plus basis on expenses	4,205,709	4,482,245

4 Operating profit

Operating profit is stated after charging/(crediting):

	2017 $	2016 $
Depreciation of property, plant and equipment	26,269	79,565
Operating lease payments	72,233	77,196
Rental expense	33,937	-
Staff costs	2,379,775	2,907,763
Auditor's renumeration		
- audit of the financial statements	35,735	60,362
- tax services	-	-
- other services	-	-

5 Staff costs

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

	2017 No.	2016 No.
Selling and administrative employees	24	26

Their aggregate remuneration comprised:

	2017 $	2016 $
Wages and salaries	2,019,035	2,353,448
Social security costs	261,029	288,217
Other pension costs	99,711	165,787
Equity settled share based payments (see note 15)	-	100,311
	2,379,775	2,907,763

6 Directors' remuneration

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

7 Income tax

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

	2017 $	2016 $
Current taxation		
UK corporation tax	-	57,949
Amounts underprovided in prior years	48,297	-
Total current income tax	48,297	57,949
Deferred taxation		
Arising from origination and reversal of temporary differences	(12,962)	13,278
Tax charge in the profit and loss account	35,335	71,227

Reconciliation of the total tax charge

	2017 $	2016 $
Profit from continuing operations before taxation	178,975	342,152
Tax at UK statutory rate of 19.25% (2016: 20%)	34,453	68,430
Expenses not deductible for tax purposes	961	1,000
Fixed asset timing differences	5,221	9,769
Other timing differences	1,800	(21,250)
Deferred tax liability recognised during the year	(12,962)	13,278
Group relief claimed	(42,435)	-
Amounts underprovided in prior years	48,297	-
Total tax charge	35,335	71,227

Change in Corporation Tax Rate

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

7 Income tax (continued)

Deferred tax

	2017 $	2016 $
Deferred tax liability included in the balance sheet as follows		
Deferred tax	316	13,278
	316	13,278

8 Tangible assets

	Furniture, fittings and equipment $
Cost or valuation	
At 1 January 2017	341,727
Additions	10,349
Disposals	(277,248)
Net exchange differences on retranslation of accounts to presentation currency	43,756
At 31 December 2017	118,584
Depreciation	
At 1 January 2017	263,622
Charge for the year	26,269
Disposals	(245,543)
Net exchange differences on retranslation of accounts to presentation currency	25,932
At 31 December 2017	70,280
NBV	
At 31 December 2017	48,304
At 1 January 2017	78,105

9 Trade and other debtors

	2017 $	2016 $
Amounts due from parent company	967,361	412,301
Prepayments	27,467	22,945
Other debtors	277,631	201,929
	1,272,459	637,175

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

10 Cash and cash equivalents

	2017 $	2016 $
Cash at bank	158,987	-

11 Creditors: amounts falling due within one year

	2017 $	2016 $
Trade creditors	273,122	61,663
Accrued expenses	440,123	235,272
Amounts due to group undertakings	40,724	-
Social security and other taxes	89,341	-
Corporation tax payable	124,023	75,726
Deferred tax liability	316	13,278
	967,649	385,939

12 Share capital

	2017 $	2016 $
Authorised and issued		
100 (2016:100) ordinary shares of GBP 1 each	154	154

13 Operating lease arrangements

At the balance sheet date, the company has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 $	2016 $
Within one year	-	63,378
In two to five years	-	-

Operating lease payments represent rentals payable for office properties.

14 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to $99,711 (2016:$165,787).

As at 31 December 2017 there was a pension scheme accrual relating to the Company contributions of $21,724 (2016: $12,375) which is included within accrued expenses in Note 11.

15 Share-based payments

Following the aquisition of the companies ultimate parent company by Verizon Communications Inc in June 2016 all options awarded related to the 2007 Stock Incentive plan were cancelled.

In January 2008, the Company adopted the 2007 Stock Incentive Plan ('the plan') under which the Board or the plan administrator ('the administrator') may issue incentive and non-qualified stock options or restricted shares consisting of restricted stock awards and restricted stock units to employees, directors and consultants. The administrator has the authority to determine to whom options will be granted, the number of shares and the term and exercise price.

The options generally vest and become exercisable at a rate of 25% at the first anniversay and rateably on a monthly basis over the remaining four year period. Options epxire no later than five years for incentive stock options for which the grantee owns greater than 10% of the voting power of all classes of stock and no longer than 10 years after the date of the grant for all other options.

The expense recognised from equity settled share based payments for the year ended 31 December 2017 is $nil (2016 expense of $100,311).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the prior year.

	2016	WAEP
Outanstanding as at 1 January	348,000	0.67
Granted during the year	8,000	1.08
Exercised during the year	-	-
Cancelled during the year	356,000	0.69
Outstanding as at 31 December	-	-

The company elected to use the Black-Scholes option pricing model for valuing the option awards. The value of the portion of the award that is ultimately expected to vest is recognised as an expense over the requisite service periods.

The following table lists the inputs to the Black-Scholes option pricing model for the years ended 31 December 2016:

15 Share-based payments (continued)

	2016
Risk free interest rate (%)	1.74-1.97
Expected term (yrs)	6.26
Dividend yield (%)	-
Volatility (%)	44.36-53.76

Calculating expense from equity settled share based payments requires the input of highly subjective assumptions, including stock price volatility, the expected term of the stock-based awards, and pre-vesting option forfeitures. The assumptions used in calculating the fair value of the stock option awards represent the company's best estimates, but these estimates involve inherent uncertainties and the application of management judgement. As a result if factors change and the Company uses different estimates, equity settled share based payment expense could be materially different in the future.

Since the company in which the stock options are held is a private entity with limited historical data on the volatility of its stock, the expected volatility input is based on the volatility of similar entities (referred to as 'guideline companies'). In evaluating similarity, the company considered factors such as industry, stage of life cycle, size and financial leverage.

The risk-free interest rate used to value the awards is based on the United States treasury yield for a period consistent with the expected term of the award in effect at the time of grant.

The company in which the stock options are held has never declared or paid any cash dividends and does not presently plan to pay any cash dividends in the foreseeable future.

16 Parent and ultimate parent undertaking

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

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

17 Events since the balance sheet date

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