Registration number: 4489658

Verizon European Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

Verizon European Holdings Limited
Contents

Verizon European Holdings Limited
Company Information

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

Verizon European Holdings Limited
Strategic Report for the Year Ended 31 December 2018

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

Fair review of the business

Performance in the year
The principal activities of the company are to provide telecommunication services and operational support for international (non USA) entities, including specific funding activity, assignment and netting of inter-company balances and holding of investments in subsidiary companies of the Verizon group. The directors continually assess the performance of the Company and the financing structure of the entity. The company will continue to act as the holding company for the majority of Verizon companies in EMEA for the foreseeable future.

The audited financial statements for the year ended 31 December 2018 are set out on pages 10 to 25. The Company's profit for the year was $552,626,000 (2017: $4,785,000). The profit in 2018 included a dividend of $500,000,000 from Verizon UK Limited and a dividend of $50,000,000 from Verizon Nederland B.V..

As at 31 December 2018 the Company's balance sheet shows net assets of $1,431,436,000 (2017: $1,428,810,000). The company does not review any key performance indicators (KPI's) due to the fact that it is a holding company and its operations depend upon the results of its subsidiaries.

Telecommunications Services Agreement

Effective as of 1 January 2007, the Company entered into a replacement Tier 1 agreement reflecting the more centralised U.S. management of the global telecommunications network following Verizon's 2006 acquisition of the MCI group. The other party to that agreement is MCI Communications Services, Inc. (MCICSI), the U.S. entity that controls the overall management of the Verizon global network. Fees chargeable between the Company and MCICSI for the use and supply of telecommunications services are calculated according to a limited risk methodology that is OECD compliant. Effective as of 1 January 2010, the parties amended the agreement to reflect an expanded geographic region. The company also provides and receives telecommunications services to Verizon operating companies in International (Non USA) under Tier 2 agreements.

Principal risks and uncertainties
On an annual basis the directors review the financial statements and business risks. A review of business risks within the UK group, of which the Verizon European Holdings Limited (VEHL) forms a part, has been undertaken. As a holding company, at this time the Directors do not consider that there are any risks solely in relation to VEHL, as its function is primarily to administer the group's transfer pricing policy. Any risks across the Verizon group that are likely to have a direct impact on VEHL are managed at a global and a European regional level, and are significantly mitigated by VEHL being an integral part of a leading global communications provider.

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

....
C Aitkenhead
Director

Reading International Business Park
Basingstoke Road
Reading
Berkshire
RG2 6DA

Verizon European Holdings Limited
Directors' Report for the Year Ended 31 December 2018

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

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

C Aitkenhead

F De Maio

Dividends
The directors declared and paid a dividend to Verizon Business International Holdings B.V., during the period an amount of USD 550,000,000 on the 28th August 2018 (2017: $nil).

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

Going concern
The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The company will continue to generate positive cash flows in the near future. The company participates in the group's treasury arrangements and shares banking arrangements with its subsidiaries. The directors, having assessed future profit forecasts and the level of financial support available from Verizon Communications Inc. (ultimate parent company), 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 a year from the date of approval of these financial statements.

Directors liabilities
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 year and is in force as at the date of approving the directors' report.

Disclosure of information to the auditors
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

The directors have appointed Ernst & Young LLP as auditors for the Company. Ernst & Young LLP are deemed to be reappointed in accordance with section 485 of the Companies Act 2006 by virtue of an elective resolution passed by the members on 21 August 2006.

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

....
C Aitkenhead
Director

Reading International Business Park
Basingstoke Road
Reading
Berkshire
RG2 6DA

Verizon European Holdings Limited

Statement of Directors' Responsibilities

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 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 European Holdings Limited

Opinion
We have audited the financial statements of Verizon European Holdings Limited for the year ended 31 December 2018 which comprise of the Statement of Profit and Loss 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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.

Independent Auditor's Report to the members of Verizon European Holdings Limited (continued)

Opinion on other matter 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Independent Auditor's Report to the members of Verizon European Holdings Limited (continued)

Ernst & Young LLP

....
San Gunapala (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

Reading
RG1 1YE

Date: 20/9/19

Verizon European Holdings Limited

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

	Note	2018 $ 000	2017 $ 000
Revenue	3	2,381,233	2,572,373
Cost of sales	3	(2,379,512)	(2,566,270)
Gross profit		1,721	6,103
Other operating (expense)	4	(17)	(18)
Operating profit	5	1,704	6,085
Income from shares in group undertakings	6	550,000	-
Interest receivable and similar income	8	35,521	19,342
Interest payable and similar charges	9	(34,293)	(20,235)
Profit on ordinary activities before tax		552,932	5,192
Tax on profit on ordinary activities	10	(306)	(407)
Profit for the year		552,626	4,785
Other Comprehensive Income for the year, net of tax		-	-
Total comprehensive income for the year		552,626	4,785

The above results were derived from continuing operations.

Verizon European Holdings Limited

Balance Sheet as at 31 December 2018

	Note	2018 $ 000	2017 $ 000
Fixed assets			
Investments	11	1,069,496	1,068,798
Current assets			
Trade and other debtors	12	2,157,519	1,774,093
Cash at bank and in hand		2,724	1,324
		2,160,243	1,775,417
Creditors: Amounts falling due within one year	13	(1,798,303)	(1,415,405)
Net current assets		361,940	360,012
Net assets		1,431,436	1,428,810
Capital and reserves			
Called up share capital	14	979,260	979,260
Retained earnings		452,176	449,550
Shareholders' funds		1,431,436	1,428,810

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

....

C Aitkenhead

Director

Verizon European Holdings Limited
Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital $ 000	Retained earnings $ 000	Total $ 000
At 1 January 2018	979,260	449,550	1,428,810
Profit for the year	-	552,626	552,626
Dividends	-	(550,000)	(550,000)
At 31 December 2018	979,260	452,176	1,431,436

	Share capital $ 000	Retained earnings $ 000	Total $ 000
At 1 January 2017	979,260	444,765	1,424,025
Profit for the year	-	4,785	4,785
At 31 December 2017	979,260	449,550	1,428,810

The notes on pages 12 to 25 form an integral part of these financial statements.

Verizon European Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Authorisation of financial statements and statement of compliance

The financial statements of Verizon European Holdings Limited (the "Company") for the year ended 31 December 2018 were authorised for issue by the board of directors on 20 September 2019 and the Balance Sheet was signed on the board's behalf by Clare Aitkenhead. Verizon European Holdings Limited, a private limited by shares 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 US Dollars and all values are rounded to the nearest thousand dollars ($000) except when otherwise indicated.

The company has taken advantage of the exemption under Section 401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Verizon Communications Inc.

The results of Verizon European Holdings Limited are included in the consolidated financial statements of Verizon Communications Inc which are available from 1095 Avenue of the Americas, New York, New York, USA 10036.

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 were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities which are fair valued in accordance with respective guidance.

2 Accounting policies (continued)

Summary of disclosure exemptions

(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

(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 Polices, Changes in Accounting Estimates and Errors

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

(ix) the requirements of IFRS 9 Financial Instruments

(x) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being no less than twelve months from the date that the financial statements are approved. Accordingly, they continue to adopt the going concern basis in preparation of the annual report and financial statements.

New standards, amendments and IFRIC interpretations

The Company applied IFRS 9 for the first time. The nature and effect of changes as a result of adoption of this new accounting standard are described under the 'Financial instruments' section below.

The company has no revenue from contracts with customers and therefore no impact in the financial statements due to the adoption of IFRS 15 Revenue from contracts with Customers.

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

Fixed asset investments

Fixed asset investments are shown at cost less any provision for impairment. Profits or losses arising from disposal of fixed asset investments are included within the results from ordinary activities.

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 asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset 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.

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 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.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in respect of the use and supply of telecommunication services to other group companies, net of VAT.
Revenue is recognised on the basis of the usage and supply of telecommunication services, as defined in the Tier 1 and Tier 2 agreements.

2 Accounting policies (continued)

Foreign currency transactions and balances
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 gain 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 Statement of Profit or Loss.

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

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

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

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

Financial Assets

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

2 Accounting policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset) is primarily derecognised (i.e. removed from the company's statement of financial position) when:
· The rights to receive cash flows from the asset have expired
or
· The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

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

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

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

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

2 Accounting policies (continued)

Financial Liabilities

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

Derecognition of financial liabilities

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

The Company's financial liabilities are classified as loans and borrowings and include intercompany and other creditors and loans and borrowings.

Intercompany and other creditors
Intercompany 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.

Dividends
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

Dividend received from the subsidiary undertakings is recognised directly in current year's income statement.

The Company recognises a liability to pay dividend when the distribution of dividend is authorised by the shareholders, as per the UK law. A corresponding amount is recognised directly in retained earnings.

3 Revenue

Revenue represents the value for services provided during the year, and includes amounts invoiced (exclusive of VAT) in accordance with the revenue recognition policy in Note 2.
Services provide during the year include:

- Fees charged to MCI Communications Services Inc., for the use and supply of telecommunication services under the Tier 1 agreement;
- Fees charged to non-US Verizon group operating companies for the provision of telecommunication services under Tier 2 agreements; and
- An administration fee for the management of telecommunication service agreements covering non-US Verizon group operating companies.

Cost of Sales represents the value for services received during the year under the Tier 1 and Tier 2 agreements.

4 Other operating (expense)/income

The analysis of the company's other operating (expense)/income for the year is as follows:

	2018 $ 000	2017 $ 000
Other operating expenses	(4,448)	(4,434)
Other operating income	4,431	4,416
	(17)	(18)

Other Operating expenses
Other Operating expenses of $4,447,679 (2017: $4,433,917) consists mainly of irrecoverable VAT being charged to the company.

Other operating income
Other operating income of $4,431,093 (2017: $4,415,537) consists mainly of irrecoverable VAT being charged to MCICSI.

5 Operating profit

Auditors' fees were borne by Verizon UK Limited.

6 Income from shares in group undertakings

The Company received an ordinary dividend of $500,000,000 from it's subsidiary Verizon UK Limited and $50,000,000 from it's subsidiary Verizon Nederland B.V. both on the 28th August 2018.

7 Directors' remuneration

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

The directors are employed by Verizon UK Limited and their remuneration for the year, including bonus, benefits and pension contributions to a money purchase scheme was $821,000 (£644,000) (2017: $847,000 (£627,000)).
The aggregate remuneration of the highest paid director was $451,000 (£354,000) (2017: $465,000 (£344,000)).

Staff Costs
The Company had no employees during the year (2017: nil).

8 Interest receivable and other similar income

	2018 $ 000	2017 $ 000
Interest receivable from group undertakings	31,895	19,659
Interest income on bank deposits	5,064	3,986
Foreign Exchange (loss)	(1,438)	(4,303)
	35,521	19,342

9 Interest payable and similar charges

	2018 $ 000	2017 $ 000
Bank Interest	3,482	1,642
Interest payable to group undertakings	30,811	18,593
	34,293	20,235

10 Income tax

Tax charged in the profit and loss account

	2018 $ 000	2017 $ 000
Current taxation		
UK corporation tax adjustment to prior periods	-	2
Foreign tax	306	405
Tax expense in the profit and loss account	306	407

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2017 - the same as the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 $ 000	2017 $ 000
Profit before tax	552,932	5,192
Tax at UK statutory rate of 19% (2017: 19.25%)	105,057	999
Adjustment in respect of prior years	-	2
(Income)/expenses not (taxable)/deductible	(104,503)	-
Group relief claimed	(350)	(659)
Withholding tax	102	65
Total tax charge	306	407

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% effective from 1 April 2020 as enacted in the Finance Act 2016.

Deferred tax

As at 31 December 2018 a deferred tax asset of $78,853 at a rate of 17% (2017:$78,853 at a rate of 17%) relating to other timing differences has not been recognised.

A net deferred tax asset is regarded as recoverable and therefore 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 reversal of the underlying timing differences can be deducted. There is currently insufficient evidence that suitable income will be generated, and therefore the deferred tax asset has not been recognised.

11 Investments

Principal Group investments

As at 31 December 2018 the Company held investments in 45 active entities throughout Europe, the Middle East, and Africa, including 7 held indirectly through intermediate holding companies, and another 5 indirect active entities in Latin America. The most significant of these entities are as set forth below. A full list of investments is available at the Registered Office of the Company.

Details of the subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2018	2017
Verizon UK Limited*	Telecommunication services provider	England and Wales RIBP, Basingstoke Road, Reading RG2 6DA	100%	100%
Verizon Nederland B.V.*	Telecommunication services provider	Netherlands H.J.E Wenckebachweg 123, 1096 AM Amsterdam	100%	100%
Verizon Austria GmbH	Telecommunication services provider	Austria Handelskai 340, A-1023 Vienna	100%	100%
Verizon Switzerland AG*	Telecommunication services provider	Switzerland Förrlibuckstrasse 150, CH 8005 Zürich	100%	100%
NV Belgium Luxembourg S.A.*	Telecommunication services provider	Belgium Culliganlaan 2E, 1831 Diegem	100%	100%
Verizon Spain S.L.*	Telecommunication services provider	Spain Calle Rufino Gonzales 4, 28037 Madrid	100%	100%
Verizon France SAS	Telecommunication services provider	France Tour CB21, 16 Place De L'iris, 92400 Courbevoie	100%	100%
Verizon Italy SpA*	Telecommunication services provider	Italy Via San Simpliciano n. 1, 20121 Milan	100%	100%
Verizon Czech s.r.o.*	Telecommunication services provider	Czech Republic Diamond Point, Ke Štvanici 656/3, 186 00 Praha 8	100%	100%

11 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2018	2017
Verizon Ireland Limited	Telecommunication services provider	Ireland Lower Erne Street, Dublin 2	100%	100%
Verizon Norway AS	Telecommunication services provider	Norway Lysaker Torg 5, 1366 Lysaker	100%	100%
Verizon Finland Oy	Telecommunication services provider	Finland Metsänneidonkuja 10, 02130 Espoo	100%	100%
Verizon Denmark A/S*	Telecommunication services provider	Denmark Roholmsvej 19, 2620 DK 2620 Albertslund	100%	100%
Verizon Sweden Aktiebolag	Telecommunication services provider	Sweden Råsundavägen 12, S-169 67 Solna	100%	100%
Verizon Business Security Solutions Luxembourg SA*	Telecommunication services provider	Luxembourg Rue de l'Etang 4A-B, L-5326, Contern	100%	100%
Verizon Polska Sp. Z.o.o.*	Telecommunication services provider	Poland ul. Pilsudskiego 1, 00-078 Warszawa	100%	100%
Verizon Portugal Sociedade Unipessoal LDA*	Telecommunication services provider	Portugal Av. D. João II, Lote 1.04.01, 9° Sul, Parque das Nações, 1998-017 LISBOA	100%	100%
Verizon Hellas Telecommunication Single member LLC*	Telecommunication services provider	Greece 16 Kifissias Avenue, 151 25 Marousi, Athens	100%	100%
Verizon Hungary Telecommunications LLC*	Telecommunication services provider	Hungary Szabadság tér 7, 1054 Budapest	100%	100%

All shares held are ordinary shares.
* indicates direct investment of the company

11 Investments (continued)

Company investments in subsidiary undertakings

	$ 000
Cost or valuation	
At 1 January 2018	2,244,897
Additions	732
Disposals	(34)
At 31 December 2018	2,245,595
Amounts provided for	
At 1 January 2018	(1,176,099)
Additions	-
At 31 December 2018	(1,176,099)
Carrying amount	
At 31 December 2018	1,069,496
At 31 December 2017	1,068,798

On the 28th June 2018 the company made a Capital Contribution totalling $732,306 to Verizon Communications South Africa.

On the 13th June 2018, the company disposed of its investment in Verizon Albania Shpk.

12 Trade and other debtors

	2018 $ 000	2017 $ 000
Amounts falling due within one year:		
Amounts owed by group undertakings	2,157,469	1,774,043
Income Tax Receivable	50	50
	2,157,519	1,774,093

13 Creditors: Amounts falling due within one year

	2018 $ 000	2017 $ 000
Amounts owed to group undertakings	1,798,300	1,415,348
Withholding Tax	3	57
	1,798,303	1,415,405

14 Share capital

	2018 $ 000	2017 $ 000
Authorised		
150,000,000,000 ordinary shares of $0.01 each	1,500,000	1,500,000
	1,500,000	1,500,000

Allotted, called up and fully paid shares

	2018		2017	
	No. 000	$ 000	No. 000	$ 000
Ordinary shares of $0.01 each	97,925,989	979,260	97,925,989	979,260

15 Commitments and contingencies

Guarantees

The Company provides guarantees on behalf of other group companies relating to the performance on customer contracts. If these group companies fail to meet performance criteria within their contracts, the Company has agreed to act as guarantor.

16 Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary of Verizon Business International Holdings B.V., a company incorporated in the Netherlands.
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, USA 10036.
Verizon Communications Inc. is the ultimate parent company and controlling party of the largest and smallest group in which the results of the Company are consolidated.

17 Events after the Balance sheet date

The directors are not aware of any significant events after the balance sheet date.