

Company Registration No. 04241679 (England and Wales)

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

**REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018**



DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

COMPANY INFORMATION

Directors

C Holm
T. Wirth
K Willing (resigned 29 November 2018)
P Warren FCA
W Mitchell (appointed 29 November 2018)

Secretary P Warren FCA

Company number 04241679

Registered office

Nile House
1st Floor
Nile Street
Brighton
BN1 1HW

Independent Auditors

PricewaterhouseCoopers LLP
The Portland Building
25 High Street
Crawley
West Sussex
RH10 1BG

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

Review of the business

The company's principal activity continued to be that of organising trade shows, conferences and publishing trade magazines.

The key financial and other performance indicators during the year were as follows:

	2018 £	2017 £	Change %
Turnover	16,479,233	13,886,911	19%
Gross Profit	9,317,468	7,985,254	17%
Operating Profit	2,143,622	1,979,756	8%
Current assets as % of current liabilities	86%	96%	(10%)
Average number of employees	111	99	12%

Turnover increased by 19% due to good organic growth from recently launched shows and acquisitions during the year. These combined with strong performance from the existing trade events helped drive gross profit to £9,317,468, an increase of 17% over 2017.

Current assets as a percentage of current liabilities has fallen against that for 2017 following the inclusion in 2018 of contingent consideration relating to the acquisition of Exposure Media UK Ltd in November 2018 and not having any similar transactions during 2017. Advanced sales of our 2018 shows have been very strong, all of which have been treated as deferred income and will all be released once the events have taken place. For further details see note 14.

As the company continues to grow, so does the number of full time employees which has now risen from an average of 99 in 2017 to 111 in 2018 and will continue to grow in 2019 as new trade events come on line.

Principal risks & uncertainties

The company is always at risk from market changes affecting the business sectors relating to its trade shows, exhibitions and publications such as low visitor attendance, availability of suitable venues or new competitors shows coming to the market. However, as the company operates its events across a broad spectrum of business sectors, any uncertainties arising can be managed accordingly.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

Future developments & performance

2018 saw the company continue its investment in moving to a single Customer Relationship Management system across all its offices and whilst that programme is substantially complete there will be further additions to be rolled out in 2019 which will develop and strengthen the sales and marketing teams as well as assisting with the new General Data Protection Regulations. The company's strategy of launching new shows continues with plans being developed for additional events in 2019 and 2020.

On the 31st January 2018, the company acquired Tent Exhibitions Limited which runs the London Design Fair, revenue from which flowed in 2018 from the show run in London annually during September.

On the 28th November 2018, the company acquired Exposure Media UK Ltd which runs the Digital Construction Show, revenue from which will flow in 2019 from the show run in London annually during October.

The company has embarked on a major IT project which will see all its offices move into the cloud during 2019.

The company has signed a new lease for office premises in Brighton which will allow its head office to relocate to larger, modern and purpose-built offices during August 2019.

Position of company at year end

The company is fortunate to have strong cashflows from all its trade events and is well placed to take advantage of the opportunities that exist in 2019 and is looking forward to another successful year.

Approved by the board and signed on its behalf



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P Warren FCA

Company Secretary

22 March 2019
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DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

Principal activities

The principal activity of the company continued to be that of organising trade shows, conferences and publishing trade magazines.

Future developments

The company continues on its plans to introduce a single Customer Relationship Management platform across all locations, which has already added significant improvements to its existing systems. It will also be relocating its Brighton head office to new larger premises during 2019.

Directors

The directors who held office during the year and up to the date of signing of the financial statements were as follows:

C Holm

T Wirth

P Warren FCA

W Mitchell (appointed 29 November 2018)

K Willing (resigned 29 November 2018)

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board and instead the policies set by the board of directors are implemented by the company's finance department. The department has a policy that sets out specific guidelines to manage credit risk, liquidity risk and cash flow risk and circumstances where it would be appropriate to use financial instruments to manage these.

Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings and are regularly monitored. The amount of exposure to any individual counterparty is subject to a limit, which is reviewed regularly by the finance department.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets and structured payment processes. The company via its group also manages liquidity risk via funds available from intercompany arrangements.

Cash flow risk

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as exchange rate variations. The company does manage this risk by utilising forward contracts for currency conversion.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the 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 auditors are aware of that information.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the board and signed on its behalf



C Holm
Director

22 March 2019

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Diversified Business Communications UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of comprehensive income for the year ended 31 December 2018, the statement of changes in equity for the year then ended 31 December 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED – continued

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.


Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Matthew Haverson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

22 March 2019

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		2018 £	2017 £
Turnover	Note 5	16,479,233	13,886,911
Cost of sales		<u>(7,161,765)</u>	<u>(5,901,657)</u>
Gross profit		9,317,468	7,985,254
Administrative expenses		<u>(7,173,846)</u>	<u>(6,005,498)</u>
Operating profit	6	2,143,622	1,979,756
Interest receivable and similar income	8	4,569	3,254
Interest payable and similar expenses	8	-	(524)
Net interest income	8	<u>4,569</u>	<u>2,730</u>
Profit before taxation		2,148,191	1,982,486
Tax on profit	9	<u>(588,662)</u>	<u>(621,234)</u>
Profit for the financial year		<u>1,559,529</u>	<u>1,361,252</u>
Other comprehensive income		-	-
Total comprehensive income		<u>1,559,529</u>	<u>1,361,252</u>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the statement of comprehensive income.


DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	2018		2017	
		£	£	£	£
Fixed assets					
Intangible assets	10	6,936,115		4,287,424	
Tangible assets	11	232,969		265,666	
		<u>7,169,084</u>		<u>4,553,090</u>	
Current assets					
Stocks	12	511,893		395,066	
Debtors	13	5,958,809		4,041,295	
Cash at bank and in hand		<u>1,829,313</u>		<u>3,169,245</u>	
		8,300,015		7,605,606	
Creditors: amounts falling due within one year	14	<u>(9,569,542)</u>		<u>(7,923,489)</u>	
Net current liabilities		<u>(1,269,527)</u>		<u>(317,883)</u>	
Total assets less current liabilities		5,899,557		4,235,207	
Creditors: amounts falling due after more than one year	15	(101,268)			
Provisions for liabilities	16	<u>(35,705)</u>		<u>(32,152)</u>	
Net assets		<u>5,762,584</u>		<u>4,203,055</u>	
Capital and reserves					
Called up share capital	18	338,101		338,101	
Retained earnings		<u>5,424,483</u>		<u>3,864,954</u>	
Total shareholders' funds		<u>5,762,584</u>		<u>4,203,055</u>	

The notes on pages 11 to 25 are an integral part of these financial statements.

The financial statements on pages 8 to 25 were authorised for issue by the board of directors on 22 March 2019 and are signed on its behalf by:



C Holm
Director
Diversified Business Communications UK Limited

Registered number 04241679

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £	Retained earnings £	Total shareholders' funds £
Balance as at 1 January 2017	338,101	2,503,702	2,841,803
Profit for the financial year	-	1,361,252	1,361,252
Total comprehensive income for the year	-	1,361,252	1,361,252
Balance as at 31 December 2017	338,101	3,864,954	4,203,055
Balance as at 1 January 2018	338,101	3,864,954	4,203,055
Profit for the financial year	-	1,559,529	1,559,529
Total comprehensive income for the year	-	1,559,529	1,559,529
Balance as at 31 December 2018	338,101	5,424,483	5,762,584

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 General information

Diversified Business Communications UK Limited ('the company') organises trade shows, conferences and publishing trade magazines in the UK and Europe via its offices at Brighton, Nailsworth, Peterborough and London.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Nile House, 1st Floor, Nile Street, Brighton, BN1 1HW.

2 Statement of compliance

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

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.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements, in conformity with FRS 102, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

The company meets its day-to-day working capital requirements through its bank facilities and support from its parent company. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Diversified Communications, a company incorporated in the United States of America, includes the company's cash flows in its own consolidated financial statements.

(d) Consolidated financial statements

The company is a wholly owned subsidiary of Diversified Holding Co, a company incorporated in the United States of America. Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Details of how to obtain holding company financial statements are disclosed in note 20.

These financial statements are the company's separate financial statements.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3 Summary of significant accounting policies (continued)

(e) Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the monthly average exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The turnover shown in the statement of comprehensive income represents the invoiced value of space sold and other revenue received in respect of exhibitions held during the year, including publishing and conferences, excluding value added tax. To the extent that costs are expected to be recoverable, direct costs arising in the year relating to future events are deferred as work in progress, and income is deferred as deferred income until those events have taken place.

Revenue is recognised at the time of the event or conference or the date of publication.

(g) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3 Summary of significant accounting policies (continued)

(g) Employee benefits (continued)

(ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(iii) Annual Bonus Plan

The company operates an annual bonus plan for employees. An expense is recognised in the statement of comprehensive income when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(h) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted relevant to the period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3 Summary of significant accounting policies (continued)

(i) Business Combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measureable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Where the company is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

(j) Intangible assets

Intangible assets (excluding Goodwill as detailed in note 3 (i)), attributable to the fair values of assets acquired are stated at cost less accumulated amortisation and accumulated impairment losses amortised over their estimated useful lives as follows:

- Trade names and other intangible assets – 5 years
- Non-compete agreements – 3 years

Where factors, such as technological advancement or changes in market place, indicate that the residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3 Summary of significant accounting policies (continued)

(k) Tangible assets

Tangible assets are stated at cost less accumulated depreciation.

(i) Depreciation and residual values

Depreciation on assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

- Leasehold improvements – over the period of the lease
- Office equipment – 3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(l) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(m) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(n) Stocks

Work in progress is the costs incurred in relation to events that have not taken place at the balance sheet date, net of provision for foreseeable losses on these events. Costs include materials, direct labour and any other direct costs.

Stocks are recognised as an expense in the period in which the related revenue is recognised.

(o) Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(p) Provisions and contingencies

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3 Summary of significant accounting policies (continued)

(p) Provisions and contingencies (continued)

(ii) Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities, if any, are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets, if any, are disclosed in the financial statements when an inflow of economic benefits is probable.

(q) Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

(r) Share capital

Ordinary shares are classified as equity.

(s) Related party transactions

As a wholly owned subsidiary, the company is exempt under the terms of section 33.1A of FRS 102 'Related Party Disclosures', from disclosing related party transactions with entities that are wholly owned within the Diversified Holding Co group.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

Identifiable intangible assets are based on values agreed based on expected future cashflows at the time of acquisition derived from the allocation of the acquisition price under the asset sale agreement. There is a judgement regarding the categories of assets recognised and therefore the future amortisation period attributable to those assets.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the tangible assets, and note 3(k) for the useful economic lives for each class of assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors.

When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors and associated impairment provision.

(iii) Goodwill

Goodwill, as disclosed under note 3 (i) is amortised over its expected useful life. Where the Company is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding ten years.

(vi) Intangible assets

Identifiable intangible assets, as disclosed under note 3 (j) are shown separately from goodwill and amortised over their expected useful life over periods between 3 and 5 years.

5 Turnover

Analysis of turnover by category & geography

	2018	2017
	£	£
Sales of services	16,479,233	13,886,911
United Kingdom	11,923,565	10,168,343
Outside of the United Kingdom	4,555,668	3,718,568
	16,479,233	13,886,911

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

6	Operating profit	2018 £	2017 £
	Operating profit is stated after charging/(crediting):		
	Amortisation of intangible assets	967,221	964,029
	Depreciation of tangible fixed assets	180,767	122,095
	Loss/(gain) on disposal of tangible assets	168	93
	Operating lease rentals	210,511	201,441
	Fees payable to the Company's auditors for the audit of the financial statements	25,750	25,000
	Fees payable to the Company's auditors for other services:		
	• Tax compliance services	6,500	6,500
	• Other services		3,500

7 Employees and directors

Employees

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

	2018 No.	2017 No.
By Activity:		
Sales and marketing	69	57
Production and operations	29	28
Administration	13	14
	<u>111</u>	<u>99</u>

	2018 £	2017 £
Employment costs		
Wages and salaries	4,607,662	4,000,192
Social security costs	476,544	412,488
Other pension costs	172,296	142,492
	<u>5,256,502</u>	<u>4,555,172</u>

Directors

The directors' emoluments were as follows:

	2018 £	2017 £
Aggregate emoluments (highest paid director £188,037 (2017: 172,680))	272,673	258,706
Aggregate amounts receivable under long-term incentive schemes (and highest paid director)	<u>114,687</u>	<u>56,435</u>
	<u>387,360</u>	<u>315,141</u>

Two directors (2017: two) are members of a defined contribution scheme.

One director (2017: one) is accruing benefits under a long-term incentive scheme

Two of the company's directors are directors of a number of fellow group companies and their remuneration was paid by another group company, which made no recharge to the company; it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

8	Net interest income	2018 £	2017 £
	(a) Interest receivable and similar income		
	Bank interest received	4,569	3,254
	(b) Interest payable and similar expenses		
	Corporation tax interest paid	-	(524)
	(c) Net interest income	<u>4,569</u>	<u>2,730</u>

9	Tax on profit	2018 £	2017 £
	(a) Tax expense included in profit or loss		
	Current tax:		
	U.K. corporation tax on profits for the year	617,508	607,315
	Adjustment in respect of prior years	(32,399)	19,747
	Total current tax	<u>585,109</u>	<u>627,062</u>
	Deferred tax:		
	Origination and reversal of timing differences	3,553	(5,828)
	Total deferred tax	<u>3,553</u>	<u>(5,828)</u>
	Total tax on profit	<u>588,662</u>	<u>621,234</u>

(b) Reconciliation of tax charge

Factors affecting the tax charge for the year

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before taxation	2,148,191	1,982,486
Profit before taxation multiplied by standard rate of UK corporation tax of 19.00% (2017 – 19.25%)	408,156	381,628
Effects of:		
Expenses not deductible for tax purposes	212,905	219,859
Adjustment in respect of prior years	(32,399)	19,747
	<u>588,662</u>	<u>621,234</u>

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

9 Tax on profit - continued

The standard rate of corporation tax in the UK changed from 20% to 19% from 1st April 2017 and therefore the Company's profits for this financial year are taxed at an effective rate of 19.00% (2017: 19.25%).

During the previous year the 2017 Finance Act (substantively enacted on 16 November 2017) included provisions maintaining the main rate of UK corporation tax at 17% from 1 April 2020. Accordingly, the relevant deferred tax balances at 31 December 2018 have been measured using the future UK Corporation tax rate of 17%.

10 Intangible assets

	Trade names £	Goodwill £	Total £
Cost			
At 1 January 2018	2,739,885	6,261,801	9,001,686
Additions	280,000	3,335,912	3,615,912
Disposals	-	-	-
At 31 December 2018	3,019,885	9,597,713	12,617,598
Accumulated amortisation			
At 1 January 2018	2,351,570	2,362,692	4,714,262
Charge for the year	291,748	675,473	967,221
Disposals	-	-	-
At 31 December 2018	2,643,318	3,038,165	5,681,483
Net book value			
At 31 December 2018	376,567	6,559,548	6,936,115
At 31 December 2017	388,315	3,899,109	4,287,424

Diversified Business Communications UK Limited acquired 100% of the share capital of Tent Exhibitions Limited for consideration of £1,588,452 (as adjusted) on the 31 January 2018 and also acquired 100% of the share capital of Exposure Media UK Ltd for a consideration of £2,172,112 (as adjusted) on 28 November 2018 and on both dates it hived up the trade and all of the assets to Diversified Business Communications UK Limited. As the trade and assets of the company have been transferred to Diversified Business Communications UK Limited the consideration for these companies has been shown as additions to Goodwill and not Investments. The Goodwill is being amortised over a period of ten years.

The provisional fair value of the net assets acquired is set out below. There were no fair value adjustments.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

10 Intangible assets - continued

Tent Exhibitions Limited: Net assets acquired at fair value:	Book value	Adjustments	Fair value
	£	£	£
Intangible assets	-	150,000	150,000
		150,000	150,000
Goodwill			1,438,452
			1,588,452
Net cash outflow on acquisition:			
Cash consideration			1,487,184
Deferred contingent consideration			101,268
			1,588,452

The results from the date of acquisition to the period end are not possible to obtain due to the merging of the activities into the existing business.

Deferred contingent consideration is based on target revenue for 2019 as specified in the contract, payable in 2020.

Exposure Media UK Ltd: Net assets acquired at fair value:	Book value	Adjustments	Fair value
	£	£	£
Tangible assets	235,279	-	235,279
Net current liabilities	(90,627)	-	(90,627)
Intangible assets	-	130,000	130,000
	144,652	130,000	274,652
Goodwill			1,897,460
			2,172,112
Net cash outflow on acquisition:			
Cash consideration			1,572,112
Deferred contingent consideration			600,000
			2,172,112

The results from the date of acquisition to the period end are not possible to obtain due to the merging of the activities into the existing business.

Deferred contingent consideration is based on target revenue for 2019 as specified in the contract, payable in 2019.

The company does own 100% of the share capital of the following companies, all of which are dormant at the balance sheet date and have registered offices at Nile House, Nile Street, Brighton, Sussex, BN1 1HW

Tent Exhibitions Limited (held directly) – (acquired 31 January 2018)
Exposure Media UK Ltd (held directly) – (acquired 27 November 2018)

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Tangible assets

	Leasehold improvements £	Office equipment £	Total £
Cost			
At 1 January 2018	128,777	471,666	600,443
Additions	-	148,238	148,238
Disposals	-	(15,126)	(15,126)
At 31 December 2018	<u>128,777</u>	<u>604,778</u>	<u>733,555</u>
Accumulated depreciation			
At 1 January 2018	40,780	293,997	334,777
Charge for the year	70,235	110,532	180,767
Disposals	-	(14,958)	(14,958)
At 31 December 2018	<u>111,015</u>	<u>389,571</u>	<u>500,586</u>
Net book value			
At 31 December 2018	<u>17,762</u>	<u>215,207</u>	<u>232,969</u>
At 31 December 2017	<u>87,997</u>	<u>177,669</u>	<u>265,666</u>

12 Stocks

	2018 £	2017 £
Work in progress	<u>511,893</u>	<u>395,066</u>

13 Debtors

	2018 £	2017 £
Trade debtors	2,629,737	2,680,434
Amounts owed by group undertakings	2,037,243	21,393
Other debtors	<u>1,291,829</u>	<u>1,339,468</u>
	<u>5,958,809</u>	<u>4,041,295</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

14	Creditors: amounts falling due within one year	2018 £	2017 £
	Trade creditors	114,396	449,514
	Corporation tax	263,073	332,315
	Other taxation and social security	479,658	441,636
	Other creditors	847,641	4,546
	Accruals and deferred income	<u>7,864,774</u>	<u>6,695,478</u>
		<u>9,569,542</u>	<u>7,923,489</u>

A fixed and floating charge over all the assets of the company is registered in favour of HSBC Bank plc securing debts owed by the company. The amount outstanding at 31 December 2018 was £nil (2017: £nil).

Included within other creditors is £600,000 (2017: £nil) of contingent consideration payable on the acquisition of Exposure Media UK Ltd during 2018.

At 31 December 2018 the company had outstanding pension contributions totalling £2,091 (2017: £35) included within other creditors.

15	Creditors: amounts falling due after more than one year	2018 £	2017 £
	Other creditors	<u>101,268</u>	<u>-</u>

Included within other creditors is £101,268 (2017: £nil) of contingent consideration payable on the acquisition of Tent Exhibitions Limited arising during 2018.

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

16 Provisions for liabilities

	Deferred tax liability £
Balance at 1 January 2018	32,152
Statement of comprehensive income movement	<u>3,553</u>
Balance at 31 December 2018	<u>35,705</u>

The deferred tax liability is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	38,406	34,503
Other timing differences	<u>(2,701)</u>	<u>(2,351)</u>
	<u>35,705</u>	<u>32,152</u>

17 Post-employment benefits

Defined contribution scheme

During the year the company operated a defined contribution pension scheme for its employees and the following contributions were payable by the company:

	2018 £	2017 £
Contributions payable by the company for the year	<u>366,709</u>	<u>311,034</u>

18 Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid		
338,101 (2017: 338,101) Ordinary shares of £1 each	<u>338,101</u>	<u>338,101</u>

DIVERSIFIED BUSINESS COMMUNICATIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

19 Commitments under operating leases

The company was committed to making the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and Buildings		Other	
	2018	2017	2018	2017
	£	£	£	£
Payments due:				
Not later than one year	128,964	164,538	32,154	31,696
Later than one year and not later than five years	1,120,871	220,279	44,313	12,112
Later than five years	2,803,086	79,090	-	-
	<u>4,052,921</u>	<u>463,907</u>	<u>76,467</u>	<u>43,808</u>

20 Controlling parties

The immediate parent undertaking is Diversified Communications, a company incorporated in the United States of America. The ultimate parent company, and largest company producing group financial statements which include the company is Diversified Holding Co, a company incorporated in the United States of America. Copies of the financial statements can be obtained from 121 Free Street, Portland, ME 04101, USA.

21 Related party relationships and transactions

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the group.