

Registered number: 02266230

**KELLY COMMUNICATIONS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 2 JANUARY 2022**



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**KELLY COMMUNICATIONS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	T J Kelly T P Kelly R Westropp-Bennett L McGrane
<b>Company secretary</b>	J P Bradley
<b>Registered number</b>	02266230
<b>Registered office</b>	Kelly House Fourth Way Wembley Middlesex HA9 0LH
<b>Independent auditors</b>	MHA MacIntyre Hudson Chartered Accountants and Statutory Auditors 6th Floor 2 London Wall Place London EC2Y 5AU

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**KELLY COMMUNICATIONS LIMITED**

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## KELLY COMMUNICATIONS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 2 JANUARY 2022

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#### Introduction

The directors present the strategic report and financial statements for the year ended 2 January 2022.

#### Business review

The company has reported turnover of £48.3m (2020: £36.8m) and a pre-tax profit of £8.6m for the year ended 2 January 2022 (2020: £6m). The company has total shareholder funds of £11 as at 2 January 2022 (2020: £8.6m).

- In the period, turnover at £48.3m was £11.5m more than the previous period.
- The strategy of business going forward is to continue to develop our strong relationships with Virgin Media; CityFibre and Hughes Network Services Ltd and to continue to expand the range of services we provide.

#### Principal risks and uncertainties

We see limited risks with our core business with perhaps the exception of the high level of business we enjoy with one client. This is being overcome with ongoing investment and development of other opportunities within the Kelly Group.

We continue to monitor the effects that Brexit may have on overall UK trading, and while staff shortages are considered a risk, the directors have tailored recruitment strategies as a means of minimising the impact.

The Business is aware and monitors closely the ever-evolving risks associated with inflationary pressures and looks to mitigating against these increased costs where possible.

#### Impact of COVID-19 on the business

In 2021, the COVID 19 pandemic continued to present challenges but the Company's incident management plans specific to the crisis, proved sufficiently robust to allow operations to continue to service our clients without any significant impact..

While some of our contracts did experience reduced volume, we are now seeing the vast majority of the business return to, at least, pre-pandemic levels.

The directors note the success of the UK's COVID-19 vaccination and booster programmes and continues to monitor developments and impact on its business.

#### Financial key performance indicators

The directors of Kelly Communications Group Limited, the ultimate parent company, manage the Group's operations on a divisional basis.

The board uses Key Performance Indicators ('KPI's) to monitor the Company's performance and regularly reviews the key risks to the business. In addition to regular board reporting and timely management accounts, the Company monitors a range of activities including health and safety, profitability, cash management, customer satisfaction, order book and other financial and non financial measures.

- The company is affected by the scale and profitability of individual projects, hence turnover and profits are monitored contract by contract on a weekly basis.

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**KELLY COMMUNICATIONS LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 2 JANUARY 2022**

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**Research and development**

The company continues to look for ways to improve its efficiency both operationally and financially with the support of its holding company and fellow subsidiaries.

This report was approved by the board and signed on its behalf.

  
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**J P Bradley**  
Secretary

Date: 24/10/2022

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**KELLY COMMUNICATIONS LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 2 JANUARY 2022**

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The directors present their report and the financial statements for the year ended 2 January 2022.

**Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

**Principal activity**

The principal activity of the company was that of a telecommunications, cable television and broadband installation contractor specialising in cabling and activation services.

**Results and dividends**

The profit for the year, after taxation, amounted to £7,458,771 (2020 - £4,835,536).

Dividends are disclosed in note 11.

**Directors**

The directors who served during the year were:

T J Kelly  
T P Kelly  
R Westropp-Bennett (appointed on 28 July 2021)  
L McGrane

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**KELLY COMMUNICATIONS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 2 JANUARY 2022**

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**Future developments**

We remain very well placed to deliver further profitable growth going forward.

**Directors' indemnity insurance**

Directors' liability and indemnity insurance was in force throughout the year to cover the directors' and officers of the company against actions brought against them in their personal capacity. Neither the insurance nor the indemnity provide cover where the individual has acted fraudulently or dishonestly.

**Disabled employees**

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

**Employee information**

The company aims to involve all employees in the company's affairs through the systematic provision of information to employees. There is regular consultation with employees, taking their views into account in making decisions affecting the performance of the company.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Post balance sheet events**

There have been no significant events affecting the company since the year end.

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**KELLY COMMUNICATIONS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 2 JANUARY 2022**

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**Auditors**

The auditors, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

  
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**J P Bradley**  
Secretary

Date: 24/10/2022

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**KELLY COMMUNICATIONS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELLY COMMUNICATIONS LIMITED**

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**Opinion**

We have audited the financial statements of Kelly Communications Limited (the 'company') for the year ended 2 January 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 January 2022 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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**KELLY COMMUNICATIONS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELLY COMMUNICATIONS LIMITED  
(CONTINUED)**

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**Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the 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 the 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 3, 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.

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**KELLY COMMUNICATIONS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELLY COMMUNICATIONS LIMITED  
(CONTINUED)**

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**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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

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**KELLY COMMUNICATIONS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELLY COMMUNICATIONS LIMITED  
(CONTINUED)**

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**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 Auditors' 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.



Tasneem Bharmal FCCA (Senior Statutory Auditor)

for and on behalf of  
**MHA MacIntyre Hudson, Statutory Auditor**  
London, United Kingdom

Date: 26/10/2022

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KELLY COMMUNICATIONS LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 2 JANUARY 2022

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		4 January 2021 to 2 January 2022 £	30 December 2019 to 3 January 2021 £
Turnover	4	48,299,058	36,791,430
Cost of sales		<u>(32,911,175)</u>	<u>(26,778,159)</u>
<b>Gross profit</b>		<b>15,387,883</b>	<b>10,013,271</b>
Administrative expenses		<u>(15,070,974)</u>	<u>(11,473,145)</u>
Other operating income	5	<u>8,568,874</u>	<u>7,505,906</u>
<b>Operating profit</b>	6	<b>8,885,783</b>	<b>6,046,032</b>
Interest payable and similar expenses	9	<u>(87,757)</u>	<u>(39,784)</u>
<b>Profit before tax</b>		<b>8,798,026</b>	<b>6,006,248</b>
Tax on profit	10	<u>(1,339,255)</u>	<u>(1,170,712)</u>
<b>Profit for the financial year</b>		<b><u>7,458,771</u></b>	<b><u>4,835,536</u></b>

There was no other comprehensive income for the year 2022 (2021:£NIL).

The notes on pages 13 to 30 form part of these financial statements.

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KELLY COMMUNICATIONS LIMITED  
REGISTERED NUMBER: 02266230

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BALANCE SHEET  
AS AT 2 JANUARY 2022

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	Note	2 January 2022 £	3 January 2021 £
<b>Fixed assets</b>			
Intangible assets	12	1,126,969	1,329,568
Tangible assets	13	287,287	289,475
Investments	14	89	89
		<u>1,414,345</u>	<u>1,619,132</u>
<b>Current assets</b>			
Stocks	15	215,641	212,373
Debtors	16	21,249,277	63,065,786
Cash at bank and in hand	17	158,368	2,147,678
		<u>21,623,286</u>	<u>65,425,837</u>
Creditors: amounts falling due within one year	18	(12,012,060)	(58,478,169)
<b>Net current assets</b>		<u>9,611,226</u>	<u>6,947,668</u>
<b>Total assets less current liabilities</b>		<u>11,025,571</u>	<u>8,566,800</u>
<b>Net assets</b>		<u><u>11,025,571</u></u>	<u><u>8,566,800</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	10,000	10,000
Capital redemption reserve	21	50	50
Profit and loss account	21	11,015,521	8,556,750
		<u>11,025,571</u>	<u>8,566,800</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
.....  
T J Kelly  
Director

Date: 24/10/2022

The notes on pages 13 to 30 form part of these financial statements.

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**KELLY COMMUNICATIONS LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 2 JANUARY 2022**

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	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
<b>At 29 December 2019</b>	<b>10,000</b>	<b>50</b>	<b>5,721,214</b>	<b>5,731,264</b>
Profit for the year	-	-	4,835,536	4,835,536
Dividends: Equity capital	-	-	(2,000,000)	(2,000,000)
<b>At 3 January 2021</b>	<b>10,000</b>	<b>50</b>	<b>8,556,750</b>	<b>8,566,800</b>
Profit for the year	-	-	7,458,771	7,458,771
Dividends: Equity capital	-	-	(5,000,000)	(5,000,000)
<b>At 2 January 2022</b>	<b>10,000</b>	<b>50</b>	<b>11,015,521</b>	<b>11,025,571</b>

The notes on pages 13 to 30 form part of these financial statements.

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## KELLY COMMUNICATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 2 JANUARY 2022

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#### 1. General information

Kelly Communications Limited is a private company, limited by shares, and incorporated in England and Wales. The company registration number is 02266230 and the registered office is Kelly House, Fourth Way, Wembley, Middlesex, HA9 0LH.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in sterling, the functional currency, rounded to the nearest £1. Kelly Communications Limited is the parent company of Kelly Fibre Limited, a company registered in Ireland. Kelly Communications Limited is also a 100% subsidiary of Kelly Communications Group Limited, which includes the company and its subsidiary in the consolidated financial statements of that group. Kelly Communications Limited is exempt from preparing group accounts under the Companies Act 2006 as the company is included in accounts of a larger group and has not prepared group financial statements. These are the financial statements of the company, not the group.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Kelly Communications Group Limited as at 2 January 2022 and these financial statements may be obtained from the registered office of the parent company, Kelly House, Fourth Way, Wembley, Middlesex, HA9 0LH.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 2 JANUARY 2022

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2. Accounting policies (continued)

2.3 Foreign currency translation

**Functional and presentation currency**

The company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 2 JANUARY 2022

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2. Accounting policies (continued)

2.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.9 Pensions

**Defined contribution pension plan**

The company operates a defined contribution pension scheme 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 in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

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**KELLY COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 2 JANUARY 2022**

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**2. Accounting policies (continued)****2.10 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.11 Amounts recoverable on contracts**

Amounts recoverable on contracts comprises work completed or measured parts thereof not yet invoiced to customers and is stated after making due allowance for irrecoverable amounts. Profit on contracting activities is taken as work progresses, unless a more conservative approach is necessary. The percentage margin on each individual contract is the lower of the margin earned to date and that forecast to completion, taking account of agreed claims. Profit for the period includes settlement of claims arising on completed contracts with a provision made for notified claims during the period where further work is required.

**2.12 Amounts receivable under retentions**

The amounts receivable under retentions are included within trade debtors. However, these retentions are treated as unrealised and only released to the profit and loss account when the period of constructive obligation ceases and the amounts have been invoiced.

**2.13 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

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**KELLY COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 2 JANUARY 2022**

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**2. Accounting policies (continued)**

**2.14 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Plant and machinery	-	25% reducing balance
Fixtures and fittings	-	25% reducing balance
Computer equipment	-	25% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**2.15 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

**2.16 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.17 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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**KELLY COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 2 JANUARY 2022**

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**2. Accounting policies (continued)****2.18 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.19 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.20 Financial instruments**

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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**KELLY COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 2 JANUARY 2022**

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**2. Accounting policies (continued)**

**2.21 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

In the application of the company's accounting policies, which are described above, management is required to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

**Fixed assets, debtors and provisions**

Judgments have been made in relation to the lives of tangible assets and the valuation and recoverability of trade debtors, the valuation of provisions and the useful economic life and residual values of fixtures and fittings. The directors have concluded that the valuation of debtors and provisions and asset values and residual values are appropriate.

**Valuation of Stock**

Stock is included at the lower of cost and net realisable value. The directors have reviewed the stock obsolescence policy and are satisfied that stock is fairly valued at the year end.

**Amounts recoverable on contracts**

Amounts recoverable on contracts are valued at the amount expected to be recovered at the balance sheet date, with detailed post year end analysis undertaken to ensure the fair value of this accrued income.

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**KELLY COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 2 JANUARY 2022**

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**4. Turnover**

An analysis of turnover by class of business is as follows:

	4 January 2021 to 2 January 2022 £	30 December 2019 to 3 January 2021 £
Telecommunications services	48,299,058	36,791,430
	<u>48,299,058</u>	<u>36,791,430</u>

All turnover arose within the United Kingdom.

**5. Other operating income**

	4 January 2021 to 2 January 2022 £	30 December 2019 to 3 January 2021 £
Other operating income	7,968,874	7,072,397
Government grants receivable	-	433,509
Sundry income	600,000	-
	<u>8,568,874</u>	<u>7,505,906</u>

The company received £Nil (2020: £433,509) in respect of the Government's Coronavirus Job Retention Scheme grants.

**6. Operating profit**

The operating profit is stated after charging:

	4 January 2021 to 2 January 2022 £	30 December 2019 to 3 January 2021 £
Research & development charged as an expense	1,617,294	1,852,557
Differences on foreign exchange	139,669	160,106
	<u>1,617,294</u>	<u>1,852,557</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**7. Auditors' remuneration**

	4 January 2021 to 2 January 2022 £	30 December 2019 to 3 January 2021 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>16,100</u>	<u>27,000</u>

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

**8. Employees**

Staff costs were as follows:

	4 January 2021 to 2 January 2022 £	30 December 2019 to 3 January 2021 £
Wages and salaries	8,682,869	8,523,408
Social security costs	791,006	898,664
Cost of defined contribution scheme	147,948	156,905
	<u>9,621,823</u>	<u>9,578,977</u>

The average monthly number of employees, including the directors, during the year was as follows:

	4 January 2021 to 2 January 2022 No.	30 December 2019 to 3 January 2021 No.
Number of distribution staff	23	27
Number of administration staff	200	213
	<u>223</u>	<u>240</u>

No directors received remuneration from the company in the year (2020: £nil). No directors were accruing pension benefits in respect of the defined contribution pension scheme in the year (2020: £nil).

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NOTES TO THE FINANCIAL STATEMENTS  
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9. Interest payable and similar charges

	4 January 2021 to 2 January 2022 £	30 December 2019 to 3 January 2021 £
Bank interest payable	87,757	39,784
	<u>87,757</u>	<u>39,784</u>

10. Taxation

	4 January 2021 to 2 January 2022 £	30 December 2019 to 3 January 2021 £
<b>Corporation tax</b>		
Current tax on profits for the year	1,342,267	1,187,424
Adjustments in respect of previous periods	-	330
	<u>1,342,267</u>	<u>1,187,754</u>
<b>Total current tax</b>	<u>1,342,267</u>	<u>1,187,754</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(3,012)	(17,042)
<b>Total deferred tax</b>	<u>(3,012)</u>	<u>(17,042)</u>
<b>Taxation on profit on ordinary activities</b>	<u>1,339,255</u>	<u>1,170,712</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**10. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>8,798,026</u>	<u>6,006,248</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,631,662	1,141,184
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	23,833	82,182
Capital allowances for year in excess of depreciation	(21,027)	(40,331)
Adjustments to tax charge in respect of prior periods	-	330
Short term timing difference leading to an increase (decrease) in taxation	(3,012)	-
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	-	(1,584)
Group relief	(292,201)	(11,069)
<b>Total tax charge for the year</b>	<u><u>1,339,255</u></u>	<u><u>1,170,712</u></u>

**Factors that may affect future tax charges**

On 23rd Sept 2022, the Chancellor confirmed the cancellation of the planned increase in the corporation tax rate from 19% to 25% from 1 April 2023. It seems that the 19% rate will be confirmed in the upcoming Finance Bill.

Where applicable, Deferred Tax continues to be assessed at 25%, as this is the future rate that had been enacted in legislation, at the year-end date.

**11. Dividends**

	2 January 2022 £	3 January 2021 £
Dividends paid on equity capital	<u>5,000,000</u>	<u>2,000,000</u>
	<u><u>5,000,000</u></u>	<u><u>2,000,000</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**12. Intangible assets**

	<b>Computer software £</b>
<b>Cost</b>	
At 4 January 2021	1,329,568
Additions	128,204
At 2 January 2022	<u>1,457,772</u>
<b>Amortisation</b>	
Charge for the year	330,803
At 2 January 2022	<u>330,803</u>
<b>Net book value</b>	
At 2 January 2022	<u>1,126,969</u>
At 3 January 2021	<u>1,329,568</u>

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**13. Tangible fixed assets**

	Plant and machinery £	Fixtures, fittings & computer equipment £	Total £
<b>Cost or valuation</b>			
At 4 January 2021	-	741,058	741,058
Additions	38,344	34,490	72,834
At 2 January 2022	<u>38,344</u>	<u>775,548</u>	<u>813,892</u>
<b>Depreciation</b>			
At 4 January 2021	-	451,583	451,583
Charge for the year	3,489	71,533	75,022
At 2 January 2022	<u>3,489</u>	<u>523,116</u>	<u>526,605</u>
<b>Net book value</b>			
At 2 January 2022	<u>34,855</u>	<u>252,432</u>	<u>287,287</u>
At 3 January 2021	<u>-</u>	<u>289,475</u>	<u>289,475</u>

**14. Fixed asset investments**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 4 January 2021	89
At 2 January 2022	<u>89</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**14. Fixed asset investments (continued)****Subsidiary undertaking**

The following was a subsidiary undertaking of the company:

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Kelly Fibre Limited	Unit 1, Airport Hub, Furry Park Ind. Est., Santry DN 9, D09 W5YV	Ordinary	100%

**15. Stocks**

	<b>2 January 2022 £</b>	<b>3 January 2021 £</b>
Raw materials and consumables	<b>215,641</b>	212,373
	<b>215,641</b>	<b>212,373</b>

Stock recognised in cost of sales during the year as an expense was £4,505,873 (2020: £2,657,278).

**16. Debtors**

	<b>2 January 2022 £</b>	<b>3 January 2021 £</b>
<b>Due after more than one year</b>		
Deferred tax asset	<b>90,577</b>	87,565
	<b>90,577</b>	<b>87,565</b>
<b>Due within one year</b>		
Trade debtors	<b>3,384,618</b>	4,419,375
Amounts owed by group undertakings	<b>5,243,894</b>	49,844,347
Other debtors	<b>5,432,318</b>	5,005,294
Prepayments and accrued income	<b>1,016,716</b>	750,360
Amounts recoverable on long term contracts	<b>6,081,154</b>	2,958,845
	<b>21,249,277</b>	<b>63,065,786</b>

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17. Cash and cash equivalents

	2 January 2022 £	3 January 2021 £
Cash at bank and in hand	158,368	2,147,678
Less: bank overdrafts	(3,260,593)	(4,000,193)
	<u>(3,102,225)</u>	<u>(1,852,515)</u>

18. Creditors: Amounts falling due within one year

	2 January 2022 £	3 January 2021 £
Bank overdrafts	3,260,593	4,000,193
Trade creditors	2,311,546	1,218,896
Amounts owed to group undertakings	355,286	44,341,118
Corporation tax	-	677,568
Other taxation and social security	1,314,149	1,482,876
Other creditors	864,373	470,900
Accruals and deferred income	3,906,113	6,286,618
	<u>12,012,060</u>	<u>58,478,169</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

The company is party to a group composite arrangement with certain companies within Kelly Communications Group Limited under which overdrafts can be offset by cross guarantees. The total at 2 January 2022 amounted to £3,260,593 (3 January 2021: £4,000,193).

A debenture is held by Kelly Communications Group Limited securing all monies due or becoming due to it. Included within debtors at 2 January 2022 is an amount of £5,226,984 (3 January 2021: £6,650,925) due from Kelly Communications Group Limited.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**19. Deferred taxation**

	2022 £
At beginning of year	87,565
Charged to profit or loss	3,012
<b>At end of year</b>	<b>90,577</b>

The deferred tax asset is made up as follows:

	2 January 2022 £	3 January 2021 £
Fixed asset timing differences	86,850	84,734
Short term timing differences	3,727	2,831
	<b>90,577</b>	<b>87,565</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**20. Share capital**

	2 January 2022 £	3 January 2021 £
<b>Allotted, called up and fully paid</b>		
10,000 (2021: 10,000) Ordinary shares of £1.00 each	<u>10,000</u>	<u>10,000</u>

**21. Reserves****Capital redemption reserve**

The capital redemption reserve is represented by amounts transferred on the redemption of preference capital and is not distributable.

**Profit and loss account**

The profit and loss account is represented by retained earnings. Changes in reserves are set out in the Statement of Changes in Equity.

**22. Pension commitments**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £147,948 (2020: £150,847). Contributions totalling £38,681 (3 January 2021: £33,500) were payable to the fund at the balance sheet date and are included in creditors.

**23. Related party transactions**

The company has taken advantage of the exemption available in Financial Reporting Standard 102 Section 33 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group. The consolidated financial statements of the ultimate parent company, Kelly Communications Group Limited are available from Registrar of Companies, Companies House, Cardiff, CF14 3UZ.

During the year, Kelly Communications Limited provided consultancy services amounting to £600,000 (2020: nil) to Kelly Supply Solutions Limited, a company in which T J Kelly is also a director. At the year end, there are no amounts from Kelly Supply Solutions Limited.

**24. Ultimate controlling party**

The company was under the control of T J Kelly throughout the year and the previous year by virtue of a controlling interest in the ultimate parent company.

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**25. Ultimate parent company**

The ultimate parent undertaking during the year was Kelly Communications Group Limited, a company registered in England and Wales, which is the largest group of undertakings for which group accounts are drawn up.