

KELLY FLEET SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 1 JANUARY 2017



KELLY FLEET SERVICES LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|---|
| Directors | T J Kelly L McGrane |
| Company secretary | J P Bradley |
| Registered number | 03215962 |
| Registered office | Kelly House Fourth Way Wembley Middlesex HA9 0LH |
| Independent auditors | MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Euro House 1394 High Road London N20 9YZ |
| Bankers | National Westminster Bank PLC 315 Station Road Harrow Middlesex HA1 2AD |

KELLY FLEET SERVICES LIMITED

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KELLY FLEET SERVICES LIMITED

**STRATEGIC REPORT
FOR THE PERIOD ENDED 1 JANUARY 2017**

Introduction

The directors present the strategic report and financial statements for the period 29 June 2015 to 1 January 2017 (18 months).

Business review

The company has reported turnover of £30.3m (2015: £22.3m (12 months)) and a post tax profit of £215,820 for the period 29 June 2015 to 1 January 2017 (2015: £117,576). The company has total shareholders funds of £1,343,829 as at the reporting date (2015: £1,128,009).

Future developments

Our primary target has been to support the group on its vehicle and plant requirements and we will continue to provide an excellent service to the group. We intend to replace some of our oldest fleet next year. In parallel, we continue to develop our external hire business.

Principal risks and uncertainties

We see limited risk with our core business with perhaps the exception of the high level of business the company enjoys with the group. We seek to limit this risk by seeking external hire opportunities in other areas.

Financial key performance indicators

The directors of Kelly Communications Group Ltd manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis by using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Kelly Fleet Services Limited. The development, performance and position of Kelly Communications Group Ltd, which includes the company is discussed in the group's annual report which does not form part of this report.

Results and dividends

The profit for the year, after taxation, amounted to £215,820. The directors did not recommend a dividend.

Research and development

The company continues to look for opportunities to purchase up to date plant and to maximise the efficiency of the use of its fleet by the continuing use and development of its transport management system.

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


.....

J P Bradley
Secretary

Date: 10/5/17

KELLY FLEET SERVICES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 1 JANUARY 2017

The directors present their report and the financial statements for the period 29 June 2015 to 1 January 2017.

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Principal activity

The principal activity of the company continues to be the operating of an independent plant hire and maintenance company, predominantly providing its services to Kelly Communications Group Limited and its subsidiaries.

Directors' indemnity insurance

Directors' liability and indemnity insurance was in force throughout the period 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.

Results and dividends

The profit for the period, after taxation, amounted to £215,820 (2015 - £117,576).

There were no dividends paid in the current period or prior year.

Directors

The directors who served during the period were:

T J Kelly
L McGrane

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 JANUARY 2017**

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.

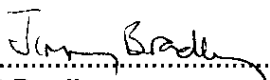
Post balance sheet events

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

Auditors

MHA MacIntyre Hudson are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

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


.....
J P Bradley
Secretary

Date: 10/5/17

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELLY FLEET SERVICES LIMITED

We have audited the financial statements of Kelly Fleet Services Limited for the period ended 1 January 2017, set out on pages 6 to 23. The relevant financial reporting framework that has been applied in their preparation is applicable law and the 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'.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 January 2017 and of its profit or loss for the period 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with those financial statements.

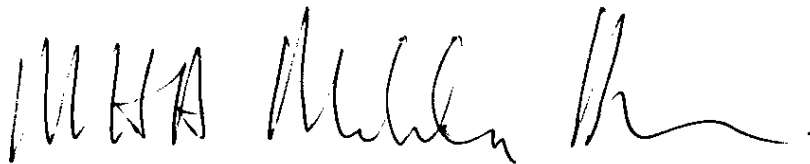
KELLY FLEET SERVICES LIMITED

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



BRENDAN SHARKEY FCA (Senior statutory auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

Euro House
1394 High Road
London
N20 9YZ

Date: 19th May 2017.

KELLY FLEET SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 1 JANUARY 2017**

| | Note | 18 months to 1 January 2017 £ | 12 months to 28 June 2015 £ |
|--|------|---|--------------------------------------|
| Turnover | 4 | 30,346,056 | 22,349,491 |
| Cost of sales | | (26,932,647) | (20,425,542) |
| Gross profit | | 3,413,409 | 1,923,949 |
| Administrative expenses | | (3,019,309) | (1,683,851) |
| Operating profit | 5 | 394,100 | 240,098 |
| Interest receivable and similar income | 8 | 48 | - |
| Interest payable and expenses | 9 | (84,671) | (85,541) |
| Profit before tax | | 309,477 | 154,557 |
| Tax on profit | 10 | (93,657) | (36,981) |
| Profit for the period | | 215,820 | 117,576 |
| Other comprehensive income for the period | | | |
| Total comprehensive income for the period | | 215,820 | 117,576 |

The notes on pages 9 to 23 form part of these financial statements.

KELLY FLEET SERVICES LIMITED
REGISTERED NUMBER: 03215962

BALANCE SHEET
AS AT 1 JANUARY 2017

| | Note | 1 January 2017 £ | 28 June 2015 £ |
|---|------|------------------------|----------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 6,866,213 | 8,331,563 |
| | | 6,866,213 | 8,331,563 |
| Current assets | | | |
| Stocks | 12 | 333,129 | 393,566 |
| Debtors: amounts falling due after more than one year | 13 | 106,090 | 37,389 |
| Debtors: amounts falling due within one year | 13 | 1,669,157 | 2,463,571 |
| | | 2,108,376 | 2,894,526 |
| Creditors: amounts falling due within one year | 14 | (7,143,426) | (9,320,132) |
| Net current liabilities | | (5,035,050) | (6,425,606) |
| Total assets less current liabilities | | 1,831,163 | 1,905,957 |
| Creditors: amounts falling due after more than one year | 15 | (487,334) | (777,948) |
| Net assets | | 1,343,829 | 1,128,009 |
| Capital and reserves | | | |
| Called up share capital | 18 | 10,000 | 10,000 |
| Profit and loss account | 19 | 1,333,829 | 1,118,009 |
| | | 1,343,829 | 1,128,009 |

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


 T J Kelly
 Director

Date: 10/5/17

The notes on pages 9 to 23 form part of these financial statements.

KELLY FLEET SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 1 JANUARY 2017**

| | Called up share capital | Profit and loss account | Total equity |
|--|------------------------------------|------------------------------------|---------------------|
| | £ | £ | £ |
| At 29 June 2015 | 10,000 | 1,118,009 | 1,128,009 |
| Comprehensive income for the period | | | |
| Profit for the period | - | 215,820 | 215,820 |
| Total comprehensive income for the period | - | 215,820 | 215,820 |
| At 1 January 2017 | 10,000 | 1,333,829 | 1,343,829 |

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 28 JUNE 2015**

| | Called up share capital | Profit and loss account | Total equity |
|--|------------------------------------|------------------------------------|---------------------|
| | £ | £ | £ |
| At 30 June 2014 | 10,000 | 1,000,433 | 1,010,433 |
| Comprehensive income for the period | | | |
| Profit for the period | - | 117,576 | 117,576 |
| Total comprehensive income for the period | - | 117,576 | 117,576 |
| At 28 June 2015 | 10,000 | 1,118,009 | 1,128,009 |

The notes on pages 9 to 23 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017**

1. General information

Kelly Fleet Services Limited is a private company, limited by shares, incorporated in England and Wales. The company registration number is 03215962 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.

These are the first financial statements presented under FRS 102. The date of transition to FRS 102 is 30 June 2014. Information on the impact of first-time adoption of FRS 102 is given in note 24.

The financial statements are prepared in pounds sterling, the functional currency, rounded to the nearest £1.

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 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- 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 1 January 2017 and these financial statements may be obtained from the registered office of the holding company.

2.3 Going concern

At 1 January 2017, the company's current liabilities exceeded its current assets by £5,035,050 (2015: £6,425,606).

The financial statements have been prepared on a going concern basis. The period considered in detail by the directors is up to 12 months following the date of the authorisation of the financial statements. The directors consider that the basis is appropriate for the following reason:-

The parent company, Kelly Communications Group Limited, has confirmed its willingness and ability to provide support to the company for a period of at least 12 months from the date of approval of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017**

2. Accounting policies (continued)**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:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

2.5 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017**

2. Accounting policies (continued)**2.5 Tangible fixed assets (continued)**

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 |
| Motor vehicles | - 25% reducing balance |
| Fixtures and fittings | - 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 the Statement of comprehensive income.

2.6 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 weighted average 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.

2.7 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.

2.8 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.

2.9 Finance costs

Finance costs are charged to the Statement of comprehensive income 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017**

2. Accounting policies (continued)**2.10 Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.11 Pensions**Defined contribution pension plan**

The company operates a defined contribution pension 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 in the Statement of comprehensive income 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.

2.12 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.13 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017**

2. Accounting policies (continued)

2.14 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, 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.

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 judgements, 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

Judgments have been made in relation to the lives of tangible assets in particular the useful economic life and the residual values of the motor vehicles. The directors have concluded that the asset lives and residual values are appropriate.

KELLY FLEET SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2017

4. Turnover

| | 18 months to 1 January 2017 £ | 12 months to 28 June 2015 £ |
|----------------|--|--|
| United Kingdom | 30,346,056 | 22,349,491 |
| | <u>30,346,056</u> | <u>22,349,491</u> |

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

| | 18 months to 1 January 2017 £ | 12 months to 28 June 2015 £ |
|---|--|--|
| Depreciation of tangible fixed assets | 2,696,908 | 2,077,320 |
| Profit/(loss) on sale of tangible assets | 71,931 | 17,456 |
| Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements | 4,000 | 4,000 |
| Defined contribution pension cost | 19,684 | 12,271 |
| | <u>2,792,523</u> | <u>4,108,047</u> |

During the period, no director received any emoluments (2015 - £NIL).

No directors are accruing pension benefits under the defined contribution pension scheme.

6. Auditors' remuneration

| | 18 months to 1 January 2017 £ | 12 months to 28 June 2015 £ |
|---|--|--|
| Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements | 6,000 | 4,000 |
| Fees payable to the company's auditor and its associates in respect of: | | |
| Audit-related assurance services | 6,000 | 4,000 |
| | <u>6,000</u> | <u>4,000</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017

7. Employees

Staff costs were as follows:

| | 18 months to 1 January 2017 £ | 12 months to 28 June 2015 £ |
|-------------------------------------|---|--------------------------------------|
| Wages and salaries | 2,920,333 | 1,830,794 |
| Social security costs | 291,879 | 215,662 |
| Cost of defined contribution scheme | 19,684 | 12,271 |
| | <u>3,231,896</u> | <u>2,058,727</u> |

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

| | 18 months to 1 January 2017 No. | 12 months to 28 June 2015 No. |
|----------------------|--|--|
| Administrative staff | 32 | 32 |
| Management staff | 31 | 28 |
| | <u>63</u> | <u>60</u> |

8. Interest receivable

| | 18 months to 1 January 2017 £ | 12 months to 28 June 2015 £ |
|---------------------------|---|--------------------------------------|
| Other interest receivable | 48 | - |
| | <u>48</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017

9. Interest payable and similar charges

| | 18 months to 1 January 2017 £ | 12 months to 28 June 2015 £ |
|--|---|--------------------------------------|
| Finance leases and hire purchase contracts | 84,671 | 85,541 |
| | <u>84,671</u> | <u>85,541</u> |

10. Taxation

| | 18 months to 1 January 2017 £ | 12 months to 28 June 2015 £ |
|--|---|--------------------------------------|
| Corporation tax | | |
| Current tax on profits for the year | 165,340 | 89,665 |
| | <u>165,340</u> | <u>89,665</u> |
| Total current tax | <u>165,340</u> | <u>89,665</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (71,683) | (52,684) |
| Total deferred tax | <u>(71,683)</u> | <u>(52,684)</u> |
| Taxation on profit on ordinary activities | <u>93,657</u> | <u>36,981</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017**

10. Taxation (continued)**Factors affecting tax charge for the period**

The tax assessed for the period is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

| | 18 months to 1 January 2017 £ | 12 months to 28 June 2015 £ |
|--|--|--|
| Profit on ordinary activities before tax | 309,477 | 154,557 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%) | 61,895 | 32,071 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 13,246 | 8,753 |
| Capital allowances for period in excess of depreciation | - | 49,395 |
| Other differences leading to an increase (decrease) in the tax charge | - | (53,238) |
| Effects of average rate adjustment to tax | 18,516 | - |
| Total tax charge for the period | 93,657 | 36,981 |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017

11. Tangible fixed assets

| | Plant and machinery £ | Motor vehicles £ | Fixtures and fittings £ | Total £ |
|--------------------------|-----------------------------|------------------------|-------------------------------|-------------------|
| Cost or valuation | | | | |
| At 29 June 2015 | 351,556 | 14,612,966 | 124,801 | 15,089,323 |
| Additions | 118,440 | 1,379,372 | 69,001 | 1,566,813 |
| Disposals | (4,006) | (2,085,846) | (8,999) | (2,098,851) |
| At 1 January 2017 | <u>465,990</u> | <u>13,906,492</u> | <u>184,803</u> | <u>14,557,285</u> |
| Depreciation | | | | |
| At 29 June 2015 | 251,484 | 6,397,518 | 108,758 | 6,757,760 |
| Charge for the period | 56,413 | 2,618,595 | 21,900 | 2,696,908 |
| Disposals | (3,224) | (1,756,498) | (3,874) | (1,763,596) |
| At 1 January 2017 | <u>304,673</u> | <u>7,259,615</u> | <u>126,784</u> | <u>7,691,072</u> |
| Net book value | | | | |
| At 1 January 2017 | <u>161,317</u> | <u>6,646,877</u> | <u>58,019</u> | <u>6,866,213</u> |
| At 28 June 2015 | <u>100,072</u> | <u>8,215,448</u> | <u>16,043</u> | <u>8,331,563</u> |

Hire purchase agreements

Included within the net book value of £6,866,213 (2015: £8,331,563) is £2,025,936 (2015: £6,579,000) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £559,156 (2015: £1,159,442).

12. Stocks

| | 1 January 2017 £ | 28 June 2015 £ |
|-------|------------------------|----------------------|
| Stock | 333,129 | 393,566 |
| | <u>333,129</u> | <u>393,566</u> |

Stock recognised in cost of sales during the period as an expense was £2,335,901 (2015: £2,163,289).

An impairment loss of £60,529 (2015: £30,000) was recognised in cost of sales against stock during the period due to slow-moving and obsolete stock.

KELLY FLEET SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017**

13. Debtors

| | 1 January 2017 £ | 28 June 2015 £ |
|-------------------------------------|---------------------------------|-------------------------------|
| Due after more than one year | | |
| Other debtors | - | 2,982 |
| Deferred tax asset | 106,090 | 34,407 |
| | 106,090 | 37,389 |
| | | |
| | 1 January 2017 £ | 28 June 2015 £ |
| Due within one year | | |
| Trade debtors | 306,784 | 559,168 |
| Amounts owed by group undertakings | 1,175,208 | 1,380,344 |
| Other debtors | - | 4,279 |
| Prepayments and accrued income | 187,165 | 519,780 |
| | 1,669,157 | 2,463,571 |

KELLY FLEET SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017**

14. Creditors: Amounts falling due within one year

| | 1 January 2017 £ | 28 June 2015 £ |
|---|---------------------------------|-------------------------------|
| Bank overdrafts | 336,294 | 12,228 |
| Trade creditors | 1,308,191 | 1,379,145 |
| Amounts owed to group undertakings | 2,666,747 | 3,701,810 |
| Corporation tax | 14,586 | 19,665 |
| Other taxation and social security | 189,707 | 205,996 |
| Obligations under finance lease and hire purchase contracts | 807,210 | 2,642,950 |
| Other creditors | 8,213 | 19,195 |
| Accruals and deferred income | 1,812,478 | 1,339,143 |
| | <u>7,143,426</u> | <u>9,320,132</u> |

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

Overdrafts: £336,294 (2015: £12,228)

Amounts owed to group undertakings: £2,666,747 (2015: £3,701,810)

Hire purchase agreements: £807,210 (2015: £2,642,950)

The bank borrowings are secured by a fixed and floating charge over the company's assets.

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.

A debenture is held by Kelly Communications Group Limited securing all monies due or becoming due to it. The total at 1 January 2017 amounts to £2,666,747 (2015: £3,701,810).

Net obligations under hire purchase contracts are secured on the assets to which they relate.

15. Creditors: Amounts falling due after more than one year

| | 1 January 2017 £ | 28 June 2015 £ |
|--|---------------------------------|-------------------------------|
| Net obligations under finance leases and hire purchase contracts | 487,334 | 777,948 |
| | <u>487,334</u> | <u>777,948</u> |

Net obligations under hire purchase contracts of £487,334 (2015: £777,948) are secured on the assets to which they relate.

KELLY FLEET SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017**

16. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

| | 1 January 2017 £ | 28 June 2015 £ |
|-------------------|---------------------------------|-------------------------------|
| Within one year | 807,210 | 2,642,950 |
| Between 1-2 years | 487,334 | 777,948 |
| | <u>1,294,544</u> | <u>3,420,898</u> |

17. Deferred taxation

| | 2017 £ |
|---------------------------|-----------------------|
| At beginning of year | 34,407 |
| Charged to profit or loss | 71,683 |
| At end of year | <u>106,090</u> |

The deferred tax asset is made up as follows:

| | 1 January 2017 £ |
|--------------------------------|---------------------------------|
| Accelerated capital allowances | 106,090 |
| . | <u>106,090</u> |

18. Share capital

| | 1 January 2017 £ | 28 June 2015 £ |
|---|---------------------------------|-------------------------------|
| Shares classified as equity | | |
| Allotted, called up and fully paid | | |
| 10,000 Ordinary shares of £1 each | <u>10,000</u> | <u>10,000</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017**

19. Reserves**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.

20. 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 £19,684 (2015: £12,271). Contributions totalling £2,096 (2015: £1,062) were payable to the fund at the balance sheet date and are included in creditors.

21. 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 period, the company raised invoices totalling £1,575,934 (2015: £1,881,759) in respect of fleet hire and maintenance charges to Kelly Rail U.K. Limited (formerly Kelly Integrated Transport Services Limited), a company under the common control of the shareholders of the parent company. Rent of £nil (2015: £35,438) was charged by Kelly Rail U.K. Limited (formerly Kelly Integrated Transport Services Limited) to the company during the period. Expenses of £4,298 (2015: £nil) were recharged by Kelly Rail U.K. Limited (formerly Kelly Integrated Transport Services Limited) during the period.

These have resulted in a debtor balance at the period end of £122,420 (2015: £187,681) owed by Kelly Rail U.K. Limited (formerly Kelly Integrated Transport Services Limited), a company under the common control of the shareholders of the parent company. Included within trade creditors is an amount of £nil (2015: £10,631).

During the period, the company raised invoices totalling £8,000 (2015: £6,000) in respect of management charges to Kelly Supply Solutions Limited, a company in which the directors of this company, T Kelly and L McGrane, are also directors. The company was owed £nil (2015: £2,000) from Kelly Supply Solutions at the period end.

22. Ultimate parent company

The ultimate parent undertaking during the year was Kelly Communications Group Limited, a company registered in England and Wales. The company's financial statements are consolidated into the financial statements of Kelly Communications Group Limited.

23. Ultimate controlling party

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2017

24. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.