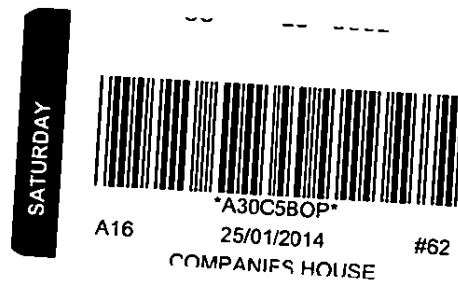


Company Registration No. 02711932 (England and Wales)

MORELLI GROUP LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MAY 2013



MORELLI GROUP LIMITED

DIRECTORS AND ADVISERS

Directors	Mr G R Parker Mr D Moring Mrs J Moring Mr J Moring Mrs P Moring Mrs J Laybourn Mrs R R Moring-Beale Mr A J Toms Mrs L Toms Ms M Laybourn Mr A Moring Mr S Moring Mr M Moring Mr R Cohen
Secretary	Mr D P Gurney
Company number	02711932
Registered office	Unit 2 Baird Road Enfield Middlesex EN1 1SJ
Registered auditors	Carter Backer Winter LLP Enterprise House 21 Buckle Street London E1 8NN
Business address	Unit 2 Baird Road Enfield Middlesex EN1 1SJ

MORELLI GROUP LIMITED

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Balance sheets	7
Consolidated cash flow statement	8
Notes to the consolidated cash flow statement	9
Notes to the financial statements	10 - 26

MORELLI GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2013

The directors present their report and financial statements for the year ended 31 May 2013

Principal activities and review of the business

The principal activities of the company continued to be that of paint stockists and distributors of automotive refinishing and ancillary products. There have not been any significant changes in the group's principal activities in the year under review and at the date of this report the directors do not expect any changes in the group's activities in the forthcoming year.

The Chairman reported that market conditions remained challenging throughout the period and the group's turnover decreased by 6%. The Board were pleased to note that the procedures introduced in recent years to reduce overheads continue to be implemented successfully, resulting in a cost reduction of 5.5% compared to last year.

The group's principal financial instruments comprise bank balances, bank overdrafts, trade creditors and trade debtors. These serve to provide sufficient funds for the group's operations. For bank balances, the principal liquidity risks are managed by regular review and reconciliation of accounts to ensure limits are not breached.

Credit and cash flow risks relating to trade debtors are managed by the maintenance of credit control policies, regular monitoring of amounts outstanding and assessment of all potential customers prior to commencing trade.

The group's business may be affected by the fluctuation in the prices of purchases but, where possible, the group uses purchasing policies and practices to mitigate, where practicable, such risks.

Results and dividends

The consolidated profit and loss account for the year is set out on page 6.

The directors paid a dividend of £200,000 for the year ended 31 May 2013.

Post balance sheet events

There were no significant post balance sheet events affecting the company or the group.

Future developments

The directors aim to maintain the management policies which have resulted in the group's growth in recent years and will continue to consolidate and expand the group's activities wherever possible. As a result of the group's longstanding position in the industry, and strong financial status the directors remain confident that the group is well placed to take full advantage of any opportunities that may arise. UK turnover has only reduced by 3% and the Board remain positive about future prospects. The company has secured some significant new customers and remains well positioned to react to any opportunities that develop within the market.

MORELLI GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

Directors

The following directors have held office since 1 June 2012

Mr G R Parker
Mr D Moring
Mrs J Moring
Mr J Moring
Mrs P Moring
Mrs J Laybourn
Mrs R R Moring-Beale
Mr A J Toms
Mrs L Toms
Ms M Laybourn
Mr A Moring
Mr S Moring
Mr M Moring
Mr R Cohen
Mr C C Laybourn

(Deceased 3 June 2013)

	2013	2012
	£	£
During the year the group made the following payments		
Charitable donations	<u>7,533</u>	<u>5,090</u>

Charitable donations - The recipients, amounts and purpose of the charitable donations are as follows

£7,533 of donations to various parties, all attributable to general charitable purposes

Auditors

In accordance with the company's articles, a resolution proposing that Carter Backer Winter LLP be reappointed as auditors of the company will be put at a General Meeting

MORELLI GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements 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 group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



Mr G R Parker
Managing Director
20.01.14

MORELLI GROUP LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MORELLI GROUP LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Morelli Group Limited for the year ended 31 May 2013 set out on pages 6 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 3, 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 Auditing Practices Board'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 group's and 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 May 2013 and of the group's 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MORELLI GROUP LIMITED

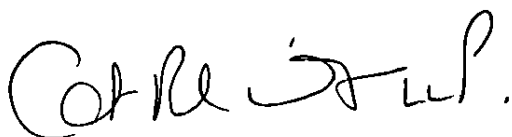
INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF MORELLI GROUP LIMITED

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Paul Woosey (Senior Statutory Auditor)
for and on behalf of Carter Backer Winter LLP

22 January 2014

Chartered Accountants
Statutory Auditor

Enterprise House
21 Buckle Street
London
E1 8NN

MORELLI GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2013

	Notes	2013 £	2012 £
Turnover	2	32,903,683	35,005,366
Cost of sales		(22,319,842)	(23,650,791)
Gross profit		10,583,841	11,354,575
Administrative expenses		(10,414,257)	(10,970,494)
Other operating income		103,095	78,891
Operating profit	3	272,679	462,972
Interest payable and similar charges	4	(28,129)	(46,329)
Profit on ordinary activities before taxation		244,550	416,643
Tax on profit on ordinary activities	5	(98,892)	(136,635)
Profit on ordinary activities after taxation		145,658	280,008

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

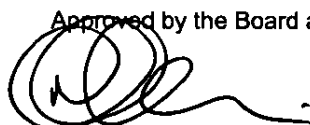
MORELLI GROUP LIMITED

BALANCE SHEETS

AS AT 31 MAY 2013

	Notes	Group 2013 £	2012 £	Company 2013 £	2012 £
Fixed assets					
Intangible assets	8	(234,903)	(232,461)	70,000	80,000
Tangible assets	9	3,097,270	3,432,900	3,097,270	3,432,900
Investments	10	20,000	20,000	63,000	63,000
		<u>2,882,367</u>	<u>3,220,439</u>	<u>3,230,270</u>	<u>3,575,900</u>
Current assets					
Stocks	11	4,231,850	3,803,978	4,231,850	3,803,978
Debtors	12	6,460,696	6,995,892	6,460,696	6,995,892
Cash at bank and in hand		<u>2,638</u>	<u>3,104</u>	<u>2,638</u>	<u>3,104</u>
		10,695,184	10,802,974	10,695,184	10,802,974
Creditors: amounts falling due within one year	13	<u>(5,371,638)</u>	<u>(5,455,134)</u>	<u>(5,414,638)</u>	<u>(5,498,134)</u>
Net current assets		<u>5,323,546</u>	<u>5,347,840</u>	<u>5,280,546</u>	<u>5,304,840</u>
Total assets less current liabilities		8,205,913	8,568,279	8,510,816	8,880,740
Creditors, amounts falling due after more than one year	14	(102,178)	(388,636)	(102,178)	(388,636)
Provisions for liabilities	15	<u>(7,617)</u>	<u>(29,183)</u>	<u>(7,617)</u>	<u>(29,183)</u>
		<u>8,096,118</u>	<u>8,150,460</u>	<u>8,401,021</u>	<u>8,462,921</u>
Capital and reserves					
Called up share capital	17	3,383,939	3,383,939	3,383,939	3,383,939
Share premium account	18	1,336,218	1,336,218	1,336,218	1,336,218
Profit and loss account	18	3,375,961	3,430,303	3,680,864	3,742,764
Shareholders' funds	19	<u>8,096,118</u>	<u>8,150,460</u>	<u>8,401,021</u>	<u>8,462,921</u>

Approved by the Board and authorised for issue on 20/1/2014



Mr R Cohen
Director



Mr G R Parker
Managing Director

Company Registration No. 02711932

MORELLI GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2013

	£	2013 £	£	2012 £
Net cash Inflow from operating activities		849,489		699,197
Returns on investments and servicing of finance				
Interest paid	(28,129)		(46,329)	
Net cash outflow for returns on investments and servicing of finance		(28,129)		(46,329)
Taxation		(129,875)		(63,295)
Capital expenditure				
Payments to acquire tangible assets	(174,870)		(168,674)	
Receipts from sales of tangible assets	200,986		44,627	
Net cash inflow/(outflow) for capital expenditure		26,116		(124,047)
Equity dividends paid		(200,000)		-
Net cash inflow before management of liquid resources and financing		517,601		465,526
Financing				
New long term bank loan	-		327,207	
Other new short term loans	-		177,387	
Repayment of long term bank loan	(240,968)		(67,366)	
Repayment of other long term loans	(45,490)		(45,490)	
Net cash (outflow)/inflow from financing		(286,458)		391,738
Increase in cash in the year		231,143		857,264

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2013

1	Reconciliation of operating profit to net cash inflow from operating activities	2013		2012	
		£		£	
	Operating profit	272,679		462,972	
	Depreciation of tangible assets	284,909		309,247	
	Amortisation of intangible assets	2,442		47,442	
	(Loss)/profit on disposal of tangible assets	24,605		(21,268)	
	(Increase)/decrease in stocks	(427,872)		100,795	
	Decrease/(increase) in debtors	535,196		(76,486)	
	Increase/(decrease) in creditors within one year	157,530		(123,505)	
	Net cash inflow from operating activities	849,489		699,197	
2	Analysis of net debt	1 June 2012	Cash flow	Other non-cash changes	31 May 2013
		£	£	£	£
	Net cash				
	Cash at bank and in hand	3,104	(466)	-	2,638
	Bank overdrafts	(980,490)	231,609	-	(748,881)
		(977,386)	231,143	-	(746,243)
	Debts falling due within one year	(218,283)	-	-	(218,283)
	Debts falling due after one year	(388,636)	286,458	-	(102,178)
		(606,919)	286,458	-	(320,461)
	Net debt	(1,584,305)	517,601	-	(1,066,704)
3	Reconciliation of net cash flow to movement in net debt	2013		2012	
		£		£	
	Increase in cash in the year	231,143		857,264	
	Cash outflow/(inflow) from decrease/(increase) in debt	286,458		(391,738)	
	Movement in net debt in the year	517,601		465,526	
	Opening net debt	(1,584,305)		(2,049,831)	
	Closing net debt	(1,066,704)		(1,584,305)	

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2013

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 May 2013. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represents revenue earned from the sale of paint products. Revenue is recognised at selling price excluding value added tax.

Revenue is recognised on the date that the product is delivered to the end customer.

1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life, as follows:

Goodwill on acquisition of assets from group companies - 50 years

Goodwill on acquisition of assets from non group companies - 10 years

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings freehold	over 50 years
Land and buildings leasehold	over 10 to 50 years
Fixtures, fittings & equipment	over 5 to 10 years
Motor vehicles	over 4 years

1.7 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.9 Stock

Stock is valued at the lower of cost and net realisable value.

1.10 Pensions

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

1 Accounting policies

(continued)

1.11 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred by the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity.

Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below:

	2013		2012	
	Sales by destination £	Sales by origin £	Sales by destination £	Sales by origin £
Geographical segment				
Turnover - UK	30,934,336	32,903,683	31,747,138	35,005,366
Turnover - Europe	1,969,347	-	3,258,228	-
	<u>32,903,683</u>	<u>32,903,683</u>	<u>35,005,366</u>	<u>35,005,366</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

3	Operating profit	2013	2012
		£	£
	Operating profit is stated after charging		
	Amortisation of intangible assets	2,442	47,442
	Depreciation of tangible assets	284,909	309,247
	Operating lease rentals		
	- Plant and machinery	10,610	8,964
	- Other assets	300,885	306,957
	Fees payable to the group's auditor for the audit of the group's annual accounts (company £80,000, 2012 £80,000)	80,000	80,000
	and after crediting		
	Loss/(Profit) on disposal of tangible assets	24,605	(21,268)
		<u>24,605</u>	<u>(21,268)</u>
4	Interest payable	2013	2012
		£	£
	On bank loans and overdrafts	22,859	38,000
	Other interest	5,270	8,329
		<u>28,129</u>	<u>46,329</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

5	Taxation	2013 £	2012 £
	Domestic current year tax		
	U K corporation tax	133,957	158,237
	Adjustment for prior years	(13,499)	(14,965)
	Total current tax	<u>120,458</u>	<u>143,272</u>
	Deferred tax		
	Deferred tax charge/(credit)	(21,566)	(6,637)
		<u>98,892</u>	<u>136,635</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>244,550</u>	<u>416,643</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.00% (2012 - 26.00%)	<u>56,247</u>	<u>108,327</u>
	Effects of		
	Non deductible expenses	48,996	40,790
	Depreciation add back	65,529	79,373
	Capital allowances	(33,087)	(57,238)
	Adjustments to previous periods	(13,499)	(14,965)
	Tax rate change in the year	(3,728)	(1,154)
	Marginal relief	-	(11,861)
		<u>64,211</u>	<u>34,945</u>
	Current tax charge for the year	<u>120,458</u>	<u>143,272</u>

6 Profit for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2013 £	2012 £
Holding company's profit for the financial year	<u>138,100</u>	<u>209,518</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

7	Dividends	2013 £	2012 £
	Ordinary final paid	<u>200,000</u>	<u>-</u>

8	Intangible fixed assets Group	Goodwill £
	Cost	
	At 1 June 2012 & at 31 May 2013	<u>(222,113)</u>
	Amortisation	
	At 1 June 2012	10,348
	Charge for the year	<u>2,442</u>
	At 31 May 2013	<u>12,790</u>
	Net book value	
	At 31 May 2013	<u>(234,903)</u>
	At 31 May 2012	<u>(232,461)</u>

The Directors carried out an annual impairment review and determined there to be no impairment of goodwill

Intangible fixed assets (continued) Company

	Goodwill £
Cost	
At 1 June 2012 & at 31 May 2013	<u>150,000</u>
Amortisation	
At 1 June 2012	70,000
Charge for the year	<u>10,000</u>
At 31 May 2013	<u>80,000</u>
Net book value	
At 31 May 2013	<u>70,000</u>
At 31 May 2012	<u>80,000</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

9 Tangible fixed assets

Group	Land and buildings freehold £	Land and buildings leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 June 2012	1,791,918	1,609,189	1,780,014	393,563	5,574,684
Additions	-	1,768	50,087	123,015	174,870
Disposals	(200,000)	-	-	(101,933)	(301,933)
At 31 May 2013	<u>1,591,918</u>	<u>1,610,957</u>	<u>1,830,101</u>	<u>414,645</u>	<u>5,447,621</u>
Depreciation					
At 1 June 2012	152,828	330,988	1,480,879	177,089	2,141,784
On disposals	(16,000)	-	-	(60,342)	(76,342)
Charge for the year	<u>20,193</u>	<u>54,931</u>	<u>106,124</u>	<u>103,661</u>	<u>284,909</u>
At 31 May 2013	<u>157,021</u>	<u>385,919</u>	<u>1,587,003</u>	<u>220,408</u>	<u>2,350,351</u>
Net book value					
At 31 May 2013	<u>1,434,897</u>	<u>1,225,038</u>	<u>243,098</u>	<u>194,237</u>	<u>3,097,270</u>
At 31 May 2012	<u>1,639,090</u>	<u>1,278,201</u>	<u>299,135</u>	<u>216,474</u>	<u>3,432,900</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

Tangible fixed assets

Company

	Land and buildings freehold £	Land and buildings leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 June 2012	1,791,918	1,609,189	1,780,014	393,563	5,574,684
Additions	-	1,768	50,087	123,015	174,870
Disposals	(200,000)	-	-	(101,933)	(301,933)
At 31 May 2013	<u>1,591,918</u>	<u>1,610,957</u>	<u>1,830,101</u>	<u>414,645</u>	<u>5,447,621</u>
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At 31 May 2013	<u>157,021</u>	<u>385,919</u>	<u>1,587,003</u>	<u>220,408</u>	<u>2,350,351</u>
Net book value					
At 31 May 2013	<u>1,434,897</u>	<u>1,225,038</u>	<u>243,098</u>	<u>194,237</u>	<u>3,097,270</u>
At 31 May 2012	<u>1,639,090</u>	<u>1,278,201</u>	<u>299,135</u>	<u>216,474</u>	<u>3,432,900</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

10 Fixed asset investments Group

	Unlisted investments £	Total £
Cost		
At 1 June 2012 & at 31 May 2013	20,000	20,000
Net book value		
At 31 May 2013	20,000	20,000
At 31 May 2012	20,000	20,000

Company

	Unlisted investments £	Shares in group undertakings £	Total £
Cost			
At 1 June 2012 & at 31 May 2013	20,000	3,549,311	3,569,311
Provisions for diminution in value			
At 1 June 2012 & at 31 May 2013	-	3,506,311	3,506,311
Net book value			
At 31 May 2013	20,000	43,000	63,000
At 31 May 2012	20,000	43,000	63,000

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

10 Fixed asset investments

(continued)

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or Incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Morelli & Co (London) Limited	England	Ordinary shares	100
Alenco Properties Limited	England	Ordinary shares	100

The principal activity of these undertakings for the last relevant financial year was as follows

	Principal activity
Morelli & Co (London) Limited	Dormant company
Alenco Properties Limited	Dormant company

All subsidiary undertakings are included in the consolidated accounts

11 Stocks

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Finished goods and goods for resale	4,231,850	3,803,978	4,231,850	3,803,978

12 Debtors

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	5,775,526	6,213,563	5,775,526	6,213,563
Other debtors	6,774	8,250	6,774	8,250
Prepayments and accrued income	678,396	774,079	678,396	774,079
	<u>6,460,696</u>	<u>6,995,892</u>	<u>6,460,696</u>	<u>6,995,892</u>

MORELLI GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2013****13 Creditors amounts falling due within one year**

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Bank loans and overdrafts	921,674	1,153,283	921,674	1,153,283
Trade creditors	2,677,776	2,480,132	2,677,776	2,480,132
Amounts owed to group undertakings	-	-	43,000	43,000
Corporation tax	133,957	143,374	133,957	143,374
Taxes and social security costs	886,320	897,320	886,320	897,320
Directors current accounts	77,479	24,706	77,479	24,706
Other creditors	554,262	671,240	554,262	671,240
Accruals and deferred income	120,170	85,079	120,170	85,079
	<u>5,371,638</u>	<u>5,455,134</u>	<u>5,414,638</u>	<u>5,498,134</u>
Debt due in one year or less	<u>45,431</u>	<u>43,895</u>	<u>45,431</u>	<u>43,895</u>

The HSBC loans and overdraft are secured by a charge over the freehold & leasehold properties held as fixed assets

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

14 Creditors . amounts falling due after more than one year

	Group 2013 £	2012 £	Company 2013 £	2012 £
Bank loans	18,873	259,841	18,873	259,841
Other loans	83,305	128,795	83,305	128,795
	<u>102,178</u>	<u>388,636</u>	<u>102,178</u>	<u>388,636</u>
Analysis of loans				
Wholly repayable within five years	320,461	606,919	320,461	606,919
Included in current liabilities	(218,283)	(218,283)	(218,283)	(218,283)
	<u>102,178</u>	<u>388,636</u>	<u>102,178</u>	<u>388,636</u>
Loan maturity analysis				
In more than one year but not more than two years	65,895	352,293	65,895	352,293
In more than two years but not more than five years	36,343	36,343	36,343	36,343

The loan disclosed in other loans from the Morelli Group Pension Fund was originally for £393,122 and was dated 17 January 2006. It is for ten years, due to mature on 1 February 2016. Interest is payable quarterly at 3% above HSBC Bank Plc Base Rate.

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

15 Provisions for liabilities Group

	Deferred taxation £
Balance at 1 June 2012	29,183
Profit and loss account	<u>(21,566)</u>
Balance at 31 May 2013	<u><u>7,617</u></u>

Company

Balance at 1 June 2012	29,183
Profit and loss account	<u>(21,566)</u>
Balance at 31 May 2013	<u><u>7,617</u></u>

The deferred tax liability is made up as follows:

	Group 2013 £	2012 £	Company 2013 £	2012 £
Accelerated capital allowances	<u>7,617</u>	<u>29,183</u>	<u>7,617</u>	<u>29,183</u>

16 Pension and other post-retirement benefit commitments

Defined contribution

	2013 £	2012 £
Contributions payable by the group for the year	<u>258,782</u>	<u>232,790</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

17 Share capital	2013 £	2012 £
Allotted, called up and fully paid		
2,141,448 A ordinary shares of £1 each	2,141,448	2,141,448
5,000 B ordinary shares of £1 each	5,000	5,000
1,237,491 C ordinary shares of £1 each	1,237,491	1,237,491
	<u>3,383,939</u>	<u>3,383,939</u>

The A ordinary, B ordinary and C ordinary shares differ with respect to dividend, voting and distribution rights. The A ordinary shares and C ordinary shares carry dividend and voting rights proportional to holdings, and are entitled to participate in any surplus on winding up of the company. The B ordinary shares carry dividend rights only, but carry no voting rights and no entitlement to participation in any surplus on winding up. Except for the dividend, voting and distribution rights described above, the A ordinary, B ordinary and C ordinary shares carry the same rights and privileges and rank *par passu*.

18 Statement of movements on reserves Group

	Share premium account £	Profit and loss account £
Balance at 1 June 2012	1,336,218	3,430,303
Profit for the year	-	145,658
Dividends paid	-	(200,000)
Balance at 31 May 2013	<u>1,336,218</u>	<u>3,375,961</u>

Company

	Share premium account £	Profit and loss account £
Balance at 1 June 2012	1,336,218	3,742,764
Profit for the year	-	138,100
Dividends paid	-	(200,000)
Balance at 31 May 2013	<u>1,336,218</u>	<u>3,680,864</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

19 Reconciliation of movements in shareholders' funds	2013	2012
Group	£	£
Profit for the financial year	145,658	280,008
Dividends	(200,000)	-
Net (depletion in)/addition to shareholders' funds	(54,342)	280,008
Opening shareholders' funds	8,150,460	7,870,452
Closing shareholders' funds	8,096,118	8,150,460
Company	2013	2012
	£	£
Profit for the financial year	138,100	209,518
Dividends	(200,000)	-
Net (depletion in)/addition to shareholders' funds	(61,900)	209,518
Opening shareholders' funds	8,462,921	8,253,403
Closing shareholders' funds	8,401,021	8,462,921

20 Contingent liabilities

Group and Company

The group companies have entered into a multilateral guarantee to the bank in respect of a collective net overdraft facility not exceeding £3m to the company and its subsidiary companies, due for review in November 2013. The bank holds debentures with fixed and floating charges over the assets of the company and the assets of each of its subsidiaries to secure this overriding indebtedness.

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2013

21 Financial commitments

At 31 May 2013 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2013	2012	2013	2012
	£	£	£	£
Expiry date				
Within one year	69,960	34,410	211,199	171,395
Between two and five years	161,568	134,835	400,435	453,084
In over five years	49,667	121,887	-	-
	<u>281,195</u>	<u>291,132</u>	<u>611,634</u>	<u>624,479</u>

At 31 May 2013 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2013	2012	2013	2012
	£	£	£	£
Expiry date				
Within one year	69,960	34,410	211,199	171,395
Between two and five years	161,568	134,835	400,435	453,084
In over five years	49,667	121,887	-	-
	<u>281,195</u>	<u>291,132</u>	<u>611,634</u>	<u>624,479</u>

22 Directors' remuneration

	2013	2012
	£	£
Remuneration for qualifying services	1,270,441	1,143,833
Company pension contributions to defined contribution schemes	59,310	52,130
	<u>1,329,751</u>	<u>1,195,963</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2012 - 2)

Remuneration disclosed above include the following amounts paid to the highest paid director

Remuneration for qualifying services	<u>191,025</u>	<u>186,766</u>
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MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

23 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2013 Number	2012 Number
Stores, warehouse and drivers	78	80
Administration	40	40
Sales	87	88
	<u>205</u>	<u>208</u>

Employment costs

	2013 £	2012 £
Wages and salaries	5,558,478	5,620,009
Social security costs	626,235	641,950
Other pension costs	258,782	232,790
	<u>6,443,495</u>	<u>6,494,749</u>

24 Control

There is no ultimate controlling party

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2013

25 Related party relationships and transactions

Transactions with directors

There are loans outstanding to the self administered pension scheme whose trustees are group directors in the sum of £128,796 (2012 £172,691)

Interest payable to this scheme shown under Note 4 was £3,675 (2012 £8,329)

At 31 May 2013, a balance of £22,444 (2012 £8,000) was due to J Moring, a director of the company

At 31 May 2013, a balance of £9,804 (2012 £nil) was due to D Moring, a director of the company

At 31 May 2013, a balance of £10,312 (2012 £10,312) was due to the estate of C C Laybourn, a deceased director of the company

At 31 May 2013, a balance of £14,806 (2012 £362) was due to R R Moring-Beale, a director of the company

At 31 May 2013, a balance of £20,280 (2012 £6,032) was due to A Toms, a director of the company

Group and Company

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company