

Company Registration No 02711932 (England and Wales)

**MORELLI GROUP LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 MAY 2010**

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## **MORELLI GROUP LIMITED**

### **DIRECTORS AND ADVISERS**

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

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# MORELLI GROUP LIMITED

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# **MORELLI GROUP LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MAY 2010**

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The directors present their report and financial statements for the year ended 31 May 2010

#### **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 continued to be challenging throughout the period; however, the group's turnover increased by 3% in the year ending 31 May 2010 and its market share has increased substantially, with the group winning some significant new customers. The review and restructure of the branch network mentioned in last year's accounts has proved successful and as a result the group has returned to profitability as forecast.

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 5.

On 4 August 2010 the directors have recommended the payment of a final dividend of £40 per Ordinary 'B' share (2009: £nil per Ordinary 'B' share).

#### **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.

#### **Directors**

The following directors have held office since 1 June 2009:

Mr D Moring  
Mrs J Moring  
Mr J Moring  
Mrs P Moring  
Mr C C Laybourn  
Mrs J Laybourn  
Ms R R Moring  
Mr A J Toms  
Mrs L Toms

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## **MORELLI GROUP LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2010**

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Ms M Laybourn  
Mr A Moring  
Mr S Moring  
Mr M Moring

#### **Auditors**

On 1 July 2009 Carter Backer Winter were incorporated into Carter Backer Winter LLP. In accordance with section 485 of Companies Act 2006, a resolution proposing that Carter Backer Winter LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

#### **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

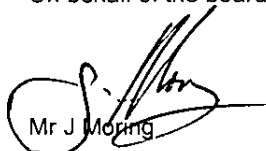
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 J Moring  
Director  
16 September 2010

## **MORELLI GROUP LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

#### **TO THE MEMBERS OF MORELLI GROUP LIMITED**

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We have audited the group and parent company financial statements (the "financial statements") of Morelli Group Limited for the year ended 31 May 2010 set out on pages 5 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 495 and 496 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 - 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 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 2010 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**

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#### **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**

29 September 2010

**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 2010

	Notes	2010 £	2009 £
Turnover	2	30,833,947	29,880,570
Cost of sales		(19,762,010)	(19,360,450)
<b>Gross profit</b>		11,071,937	10,520,120
Administrative expenses		(10,405,896)	(11,472,964)
Other operating income		5,768	43,040
<b>Operating profit/(loss)</b>	3	671,809	(909,804)
Other interest receivable and similar income		100	1,427
Interest payable and similar charges	4	(57,386)	(82,137)
<b>Profit/(loss) on ordinary activities before taxation</b>	3	614,523	(990,514)
Tax on profit/(loss) on ordinary activities	5	(204,335)	170,609
<b>Profit/(loss) on ordinary activities after taxation</b>		410,188	(819,905)

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

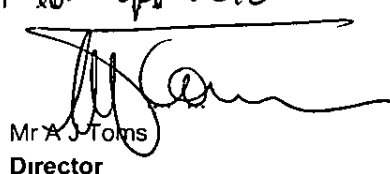
AS AT 31 MAY 2010

	Notes	Group 2010 £	2009 £	Company 2010 £	2009 £
<b>Fixed assets</b>					
Intangible assets	7	(327,461)	(334,903)	-	-
Tangible assets	8	3,501,366	4,479,007	3,501,366	4,479,007
Investments	9	20,000	20,000	80,522	80,522
		<u>3,193,905</u>	<u>4,164,104</u>	<u>3,581,888</u>	<u>4,559,529</u>
<b>Current assets</b>					
Stocks	10	4,236,986	4,231,459	4,236,986	4,231,459
Debtors	11	6,097,426	5,397,508	6,160,357	5,460,439
Cash at bank and in hand		2,628	3,085	2,628	3,085
		<u>10,337,040</u>	<u>9,632,052</u>	<u>10,399,971</u>	<u>9,694,983</u>
<b>Creditors amounts falling due within one year</b>	12	<u>(5,227,509)</u>	<u>(5,089,082)</u>	<u>(5,288,030)</u>	<u>(5,149,603)</u>
<b>Net current assets</b>		<u>5,109,531</u>	<u>4,542,970</u>	<u>5,111,941</u>	<u>4,545,380</u>
<b>Total assets less current liabilities</b>		<u>8,303,436</u>	<u>8,707,074</u>	<u>8,693,829</u>	<u>9,104,909</u>
<b>Creditors amounts falling due after more than one year</b>	13	(215,181)	(1,035,455)	(215,181)	(1,035,455)
<b>Provisions for liabilities</b>	14	<u>(33,941)</u>	<u>(27,493)</u>	<u>(33,941)</u>	<u>(27,493)</u>
		<u>8,054,314</u>	<u>7,644,126</u>	<u>8,444,707</u>	<u>8,041,961</u>
<b>Capital and reserves</b>					
Called up share capital	16	3,383,939	3,383,939	3,383,939	3,383,939
Share premium account	17	1,336,218	1,336,218	1,336,218	1,336,218
Profit and loss account	17	3,334,157	2,923,969	3,724,550	3,321,804
<b>Shareholders' funds</b>	18	<u>8,054,314</u>	<u>7,644,126</u>	<u>8,444,707</u>	<u>8,041,961</u>

Approved by the Board and authorised for issue on

16th Sept. 2010

  
Mr J. Moring  
Director

  
Mr A. J. Toms  
Director

Company Registration No 02711932

# MORELLI GROUP LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2010

	£	2010 £	£	2009 £
<b>Net cash outflow from operating activities</b>		(432,433)		(471,757)
<b>Returns on investments and servicing of finance</b>				
Interest received	100		1,427	
Interest paid	(57,386)		(82,137)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(57,286)		(80,710)
<b>Taxation</b>		146,442		(130,088)
<b>Capital expenditure and financial investment</b>				
Payments to acquire investments	(149,871)		(124,933)	
Receipts from sales of tangible assets	916,546		6,575	
<b>Net cash inflow/(outflow) for capital expenditure</b>		766,675		(118,358)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		423,398		(800,913)
<b>Financing</b>				
Other new short term loans	2,171		6,472	
Repayment of long term bank loan	(776,457)		(116,526)	
Repayment of other long term loans	(43,817)		(43,356)	
Repayment of other short term loans	(172,226)		-	
<b>Net cash outflow from financing</b>		(990,329)		(153,410)
<b>Decrease in cash in the year</b>		(566,931)		(954,323)

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2010

1	Reconciliation of operating profit/(loss) to net cash outflow from operating activities	2010 £	2009 £
	Operating profit/(loss)	671,809	(909,804)
	Depreciation of tangible assets	315,107	361,322
	Amortisation of intangible assets	(7,442)	(7,442)
	Profit/(loss) on disposal of tangible assets	(104,141)	5,925
	(Increase)/decrease in stocks	(5,527)	617,594
	(Increase)/decrease in debtors	(846,340)	803,769
	Decrease in creditors within one year	(455,899)	(1,343,121)
	<b>Net cash outflow from operating activities</b>	<b>(432,433)</b>	<b>(471,757)</b>

2	Analysis of net debt	1 June 2009 £	Cash flow £	Other non-cash changes £	31 May 2010 £
	Net cash				
	Cash at bank and in hand	3,085	(457)	-	2,628
	Bank overdrafts	(823,477)	(566,474)	-	(1,389,951)
		<u>(820,392)</u>	<u>(566,931)</u>	<u>-</u>	<u>(1,387,323)</u>
	Debts falling due within one year	(210,951)	170,055	-	(40,896)
	Debts falling due after one year	(1,035,455)	820,274	-	(215,181)
		<u>(1,246,406)</u>	<u>990,329</u>	<u>-</u>	<u>(256,077)</u>
	<b>Net debt</b>	<b><u>(2,066,798)</u></b>	<b><u>423,398</u></b>	<b><u>-</u></b>	<b><u>(1,643,400)</u></b>

3	Reconciliation of net cash flow to movement in net debt	2010 £	2009 £
	Decrease in cash in the year	(566,931)	(954,323)
	Cash outflow from decrease in debt	990,329	153,410
	<b>Movement in net debt in the year</b>	<b>423,398</b>	<b>(800,913)</b>
	Opening net debt	(2,066,798)	(1,265,885)
	<b>Closing net debt</b>	<b><u>(1,643,400)</u></b>	<b><u>(2,066,798)</u></b>

# **MORELLI GROUP LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 2010**

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### **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 2010. 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 amounts receivable for goods and services net of VAT and trade discounts.

#### **1.5 Goodwill**

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 50 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 2010

### 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 wholly undertaken in the United Kingdom.

### 3 Operating profit

	2010 £	2009 £
Operating profit is stated after charging		
Amortisation of intangible assets	(7,442)	(7,442)
Depreciation of tangible assets	315,107	361,322
Loss on disposal of tangible assets	-	5,925
Operating lease rentals		
- Plant and machinery	22,962	25,656
- Other assets	312,838	307,571
Fees payable to the group's auditor for the audit of the group's annual accounts (company £80,000, 2009 £80,000)	80,000	80,000
and after crediting		
Profit on disposal of tangible assets	(104,141)	-

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

4	Interest payable	2010 £	2009 £
	On bank loans and overdrafts	48,623	59,755
	Other interest	8,763	22,382
		<u>57,386</u>	<u>82,137</u>
5	Taxation	2010 £	2009 £
	<b>Domestic current year tax</b>		
	U K corporation tax	197,887	(146,422)
	<b>Current tax charge</b>	<u>197,887</u>	<u>(146,422)</u>
	<b>Deferred tax</b>		
	Deferred tax charge/(credit)	6,448	(24,187)
		<u>204,335</u>	<u>(170,609)</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit/(loss) on ordinary activities before taxation	<u>614,523</u>	<u>(990,514)</u>
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 0.00%)	<u>172,066</u>	<u>-</u>
	Effects of		
	Non deductible expenses	16,035	-
	Depreciation add back	86,147	-
	Capital allowances	(61,293)	-
	Tax losses utilised	(2,003)	(146,422)
	Other tax adjustments	(13,065)	-
		<u>25,821</u>	<u>(146,422)</u>
	<b>Current tax charge</b>	<u>197,887</u>	<u>(146,422)</u>

## MORELLI GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

#### 6 Profit/(loss) 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/(loss) for the financial year is made up as follows:

	2010 £	2009 £
Holding company's profit/(loss) for the financial year	<u>402,746</u>	<u>(827,347)</u>

#### 7 Intangible fixed assets Group

	Goodwill £
<b>Cost</b>	
At 1 June 2009 & at 31 May 2010	<u>(372,113)</u>
<b>Amortisation</b>	
At 1 June 2009	(37,210)
Charge for the year	<u>(7,442)</u>
At 31 May 2010	<u>(44,652)</u>
<b>Net book value</b>	
At 31 May 2010	<u>(327,461)</u>
At 31 May 2009	<u>(334,903)</u>

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

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

### 8 Tangible fixed assets Group

	Land and buildings freehold £	Land and buildings leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 June 2009	1,738,682	2,389,258	1,514,780	452,585	6,095,305
Additions	3,236	-	32,099	114,536	149,871
Disposals	-	(830,769)	-	(123,548)	(954,317)
At 31 May 2010	<u>1,741,918</u>	<u>1,558,489</u>	<u>1,546,879</u>	<u>443,573</u>	<u>5,290,859</u>
<b>Depreciation</b>					
At 1 June 2009	86,751	200,696	1,012,418	316,433	1,616,298
On disposals	-	(41,538)	-	(100,374)	(141,912)
Charge for the year	<u>21,693</u>	<u>53,860</u>	<u>150,231</u>	<u>89,323</u>	<u>315,107</u>
At 31 May 2010	<u>108,444</u>	<u>213,018</u>	<u>1,162,649</u>	<u>305,382</u>	<u>1,789,493</u>
<b>Net book value</b>					
At 31 May 2010	<u><u>1,633,474</u></u>	<u><u>1,345,471</u></u>	<u><u>384,230</u></u>	<u><u>138,191</u></u>	<u><u>3,501,366</u></u>



# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

### Tangible fixed assets (continued) Company

	Land and buildings freehold £	Land and buildings leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 June 2009	1,738,682	2,389,258	1,514,780	452,585	6,095,305
Additions	3,236	-	32,099	114,536	149,871
Disposals	-	(830,769)	-	(123,548)	(954,317)
At 31 May 2010	<u>1,741,918</u>	<u>1,558,489</u>	<u>1,546,879</u>	<u>443,573</u>	<u>5,290,859</u>
<b>Depreciation</b>					
At 1 June 2009	86,751	200,696	1,012,418	316,433	1,616,298
On disposals	-	(41,538)	-	(100,374)	(141,912)
Charge for the year	<u>21,693</u>	<u>53,860</u>	<u>150,231</u>	<u>89,323</u>	<u>315,107</u>
At 31 May 2010	<u>108,444</u>	<u>213,018</u>	<u>1,162,649</u>	<u>305,382</u>	<u>1,789,493</u>
<b>Net book value</b>					
At 31 May 2010	<u><u>1,633,474</u></u>	<u><u>1,345,471</u></u>	<u><u>384,230</u></u>	<u><u>138,191</u></u>	<u><u>3,501,366</u></u>

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

### 9 Fixed asset investments Group

	Unlisted investments £	Total £
<b>Cost</b>		
At 1 June 2009 & at 31 May 2010	20,000	20,000
<b>Net book value</b>		
At 31 May 2010	20,000	20,000
At 31 May 2009	20,000	20,000

### Company

	Unlisted investments £	Shares in group undertakings £	Total £
<b>Cost</b>			
At 1 June 2009 & at 31 May 2010	20,000	5,055,157	5,075,157
<b>Provisions for diminution in value</b>			
At 1 June 2009 & at 31 May 2010	-	4,994,635	4,994,635
<b>Net book value</b>			
At 31 May 2010	20,000	60,522	80,522
At 31 May 2009	20,000	60,522	80,522

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

### 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	%
<b>Subsidiary undertakings</b>			
Morelli & Co (London) Limited	England	Ordinary shares	100
Morelli & Co (Uxbridge) Limited	England	Ordinary shares	100
Morelli (Equipment) Limited	England	Ordinary shares	100
Morelli (Central) 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

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

### 9 Fixed asset investments

(continued)

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

All subsidiary undertakings are included in the consolidated accounts. Morelli Group Limited has a direct shareholding in the ordinary share capital of Alenco Properties Limited of 84.03% and indirect holding of 15.97% via its shareholding in (Morelli Equipment) Limited.

### 10 Stocks

	Group 2010 £	2009 £	Company 2010 £	2009 £
Finished goods and goods for resale	4,236,986	4,231,459	4,236,986	4,231,459

### 11 Debtors

	Group 2010 £	2009 £	Company 2010 £	2009 £
Trade debtors	5,821,261	5,078,007	5,821,261	5,078,007
Amounts owed by group undertakings	-	-	62,931	62,931
Corporation tax	-	146,422	-	146,422
Other debtors	1,922	7,741	1,922	7,741
Prepayments and accrued income	274,243	165,338	274,243	165,338
	6,097,426	5,397,508	6,160,357	5,460,439

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

### 12 Creditors amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Bank loans and overdrafts	1,389,951	995,703	1,389,951	995,703
Trade creditors	1,973,844	2,157,797	1,973,844	2,157,797
Amounts owed to group undertakings	-	-	60,521	60,521
Corporation tax	197,907	-	197,907	-
Taxes and social security costs	870,547	735,473	870,547	735,473
Directors current accounts	17,906	50,252	17,906	50,252
Other creditors	642,197	941,218	642,197	941,218
Accruals and deferred income	135,157	208,639	135,157	208,639
	<u>5,227,509</u>	<u>5,089,082</u>	<u>5,288,030</u>	<u>5,149,603</u>
Debt due in one year or less	<u>40,896</u>	<u>210,951</u>	<u>40,896</u>	<u>210,951</u>

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

### 13 Creditors amounts falling due after more than one year

	Group 2010 £	2009 £	Company 2010 £	2009 £
Bank loans	-	776,457	-	776,457
Other loans	215,181	258,998	215,181	258,998
	<u>215,181</u>	<u>1,035,455</u>	<u>215,181</u>	<u>1,035,455</u>
<b>Analysis of loans</b>				
Wholly repayable within five years	256,077	1,246,406	256,077	1,246,406
Included in current liabilities	(40,896)	(210,951)	(40,896)	(210,951)
	<u>215,181</u>	<u>1,035,455</u>	<u>215,181</u>	<u>1,035,455</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	42,410	212,694	42,410	212,694
In more than two years but not more than five years	148,438	649,339	148,438	649,339
In more than five years	24,333	173,423	24,333	173,423

1) 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 2010

### 14 Provisions for liabilities Group

	Deferred taxation £
Balance at 1 June 2009	27,493
Profit and loss account	6,448
	<hr/>
Balance at 31 May 2010	33,941
	<hr/> <hr/>

### Company

Balance at 1 June 2009	27,493
Profit and loss account	6,448
	<hr/>
Balance at 31 May 2010	33,941
	<hr/> <hr/>

The deferred tax liability is made up as follows

	Group 2010 £	2009 £	Company 2010 £	2009 £
Accelerated capital allowances	33,941	29,496	33,941	29,496
Tax losses available	-	(2,003)	-	(2,003)
	<hr/>	<hr/>	<hr/>	<hr/>
	33,941	27,493	33,941	27,493
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 15 Pension and other post-retirement benefit commitments

#### Defined contribution

	2010 £	2009 £
Contributions payable by the group for the year	428,794	274,311
	<hr/> <hr/>	<hr/> <hr/>

## MORELLI GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

16 Share capital	2010 £	2009 £
<b>Authorised</b>		
2,141,448 A Ordinary shares of £1 each	2,141,448	2,141,448
5,000 B Ordinary shares of each	5,000	5,000
1,237,491 C Ordinary shares of each	1,237,491	1,237,491
	<u>3,383,939</u>	<u>3,383,939</u>
<b>Allotted, called up and fully paid</b>		
2,141 448 A Ordinary shares of £1 each	2,141,448	2,141,448
5,000 B Ordinary shares of each	5,000	5,000
1,237,491 C Ordinary shares of 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*.

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

### 17 Statement of movements on reserves Group

	Share premium account £	Profit and loss account £
Balance at 1 June 2009	1,336,218	2,923,969
Profit for the year	-	410,188
Balance at 31 May 2010	<u>1,336,218</u>	<u>3,334,157</u>

### Company

	Share premium account £	Profit and loss account £
Balance at 1 June 2009	1,336,218	3,321,804
Profit for the year	-	402,746
Balance at 31 May 2010	<u>1,336,218</u>	<u>3,724,550</u>

### 18 Reconciliation of movements in shareholders' funds Group

	2010 £	2009 £
Profit/(Loss) for the financial year	410,188	(819,905)
Opening shareholders' funds	<u>7,644,126</u>	<u>8,464,031</u>
Closing shareholders' funds	<u>8,054,314</u>	<u>7,644,126</u>

	2010 £	2009 £
Profit/(Loss) for the financial year	402,746	(827,347)
Opening shareholders' funds	<u>8,041,961</u>	<u>8,869,308</u>
Closing shareholders' funds	<u>8,444,707</u>	<u>8,041,961</u>



## MORELLI GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

#### 19 Contingent liabilities

##### Group

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 2010. 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.

##### 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 2010. 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.

#### 20 Financial commitments

At 31 May 2010 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
Expiry date				
Within one year	80,083	-	136,062	148,448
Between two and five years	29,000	-	313,181	350,239
In over five years	192,120	304,370	-	-
	<u>301,203</u>	<u>304,370</u>	<u>449,243</u>	<u>498,687</u>

At 31 May 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
Expiry date				
Within one year	80,083	-	136,062	148,448
Between two and five years	29,000	-	313,181	350,239
In over five years	192,120	304,370	-	-
	<u>301,203</u>	<u>304,370</u>	<u>449,243</u>	<u>498,687</u>

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

### 21 Capital commitments

	Group 2010 £	2009 £	Company 2010 £	2009 £
Contracted for but not provided in the financial statements	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>-</u>

### 22 Directors' emoluments

	2010 £	2009 £
Emoluments for qualifying services	<u>1,141,745</u>	<u>1,175,917</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2009- 2)

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

Emoluments for qualifying services	<u>209,185</u>	<u>212,148</u>
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### 23 Employees

#### Number of employees

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

	2010 Number	2009 Number
Stores, warehouse and drivers	96	113
Administration	35	39
Sales	82	95
	<u>213</u>	<u>247</u>

#### Employment costs

	2010 £	2009 £
Wages and salaries	5,590,379	6,371,464
Social security costs	662,731	731,412
Other pension costs	428,794	274,311
	<u>6,681,904</u>	<u>7,377,187</u>

## **MORELLI GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2010**

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#### **24 Control**

There is no ultimate controlling party

#### **25 Related party transactions**

##### **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