

**Company Registration No. 02711932 (England and Wales)**

**MORELLI GROUP LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 MAY 2015**

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## **MORELLI GROUP LIMITED**

### **DIRECTORS AND ADVISERS**

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**Directors**

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

**Secretary**

Mr R Cohen

**Company number**

02711932

**Registered office**

Unit 2  
Baird Road  
Enfield  
Middlesex  
EN1 1SJ

**Registered auditors**

Carter Backer Winter LLP  
66 Prescott Street  
London  
E1 8NN

**Business address**

Unit 2,  
Baird Road  
Enfield  
Middlesex  
EN1 1SJ

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# **MORELLI GROUP LIMITED**

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# **MORELLI GROUP LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 MAY 2015**

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The directors present the strategic report and financial statements for the year ended 31 May 2015.

### **Review of the business**

Morelli Group Limited is a paint stockist and distributor of automotive refinish and ancillary products to the UK aftermarket, operating from a network of strategically located branches to provide national coverage to the UK mainland.

The group meets its day to day working capital requirements through an overdraft facility. The group's forecasts and projections, taking account of potential changes in trading performance, show that the group is able to operate within the level of its current facility. The facility was renewed on favourable terms in November 2015. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover for the year has increased by approximately 7.1% to £38,145,245. This is strong growth and should also be viewed in the context of a changing market.

Gross profit has increased in the year by £442k, however the gross profit margin has decreased from 31.58% to 30.51% due to a combination of increased competition in the market.

Net assets have increased by £137k (2%). A dividend of £415k was paid to the shareholders.

The management of the business and the execution of our strategy are subject to a number of risks. The following section comprises a summary of the main risks which we believe could potentially impact upon our operating and financial performance.

#### **People**

The resignation of key individuals and the inability to recruit talented people with the right skill sets could adversely affect our results.

#### **Macroeconomic environment**

The automotive aftermarket sector is affected by the general macroeconomic cycle, and specifically the business suffers from bad debts, interest rate fluctuations and other factors.

#### **Competition**

The industry has continued to see significant consolidation within the market and as a consequence the level of competition has increased considerably.

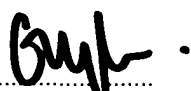
#### **Technology**

Having devised and operated successful technological solutions required for our trading activities, we are constantly investigating improvements in these areas.

#### **Legal**

The company is subject to varying UK and EEC legal and compliance regulations. The company takes its responsibilities seriously and ensures that its policies, systems and procedures are continually updated and comply with the legal requirements in all the sectors in which we operate.

On behalf of the board

  
.....  
Mr G R Parker  
Director  
26<sup>th</sup> February 2016  
.....

# **MORELLI GROUP LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MAY 2015**

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The directors present their report and financial statements for the year ended 31 May 2015.

#### **Results and dividends**

The consolidated profit and loss account for the year is set out on page 7.

The directors paid a dividend of £415,000 for the year ended 31 May 2015.

#### **Future developments**

*The group's strategies for the forthcoming years are to develop its trading operations and minimise overhead risk. We intend to keep a tight control on all overhead expenditure.*

We aim to invest in our web based marketing and use email as much as possible to reduce costs and improve the speed and reliability of our service to customers.

We intend to train and make more economic use of younger employees and apprentices.

Future investment is being targeted at branch infrastructure as well as in areas of IT and logistics.

#### **Directors**

The following directors have held office since 1 June 2014:

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

## **MORELLI GROUP LIMITED**

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

**FOR THE YEAR ENDED 31 MAY 2015**

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#### **Financial instruments**

##### Treasury operations and financial instruments

It is the directors' intention to continue to finance the activities and development of the company from retained earnings.

The directors will maintain the current strong balance sheet position and operate the company in a conservative fashion, maintaining their focus on both profitability and cash flow. Any cash surpluses will be invested in short term deposits with any working capital requirements being provided by cash resources or an overdraft facility.

The company operates primarily in Sterling, however also has some minor exposure to the Euro and US Dollar. As sales are overwhelmingly in Sterling, the company has limited exposure to currency fluctuation. The directors are aware of this risk and are content to operate in such a fashion, as the currency exposure equates to less than half of one percent of overall turnover.

##### Liquidity risk

The directors manage daily the cost and borrowing requirements and are comfortable with the current arrangements in place.

##### Interest rate risk

The only borrowing is the bank overdraft facility and this is renewed annually, with only the base rate fluctuations being variable.

##### Price risk

The company has noticed that their margins are becoming increasingly squeezed due to increasing prices from their suppliers. It is not always simple for them to pass these rises on to their customers and therefore there is a risk that continuing inflation could significantly affect profitability.

##### Credit risk

This is the highest risk to the business and is managed to the best of our ability.

##### Cash flow risk

The company's cash requirements are financed by an overdraft facility. The business has maintained a good relationship with their bankers and there is no indication that this facility would be withdrawn. However, if there were to be change, this could potentially place strain on their operations in the short term.

#### **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 2015**

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#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, 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

Director

26<sup>th</sup> February 2016

# **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 2015 set out on pages 7 to 25. 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 2 - 4, 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. In addition, we read all the financial and non-financial information in the Annual 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 group's and parent company's affairs as at 31 May 2015 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 Strategic Report and 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**

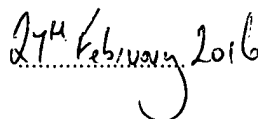
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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**

**Chartered Accountants**  
**Statutory Auditor**



66 Prescott Street  
London  
E1 8NN

# MORELLI GROUP LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2015

	Notes	2015 £	2014 £
<b>Turnover</b>	<b>2</b>	38,145,245	35,434,755
Cost of sales		(26,508,924)	(24,241,259)
<b>Gross profit</b>		11,636,321	11,193,496
Administrative expenses		(11,014,755)	(10,744,748)
Other operating income		110,559	126,468
<b>Operating profit</b>	<b>3</b>	732,125	575,216
Interest payable and similar charges	<b>4</b>	(14,583)	(21,042)
<b>Profit on ordinary activities before taxation</b>		717,542	554,174
Tax on profit on ordinary activities	<b>5</b>	(211,081)	(185,876)
<b>Profit on ordinary activities after taxation</b>		506,461	368,298

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 2015

	Notes	Group 2015 £	2014 £	Company 2015 £	2014 £
<b>Fixed assets</b>					
Intangible assets	8	(289,787)	(297,345)	-	-
Tangible assets	9	2,338,514	2,981,676	2,338,514	2,981,676
Investments	10	15,000	20,000	58,000	63,000
		<u>2,063,727</u>	<u>2,704,331</u>	<u>2,396,514</u>	<u>3,044,676</u>
<b>Current assets</b>					
Stocks	11	4,730,874	4,326,145	4,730,874	4,326,145
Debtors	12	7,238,503	6,915,084	7,238,503	6,897,563
Cash at bank and in hand		1,958	2,869	1,958	2,869
		<u>11,971,335</u>	<u>11,244,098</u>	<u>11,971,335</u>	<u>11,226,577</u>
<b>Creditors: amounts falling due within one year</b>	13	(5,678,585)	(5,690,315)	(5,721,585)	(5,670,384)
<b>Net current assets</b>		<u>6,292,750</u>	<u>5,553,783</u>	<u>6,249,750</u>	<u>5,556,193</u>
<b>Total assets less current liabilities</b>		<u>8,356,477</u>	<u>8,258,114</u>	<u>8,646,264</u>	<u>8,600,869</u>
<b>Creditors: amounts falling due after more than one year</b>	14	-	(36,343)	-	(36,343)
<b>Provisions for liabilities</b>	15	-	(2,765)	-	(2,765)
		<u>8,356,477</u>	<u>8,219,006</u>	<u>8,646,264</u>	<u>8,561,761</u>
<b>Capital and reserves</b>					
Called up share capital	17	3,384,539	3,411,460	3,384,539	3,383,939
Share premium account	18	1,336,218	1,336,218	1,336,218	1,336,218
Profit and loss account	18	3,635,720	3,471,328	3,925,507	3,841,604
<b>Shareholders' funds</b>	19	<u>8,356,477</u>	<u>8,219,006</u>	<u>8,646,264</u>	<u>8,561,761</u>

Approved by the Board and authorised for issue on

  
Mr G R Parker  
Director

  
Mr R Cohen  
Director

Company Registration No. 02711932

# **MORELLI GROUP LIMITED**

## **CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2015**

	£	2015 £	£	2014 £
<b>Net cash inflow from operating activities</b>		1,069,731		695,892
<b>Returns on investments and servicing of finance</b>				
Interest paid	(14,583)		(21,042)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(14,583)		(21,042)
<b>Taxation</b>		(190,728)		(133,957)
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible assets	(379,631)		(212,509)	
Receipts from sales of tangible assets	664,958		22,830	
Receipts from sales of investments	5,000		-	
<b>Net cash inflow/(outflow) for capital expenditure</b>		290,327		(189,679)
<b>Equity dividends paid</b>		(415,000)		(200,000)
<b>Net cash inflow before management of liquid resources and financing</b>		739,747		151,214
<b>Financing</b>				
Issue of preference share capital	600		-	
Repayment of long term bank loan	-		(18,873)	
Repayment of other long term loans	(36,343)		(92,452)	
Repayment of other short term loans	(21,545)		(151,248)	
<b>Net cash outflow from financing</b>		(57,288)		(262,573)
<b>Increase/(decrease) in cash in the year</b>		682,459		(111,359)

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2015

<b>1 Reconciliation of operating profit to net cash inflow from operating activities</b>		<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
Operating profit		732,125	575,216
Depreciation of tangible assets		313,558	309,548
Amortisation of intangible assets		(7,558)	62,442
(Loss)/profit on disposal of tangible assets		44,277	(4,275)
Increase in stocks		(404,729)	(94,295)
Increase in debtors		(308,501)	(436,867)
Increase in creditors within one year		655,149	284,123
<b>Net cash inflow from operating activities</b>		<b>1,024,321</b>	<b>695,892</b>

<b>2 Analysis of net debt</b>	<b>1 June 2014</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 May 2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Net cash:				
Cash at bank and in hand	2,869	(911)	-	1,958
Bank overdrafts	(860,471)	683,370	-	(177,101)
	<u>(857,602)</u>	<u>682,459</u>	<u>-</u>	<u>(175,143)</u>
Debts falling due within one year	(21,545)	21,545	-	-
Debts falling due after one year	(36,343)	36,343	-	-
	<u>(915,490)</u>	<u>740,347</u>	<u>-</u>	<u>(175,143)</u>

<b>3 Reconciliation of net cash flow to movement in net debt</b>		<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
Increase/(decrease) in cash in the year		682,459	(111,359)
Cash outflow from decrease in debt		57,888	262,573
<b>Movement in net debt in the year</b>		<b>740,347</b>	<b>151,214</b>
Opening net debt		(915,490)	(1,066,704)
<b>Closing net debt</b>		<b>(175,143)</b>	<b>(915,490)</b>

# **MORELLI GROUP LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2015**

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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 2015. 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 long leasehold	over 50 years
Land and buildings short leasehold	over 10 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**

Work in progress 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 2015

### 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:

	2015		2014	
	Sales by destination £	Sales by origin £	Sales by destination £	Sales by origin £
<b>Geographical segment</b>				
Turnover - UK	36,090,752	38,145,245	33,624,698	35,434,755
Turnover - Europe	2,054,492	-	1,810,057	-
	<u>38,145,244</u>	<u>38,145,245</u>	<u>35,434,755</u>	<u>35,434,755</u>

## MORELLI GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2015

<b>3</b>	<b>Operating profit</b>	<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
	Operating profit is stated after charging:		
	Amortisation of intangible assets	(7,558)	62,442
	Depreciation of tangible assets	313,558	309,548
	Loss on disposal of tangible assets	44,277	-
	Operating lease rentals		
	- Plant and machinery	15,071	13,352
	- Other assets	333,091	305,609
	Fees payable to the group's auditor for the audit of the group's annual accounts	47,000	47,000
	Other taxation advisory	16,750	16,750
	All other	6,250	6,250
	and after crediting:		
	Profit on disposal of tangible assets	-	(4,275)
		<u><u>          </u></u>	<u><u>          </u></u>
<b>4</b>	<b>Interest payable</b>	<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	12,550	17,305
	Other interest	2,033	3,737
		<u><u>14,583</u></u>	<u><u>21,042</u></u>

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2015

<b>5</b>	<b>Taxation</b>	<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U.K. corporation tax	228,764	190,728
	<b>Total current tax</b>	<u>228,764</u>	<u>190,728</u>
	<b>Deferred tax</b>		
	Deferred tax current	(17,683)	(4,852)
		<u>211,081</u>	<u>185,876</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>717,542</u>	<u>554,174</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2014 - 21%)	<u>143,508</u>	<u>116,377</u>
	Effects of:		
	Non deductible expenses	55,663	49,192
	Depreciation add back	62,712	61,910
	Capital allowances	(60,609)	(47,512)
	Foreign tax adjustments	9,509	11,237
	Adjustments to previous periods	-	(2,294)
	Other tax adjustments	17,981	1,818
		<u>85,256</u>	<u>75,939</u>
	<b>Current tax charge for the year</b>	<u>228,764</u>	<u>190,728</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:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Holding company's profit for the financial year	<u>498,903</u>	<u>360,740</u>
<b>7 Dividends</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Ordinary interim paid	<u>415,000</u>	<u>200,000</u>

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2015

### 8 Intangible fixed assets Group

	Goodwill £
<b>Cost</b>	
At 1 June 2014 & at 31 May 2015	(372,113)
<b>Amortisation</b>	
At 1 June 2014	(74,768)
Charge for the year	(7,558)
At 31 May 2015	(82,326)
<b>Net book value</b>	
At 31 May 2015	(289,787)
At 31 May 2014	(297,345)

### 9 Tangible fixed assets Group

	Land and buildings freehold £	Land and buildings long leasehold £	Land and buildings short leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 June 2014	1,591,918	1,262,731	348,226	1,344,743	413,742	4,961,360
Additions	-	-	-	186,601	193,030	379,631
Disposals	(745,567)	-	-	(11,426)	(262,020)	(1,019,013)
At 31 May 2015	846,351	1,262,731	348,226	1,519,918	344,752	4,321,978
<b>Depreciation</b>						
At 1 June 2014	177,214	178,479	259,021	1,096,794	268,176	1,979,684
On disposals	(96,516)	-	-	(11,426)	(201,836)	(309,778)
Charge for the year	10,001	16,478	32,307	168,586	86,186	313,558
At 31 May 2015	90,699	194,957	291,328	1,253,954	152,526	1,983,464
<b>Net book value</b>						
At 31 May 2015	755,652	1,067,774	56,898	265,964	192,226	2,338,514
At 31 May 2014	1,414,704	1,084,252	89,205	247,949	145,566	2,981,676

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2015

### 9 Tangible fixed assets

(Continued)

#### Tangible fixed assets

#### Company

	Land and buildings freehold	Land and buildings long leasehold	Land and buildings short leasehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 June 2014	1,591,918	1,262,731	348,226	1,344,743	413,742	4,961,360
Additions	-	-	-	186,601	193,030	379,631
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# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2015

### 10 Fixed asset investments Group

	Unlisted investments £
<b>Cost</b>	
At 1 June 2014	20,000
Disposals	(5,000)
At 31 May 2015	15,000
<b>Net book value</b>	
At 31 May 2015	15,000
At 31 May 2014	20,000

### Company

	Unlisted investments £	Shares in group undertakings £	Total £
<b>Cost</b>			
At 1 June 2014	20,000	3,549,311	3,569,311
Disposals	(5,000)	-	(5,000)
At 31 May 2015	15,000	3,549,311	3,564,311
<b>Provisions for diminution in value</b>			
At 1 June 2014 & at 31 May 2015	-	3,506,311	3,506,311
<b>Net book value</b>			
At 31 May 2015	15,000	43,000	58,000
At 31 May 2014	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 2015

### 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	%
<b>Subsidiary undertakings</b>			
Morelli & Co. (London) Limited	England	Ordinary shares	100.00
Alenco Properties Limited	England	Ordinary shares	100.00

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

### 11 Stocks

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Finished goods and goods for resale	4,730,874	4,326,145	4,730,874	4,326,145

### 12 Debtors

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	5,635,908	6,122,401	5,635,908	6,122,401
Amounts owed by group undertakings	-	17,521	-	-
Other debtors	5,387	8,168	5,387	8,168
Prepayments and accrued income	1,582,290	766,994	1,582,290	766,994
Deferred tax asset (see note 15)	14,918	-	14,918	-
	7,238,503	6,915,084	7,238,503	6,897,563

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2015

### 13 Creditors : amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Bank loans and overdrafts	177,101	882,016	177,101	882,016
Trade creditors	3,189,178	2,804,192	3,189,178	2,804,192
Amounts owed to group undertakings	-	62,931	43,000	43,000
Corporation tax	228,764	190,728	228,764	190,728
Taxes and social security costs	895,901	779,182	895,901	779,182
Directors current accounts	112,337	53,834	112,337	53,834
Other creditors	817,640	710,478	817,640	710,478
Accruals and deferred income	257,664	206,954	257,664	206,954
	<u>5,678,585</u>	<u>5,690,315</u>	<u>5,721,585</u>	<u>5,670,384</u>

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

### 14 Creditors : amounts falling due after more than one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Other loans	-	36,343	-	36,343
	<u>-</u>	<u>36,343</u>	<u>-</u>	<u>36,343</u>
<b>Analysis of loans</b>				
Wholly repayable within five years	-	57,888	-	57,888
Included in current liabilities	-	(21,545)	-	(21,545)
	<u>-</u>	<u>36,343</u>	<u>-</u>	<u>36,343</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	-	36,343	-	36,343
	<u>-</u>	<u>36,343</u>	<u>-</u>	<u>36,343</u>

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 2015**

### **15 Provisions for liabilities**

The deferred tax asset (included in debtors, note 12) is made up as follows:

	<b>Group 2015 £</b>	<b>Company 2015 £</b>		
Balance at 1 June 2014 & at 31 May 2015	2,765	2,765		
Profit and loss account	(17,683)	(17,683)		
Balance at 31 May 2015	<u>(14,918)</u>	<u>(14,918)</u>		
	<b>Group 2015 £</b>	<b>2014 £</b>	<b>Company 2015 £</b>	<b>2014 £</b>
(Decelerated)/accelerated capital allowances	<u>(14,918)</u>	<u>2,765</u>	<u>(14,918)</u>	<u>2,765</u>

### **16 Retirement Benefits**

#### **Defined contribution scheme**

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.

Contributions payable by the group for the year	<u>300,447</u>	<u>308,697</u>
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# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2015

17 Share capital	2015 £	2014 £
<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 £1 each	5,000	5,000
1,237,491 C Ordinary shares of £1 each	1,237,491	1,237,491
600 D Ordinary shares of £1 each	600	-
	<u>3,384,539</u>	<u>3,383,939</u>

The A ordinary, B ordinary, C ordinary and D 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. The D shares carry dividend rights only, which is at the discretion of the directors, and also carry no voting rights and no entitlement to participation in any surplus on winding up. Except for the dividend, voting and distribution described above, the A ordinary, B ordinary, C ordinary and D ordinary shares carry the same and privileges and rank pari passu.

### 18 Statement of movements on reserves Group

	Share premium account £	Profit and loss account £
Balance at 1 June 2014	1,336,218	3,544,259
Profit for the year	-	506,461
Dividends paid	-	(415,000)
Balance at 31 May 2015	<u>1,336,218</u>	<u>3,635,720</u>

### Company

	Share premium account £	Profit and loss account £
Balance at 1 June 2014	1,336,218	3,841,604
Profit for the year	-	498,903
Dividends paid	-	(415,000)
Balance at 31 May 2015	<u>1,336,218</u>	<u>3,925,507</u>

# MORELLI GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2015

<b>19 Reconciliation of movements in shareholders' funds</b>	<b>2015</b>	<b>2014</b>
<b>Group</b>	<b>£</b>	<b>£</b>
Profit for the financial year	506,461	368,298
Dividends	(415,000)	(200,000)
	<u>91,461</u>	<u>168,298</u>
Proceeds from issue of shares	600	-
	<u>92,061</u>	<u>168,298</u>
Net addition to shareholders' funds	8,219,006	8,050,708
Opening shareholders' funds	<u>8,356,477</u>	<u>8,219,006</u>
Closing shareholders' funds	<u>8,356,477</u>	<u>8,219,006</u>
	<b>2015</b>	<b>2014</b>
<b>Company</b>	<b>£</b>	<b>£</b>
Profit for the financial year	498,903	360,740
Dividends	(415,000)	(200,000)
	<u>83,903</u>	<u>160,740</u>
Proceeds from issue of shares	600	-
	<u>84,503</u>	<u>160,740</u>
Net addition to shareholders' funds	8,561,761	8,401,021
Opening shareholders' funds	<u>8,646,264</u>	<u>8,561,761</u>
Closing shareholders' funds	<u>8,646,264</u>	<u>8,561,761</u>

## 20 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 2015. 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 2015. 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 2015

### 21 Financial commitments

At 31 May 2015 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2015	2014	2015	2014
	£	£	£	£
Expiry date:				
Within one year	139,374	91,920	229,410	349,243
Between two and five years	35,760	147,460	330,529	244,451
In over five years	49,667	49,667	-	-
	<u>224,801</u>	<u>289,047</u>	<u>559,939</u>	<u>593,694</u>

At 31 May 2015 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2015	2014	2015	2014
	£	£	£	£
Expiry date:				
Within one year	139,374	91,920	229,410	349,243
Between two and five years	35,760	147,460	330,529	244,451
In over five years	49,667	49,667	-	-
	<u>224,801</u>	<u>289,047</u>	<u>559,939</u>	<u>593,694</u>

### 22 Directors' remuneration

	2015	2014
	£	£
Remuneration for qualifying services	1,174,967	1,308,650
Company pension contributions to defined contribution schemes	138,367	127,045
	<u>1,313,334</u>	<u>1,435,695</u>

## MORELLI GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2015

#### 23 Employees

##### Number of employees

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

	2015 Number	2014 Number
Stores, warehouse and drivers	87	78
Administration	32	33
Sales	88	86
	<u>207</u>	<u>197</u>

##### Employment costs

	2015 £	2014 £
Wages and salaries	5,551,416	5,608,882
Social security costs	685,002	682,769
Other pension costs	300,447	308,697
	<u>6,536,865</u>	<u>6,600,348</u>

## **MORELLI GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2015**

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#### **24 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 £36,343 (2014: £83,337)

Interest payable to this scheme shown was £2,033 (2014: £3,737).

At 31 May 2015, a balance of £28,922 (2014: £18,667) was due to J Moring, a director of the company. A car, previously held as a fixed asset by the company, was sold to J Moring for £14,200. The car had been fully depreciated.

At 31 May 2015, a balance of £15,185 (2014: £nil) was due to D Moring, a director of the company.

At 31 May 2015, a balance of £1,927 (2014: £7,513) was due to the estate of C C Laybourn, a deceased director of the company.

At 31 May 2015, a balance of £19,631 (2014: £12,586) was due to R R Moring-Beale, a director of the company.

At 31 May 2015, a balance of £26,088 (2014: £15,069) was due to A Toms, a director of the company.

At 31 May 2015, a balance of £4,750 (2014: £nil) was owed to R Cohen, a director of the company.

At 31 May 2015, a balance of £4,583 (2014: £nil) was owed to G Parker, a director of the company.

At 31 May 2015, a balance of £3,750 (2014: £nil) was owed to M Moring, a director of the company.

At 31 May 2015, a balance of £3,750 (2014: £nil) was owed to S Moring, a director of the company.

At 31 May 2015, a balance of £3,750 (2014: £nil) was owed to A Moring, a director of the company.

During the year, a car that was previously held as a fixed asset by the company was sold to L Toms, a director of the company for £15,250. This had been fully depreciated.

##### **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.