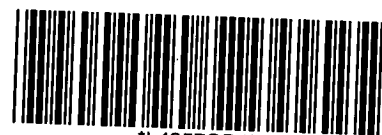


Company Registration No. 02711932 (England and Wales)

MORELLI GROUP LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MAY 2014

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COMPANIES HOUSE

MORELLI GROUP LIMITED

DIRECTORS AND ADVISERS

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 D P Gurney

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

MORELLI GROUP LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 4
Independent auditors' report	5 - 6
Consolidated profit and loss account	7
Balance sheets	8
Consolidated cash flow statement	9
Notes to the consolidated cash flow statement	10
Notes to the financial statements	11 - 27

MORELLI GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2014

The directors present the strategic report and financial statements for the year ended 31 May 2014.

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 company meets its day to day working capital requirements through an overdraft facility. The company's forecasts and projections, taking account of potential changes in trading performance, show that the company is able to operate within the level of its current facility. The facility was renewed on favourable terms in November 2014. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover for the year has increased by approximately 7.6% to £35,434,755. This is strong growth and should also be viewed in the context of a significant shift in the market as there have been a number of changes in the composition of competitors in the UK.

Gross profit has increased in the year by £610k, however the gross profit margin has decreased from 32.17% to 31.58% due to a combination of increased competition and a change in the sales mix.

Net assets have increased by £168k (2%). A dividend of £200,000 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 affecting 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.



Mr G R Parker

Director

16 February 2015

MORELLI GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2014

The directors present their report and financial statements for the year ended 31 May 2014.

Principal activities

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.

Results and dividends

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

The directors paid a dividend of £200,000 for the year ended 31 May 2014.

Future developments

In 2014 the company has made some very positive moves to increase revenues from avenues not previously seen as being part of their core business. This has primarily been through an increase in the number of e-commerce websites the company has created. This is currently a three pronged attack with our established online sales business SmartExpress being added to by Slim's Detailing- a specialist car cleaning website, and Smartpod – a same day repair business which will see Morelli customers purchase a license to become a member of the Smartpod network.

The company'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

Directors

The following directors have held office since 1 June 2013:

Mr C C Laybourn	(Deceased 3 June 2013)
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 2014

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. The directors believe the forthcoming year will prove as testing as the previous year.

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 2014

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

16 February 2015

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 2014 set out on pages 7 to 27. 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 parent 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 2014 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

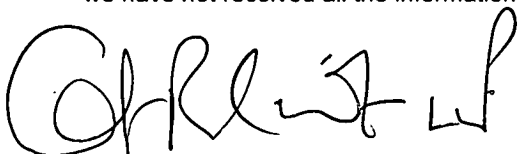
INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

28 Feb. 2015

Chartered Accountants
Statutory Auditor

66 Prescott Street
London
E1 8NN

MORELLI GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2014

	Notes	2014 £	2013 £
Turnover	2	35,434,755	32,903,683
Cost of sales		(24,241,259)	(22,319,842)
Gross profit		11,193,496	10,583,841
Administrative expenses		(10,744,748)	(10,414,257)
Other operating income		126,468	103,095
Operating profit	3	575,216	272,679
Interest payable and similar charges	4	(21,042)	(28,129)
Profit on ordinary activities before taxation	3	554,174	244,550
Tax on profit on ordinary activities	5	(185,876)	(98,892)
Profit on ordinary activities after taxation		368,298	145,658

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 2014

	Notes	Group 2014 £	2013 £	Company 2014 £	2013 £
Fixed assets					
Intangible assets	8	(297,345)	(234,903)	-	70,000
Tangible assets	9	2,981,676	3,097,270	2,981,676	3,097,270
Investments	10	20,000	20,000	63,000	63,000
		<u>2,704,331</u>	<u>2,882,367</u>	<u>3,044,676</u>	<u>3,230,270</u>
Current assets					
Stocks	11	4,326,145	4,231,850	4,326,145	4,231,850
Debtors	12	6,897,563	6,460,696	6,897,563	6,460,696
Cash at bank and in hand		2,869	2,638	2,869	2,638
		<u>11,226,577</u>	<u>10,695,184</u>	<u>11,226,577</u>	<u>10,695,184</u>
Creditors: amounts falling due within one year	13	(5,627,384)	(5,371,638)	(5,670,384)	(5,414,638)
Net current assets		<u>5,599,193</u>	<u>5,323,546</u>	<u>5,556,193</u>	<u>5,280,546</u>
Total assets less current liabilities		<u>8,303,524</u>	<u>8,205,913</u>	<u>8,600,869</u>	<u>8,510,816</u>
Creditors: amounts falling due after more than one year	14	(36,343)	(102,178)	(36,343)	(102,178)
Provisions for liabilities	15	(2,765)	(7,617)	(2,765)	(7,617)
		<u>8,264,416</u>	<u>8,096,118</u>	<u>8,561,761</u>	<u>8,401,021</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	3,544,259	3,375,961	3,841,604	3,680,864
Shareholders' funds	19	<u>8,264,416</u>	<u>8,096,118</u>	<u>8,561,761</u>	<u>8,401,021</u>

Approved by the Board and authorised for issue on

16 February 2015



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 2014

	£	2014 £	£	2013 £
Net cash inflow from operating activities		695,892		849,489
Returns on investments and servicing of finance				
Interest paid	(21,042)		(28,129)	
Net cash outflow for returns on investments and servicing of finance		(21,042)		(28,129)
Taxation		(133,957)		(129,875)
Capital expenditure				
Payments to acquire tangible assets	(212,509)		(174,870)	
Receipts from sales of tangible assets	22,830		200,986	
Net cash (outflow)/inflow for capital expenditure		(189,679)		26,116
Equity dividends paid		(200,000)		(200,000)
Net cash inflow before management of liquid resources and financing		151,214		517,601
Financing				
Repayment of long term bank loan	(18,873)		(240,968)	
Repayment of other long term loans	(92,452)		(45,490)	
Repayment of other short term loans	(151,248)		-	
Net cash outflow from financing		(262,573)		(286,458)
(Decrease)/increase in cash in the year		(111,359)		231,143

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2014

1	Reconciliation of operating profit to net cash inflow from operating activities	2014	2013
		£	£
	Operating profit	575,216	272,679
	Depreciation of tangible assets	309,548	284,909
	Amortisation of intangible assets	62,442	2,442
	Profit/(loss) on disposal of tangible assets	(4,275)	24,605
	Increase in stocks	(94,295)	(427,872)
	(Increase)/decrease in debtors	(436,867)	477,675
	Increase in creditors within one year	284,123	220,461
	Net cash inflow from operating activities	695,892	854,899

2	Analysis of net debt	1 June 2013	Cash flow	Other non-cash changes	31 May 2014
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	2,638	231	-	2,869
	Bank overdrafts	(748,881)	(111,590)	-	(860,471)
		(746,243)	(111,359)	-	(857,602)
	Debts falling due within one year	(218,283)	196,738	-	(21,545)
	Debts falling due after one year	(102,178)	65,835	-	(36,343)
		(320,461)	262,573	-	(57,888)
	Net debt	(1,066,704)	151,214	-	(915,490)

3	Reconciliation of net cash flow to movement in net debt	2014	2013
		£	£
	(Decrease)/increase in cash in the year	(111,359)	231,143
	Cash outflow from decrease in debt	262,573	286,458
	Movement in net debt in the year	151,214	517,601
	Opening net debt	(1,066,704)	(1,584,305)
	Closing net debt	(915,490)	(1,066,704)

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2014

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 2014. 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

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 2014

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:

	2014		2013	
	Sales by destination £	Sales by origin £	Sales by destination £	Sales by origin £
Geographical segment				
Turnover - UK	33,624,698	35,434,755	30,934,336	32,903,683
Turnover - Europe	1,810,057	-	1,969,347	-
	<u>35,434,755</u>	<u>35,434,755</u>	<u>32,903,683</u>	<u>32,903,683</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2014

3	Operating profit	2014	2013
		£	£
	Operating profit is stated after charging:		
	Amortisation of intangible assets	62,442	2,442
	Depreciation of tangible assets	309,548	284,909
	Loss on disposal of tangible assets	-	24,605
	Operating lease rentals		
	- Plant and machinery	13,352	10,610
	- Other assets	305,609	300,885
	Fees payable to the group's auditor for the audit of the group's annual accounts	47,000	57,000
	Fees payable to the group's auditor for non audit services	23,000	23,000
	and after crediting:		
	Profit on disposal of tangible assets	(4,275)	-
		<u><u> </u></u>	<u><u> </u></u>
4	Interest payable	2014	2013
		£	£
	On bank loans and overdrafts	17,305	22,859
	Other interest	3,737	5,270
		<u><u>21,042</u></u>	<u><u>28,129</u></u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2014

5	Taxation	2014 £	2013 £
	Domestic current year tax		
	U.K. corporation tax	190,728	133,957
	Adjustment for prior years	-	(13,499)
	Total current tax	<u>190,728</u>	<u>120,458</u>
	Deferred tax		
	Deferred tax current	(4,852)	(21,566)
		<u>185,876</u>	<u>98,892</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>554,174</u>	<u>244,550</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21% (2013 - 23%)	<u>116,377</u>	<u>56,247</u>
	Effects of:		
	Non deductible expenses	49,192	48,997
	Depreciation add back	61,910	65,529
	Capital allowances	(47,512)	(33,087)
	Foreign tax adjustments	11,237	(3,728)
	Adjustments to previous periods	(2,294)	(13,499)
	Other tax adjustments	1,818	-
		<u>75,939</u>	<u>64,212</u>
	Current tax charge for the year	<u>190,728</u>	<u>120,458</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:

	2014 £	2013 £
Holding company's profit for the financial year	<u>360,740</u>	<u>138,100</u>

7 Dividends

	2014 £	2013 £
Ordinary interim paid	<u>200,000</u>	<u>200,000</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2014

8 Intangible fixed assets Group

	Goodwill £
Cost	
At 1 June 2013	(222,113)
Written off against reserves	(150,000)
At 31 May 2014	(372,113)
Amortisation	
At 1 June 2013	12,790
Charge for the year	2,442
Written off against reserves	(90,000)
At 31 May 2014	(74,768)
Net book value	
At 31 May 2014	(297,345)
At 31 May 2013	(234,903)

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 2013	150,000
Written off against reserves	(150,000)
At 31 May 2014	-
Amortisation	
At 1 June 2013	80,000
Charge for the year	10,000
Written off against reserves	(90,000)
Net book value	
At 31 May 2014	-
At 31 May 2013	70,000

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2014

9 Tangible fixed assets

Group

	Land and buildings freehold £	Land and buildings leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 June 2013	1,591,918	1,610,957	1,830,101	414,645	5,447,621
Additions	-	-	139,190	73,319	212,509
Disposals	-	-	(624,548)	(74,222)	(698,770)
At 31 May 2014	1,591,918	1,610,957	1,344,743	413,742	4,961,360
Depreciation					
At 1 June 2013	157,021	385,919	1,587,003	220,408	2,350,351
On disposals	-	-	(624,548)	(55,667)	(680,215)
Charge for the year	20,193	51,581	134,339	103,435	309,548
At 31 May 2014	177,214	437,500	1,096,794	268,176	1,979,684
Net book value					
At 31 May 2014	1,414,704	1,173,457	247,949	145,566	2,981,676
At 31 May 2013	1,434,897	1,225,038	243,098	194,237	3,097,270

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2014

9 Tangible fixed assets

(Continued)

Tangible fixed assets

Company

	Land and buildings freehold £	Land and buildings leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 June 2013	1,591,918	1,610,957	1,830,101	414,645	5,447,621
Additions	-	-	139,190	73,319	212,509
Disposals	-	-	(624,548)	(74,222)	(698,770)
At 31 May 2014	1,591,918	1,610,957	1,344,743	413,742	4,961,360
Depreciation					
At 1 June 2013	157,021	385,919	1,587,003	220,408	2,350,351
On disposals	-	-	(624,548)	(55,667)	(680,215)
Charge for the year	20,193	51,581	134,339	103,435	309,548
At 31 May 2014	177,214	437,500	1,096,794	268,176	1,979,684
Net book value					
At 31 May 2014	1,414,704	1,173,457	247,949	145,566	2,981,676
At 31 May 2013	1,434,897	1,225,038	243,098	194,237	3,097,270

10 Fixed asset investments Group

	Unlisted investments £
Cost	
At 1 June 2013 & at 31 May 2014	20,000
Net book value	
At 31 May 2014	20,000
At 31 May 2013	20,000

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2014

10 Fixed asset investments

(Continued)

Company

	Unlisted investments £	Shares in group undertakings £	Total £
Cost			
At 1 June 2013 & at 31 May 2014	20,000	3,549,311	3,569,311
Provisions for diminution in value			
At 1 June 2013 & at 31 May 2014	-	3,506,311	3,506,311
Net book value			
At 31 May 2014	20,000	43,000	63,000
At 31 May 2013	(20,000)	(43,000)	63,000

In the opinion of the 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 2014

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	100.00
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

All subsidiary undertakings are included in the consolidated accounts.

11 Stocks

	Group 2014 £	2013 £	Company 2014 £	2013 £
Finished goods and goods for resale	4,326,145	4,231,850	4,326,145	4,231,850

12 Debtors

	Group 2014 £	2013 £	Company 2014 £	2013 £
Trade debtors	6,122,401	5,775,526	6,122,401	5,775,526
Other debtors	8,168	6,774	8,168	6,774
Prepayments and accrued income	766,994	678,396	766,994	678,396
	<u>6,897,563</u>	<u>6,460,696</u>	<u>6,897,563</u>	<u>6,460,696</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2014

13 Creditors : amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank loans and overdrafts	882,016	921,674	882,016	921,674
Trade creditors	2,804,192	2,677,776	2,804,192	2,677,776
Amounts owed to group undertakings	-	-	43,000	43,000
Corporation tax	190,728	133,957	190,728	133,957
Taxes and social security costs	779,182	886,320	779,182	886,320
Directors current accounts	53,834	77,479	53,834	77,479
Other creditors	710,478	554,262	710,478	554,262
Accruals and deferred income	206,954	120,170	206,954	120,170
	<u>5,627,384</u>	<u>5,371,638</u>	<u>5,670,384</u>	<u>5,414,638</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	
	2014	2013	2014	2013
	£	£	£	£
Bank loans	-	18,873	-	18,873
Other loans	36,343	83,305	36,343	83,305
	<u>36,343</u>	<u>102,178</u>	<u>36,343</u>	<u>102,178</u>
Analysis of loans				
Wholly repayable within five years	57,888	320,461	57,888	320,461
Included in current liabilities	(21,545)	(218,283)	(21,545)	(218,283)
	<u>36,343</u>	<u>102,178</u>	<u>36,343</u>	<u>102,178</u>
Loan maturity analysis				
In more than one year but not more than two years	36,343	65,895	36,343	65,895
In more than two years but not more than five 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 2014

15 Provisions for liabilities Group

	Deferred taxation £
Balance at 1 June 2013	7,617
Profit and loss account	(4,852)
	<u>2,765</u>
Balance at 31 May 2014	<u>2,765</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2014

15 Provisions for liabilities

(Continued)

Company

Balance at 1 June 2013	7,617
Profit and loss account	(4,852)
Balance at 31 May 2014	<u>2,765</u>

The deferred tax liability is made up as follows:

	Group 2014 £	2013 £	Company 2014 £	2013 £
Accelerated capital allowances	<u>2,765</u>	<u>7,617</u>	<u>2,765</u>	<u>7,617</u>

16 Pension and other post-retirement benefit commitments

Defined contribution

	2014 £	2013 £
Contributions payable by the group for the year	<u>308,697</u>	<u>225,259</u>

17 Share capital

	2014 £	2013 £
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 described above, the A ordinary, B ordinary and C ordinary shares carry the same and privileges and rank pari passu.

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2014

18 Statement of movements on reserves Group

	Share premium account £	Profit and loss account £
Balance at 1 June 2013	1,336,218	3,375,961
Profit for the year	-	368,298
Dividends paid	-	(200,000)
Balance at 31 May 2014	<u>1,336,218</u>	<u>3,544,259</u>

Company

	Share premium account £	Profit and loss account £
Balance at 1 June 2013	1,336,218	3,680,864
Profit for the year	-	360,740
Dividends paid	-	(200,000)
Balance at 31 May 2014	<u>1,336,218</u>	<u>3,841,604</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2014

19 Reconciliation of movements in shareholders' funds	2014	2013
Group	£	£
Profit for the financial year	368,298	145,658
Dividends	(200,000)	(200,000)
Net addition to/(depletion in) shareholders' funds	168,298	(54,342)
Opening shareholders' funds	8,096,118	8,150,460
Closing shareholders' funds	8,264,416	8,096,118
	2014	2013
Company	£	£
Profit for the financial year	360,740	138,100
Dividends	(200,000)	(200,000)
Net addition to/(depletion in) shareholders' funds	160,740	(61,900)
Opening shareholders' funds	8,401,021	8,462,921
Closing shareholders' funds	8,561,761	8,401,021

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 2014. 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 2014. 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 2014

21 Financial commitments

At 31 May 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2013	2014	2013
	£	£	£	£
Expiry date:				
Within one year	91,920	69,960	349,243	211,199
Between two and five years	147,460	161,568	244,451	400,435
In over five years	49,667	49,667	-	-
	<u>289,047</u>	<u>281,195</u>	<u>593,694</u>	<u>611,634</u>

At 31 May 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2013	2014	2013
	£	£	£	£
Expiry date:				
Within one year	91,920	69,960	349,243	211,199
Between two and five years	147,460	161,568	244,451	400,435
In over five years	49,667	49,667	-	-
	<u>289,047</u>	<u>281,195</u>	<u>593,694</u>	<u>611,634</u>

22 Directors' remuneration

	2014	2013
	£	£
Remuneration for qualifying services	1,308,650	1,178,846
Company pension contributions to defined contribution schemes	127,045	59,310
	<u>1,435,695</u>	<u>1,238,156</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2014

23 Employees

Number of employees

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

	2014 Number	2013 Number
Stores, warehouse and drivers	78	78
Administration	33	40
Sales	86	87
	<u>197</u>	<u>205</u>

Employment costs

	2014 £	2013 £
Wages and salaries	5,608,882	5,558,478
Social security costs	682,769	626,235
Other pension costs	308,697	225,259
	<u>6,600,348</u>	<u>6,409,972</u>

MORELLI GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2014

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 £83,337 (2013: £128,796)

Interest payable to this scheme shown was £3,737 (2013: £3,675).

At 31 May 2014, a balance of £18,667 (2013: £22,444) was due to J Moring, a director of the company.

At 31 May 2014, a balance of £nil (2013: £9,804) was due to D Moring, a director of the company.

At 31 May 2014, a balance of £7,513 (2013: £10,312) was due to the estate of C C Laybourn, a deceased director of the company.

At 31 May 2014, a balance of £12,586 (2013: £14,806) was due to R R Moring-Beale, a director of the company.

At 31 May 2014, a balance of £15,069 (2013: £20,280) 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.