Company Registration No. 02711932 (England and Wales)

MORELLI GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2018

MORELLI GROUP LIMITED

COMPANY INFORMATION

Directors	Mrs J Laybourn Ms M Laybourn Mr A Moring Mr M Moring Mr J Moring Mrs J Moring Mrs P Moring Mr D Moring Mr A Toms Mrs L Toms Mr G Parker Mr S Moring Mr R Cohen Mrs R Moring-Beale
Secretary	Mr R Cohen
Company number	02711932
Registered office	Unit 2 Baird Road Enfield Middlesex EN1 1SJ
Auditor	Carter Backer Winter LLP 66 Prescot Street London E1 8NN
Business address	Unit 2 Baird Road Enfield Middlesex EN1 1SJ

MORELLI GROUP LIMITED

CONTENTS

The directors present the strategic report for the year ended 31 May 2018.

Fair 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. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover for the year has increased by approximately 6.6% to £40,822,370.

Gross profit has decreased in the year by £73k, and the gross profit margin has decreased from 31.32% to 29.2% owing to changes in the sales portfolio.

Net assets have decreased by £285k (3.5%). A dividend of £365k was paid to the shareholders.

Principal risks and uncertainties

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 group is subject to varying UK and EEC legal and compliance regulations. The group 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 Parker

Director

21/11/2019

The directors present their annual report and financial statements for the year ended 31 May 2018.

Principal activities

The principal activity of the company and group 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.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

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

Results and dividends

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

The directors paid a dividend of £365,000 for the year ended 31 May 2018.

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 group 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 group 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 group has recognised that their margins are becoming squeezed due to increasing prices from their suppliers along with aggressive competitor tactics in a consolidating market. It is not always simple to pass these rises on to their customers and therefore there is a risk that continuing inflation could 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 group'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.

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 continue to invest in our web based marketing and use new technologies as much as possible to reduce costs and improve the speed and reliability of our service to customers.

We continue 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.

Auditor
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.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually 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 auditor of the company is aware of that information.

On behalf of the board

....

Mr G Parker
Director
Date: 21/1/2019

MORELLI GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2018

The directors are responsible for preparing the Annual 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 group and company, 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 and company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MORELLI GROUP LIMITED

Opinion

We have audited the financial statements of Morelli Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2018 which comprise the Group Profit And Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2018 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 auditor's 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.

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

Chartered Accountants
Statutory Auditor

21 January 2019
66 Prescot Street
London
E1 8NN

MORELLI GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 £	2017 £
Turnover	3	40,822,370	38,291,677
Cost of sales		(28,900,743)	(26,297,534)
Gross profit		11,921,627	11,994,143
Administrative expenses		(11,941,781)	(11,897,217)
Other operating income		132,663	192,572
Operating profit	4	112,509	289,498
Interest payable and similar expenses	8	(46,203)	(37,755)
Profit before taxation		66,306	251,743
Tax on profit	9	1,250	(31,424)
Profit for the financial year		67,556	220,319

Profit for the financial year is all attributable to the owners of the parent company.

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2018

	2018	2017
	£	£
Profit for the year	67,556	220,319
Other comprehensive income	-	-
Total comprehensive income for the year	67,556	220,319

Total comprehensive income for the year is all attributable to the owners of the parent company.

MORELLI GROUP LIMITED

GROUP BALANCE SHEET

AS AT 31 MAY 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Negative goodwill	11		(267,113)		(274,671)
Other intangible assets	11		85,488		41,567
Total intangible assets			(181,625)		(233,104)
Tangible assets	12		3,036,978		2,906,980
Investments	13		15,000		15,000
			2,870,353		2,688,876
Current assets					
Stocks	16	5,220,687		5,139,567	
Debtors	17	7,736,118		6,903,661	
Cash at bank and in hand		74,106		5,422	
		13,030,911		12,048,650	
Creditors: amounts falling due within one year	18	(8,106,849)		(6,633,537)	
Net current assets			4,924,062		5,415,113
Total assets less current liabilities			7,794,415		8,103,989
Creditors: amounts falling due after more than one year	19		(12,398)		(24,796)
Provisions for liabilities	22		(3,764)		(3,496)
Net assets			7,778,253		8,075,697
Capital and reserves					
Called up share capital	24		3,384,539		3,384,539
Share premium account			1,336,218		1,336,218
Profit and loss reserves			3,057,496		3,354,940
Total equity			7,778,253		8,075,697

The financial statements were approved by the board of directors and authorised for issue on 21.1.2019 and are signed on its behalf by:

Mr G Parker
Director

Mr R Cohen
Director

MORELLI GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 31 MAY 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	11		85,488		41,567
Tangible assets	12		3,036,978		2,906,980
Investments	13		58,000		58,000
			3,180,466		3,006,547
Current assets					
Stocks	16	5,220,687		5,139,567	
Debtors	17	7,736,118		6,903,661	
Cash at bank and in hand		74,106		5,422	
		13,030,911		12,048,650	
Creditors: amounts falling due within one year	18	(8,149,849)		(6,676,537)	
Net current assets			4,881,062		5,372,113
Total assets less current liabilities			8,061,528		8,378,660
Creditors: amounts falling due after more than one year	19		(12,398)		(24,796)
Provisions for liabilities	22		(3,764)		(3,496)
Net assets			8,045,366		8,350,368
Capital and reserves					
Called up share capital	24		3,384,539		3,384,539
Share premium account			1,336,218		1,336,218
Profit and loss reserves			3,324,609		3,629,611
Total equity			8,045,366		8,350,368

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £59,998 (2017 - £212,761 profit).

The financial statements were approved by the board of directors and authorised for issue on 21.11.2019 and are signed on its behalf by:

....
Mr G Parker
Director

....
Mr R Cohen
Director

Company Registration No. 02711932

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2018

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 June 2016		3,384,539	1,336,218	3,554,621	8,275,378
Period ended 31 May 2017:					
Profit and total comprehensive income for the year		-	-	220,319	220,319
Dividends	10	-	-	(420,000)	(420,000)
Balance at 31 May 2017		3,384,539	1,336,218	3,354,940	8,075,697
Period ended 31 May 2018:					
Profit and total comprehensive income for the year		-	-	67,556	67,556
Dividends	10	-	-	(365,000)	(365,000)
Balance at 31 May 2018		3,384,539	1,336,218	3,057,496	7,778,253

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2018

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 June 2016		3,384,539	1,336,218	3,836,850	8,557,607
Year ended 31 May 2017:					
Profit and total comprehensive income for the year		-	-	212,761	212,761
Dividends	10	-	-	(420,000)	(420,000)
Balance at 31 May 2017		3,384,539	1,336,218	3,629,611	8,350,368
Year ended 31 May 2018:					
Profit and total comprehensive income for the year		-	-	59,998	59,998
Dividends	10	-	-	(365,000)	(365,000)
Balance at 31 May 2018		3,384,539	1,336,218	3,324,609	8,045,366

MORELLI GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash generated from operations	**28**		138,515		1,486,747
Interest paid			(46,203)		(37,755)
Income taxes paid			(19,017)		(134,958)
Net cash inflow from operating activities			73,295		1,314,034
Investing activities					
Purchase of intangible assets		(77,036)		(63,673)	
Purchase of tangible fixed assets		(412,052)		(817,050)	
Proceeds on disposal of tangible fixed assets		20,763		63,505	
Net cash used in investing activities			(468,325)		(817,218)
Financing activities					
Payment of finance leases obligations		(12,398)		38,321	
Dividends paid to equity shareholders		(365,000)		(420,000)	
Net cash used in financing activities			(377,398)		(381,679)
Net (decrease)/increase in cash and cash equivalents			(772,428)		115,137
Cash and cash equivalents at beginning of year			(1,469,563)		(1,584,700)
Cash and cash equivalents at end of year			(2,241,991)		(1,469,563)
Relating to:					
Cash at bank and in hand			74,106		5,422
Bank overdrafts included in creditors payable within one year			(2,316,097)		(1,474,985)

MORELLI GROUP LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash generated from operations	**29**		138,515		1,486,747
Interest paid			(46,203)		(37,755)
Income taxes paid			(19,017)		(134,958)
Net cash inflow from operating activities			73,295		1,314,034
Investing activities					
Purchase of intangible assets		(77,036)		(63,673)	
Purchase of tangible fixed assets		(412,052)		(817,050)	
Proceeds on disposal of tangible fixed assets		20,763		63,505	
Net cash used in investing activities			(468,325)		(817,218)
Financing activities					
Payment of finance leases obligations		(12,398)		38,321	
Dividends paid to equity shareholders		(365,000)		(420,000)	
Net cash used in financing activities			(377,398)		(381,679)
Net (decrease)/increase in cash and cash equivalents			(772,428)		115,137
Cash and cash equivalents at beginning of year			(1,469,563)		(1,584,700)
Cash and cash equivalents at end of year			(2,241,991)		(1,469,563)
Relating to:					
Cash at bank and in hand			74,106		5,422
Bank overdrafts included in creditors payable within one year			(2,316,097)		(1,474,985)

1 Accounting policies

Company information

Morelli Group Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Unit 2, Baird Road, Enfield, Middlesex, EN1 1SJ.

The group consists of Morelli Group Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £59,998 (2017 - £212,761 profit).

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover represents amounts receivable for goods net of VAT and trade discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1 Accounting policies **(Continued)**

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development Costs	4 years

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.7 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Transaction costs are expensed to profit or loss as incurred. Changes in fair value are recognised in other comprehensive income except to the extent that a gain reverses a loss previously recognised in profit or loss, or a loss exceeds the accumulated gains recognised in equity; such gains and loss are recognised in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1 Accounting policies **(Continued)**

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Accounting policies **(Continued)**

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies **(Continued)**

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments
Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
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 Accounting policies **(Continued)**

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

The company 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.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.17 Foreign currencies

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 transaction. All differences are taken to the profit and loss account.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Depreciation and Amortisation

Depreciation and amortisation are provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, using industry standards.

Bad and doubtful debt provisions

Bad and doubtful debt provisions are only provided on specific debts that satisfy the following conditions; when there is a present obligation as a result of a past event, it is probable that a transfer of economic benefit will not arise and the amount of the obligation is known.

Dilapidation Provision

Dilapidation provisions are estimated on properties that have to be restored to a specified condition at the end of the lease.

Deferred Tax

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of the current and previous periods. Deferred tax shall be recognised in respect of timing differences at the reporting date.

Revaluations

Under the revaluation model, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2018	2017
	£	£
Turnover analysed by class of business		
Sale of goods	40,822,370	38,291,677

	2018	2017
	£	£
Turnover analysed by geographical market		
UK	40,234,915	36,844,677
Rest of Europe	587,455	1,447,000
	40,822,370	38,291,677

4 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	271,874	257,245
Loss on disposal of tangible fixed assets	(10,584)	(12,823)
Amortisation of intangible assets	25,557	41,205
Cost of stocks recognised as an expense	28,900,743	26,297,534
Operating lease charges	1,052,468	1,091,806

5 Auditor's remuneration

	2018	2017
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	47,000	47,000
For other services		
Other taxation services	16,750	16,750
All other non-audit services	6,250	6,250
	23,000	23,000

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Administrative	33	33	33	33
Sales	85	87	85	87
Stores, warehouse and drivers	92	93	92	93
	210	213	210	213

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Wages and salaries	6,074,514	6,239,388	6,074,514	6,239,388
Social security costs	685,986	676,596	685,986	676,596
Pension costs	273,297	242,521	273,297	242,521
	7,033,797	7,158,505	7,033,797	7,158,505

7 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	1,230,419	1,296,692
Company pension contributions to defined contribution schemes	-	142,364
	1,230,419	1,439,056

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018	2017
	£	£

8 Interest payable and similar expenses

	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	46,203	37,755

9 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	45,131	65,378
Adjustments in respect of prior periods	(46,381)	(80,696)
Total current tax	(1,250)	(15,318)
Deferred tax		
Origination and reversal of timing differences	-	46,742
Total tax (credit)/charge for the year	(1,250)	31,424

On the 1 April 2017, the Corporate tax rate changed from 20% to 19%.

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	£	£
Profit before taxation	66,306	251,743
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	12,598	50,349
Tax effect of expenses that are not deductible in determining taxable profit	81,276	84,083
Adjustments in respect of prior years	(46,381)	(80,696)
Effect of change in corporation tax rate	-	(408)
Permanent capital allowances in excess of depreciation	(47,575)	(67,134)
Other non-reversing timing differences	268	46,742
Other Consolidation Adjustments	(1,436)	(1,512)
Taxation (credit)/charge for the year	(1,250)	31,424

10 Dividends

	2018	2017
	£	£
Interim paid	365,000	420,000

11 Intangible fixed assets

Group	Negative goodwill	Development Costs	Total
	£	£	£
Cost			
At 1 June 2017	(372,113)	99,216	(272,897)
Additions - separately acquired	-	77,036	77,036
Disposals	-	(43,793)	(43,793)
At 31 May 2018	(372,113)	132,459	(239,654)
Amortisation and impairment			
At 1 June 2017	(97,442)	57,649	(39,793)
Amortisation charged for the year	(7,558)	33,115	25,557
Disposals	-	(43,793)	(43,793)
At 31 May 2018	(105,000)	46,971	(58,029)
Carrying amount			
At 31 May 2018	(267,113)	85,488	(181,625)
At 31 May 2017	(274,671)	41,567	(233,104)

Company	Development Costs
	£
Cost	
At 1 June 2017	99,216
Additions - separately acquired	77,036
Disposals	(43,793)
At 31 May 2018	132,459
Amortisation and impairment	
At 1 June 2017	57,649
Amortisation charged for the year	33,115
Disposals	(43,793)
At 31 May 2018	46,971
Carrying amount	
At 31 May 2018	85,488
At 31 May 2017	41,567

12 Tangible fixed assets

Group	Land and buildings freehold	Land and buildings long leasehold	Land and buildings short leasehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 June 2017	1,010,283	1,600,765	613,703	974,058	352,292	4,551,101
Additions	15,447	240,113	26,000	84,555	45,937	412,052
Disposals	-	-	-	(120,310)	(40,716)	(161,026)
At 31 May 2018	1,025,730	1,840,878	639,703	938,303	357,513	4,802,127
Depreciation and impairment						
At 1 June 2017	114,115	235,032	359,815	797,692	137,468	1,644,122
Depreciation charged in the year	13,590	28,041	26,262	114,602	89,379	271,874
Eliminated in respect of disposals	-	-	-	(120,310)	(30,537)	(150,847)
At 31 May 2018	127,705	263,073	386,077	791,984	196,310	1,765,149
Carrying amount						
At 31 May 2018	898,025	1,577,805	253,626	146,319	161,203	3,036,978
At 31 May 2017	896,168	1,365,733	253,888	176,367	214,824	2,906,980

12 Tangible fixed assets **(Continued)**

Company	Land and buildings freehold	Land and buildings long leasehold	Land and buildings short leasehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 June 2017	1,010,283	1,600,765	613,703	974,058	352,292	4,551,101
Additions	15,447	240,113	26,000	84,555	45,937	412,052
Disposals	-	-	-	(120,310)	(40,716)	(161,026)
At 31 May 2018	1,025,730	1,840,878	639,703	938,303	357,513	4,802,127
Depreciation and impairment						
At 1 June 2017	114,115	235,032	359,815	797,692	137,468	1,644,122
Depreciation charged in the year	13,590	28,041	26,262	114,602	89,379	271,874
Eliminated in respect of disposals	-	-	-	(120,310)	(30,537)	(150,847)
At 31 May 2018	127,705	263,073	386,077	791,984	196,310	1,765,149
Carrying amount						
At 31 May 2018	898,025	1,577,805	253,626	146,319	161,203	3,036,978
At 31 May 2017	896,168	1,365,733	253,888	176,367	214,824	2,906,980

12 Tangible fixed assets **(Continued)**

The net book value of other tangible fixed assets includes £31,795 (2016 - £Nil) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £10,644 (2016 - £Nil) for the year.

13 Fixed asset investments

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Investments in subsidiaries	14	-	-	43,000	43,000
Unlisted investments		15,000	15,000	15,000	15,000
		15,000	15,000	58,000	58,000

Movements in fixed asset investments
Group

	Investments other than loans
	£
Cost or valuation	
At 1 June 2017 and 31 May 2018	15,000
Carrying amount	
At 31 May 2018	15,000
At 31 May 2017	15,000

Movements in fixed asset investments
Company

	Shares in group undertakings	Other investments other than loans	Total
	£	£	£
Cost or valuation			
At 1 June 2017 and 31 May 2018	43,000	15,000	58,000
Carrying amount			
At 31 May 2018	43,000	15,000	58,000
At 31 May 2017	43,000	15,000	58,000

14 Subsidiaries

Details of the company's subsidiaries at 31 May 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Alenco Properties Limited	England & Wales	Dormant	Ordinary	100.00
Morelli and Co. (London) Limited	England & Wales	Dormant	Ordinary	100.00

15 Financial instruments

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	5,489,177	5,239,268	5,489,177	5,239,268
Equity instruments measured at cost less impairment	15,000	15,000	15,000	15,000
Carrying amount of financial liabilities				
Measured at amortised cost	7,413,787	5,618,619	7,456,787	5,661,619

16 Stocks

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Finished goods and goods for resale	5,220,687	5,139,567	5,220,687	5,139,567

17 Debtors

	Group 2018	2017	Company 2018	2017
Amounts falling due within one year:	£	£	£	£
Trade debtors	5,485,844	5,235,423	5,485,844	5,235,423
Other debtors	3,333	3,845	3,333	3,845
Prepayments and accrued income	2,246,941	1,664,393	2,246,941	1,664,393
	7,736,118	6,903,661	7,736,118	6,903,661

18 Creditors: amounts falling due within one year

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Bank loans and overdrafts	20	2,316,097	1,474,985	2,316,097	1,474,985
Obligations under finance leases	21	13,525	13,525	13,525	13,525
Trade creditors		4,492,797	3,161,869	4,492,797	3,161,869
Amounts due to group undertakings		-	-	43,000	43,000
Corporation tax payable		44,863	65,398	44,863	65,398
Other taxation and social security		660,597	974,316	660,597	974,316
Other creditors		441,218	749,991	441,218	749,991
Accruals and deferred income		137,752	193,453	137,752	193,453
		8,106,849	6,633,537	8,149,849	6,676,537

19 Creditors: amounts falling due after more than one year

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Obligations under finance leases	21	12,398	24,796	12,398	24,796

20 Loans and overdrafts

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank overdrafts	2,316,097	1,474,985	2,316,097	1,474,985
Payable within one year	2,316,097	1,474,985	2,316,097	1,474,985

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

21 Finance lease obligations

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Future minimum lease payments due under finance leases:				
Within one year	13,525	13,525	13,525	13,525
In two to five years	12,398	24,796	12,398	24,796
	25,923	38,321	25,923	38,321

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2018 £	Liabilities 2017 £
Decelerated capital allowances	3,764	3,496

Company	Liabilities 2018 £	Liabilities 2017 £
Decelerated capital allowances	3,764	3,496

Movements in the year:	Group 2018 £	Company 2018 £
Liability at 1 June 2017	3,496	3,496
Charge to profit or loss	268	268
Liability at 31 May 2018	3,764	3,764

The deferred tax liability set out above arises due to the assets within the group being depreciated at a slower rate than when tax relief is given.

23 Retirement benefit schemes

Defined contribution schemes	2018 £	2017 £
Charge to profit and loss in respect of defined contribution schemes	273,297	242,521

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

24 Share capital

	Group and company	
	2018	2017
Ordinary share capital	£	£
Issued 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
600 D Ordinary shares of £1 each	600	600
	3,384,539	3,384,539

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.

25 Financial commitments, guarantees and contingent liabilities

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, which is reviewed annually. 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.

26 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for certain properties and vehicles. Leases are negotiated for terms that vary significantly, and are generally fixed for a number of years.

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Within one year	697,159	768,199	697,159	768,199
Between two and five years	1,185,577	1,150,094	1,185,577	1,150,094
In over five years	896,336	896,336	896,336	896,336
	2,779,072	2,814,629	2,779,072	2,814,629

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	1,027,947	1,039,944

The company has taken advantage of the exemption available in FRS 102 "Related Party disclosures" Section 33.1 A whereby it has not disclosed transactions with any wholly owned subsidiary undertaking.

At 31 May 2018, a balance of £89,578 (2017: £136,490) was owed to directors of the Company.

In the year to 31 May 2018 fixed assets were sold to Directors and family members for £14,963 (2017: £63,005). The net book values of the assets totalled £8,890 (2017: £50,682).

At 31 May 2018, a balance was owed by/(to) a company controlled by the spouse of a director of £36,475 (2017: £35,375). During the year, sales of £214,068 (2017: £151,831) were made to the same company.

28 Cash generated from group operations

	2018	2017
	£	£
Profit for the year after tax	67,556	220,319
Adjustments for:		
Taxation (credited)/charged	(1,250)	31,424
Finance costs	46,203	37,755
Gain on disposal of tangible fixed assets	(10,584)	(12,823)
Amortisation and impairment of intangible assets	25,557	41,205
Depreciation and impairment of tangible fixed assets	271,874	257,245
Movements in working capital:		
(Increase)/decrease in stocks	(81,120)	554,640
(Increase)/decrease in debtors	(832,456)	279,471
Increase in creditors	652,735	77,511
Cash generated from operations	138,515	1,486,747

28 Cash generated from operations - company

	2018	2017
	£	£
Profit for the year after tax	59,998	212,761
Adjustments for:		
Taxation (credited)/charged	(1,250)	31,424
Finance costs	46,203	37,755
Gain on disposal of tangible fixed assets	(10,584)	(12,823)
Amortisation and impairment of intangible assets	33,115	48,763
Depreciation and impairment of tangible fixed assets	271,874	257,245
Movements in working capital:		
(Increase)/decrease in stocks	(81,120)	554,640
(Increase)/decrease in debtors	(832,456)	279,471
Increase in creditors	652,735	77,511
Cash generated from operations	138,515	1,486,747