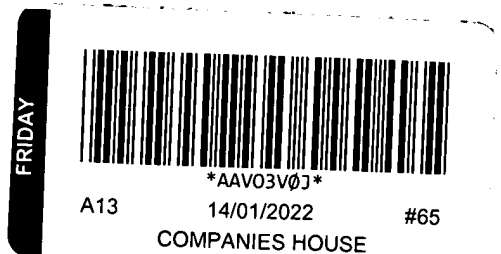


Registered No. 01499761

MELFORD COMMERCIAL PROPERTIES LTD

Financial statements

For the 18-month period ended 31 October 2020



MELFORD COMMERCIAL PROPERTIES LTD

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MELFORD COMMERCIAL PROPERTIES LTD

Company Information

Directors

Patrick Stirling-Howe
Wilfred Walsh

Registered office

Nestware House
Purfleet Bypass
Purfleet
Essex
RM19 1TT

Independent Auditor

Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House,
St Katharine's Way,
London,
E1W 1DD

MELFORD COMMERCIAL PROPERTIES LTD

Report of the Directors For the 18-month period ended 31 October 2020

The Directors present their report and the audited financial statements of Melford Commercial Properties Ltd (the "Company") for the 18-month period ended 31 October 2020.

A separate Strategic Report has not been prepared as the Company is entitled to the small companies' exemption under Part 15 of section 414B of the Companies Act 2006.

These financial statements have been prepared under Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101) which is discussed in further detail in Note 2 of the financial statements.

Results and dividends

The Directors are satisfied with the results for the year. The profit before taxation amounted to £498,000 (2019: loss of £284,000) and is set out on page 9 of the financial statements. The results reflect rental profits offset by investment property impairment (see note 5). The net assets of the Company were £1,118k (2019: £2,143k). The Directors recommended and paid an interim dividend of £2.5m on 30 October 2020 (2019: £nil). It was recommended that there would be no final dividend.

Future developments

On 30 October 2020 the Company sold its investment properties to Nestware Properties Limited, a related party (see note 10). Following the period end, the company became dormant.

Going concern

During the period the Company met its day-to-day working capital requirements through rental income received from its parent company, Carpetright Limited. On 30 October 2020 the Company sold its investment properties to Nestware Properties Limited – a related party and the company will become dormant after the end of the period. As a result of this, these financial statements have been prepared on a basis other than going concern.

MELFORD COMMERCIAL PROPERTIES LTD

Report of the Directors (continued)

For the 18-month period ended 31 October 2020

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Carpétright Limited, the company's immediate parent undertaking, and are not managed separately.

The principal risks and uncertainties of Carpétright Limited, which include those of the Company are detailed in the financial statements of that entity. The key risks faced by the Company can be summarised as:

- i) **Economic uncertainty** – This represents consumer confidence and the general movement in the housing market. An adverse movement would adversely impact the parent entity profitability and long-term growth.
- ii) **Financial risks and liquidity** – the Company is dependent on the solvency and liquidity of the Parent Company. The Parent Company manages these risks by having access to Group facilities and active management of the cashflows and financial position.
- iii) **Competition** – the Parent Company and subsidiaries compete with a wide variety of retailers across multiple channels and price points. This is mitigated by continuous monitoring of customer services, product and advertising performance against competitor activity.
- iv) **Covid-19** The impact of the pandemic on the parent entity has a knock-on effect on the company. The parent company, as a result of government legislation, and as a non-essential retailer, was required to cease trading. The impact was mitigated by utilising new ways of working –to facilitate working from home or remotely and the use of government furlough grant.

Key performance indicators

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Directors

The following Directors served during the period and up to the date of signing the financial statements:

- Patrick Stirling-Howe (appointed on 1 June 2020)
- Wilfred Walsh (appointed on 15 September 2020)
- Jeremy Sampson (resigned on 15 September 2020)
- Jeremy Simpson (resigned on 1 June 2020)

MELFORD COMMERCIAL PROPERTIES LTD

Report of the Directors (continued) For the 18-month period ended 31 October 2020

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework". 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 profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

MELFORD COMMERCIAL PROPERTIES LTD

**Report of the Directors (continued)
For the 18-month period ended 31 October 2020**

Independent auditors

Mazars LLP were appointed the Company's Auditors in May 2020, for the 18-month period ended 31 October 2020.

Small company exemption

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of The Companies Act 2006.

This report was approved by the Board on 13 January 2022 and signed on its behalf by:

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Patrick Stirling-Howe
Director

MELFORD COMMERCIAL PROPERTIES LTD

Independent auditors' report to the members of Melford Commercial Properties Ltd

Opinion

We have audited the financial statements of Melford Commercial Properties Ltd (the 'company') for the 18month period ended 31 October 2020 which comprise the income statement, balance sheet, statement of changes in equity 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 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2020 and of its profit for the period 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.

Emphasis of matter – basis of preparation

We draw attention to the going concern note on page 12 of the financial statements which explains that the company became dormant following the end of the period. The directors do not consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described on page 12. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

MELFORD COMMERCIAL PROPERTIES LTD

Independent auditors' report to the members of Melford Commercial Properties Ltd (continued)

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 the audit:

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 4 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 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 company or to cease operations, or have no realistic alternative but to do so.

MELFORD COMMERCIAL PROPERTIES LTD

Independent auditors' report to the members of Melford Commercial Properties Ltd (continued)

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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.



Richard Karmel (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: 13 January 2022

MELFORD COMMERCIAL PROPERTIES LTD

Income Statement for the 18-month period ended 31 October 2020

	Note	18-month period ended 31 October 2020 £'000	Year ended 30 April 2019 £'000
Turnover	4	<u>923</u>	<u>841</u>
Gross profit		923	841
Administrative expenses		(141)	(138)
Impairment of investment property	5	<u>(1,237)</u>	<u>(912)</u>
Operating loss	5	(455)	(209)
Interest payable and similar charges	8	(111)	(75)
Gain on fixed asset investment disposal	6	<u>1,064</u>	<u>-</u>
Profit /(Loss) before taxation		<u>498</u>	<u>(284)</u>
Tax on profit	9	<u>977</u>	<u>(155)</u>
Profit /(Loss) for the financial period		<u><u>1,475</u></u>	<u><u>(439)</u></u>

The above profit/(loss) relate to the discontinued operations of the company

There is no other comprehensive income or expense other than that included in the profit above for the current and prior years, and therefore no separate statement of comprehensive income has been prepared.

The notes on pages 12 to 25 are an integral part of these financial statements.

MELFORD COMMERCIAL PROPERTIES LTD

Balance Sheet

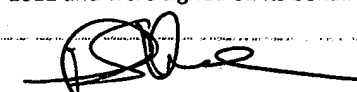
as at 31 October 2020

Registered No. 01499761

	Note	31 October 2020	30 April 2019
		£'000	£'000
FIXED ASSETS			
Investment property	10	-	5,431
Right of use asset	18	-	-
Investments	11	-	-
		<u>-</u>	<u>5,431</u>
CURRENT ASSETS			
Trade and other receivables	12	<u>1,118</u>	<u>6</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	13	-	(1,308)
Obligations under finance leases	14	-	(6)
		<u>-</u>	<u>(1,314)</u>
NET CURRENT LIABILITIES			
		<u>-</u>	<u>(1,308)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,118</u>	<u>4,123</u>
NON-CURRENT LIABILITIES			
Obligations under finance leases	14	-	(1,003)
Deferred tax	15	-	(977)
NET ASSETS			
		<u>-</u>	<u>2,143</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Retained earnings		<u>118</u>	<u>1,143</u>
Total shareholders' funds		<u>1,118</u>	<u>2,143</u>

The notes on pages 12 to 25 are an integral part of these financial statements.

The financial statements on pages 9 to 25 were authorised for issue by the Board of Directors on 13 January 2022 and were signed on its behalf by:



Patrick Stirling-Howe
Director

MELFORD COMMERCIAL PROPERTIES LTD

Statement of Changes in Equity **For the 18-month period ended 31 October 2020**

	Called up share capital £'000	Retained earnings £'000	Total Shareholders' funds £'000
Balance as at 1 May 2018	1,000	1,582	2,582
Loss for the financial year	-	(439)	(439)
Total comprehensive expense for the financial year	-	(439)	(439)
Balance as at 30 April 2019	1,000	1,143	2,143
Profit for the period	-	1,475	1,475
Total comprehensive income for the financial period	-	1,475	1,475
Dividend paid	-	(2,500)	(2,500)
Balance as at 31 October 2020	1,000	118	1,118

The notes on pages 12 to 25 are an integral part of these financial statements.

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements

For the 18-month period ended 31 October 2020

1. General information

The principal activity of Melford Commercial Properties Ltd in the period under review was that of a property investment company. Following the period end the company became dormant.

The Company is a private limited company and is registered and domiciled in England and Wales. The registered office of the Company is Nestware House, Purfleet Bypass, Purfleet, Essex, RM19 1TT.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Melford Commercial Properties Ltd have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are set out on page 17.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- Cash flow statement
- Related party transactions between ultimate parent and wholly owned subsidiaries
- Disclosures of new accounting standards and interpretations not yet effective

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as appropriate to companies using FRS 101.

Following the disposal of trade to a related party on 30 October 2020, all operations are now discontinued.

Going concern

During the period the Company met its day-to-day working capital requirements through rental income received from its parent company, Carpetright Limited. On 30 October 2020 the Company sold its investment properties to Nestware Properties Limited – a related party. Following the end of the period, the company became dormant. Accordingly, these financial statements have been prepared on a basis other than going concern.

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

2. Principal accounting policies (continued)

Related parties

As the Company is a wholly owned subsidiary of Carpetright Limited, it has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Company (or investees of the Company qualifying as related parties). The consolidated financial statements of Carpetright Limited, within which this Company is included, can be obtained from the address given in note 19.

Consolidation

The Company has taken advantage of the exemption under section 402 and the section 405 of the Companies Act 2006 from the requirements to prepare consolidated financial statements. The Companies subsidiary undertakings are dormant and therefore not material for the purposes of giving a true and fair view of the Group's financial statements.

Revenue and revenue recognition

Revenue consists of rental income receivable and is recognised on an accruals basis as the rental periods fall due.

Investments

Investments held as fixed assets are shown at cost less provision for impairment.

New accounting standard adopted in the period

The company adopted IFRS 16 'Leases' on the 1 May 2019. The accounting policy is discussed on pages 15 to 16 and note 18.

There were no other standards effective in the period which has a material impact on the company.

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

2. Principal accounting policies (continued)

Investment property

Investment property is shown at historical cost less accumulated depreciation and any provisions for impairment in value.

Depreciation is provided to write down the cost, on a straight-line basis, to their estimated residual values over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives and residual value of assets are reviewed annually.

The estimated useful lives, by asset category, that are generally applicable are:

Investment property - 50 years

Impairment

Assets that are subject to amortisation are tested at least annually for impairment or when there is an indication of impairment. If there is an indication of impairment, the recoverable amount of the asset is estimated. The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash-generating unit.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of impairment at each reporting date.

Current and deferred income tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. 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 at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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 laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset to offset the current tax assets against the current tax liabilities and it is the intention to settle these on a net basis.

Tax is charged or credited to other comprehensive income if it relates to items that are credited or charged to equity; otherwise, it is recognised in the income statement.

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

2. Principal accounting policies (continued)

Leased asset - IAS 17

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised and the cost established as a future liability to be discharged over the lease period. As lease rentals become due, the implicit finance charge is charged to the profit and loss account and the capital payment offset against the future liability.

In the prior year, before the adoption of IFRS 16 "leases" rentals received under operating leases were expensed against income in the profit and loss account in the period in which they were incurred. Benefits received and receivable as an incentive to sign an operating lease were similarly spread on a straight-line basis over the lease term.

IFRS 16 Leases and right-of-use assets

The company adopted the new leasing standard, IFRS 16 'Leases' on the 1 May 2019, using the modified retrospective approach, option 2. The company recognises a right-of-use asset and corresponding liability at the date at which a leased asset is made available for use by the company. The company has not taken the exemption available, on transition, relating to small value leases or leases with terms less than 12 months. Lease liabilities are measured at the present value of the future lease payments, excluding any payments relating to non-lease components. Future lease payments include fixed payments, in-substance fixed payments, and variable lease payments that are based on an index or a rate, less any lease incentives receivable. Lease liabilities also consider amounts payable under residual value guarantees and payments to exercise options to the extent that it is reasonably certain that such payments will be made. The payments are discounted at the rate implicit in the lease or, where that cannot be readily determined, at an incremental borrowing rate.

Right-of-use assets are measured initially at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease. The company presents right-of-use assets separately in the balance sheet.

After initial recognition, the lease liability is reduced for payments made and increased to reflect interest on the lease liability (using the effective interest method).

The related right-of-use asset is depreciated over the term of the lease or, if shorter, the useful economic life of the leased asset. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

2. Principal accounting policies (continued)

IFRS 16 Leases and right-of-use asset continued

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The company has taken advantage of the transition exemption on leases that were previously classified as Finance leases. The exemption allows for the initial right-of-use asset and Lease Liability to be equal to finance lease asset and finance lease liability at the date of transition.

Leases for which the company is a lessor are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee and classified as an operating lease if it does not.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the company's net investment in the lease.

Trade receivables and payables

The company has no financial instruments, or derivatives except for Trade receivables and payables.

Trade receivables and payables are initially recognised at fair value and subsequently adjusted to the amount receivable or payable. Receivables are stated net of provision for impairment.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders.

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

2. Principal accounting policies (continued)

Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Useful economic lives of investment property

The annual depreciation charge for investment property is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(b) Impairment of investment property

Investment property is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or cash-generating unit is determined based on the higher of fair value, less costs to sell, and value in use calculations prepared based on management's assumptions and estimates. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash-generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates.

3. Directors and employees

The Company has no employees (2019: none). The Directors did not receive any remuneration for their services to the Company (2019: none).

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

4. Turnover

The Company operates solely in the UK and derives all its income from property rental to Carpetright Limited, the Parent Company.

5. Operating loss

	18-month period ended	Year ended
	31 Oct	30 April
	2020	2019
	£'000	£'000
Operating loss is stated after:		
Depreciation of investment property	13	138
Depreciation of right of use asset	118	-
Investment property impairment	1,237	912
Audit fee	10	-
Rental income	(923)	(841)

A net impairment charge of £1,237k (2019: £912K) has been recognised in relation to investment property following updated external valuations being indicative of impairment.

The audit fee for 2019 was borne by the Parent Company, Carpetright Limited.

6. Gain on fixed asset investment disposal

Following the sale of the company's investment properties to Nestware Properties Limited, a fellow group company, the associated lease liabilities for the long leasehold properties was released and resulted in a gain of £1,064K.

7. Dividends

	18-month period ended	Year ended
	31 October	30 April
	2020	2019
	£'000	£'000
An interim dividend of £2.50 per share (2019: Nil) was proposed and paid during the year.	2,500	-
It was recommended that no final dividend be paid (2019:	-	-
	<u>2,500</u>	<u>-</u>

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued)
For the 18-month period ended 31 October 2020

8. Interest payable and similar charges

	18-month period ended 31 October 2020 £'000	Year ended 30 April 2019 £'000
Interest on obligations under finance lease	-	75
Interest on IFRS 16 lease Liability	111	-
	111	75

9. Tax

(a) Analysis of credit/(charge) in the year

	18-month period ended 31 October 2020 £'000	Year ended 30 April 2019 £'000
Current tax charge		-
Deferred tax (charge)/credit	977	(155)
Tax on profit	977	(155)

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	18-month period ended 31 October £'000	Year ended 30 April 2019 £'000
Profit/(loss) before tax	498	(284)
Profit before taxation multiplied by the standard rate of corporation tax of 19% (2019: 19%)	(89)	(54)
Effects of:		
Depreciation in excess of capital allowances	(25)	26
Disallowed expenses	(235)	-
Group relief	349	(145)
Deferred tax release	977	-
Deferred tax rate change	-	18
Total tax credit/(charge) for the period	977	(155)

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

10. Investment property

	Freehold land and Buildings	Long Leasehold Buildings	Total
Cost	£'000	£'000	£'000
At 1 May 2019	3,390	6,760	10,150
Additions	-	-	-
Disposals	(2,900)	-	(2,900)
Transfer to fellow subsidiary	(490)	(6,760)	(7,250)
At 31 October 2020	-	-	-
Accumulated depreciation			
At 1 May 2019	1,092	3,627	4,719
Charge in period	12	119	131
Disposals	(999)	-	(999)
Impairment	25	1,212	1,237
Transfer to fellow subsidiary	(130)	(4,958)	(5,088)
At 31 October 2020	-	-	-
Net book value at 31 October 2020	-	-	-
Net book value at 30 April 2019	2,297	3,134	5,431

Investment property is carried at depreciated historical cost and reviewed for impairment at each balance sheet date or when there is an indication of impairment. In accordance with IAS 36 the assets are impaired to the recoverable amount. The recoverable amount is the higher of fair value less costs to sell or the value in use. Value in use is calculated using a 5-year income forecast and a terminal value. A formal valuation of the investment properties was undertaken in August 2020 by a third-party valuer and this resulted in an impairment charge of £1,237,000.

The long leasehold buildings are subject to long lease that was previously recognised as a finance lease. As leases fall within the scope of IFRS 16 the company has adopted IFRS 16 and availed itself of the transition exemption and recognised the right of use asset to be equal to the finance lease asset as at the date of transition. See note 18.

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

11. Investments

Cost and net book value	Total £'000
At 1 May 2019 and 31 October 2020	-

The company in which the Company's interest at the period end is as follows:

Subsidiary undertaking	Registered office	Country of Incorporation	Principal activity	Direct Percentage of ordinary shares held
Carpetworld Manchester Ltd	Nestware House Purfleet Bypass, Purfleet, Essex	England & Wales	Dormant	100%

The Company had another subsidiary – Carpetworld Limited, which was dissolved on 29 September 2020. This company had never traded.

12. Trade and other receivables

	18-month period ended 31 October 2020 £'000	Year ended 30 April 2019 £'000
Amounts owed by Parent Company	1,118	-
Prepayments and accrued income	-	6

The amounts owed by the Parent Company are unsecured, interest free and are repayable on demand.

13. Creditors: amounts falling due within one year

	18-month period ended 31 October £'000	Year ended 30 April 2019 £'000
Amounts owed to the Parent Company	-	1,237
Accruals and deferred income	-	71
	-	1,308

The amounts owed to the Parent Company are unsecured, interest free and are repayable on demand.

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

14. Obligations under finance leases

	31 October 2020 £'000	30 April 2019 £'000	31 October 2020 £'000	30 April 2019 £'000
Amounts payable within one year	-	80	-	5
Amounts payable between one and five years	-	320	-	31
Amounts payable after five years	-	2,971	-	972
	-	3,371	-	1,009
Less: future finance charges	-	(2,362)	-	-
Present value obligations under finance leases	-	1,009	-	-
Current	-	6	-	-
Non-current	-	1,003	-	-

There is no finance lease liability at the period end. The company adopted IFRS 16 "Leases" and using the transition reliefs available within IFRS 16 all finance leases converted into lease liability – please see note 18.

In the prior year end -30 April 2019 - the average lease term remaining was: 42.5 years. The minimum lease payments were discounted at the rate inherent in the leases. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

15. Deferred tax

	18-month period ended 31 October 2020 £'000	Year ended 30 April 2019 £'000
(a) Deferred tax comprises:		
Timing differences	-	977
(b) Movement in the provision in the period:		
At 1 May 2019		977
Credited to the Income Statement		(977)
At 31 October 2020		-

The deferred tax relates to tax on capital gains that had been deferred. Following the sale of the properties to a fellow Subsidiary - Nestware Properties Limited – the deferred tax has been released.

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

16. Called up share capital

	31 October 2020 £'000	30 April 2019 £'000
Allotted and fully paid:		
1,000,000 (2019: 1,000,000) ordinary shares of £1 each	1,000	1,000

17. Operating leases income

All leases now fall within the scope of IFRS 16, unless exempted. The company has no operating lease charges in the period, as it has not taken the low value and the short-term exemption in IFRS 16.

18. Leases - IFRS 16

The Company adopted IFRS 16 'Leases' on the 1 May 2019, the first day of the current financial year. IFRS 16 replaces IAS 17.

The Company transitioned to IFRS 16 using the modified retrospective approach and as such has not restated prior years. The key assumptions adopted on the adoption of IFRS 16:

- Apply the standard to leases previously identified in accordance with IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease.
- calculate a lease liability as at 1 May 2019 based on the remaining lease payments payable after that date. calculate the lease term according to management's appetite for exercising any available extension/break/purchase options.
- discount the remaining gross lease payments using the applicable interest rate, which will generally be the incremental borrowing rate, as at 1 May 2019 applicable to each relevant business unit, asset type, currency of the arrangement and weighted average length of the lease term starting on the commencement date. recognise right-of-use assets as at 28 April 2019 at an amount equal to the lease liability, less any onerous provisions, prepayments and accruals.

The Company has not taken the exemption to exclude leases for assets whose value is less than £5,000, as permitted by the standard.

The company has adopted the transition exemption on finance leases. This allows for the initial right-of-use asset and Lease Liability to be equal to finance lease asset and finance lease liability at the date of transition.

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

18. Leases - IFRS 16 (continued)

Right-of-use asset

	Property £'000	Total £'000
Cost:		
At 1 May 2019 (transition)	3,134	3,134
Disposals – transferred to group undertakings	(3,134)	(3,134)
At 31 October 2020	-	-
Depreciation and amortisation:		
At 1 May 2019 (transition)	-	-
Charged in period	118	118
Disposals depreciation	(118)	(118)
At 31 October 2020	-	-

Lease liabilities presented in the balance sheet is as follows:

The company has no lease liability at the period end.

The table below shows the impact of IFRS 16 on the income statement:

	18-month period ended 31 October 2020	Year end 30 April 2019
	£'000	£'000
Interest (included within finance costs) on lease liability	111	-
Depreciation and amortisation on right-of-use asset	118	-
Total impact on income statement	229	-

Key assumptions relating to lease liability:

- The discount rate – a discount rate has been applied on a portfolio basis, thus assets with similar characteristic – nature and lease terms.
- Lease term - the Company has applied judgment to determine the lease term for those lease contracts that include a renewal or break option. The assessment of whether Carpetright is reasonably certain to exercise a renewal option or reasonably certain not to exercise a break option significantly impacts the value of lease liabilities and right-of-use assets recognised on the balance sheet. Extension options and break clauses are included in several Carpetright's leases.

These are used to maximise flexibility in terms of managing the assets used in Carpetright's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not utilise a break clause. Extension options (or periods after break clauses) are only included in the lease term if the lease is reasonably certain to be extended (or break clause not utilised).

MELFORD COMMERCIAL PROPERTIES LTD

Notes to the financial statements (continued) For the 18-month period ended 31 October 2020

18. Leases -IFRS 16 (continued)

The weighted average incremental borrowing rate was 7.4% and at the date of transition. The lease liability at the date of transition, 28 April 2019, £1.0m.

At transition the company only had finance leases that were within the scope of IFRS 16. The company availed itself of the exemption to recognise initial right-of-use asset and Lease Liability to be equal to finance lease asset and finance lease liability at the date of transition. There were no other differences.

19. Ultimate and immediate Controlling Party

At the reporting date the Company is a wholly owned subsidiary undertaking of Carpetright Limited, a company registered in England and Wales.

The ultimate controlling party is the Trustee of the Nineveh Trust, a Trust incorporated and registered and in Bermuda.

The largest company in which the results of the Company will be consolidated in, is that headed by Meditor Holdings Limited. The smallest company in which the results of the company will be consolidated in is that of Carpetright Limited. The consolidated financial statements of Meditor Holdings Limited and Carpetright Limited are available to the public and may be obtained from the Company Secretary, Nestware House, Purfleet Bypass, Purfleet, Essex, RM19 1TT. .

20. Post balance sheet event

There are no material post balance sheet events.