

Company Registration No. 02711932 (England and Wales)

**MORELLI GROUP LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 2020**



## **MORELLI GROUP LIMITED**

### **COMPANY INFORMATION**

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**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**

CBW Audit Limited  
66 Prescott Street  
London  
E1 8NN

**Business address**

Unit 2  
Baird Road  
Enfield  
Middlesex  
EN1 1SJ

# **MORELLI GROUP LIMITED**

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# **MORELLI GROUP LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MAY 2020**

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The directors present the strategic report for the year ended 31 May 2020.

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

Covid-19 had a significant impact on the business especially in April and May 2020, at the height of the government restrictions, when many businesses were forced to shut and sales were heavily impacted. As a consequence of this, there have been many proactive actions taken since then in reducing the cost base, focusing on more secure and profitable market segments and restructuring the business. These revisions have placed the company in an encouraging position once the notion of normality returns to the sector and the wider economy.

Turnover for the year has decreased by approximately 18% to £35,424,071. The reduction in turnover is a direct consequence of the coronavirus pandemic and the associated government restrictions.

Gross profit has decreased in the year by £1,898k, and the gross profit margin has increased from 28.29% to 29.20% owing to targeted changes in the sales portfolio.

Net assets have decreased by £775k. A dividend of £100k 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 clearly affected by the general macroeconomic cycle, as well as the inherent issues of bad debt, unemployment, interest rate fluctuations and potential trade tariffs. In the short term, the industry is also impacted by the uncertainty provided by the variable economic recovery and practices attributed to the coronavirus.

##### **Competition**

Consolidation continues within the market which results in a decrease customer base and heightened competition.

##### **Technology**

The company has developed and sourced effective solutions and continues to investigate potential improvement to increase efficiencies and manage costs.

##### **Legal**

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

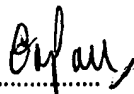
**MORELLI GROUP LIMITED**

**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2020**

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On behalf of the board



.....  
Mr G Parker

**Director**  
21 January 2021  
.....

## **MORELLI GROUP LIMITED**

### **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 MAY 2020**

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The directors present their annual report and financial statements for the year ended 31 May 2020.

#### **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 9.

The directors paid a dividend of £100,000 for the year ended 31 May 2020.

#### **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.

## **MORELLI GROUP LIMITED**

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

**FOR THE YEAR ENDED 31 MAY 2020**

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#### ***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 possible 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 sales and marketing programmes 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 CBW Audit Limited be reappointed as auditor of the group will be put at a General Meeting.

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

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.

## **MORELLI GROUP LIMITED**

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

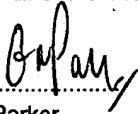
**FOR THE YEAR ENDED 31 MAY 2020**

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#### **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

21 January 2021

Date: .....



## **MORELLI GROUP LIMITED**

### **INDEPENDENT AUDITOR'S REPORT**

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

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#### **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 2020 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 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 2020 and of the group's loss 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 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.

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.

## **MORELLI GROUP LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MORELLI GROUP LIMITED**

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#### **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.

## **MORELLI GROUP LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MORELLI GROUP LIMITED**

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#### **Use of our 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.

**CBW Audit Ltd**

**Paul Woosey (Senior Statutory Auditor)  
for and on behalf of CBW Audit Limited**

12 February 2021  
.....

**Chartered Accountants  
Statutory Auditor**

# **MORELLI GROUP LIMITED**

## **GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2020**

	Notes	2020 £	2019 £
<b>Turnover</b>	<b>3</b>	35,424,071	43,230,704
Cost of sales		(25,092,557)	(31,000,580)
<b>Gross profit</b>		10,331,514	12,230,124
Administrative expenses		(11,841,722)	(11,963,611)
Other operating income		617,786	84,165
<b>Operating (loss)/profit</b>	<b>4</b>	(892,422)	350,678
Interest receivable and similar income	<b>8</b>	65,950	-
Interest payable and similar expenses	<b>9</b>	(47,859)	(48,963)
<b>(Loss)/profit before taxation</b>		(874,331)	301,715
Tax on (loss)/profit	<b>10</b>	130,675	(84,666)
<b>(Loss)/profit for the financial year</b>		<u>(743,656)</u>	<u>217,049</u>

(Loss)/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.

**MORELLI GROUP LIMITED****GROUP STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 MAY 2020**

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	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>(Loss)/profit for the year</b>	<b>(743,656)</b>	<b>217,049</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b><u>(743,656)</u></b>	<b><u>217,049</u></b>

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

# MORELLI GROUP LIMITED

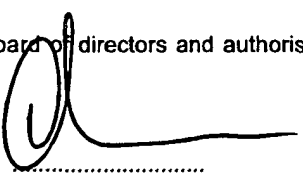
## GROUP BALANCE SHEET

AS AT 31 MAY 2020

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Negative goodwill	12	(251,997)		(259,555)	
Other intangible assets	12	37,955		71,853	
Total intangible assets		(214,042)		(187,702)	
Tangible assets	13	3,093,350		2,993,565	
Investments	14	15,000		15,000	
		2,894,308		2,820,863	
<b>Current assets</b>					
Stocks	16	4,214,437		4,734,975	
Debtors	17	3,696,289		7,583,010	
Cash at bank and in hand		212,353		185,107	
		8,123,079		12,503,092	
<b>Creditors: amounts falling due within one year</b>	18	(2,425,751)		(7,637,802)	
<b>Net current assets</b>		5,697,328		4,865,290	
<b>Total assets less current liabilities</b>		8,591,636		7,686,153	
<b>Creditors: amounts falling due after more than one year</b>	19	(1,762,272)		(12,255)	
<b>Provisions for liabilities</b>	22	(2,618)		(3,496)	
<b>Net assets</b>		6,826,746		7,670,402	
<b>Capital and reserves</b>					
Called up share capital	24	3,384,639		3,384,639	
Share premium account		1,336,218		1,336,218	
Profit and loss reserves		2,105,889		2,949,545	
<b>Total equity</b>		6,826,746		7,670,402	

The financial statements were approved by the board of directors and authorised for issue on 21 January 2021 and are signed on its behalf by:

  
Mr G Parker  
Director

  
Mr R Cohen  
Director

# MORELLI GROUP LIMITED

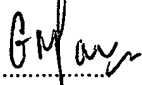
## COMPANY BALANCE SHEET

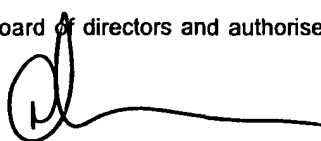
AS AT 31 MAY 2020

	Notes	2020		2019	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	12		37,955		71,853
Tangible assets	13		3,093,350		2,993,565
Investments	14		58,000		58,000
			<u>3,189,305</u>		<u>3,123,418</u>
<b>Current assets</b>					
Stocks	16	4,214,437		4,734,975	
Debtors	17	3,696,289		7,583,010	
Cash at bank and in hand		212,353		185,107	
		<u>8,123,079</u>		<u>12,503,092</u>	
<b>Creditors: amounts falling due within one year</b>	18	<u>(2,468,751)</u>		<u>(7,680,802)</u>	
<b>Net current assets</b>			<u>5,654,328</u>		<u>4,822,290</u>
<b>Total assets less current liabilities</b>			<u>8,843,633</u>		<u>7,945,708</u>
<b>Creditors: amounts falling due after more than one year</b>	19		(1,762,272)		(12,255)
<b>Provisions for liabilities</b>	22		(2,618)		(3,496)
<b>Net assets</b>			<u><u>7,078,743</u></u>		<u><u>7,929,957</u></u>
<b>Capital and reserves</b>					
Called up share capital	24	3,384,639		3,384,639	
Share premium account		1,336,218		1,336,218	
Profit and loss reserves		2,357,886		3,209,100	
<b>Total equity</b>			<u><u>7,078,743</u></u>		<u><u>7,929,957</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £751,214 (2019 - £209,491 profit).

The financial statements were approved by the board of directors and authorised for issue on 21 January 2021 and are signed on its behalf by:

  
 .....  
 Mr G Parker  
 Director

  
 .....  
 Mr R Cohen  
 Director

Company Registration No. 02711932

# MORELLI GROUP LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2020

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
<b>Balance at 1 June 2018</b>		3,384,539	1,336,218	3,057,496	7,778,253
<b>Year ended 31 May 2019:</b>					
Profit and total comprehensive income for the year		-	-	217,049	217,049
Issue of share capital	24	100	-	-	100
Dividends	11	-	-	(325,000)	(325,000)
<b>Balance at 31 May 2019</b>		3,384,639	1,336,218	2,949,545	7,670,402
<b>Year ended 31 May 2020:</b>					
Loss and total comprehensive income for the year		-	-	(743,656)	(743,656)
Dividends	11	-	-	(100,000)	(100,000)
<b>Balance at 31 May 2020</b>		3,384,639	1,336,218	2,105,889	6,826,746



# **MORELLI GROUP LIMITED**

## **COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2020**

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
<b>Balance at 1 June 2018</b>		3,384,539	1,336,218	3,324,609	8,045,366
<b>Year ended 31 May 2019:</b>					
Profit and total comprehensive income for the year		-	-	209,491	209,491
Issue of share capital	24	100	-	-	100
Dividends	11	-	-	(325,000)	(325,000)
<b>Balance at 31 May 2019</b>		3,384,639	1,336,218	3,209,100	7,929,957
<b>Year ended 31 May 2020:</b>					
Loss and total comprehensive income for the year		-	-	(751,214)	(751,214)
Dividends	11	-	-	(100,000)	(100,000)
<b>Balance at 31 May 2020</b>		3,384,639	1,336,218	2,357,886	7,078,743

# MORELLI GROUP LIMITED

## GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2020

	Notes	2020 £	£	2019 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	28	289,600		1,386,327	
Interest paid		(47,859)		(48,963)	
Income taxes paid		(129,797)		-	
<b>Net cash inflow from operating activities</b>		<b>111,944</b>		<b>1,337,364</b>	
<b>Investing activities</b>					
Purchase of intangible assets		(7,613)		(25,973)	
Purchase of tangible fixed assets		(370,023)		(218,574)	
Proceeds on disposal of tangible fixed assets		86,231		-	
Interest received		65,950		-	
<b>Net cash used in investing activities</b>		<b>(225,455)</b>		<b>(244,547)</b>	
<b>Financing activities</b>					
Proceeds from issue of shares		-		100	
Repayment of borrowings		1,804,939		-	
Payment of finance leases obligations		(29,929)		4,006	
Dividends paid to equity shareholders		(100,000)		(325,000)	
<b>Net cash generated from/(used in) financing activities</b>		<b>1,675,010</b>		<b>(320,894)</b>	
<b>Net increase in cash and cash equivalents</b>		<b>1,561,499</b>		<b>771,923</b>	
Cash and cash equivalents at beginning of year		(1,470,068)		(2,241,991)	
<b>Cash and cash equivalents at end of year</b>		<b>91,431</b>		<b>(1,470,068)</b>	
<b>Relating to:</b>					
Cash at bank and in hand		212,353		185,107	
Bank overdrafts included in creditors payable within one year		(120,922)		(1,655,175)	

# **MORELLI GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 2020**

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### **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.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £751,214 (2019 - £209,491 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.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

# **MORELLI GROUP LIMITED**

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

**FOR THE YEAR ENDED 31 MAY 2020**

### **1 Accounting policies**

**(Continued)**

#### **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.

Having given particular attention the recent emergence of Coronavirus, which has become a significant international event with the impact being felt in the UK and the rest of the world, the directors do not consider there to be any material uncertainties which may cause doubt on the company's ability to continue as a going concern.

#### **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.

#### **1.5 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 fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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.

# **MORELLI GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 MAY 2020**

### **1 Accounting policies**

**(Continued)**

#### **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.

#### **1.8 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 and cash equivalents 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.

# **MORELLI GROUP LIMITED**

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

**FOR THE YEAR ENDED 31 MAY 2020**

### **1 Accounting policies**

**(Continued)**

#### **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.

##### ***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.

# **MORELLI GROUP LIMITED**

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

**FOR THE YEAR ENDED 31 MAY 2020**

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### **1 Accounting policies**

**(Continued)**

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.

#### **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 through 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 transaction 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.

## **MORELLI GROUP LIMITED**

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

**FOR THE YEAR ENDED 31 MAY 2020**

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#### **1 Accounting policies**

**(Continued)**

##### ***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.

##### **1.14 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 profit or loss 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 profit or loss 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 leased asset are consumed.



# **MORELLI GROUP LIMITED**

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

**FOR THE YEAR ENDED 31 MAY 2020**

### **1 Accounting policies**

**(Continued)**

#### **1.17 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

#### **1.18 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.

#### **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.

# MORELLI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

### 3 Turnover and other revenue

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

	2020 £	2019 £
<b>Turnover analysed by class of business</b>		
Sale of goods	35,424,071	43,230,704

	2020 £	2019 £
<b>Other significant revenue</b>		
Interest income	65,950	-
Grants received	549,337	-

	2020 £	2019 £
<b>Turnover analysed by geographical market</b>		
UK	34,815,770	42,867,346
Rest of Europe	608,301	363,358
	35,424,071	43,230,704

### 4 Operating (loss)/profit

	2020 £	2019 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Government grants	(549,337)	-
Depreciation of owned tangible fixed assets	237,701	261,987
Profit on disposal of tangible fixed assets	(53,694)	-
Amortisation of intangible assets	33,953	32,050
Release of negative goodwill	(7,558)	(7,558)
Operating lease charges	1,100,400	981,955

### 5 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	49,500	47,000
<b>For other services</b>		
Other taxation services	-	16,750
All other non-audit services	500	6,250
	500	23,000

# MORELLI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

### 6 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Administrative	35	34	35	34
Sales	92	86	92	86
Stores, warehouse and drivers	91	93	91	93
Total	<u>218</u>	<u>213</u>	<u>218</u>	<u>213</u>

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	6,019,028	6,049,810	6,019,028	6,049,810
Social security costs	683,519	690,918	683,519	690,918
Pension costs	329,975	311,902	329,975	311,902
	<u>7,032,522</u>	<u>7,052,630</u>	<u>7,032,522</u>	<u>7,052,630</u>

### 7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	<u>1,013,598</u>	<u>1,067,680</u>

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

	2020 £	2019 £
Remuneration for qualifying services	<u>167,508</u>	<u>187,508</u>

### 8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Other interest income	<u>65,950</u>	<u>-</u>

# MORELLI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

### 9 Interest payable and similar expenses

	2020	2019
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	47,859	48,963

### 10 Taxation

	2020	2019
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	129,797
Adjustments in respect of prior periods	(129,797)	(45,131)
Total current tax	(129,797)	84,666
<b>Deferred tax</b>		
Origination and reversal of timing differences	(878)	-
Total tax (credit)/charge	(130,675)	84,666

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

	2020	2019
	£	£
(Loss)/profit before taxation	(874,331)	301,715
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(166,123)	57,326
Tax effect of expenses that are not deductible in determining taxable profit	83,416	113,250
Unutilised tax losses carried forward	138,863	-
Adjustments in respect of prior years	(129,797)	(45,131)
Permanent capital allowances in excess of depreciation	(56,156)	(40,779)
Deferred tax adjustments in respect of prior years	(878)	-
Taxation (credit)/charge	(130,675)	84,666

### 11 Dividends

	2020	2019
	£	£
Interim paid	100,000	325,000

# MORELLI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

### 12 Intangible fixed assets

Group	Negative goodwill £	Development Costs £	Total £
<b>Cost</b>			
At 1 June 2019	(372,113)	158,432	(213,681)
Additions	-	7,613	7,613
At 31 May 2020	(372,113)	166,045	(206,068)
<b>Amortisation and impairment</b>			
At 1 June 2019	(112,558)	86,579	(25,979)
Amortisation charged for the year	(7,558)	41,511	33,953
At 31 May 2020	(120,116)	128,090	7,974
<b>Carrying amount</b>			
At 31 May 2020	(251,997)	37,955	(214,042)
At 31 May 2019	(259,555)	71,853	(187,702)
<b>Company</b>		<b>Development Costs £</b>	
<b>Cost</b>			
At 1 June 2019		158,432	
Additions		7,613	
At 31 May 2020		166,045	
<b>Amortisation and impairment</b>			
At 1 June 2019		86,579	
Amortisation charged for the year		41,511	
At 31 May 2020		128,090	
<b>Carrying amount</b>			
At 31 May 2020		37,955	
At 31 May 2019		71,853	

**MORELLI GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2020**

**13 Tangible fixed assets**

<b>Group</b>	<b>Land and buildings freehold</b>	<b>Land and buildings long leasehold</b>	<b>Land and buildings short leasehold</b>	<b>Fixtures, fittings &amp; equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>						
At 1 June 2019	1,028,215	1,854,065	689,745	700,649	444,886	4,717,560
Additions	118,322	-	-	68,420	183,281	370,023
Disposals	-	-	-	(101,820)	(246,299)	(348,119)
At 31 May 2020	1,146,537	1,854,065	689,745	667,249	381,868	4,739,464
<b>Depreciation and impairment</b>						
At 1 June 2019	142,266	290,457	417,176	566,565	307,531	1,723,995
Depreciation charged in the year	16,928	27,384	31,098	66,824	95,467	237,701
Eliminated in respect of disposals	-	-	-	(101,820)	(213,762)	(315,582)
At 31 May 2020	159,194	317,841	448,274	531,569	189,236	1,646,114
<b>Carrying amount</b>						
At 31 May 2020	987,343	1,536,224	241,471	135,680	192,632	3,093,350
At 31 May 2019	885,949	1,563,608	272,569	134,084	137,355	2,993,565

**MORELLI GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2020**

**13 Tangible fixed assets**

**(Continued)**

Company	Land and buildings freehold	Land and buildings long leasehold	Land and buildings short leasehold	Fixtures, Motor vehicles fittings & equipment	Total	
	£	£	£	£	£	
<b>Cost</b>						
At 1 June 2019	1,028,215	1,854,065	689,745	700,649	444,886	4,717,560
Additions	118,322	-	-	68,420	183,281	370,023
Disposals	-	-	-	(101,820)	(246,299)	(348,119)
At 31 May 2020	1,146,537	1,854,065	689,745	667,249	381,868	4,739,464
<b>Depreciation and impairment</b>						
At 1 June 2019	142,266	290,457	417,176	566,565	307,531	1,723,995
Depreciation charged in the year	16,928	27,384	31,098	66,824	95,467	237,701
Eliminated in respect of disposals	-	-	-	(101,820)	(213,762)	(315,582)
At 31 May 2020	159,194	317,841	448,274	531,569	189,236	1,646,114
<b>Carrying amount</b>						
At 31 May 2020	987,343	1,536,224	241,471	135,680	192,632	3,093,350
At 31 May 2019	885,949	1,563,608	272,569	134,084	137,355	2,993,565

# MORELLI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

### 13 Tangible fixed assets

(Continued)

The net book value of other tangible fixed assets includes £nil (2019 - £10,644) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £10,644 (2019 - £10,644) for the year.

### 14 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	15	-	-	43,000	43,000
Unlisted investments		15,000	15,000	15,000	15,000
		<u>15,000</u>	<u>15,000</u>	<u>58,000</u>	<u>58,000</u>

#### Movements in fixed asset investments Group

Investments  
other than  
loans  
£

#### Cost or valuation

At 1 June 2019 and 31 May 2020

15,000

#### Carrying amount

At 31 May 2020

15,000

At 31 May 2019

15,000

#### Movements in fixed asset investments Company

Shares in  
group  
undertakings

Other  
investments  
other than  
loans

Total

£

£

£

#### Cost or valuation

At 1 June 2019 and 31 May 2020

43,000

15,000

58,000

#### Carrying amount

At 31 May 2020

43,000

15,000

58,000

At 31 May 2019

43,000

15,000

58,000



# MORELLI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

### 15 Subsidiaries

Details of the company's subsidiaries at 31 May 2020 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

### 16 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Finished goods and goods for resale	4,214,437	4,734,975	4,214,437	4,734,975

### 17 Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Amounts falling due within one year:				
Trade debtors	1,746,763	5,468,574	1,746,763	5,468,574
Corporation tax recoverable	129,797	-	129,797	-
Other debtors	2,976	45,223	2,976	45,223
Prepayments and accrued income	1,816,753	2,069,213	1,816,753	2,069,213
	3,696,289	7,583,010	3,696,289	7,583,010

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

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank loans and overdrafts	20	120,922	1,655,175	120,922	1,655,175
Obligations under finance leases	21	-	17,674	-	17,674
Other borrowings	20	42,667	-	42,667	-
Trade creditors		794,604	4,217,313	794,604	4,217,313
Amounts owed to group undertakings		-	-	43,000	43,000
Corporation tax payable		-	129,797	-	129,797
Other taxation and social security		1,040,114	920,821	1,040,114	920,821
Other creditors		355,964	477,990	355,964	477,990
Accruals and deferred income		71,480	219,032	71,480	219,032
		2,425,751	7,637,802	2,468,751	7,680,802

# MORELLI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

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

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Obligations under finance leases	21	-	12,255	-	12,255
Other borrowings	20	1,762,272	-	1,762,272	-
		<u>1,762,272</u>	<u>12,255</u>	<u>1,762,272</u>	<u>12,255</u>

### 20 Loans and overdrafts

	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank overdrafts	120,922	1,655,175	120,922	1,655,175
Other loans	1,804,939	-	1,804,939	-
	<u>1,925,861</u>	<u>1,655,175</u>	<u>1,925,861</u>	<u>1,655,175</u>
Payable within one year	163,589	1,655,175	163,589	1,655,175
Payable after one year	<u>1,762,272</u>	<u>-</u>	<u>1,762,272</u>	<u>-</u>

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

### 21 Finance lease obligations

	Group 2020 £	2019 £	Company 2020 £	2019 £
Future minimum lease payments due under finance leases:				
Within one year	-	17,674	-	17,674
In two to five years	-	12,255	-	12,255
	<u>-</u>	<u>29,929</u>	<u>-</u>	<u>29,929</u>

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.

# MORELLI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

### 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:

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
<b>Group</b>				
Decelerated capital allowances	18,183	3,496	-	-
Tax losses	-	-	15,565	-
	<u>18,183</u>	<u>3,496</u>	<u>15,565</u>	<u>-</u>

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
<b>Company</b>				
Decelerated capital allowances	18,183	3,496	-	-
Tax losses	-	-	15,565	-
	<u>18,183</u>	<u>3,496</u>	<u>15,565</u>	<u>-</u>

### 23 Retirement benefit schemes

	2020 £	2019 £
<b>Defined contribution schemes</b>		
Charge to profit and loss in respect of defined contribution schemes	<u>329,975</u>	<u>311,902</u>

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	
	2020 £	2019 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
2,141,448 A Ordinary shares of £1 each	2,141,448	2,141,448
5,000 B Ordinary shares of £1 each	5,000	5,000
1,237,491 C Ordinary shares of £1 each	1,237,491	1,237,491
700 D Ordinary shares of £1 each	700	700
	<u>3,384,639</u>	<u>3,384,639</u>

## MORELLI GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

#### 24 Share capital

(Continued)

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 2020 £	2019 £	Company 2020 £	2019 £
Within one year	673,654	689,777	673,654	689,777
Between two and five years	983,326	1,048,562	983,326	1,048,562
In over five years	603,225	770,549	603,225	770,549
	<u>2,260,205</u>	<u>2,508,888</u>	<u>2,260,205</u>	<u>2,508,888</u>

#### 27 Related party transactions

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 2020, a balance of £77,322 (2019: £104,050) was owed to directors of the Company.

At 31 May 2020, a balance was owed by two companies controlled by the spouse of a director of £37,189 and £23,325 (2019: £57,421) and (2019: £Nil). During the year, sales of £169,833 and £119,045 (2019: £272,931) and (2019: £Nil) were made to the same two companies.

# MORELLI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

### 28 Cash generated from group operations

	2020 £	2019 £
(Loss)/profit for the year after tax	(743,656)	217,049
<b>Adjustments for:</b>		
Taxation (credited)/charged	(130,675)	84,666
Finance costs	47,859	48,963
Investment income	(65,950)	-
Gain on disposal of tangible fixed assets	(53,694)	-
Amortisation and impairment of intangible assets	33,953	32,050
Depreciation and impairment of tangible fixed assets	237,701	261,987
<b>Movements in working capital:</b>		
Decrease in stocks	520,538	485,712
Decrease in debtors	4,016,518	153,108
(Decrease)/increase in creditors	(3,572,994)	102,792
<b>Cash generated from operations</b>	<b>289,600</b>	<b>1,386,327</b>

### 29 Analysis of changes in net debt - group

	1 June 2019 £	Cash flows £	31 May 2020 £
Cash at bank and in hand	185,107	27,246	212,353
Bank overdrafts	(1,655,175)	1,534,253	(120,922)
	(1,470,068)	1,561,499	91,431
Borrowings excluding overdrafts	-	(1,804,939)	(1,804,939)
Obligations under finance leases	(29,929)	29,929	-
	(1,499,997)	(213,511)	(1,713,508)