

Company registration number 02711932 (England and Wales)

MORELLI GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022



MORELLI GROUP LIMITED

COMPANY INFORMATION

Directors

Ms M Laybourn
Mr A Moring
Mr M Moring
Mr J Moring
Mr D Moring
Mr A 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 2022

The directors present the strategic report for the year ended 31 May 2022.

Fair review of the business

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

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

Whilst there were continued disruptions in supply, owing to Covid-19 and latterly the impact of the war in Ukraine, the business made positive progress attracting new customers. Previous measures to streamline costs have allowed for additional recruitment to service and maintain an increased revenue base. Investment has been made in infrastructure to provide greater efficiency and customer retention.

Turnover for the year has increased by approximately 26% to £43,804,065. A combination of new business wins and a general increase in sector performance bodes well for a positive outlook providing restrictions are not reinstated.

Gross profit has increased in the year by £3.5m, and the gross profit margin has increased from 29.75% to 31.58 % owing to targeted changes in the sales portfolio.

Net assets have increased by £503k.

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 people with the right skill sets at a reflective salary to the role could adversely affect our results exacerbated by a buoyant job market.

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 economic challenges and ramifications of the war in Ukraine.

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

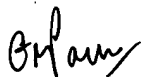
The company is subject to varying UK and EEC legal and compliance regulations. The company takes its responsibilities seriously and ensures that its policies, systems and procedures are continually updated and comply with the legal requirements in all the sectors in which we operate.

MORELLI GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

On behalf of the board



.....
Mr G Parker

Director

22/02/2023
.....

MORELLI GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2022

The directors present their annual report and financial statements for the year ended 31 May 2022.

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.

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £504,000. The directors do not recommend payment of a further dividend.

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	(Resigned 1 March 2022)
Ms M Laybourn	
Mr A Moring	
Mr M Moring	
Mr J Moring	
Mrs J Moring	(Resigned 1 March 2022)
Mrs P Moring	(Resigned 1 March 2022)
Mr D Moring	
Mr A Toms	
Mrs L Toms	(Resigned 1 March 2022)
Mr G Parker	
Mr S Moring	
Mr R Cohen	
Mrs R Moring-Beale	

Financial instruments

Treasury operations and financial instruments

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

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

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

Liquidity risk

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

Interest rate risk

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

MORELLI GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

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.

Statement of disclosure to auditor

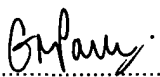
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

MORELLI GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

On behalf of the board



Mr G Parker
Director

Date: 25/02/2023

MORELLI GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MORELLI GROUP LIMITED

Opinion

We have audited the financial statements of Morelli Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2022 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 group and parent 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

MORELLI GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MORELLI GROUP LIMITED

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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 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 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 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

MORELLI GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MORELLI GROUP LIMITED

We ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations. The laws and regulations applicable to the company were identified through discussions with directors and other management, and from our commercial knowledge and experience of paint stockists and distributors of automotive refinishing and ancillary products. Of these laws and regulations, we focused on those that we considered may have a direct material effect on the financial statements or the operations of the company, including Companies Act 2006, taxation legislation, data protection, anti-bribery, anti-money-laundering, employment, environmental and health and safety legislation. The extent of compliance with these laws and regulations identified above was assessed through making enquiries of management and inspecting legal correspondence. The identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and
- understanding the design of the company's remuneration policies.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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

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 Limited

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

.....23/02/2023.....

Chartered Accountants
Statutory Auditor

66 Prescott Street
London
E1 8NN

MORELLI GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2022

	Notes	2022 £	2021 £
Turnover	3	43,804,065	34,701,924
Cost of sales		(29,971,367)	(24,375,361)
Gross profit		<u>13,832,698</u>	<u>10,326,563</u>
Administrative expenses		(12,627,924)	(10,979,523)
Other operating income		140,723	926,711
Operating profit	4	<u>1,345,497</u>	<u>273,751</u>
Interest payable and similar expenses	8	(46,972)	(67,354)
Profit before taxation		<u>1,298,525</u>	<u>206,397</u>
Tax on profit	9	(299,052)	(56,287)
Profit for the financial year		<u><u>999,473</u></u>	<u><u>150,110</u></u>

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 2022

	2022	2021
	£	£
Profit for the year	999,473	150,110
Other comprehensive income	-	-
Total comprehensive income for the year	<u>999,473</u>	<u>150,110</u>

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

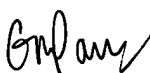
MORELLI GROUP LIMITED

GROUP BALANCE SHEET

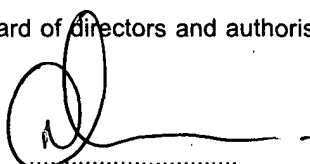
AS AT 31 MAY 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Negative goodwill	11	(236,881)		(244,439)	
Other intangible assets	11	20,006		33,058	
Total intangible assets		(216,875)		(211,381)	
Tangible assets	12	2,748,429		2,809,235	
Investments	13	15,000		15,000	
		2,546,554		2,612,854	
Current assets					
Stocks	15	5,295,549		3,804,669	
Debtors	16	7,411,520		5,947,552	
Cash at bank and in hand		677,050		1,100,950	
		13,384,119		10,853,171	
Creditors: amounts falling due within one year	17	(7,948,625)		(5,038,454)	
Net current assets		5,435,494		5,814,717	
Total assets less current liabilities		7,982,048		8,427,571	
Creditors: amounts falling due after more than one year	18	(494,559)		(1,435,555)	
Provisions for liabilities					
Deferred tax liability	20	15,160		15,160	
		(15,160)		(15,160)	
Net assets		7,472,329		6,976,856	
Capital and reserves					
Called up share capital	22	3,384,639		3,384,639	
Share premium account		1,336,218		1,336,218	
Profit and loss reserves		2,751,472		2,255,999	
Total equity		7,472,329		6,976,856	

The financial statements were approved by the board of directors and authorised for issue on 22/02/2023 and are signed on its behalf by:



Mr G Parker
Director



Mr R Cohen
Director

Company registration number 02711932 (England and Wales)

MORELLI GROUP LIMITED

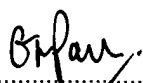
COMPANY BALANCE SHEET

AS AT 31 MAY 2022

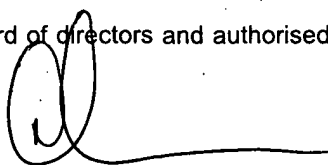
	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	11	20,006		33,058	
Tangible assets	12	2,748,429		2,809,235	
Investments	13	58,000		58,000	
		<u>2,826,435</u>		<u>2,900,293</u>	
Current assets					
Stocks	15	5,295,549		3,804,669	
Debtors	16	7,411,520		5,947,552	
Cash at bank and in hand		677,050		1,100,950	
		<u>13,384,119</u>		<u>10,853,171</u>	
Creditors: amounts falling due within one year	17	<u>(7,991,625)</u>		<u>(5,081,454)</u>	
Net current assets		<u>5,392,494</u>		<u>5,771,717</u>	
Total assets less current liabilities		<u>8,218,929</u>		<u>8,672,010</u>	
Creditors: amounts falling due after more than one year	18	(494,559)		(1,435,555)	
Provisions for liabilities					
Deferred tax liability	20	15,160		15,160	
		<u>(15,160)</u>		<u>(15,160)</u>	
Net assets		<u>7,709,210</u>		<u>7,221,295</u>	
Capital and reserves					
Called up share capital	22	3,384,639		3,384,639	
Share premium account		1,336,218		1,336,218	
Profit and loss reserves		2,988,353		2,500,438	
Total equity		<u>7,709,210</u>		<u>7,221,295</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 profit for the year was £991,915 (2021 - £142,552 profit).

The financial statements were approved by the board of directors and authorised for issue on 22/02/2023 and are signed on its behalf by:



Mr G Parker
Director



Mr R Cohen
Director

Company registration number 02711932 (England and Wales)

MORELLI GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2022

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 June 2020		3,384,639	1,336,218	2,105,889	6,826,746
Year ended 31 May 2021:					
Profit and total comprehensive income for the year		-	-	150,110	150,110
Balance at 31 May 2021		3,384,639	1,336,218	2,255,999	6,976,856
Year ended 31 May 2022:					
Profit and total comprehensive income for the year		-	-	999,473	999,473
Dividends	10	-	-	(504,000)	(504,000)
Balance at 31 May 2022		3,384,639	1,336,218	2,751,472	7,472,329

MORELLI GROUP LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2022**

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 June 2020		3,384,639	1,336,218	2,357,886	7,078,743
Year ended 31 May 2021:					
Profit and total comprehensive income for the year		-	-	142,552	142,552
Balance at 31 May 2021		3,384,639	1,336,218	2,500,438	7,221,295
Year ended 31 May 2022:					
Profit and total comprehensive income for the year		-	-	991,915	991,915
Dividends	10	-	-	(504,000)	(504,000)
Balance at 31 May 2022		3,384,639	1,336,218	2,988,353	7,709,210

MORELLI GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	26	1,063,634		925,239	
Interest paid		(46,972)		(67,354)	
Income taxes refunded/(paid)		84,550		-	
Net cash inflow from operating activities		1,101,212		857,885	
Investing activities					
Purchase of intangible assets		(3,907)		(30,345)	
Purchase of tangible fixed assets		(110,860)		(1,803)	
Proceeds on disposal of tangible fixed assets		42,668		160,499	
Net cash (used in)/generated from investing activities		(72,099)		128,351	
Financing activities					
Increase in borrowings		(949,013)		23,283	
Dividends paid to equity shareholders		(504,000)		-	
Net cash (used in)/generated from financing activities		(1,453,013)		23,283	
Net (decrease)/increase in cash and cash equivalents		(423,900)		1,009,519	
Cash and cash equivalents at beginning of year		1,100,950		91,431	
Cash and cash equivalents at end of year		677,050		1,100,950	

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2022

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 financial instruments not measured at fair value; 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.

1.2 Business combinations

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 GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Morelli Group Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 May 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.4 Going concern

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

1.5 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.

1.6 Research and development expenditure

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.

1.7 Intangible fixed assets - goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life, as follows:

- Goodwill on acquisition of assets from group companies - 50 years
- Goodwill on acquisition of assets from non group companies - 10 years.

1.8 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.

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
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1.9 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.

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

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

Land and buildings freehold	over 50 years
Land and buildings long leasehold	over 50 years
Land and buildings short leasehold	over 10 years
Fixtures, fittings & equipment	over 5 to 10 years
Motor vehicles	over 4 years

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

1.10 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.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.11 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.

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.12 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 cost and replacement 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.

1.13 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.

1.14 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.

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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.

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

Other financial liabilities

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

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value 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.

1.15 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.

1.16 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.17 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 GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

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.

1.18 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.

1.19 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.

1.20 Leases

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.

1.21 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.

1.22 Foreign exchange

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.

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

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.

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.

3 Turnover and other revenue

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

	2022 £	2021 £
Turnover analysed by class of business		
Sale of goods	43,804,065	34,701,924
	<u>43,804,065</u>	<u>34,701,924</u>
	2022 £	2021 £
Turnover analysed by geographical market		
UK	43,070,970	34,143,224
Rest of Europe	733,095	558,700
	<u>43,804,065</u>	<u>34,701,924</u>
	2022 £	2021 £
Other revenue		
Grants received	137,723	965,291
	<u>137,723</u>	<u>965,291</u>

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

4 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(137,723)	(965,291)
Depreciation of owned tangible fixed assets	139,895	145,762
Profit on disposal of tangible fixed assets	(10,897)	(20,343)
Amortisation of intangible assets	16,959	35,242
Release of negative goodwill	(7,558)	(7,558)
Operating lease charges	1,014,537	939,436

5 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	49,500	49,500
For other services		
All other non-audit services	18,000	14,295
For services in respect of associated pension schemes		
All other non-audit services	5,500	5,500

6 Employees

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

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Administrative	24	29	24	29
Sales	79	83	79	83
Stores, warehouse and drivers	79	76	79	76
Total	182	188	182	188

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

6 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	6,582,246	5,796,691	6,582,246	5,796,691
Social security costs	796,584	672,244	796,584	672,244
Pension costs	412,870	361,064	412,870	361,064
	<u>7,791,700</u>	<u>6,829,999</u>	<u>7,791,700</u>	<u>6,829,999</u>

7 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	<u>2,054,929</u>	<u>1,454,270</u>

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

	2022 £	2021 £
Remuneration for qualifying services	<u>307,568</u>	<u>219,660</u>

8 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and loans	<u>46,972</u>	<u>67,354</u>

9 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	<u>299,052</u>	<u>43,745</u>
Deferred tax		
Origination and reversal of timing differences	<u>-</u>	<u>12,542</u>
Total tax charge	<u>299,052</u>	<u>56,287</u>

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

9 Taxation

(Continued)

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

	2022 £	2021 £
Profit before taxation	1,298,525	206,397
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	246,720	39,215
Tax effect of expenses that are not deductible in determining taxable profit	70,512	35,998
Tax effect of utilisation of tax losses not previously recognised	-	(15,421)
Permanent capital allowances in excess of depreciation	(18,180)	(16,047)
Deferred tax adjustments in respect of prior years	-	12,542
Taxation charge	299,052	56,287

10 Dividends

	2022 £	2021 £
Recognised as distributions to equity holders:		
Final paid	504,000	-

11 Intangible fixed assets

Group	Negative goodwill £	Development Costs £	Total £
Cost			
At 1 June 2021	(372,113)	196,390	(175,723)
Additions	-	3,907	3,907
At 31 May 2022	(372,113)	200,297	(171,816)
Amortisation and impairment			
At 1 June 2021	(127,674)	163,332	35,658
Amortisation charged for the year	(7,558)	16,959	9,401
At 31 May 2022	(135,232)	180,291	45,059
Carrying amount			
At 31 May 2022	(236,881)	20,006	(216,875)
At 31 May 2021	(244,439)	33,058	(211,381)

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

11 Intangible fixed assets		(Continued)
Company		Development Costs £
Cost		
At 1 June 2021		196,390
Additions		3,907
At 31 May 2022		200,297
Amortisation and impairment		
At 1 June 2021		163,332
Amortisation charged for the year		16,959
At 31 May 2022		180,291
Carrying amount		
At 31 May 2022		20,006
At 31 May 2021		33,058

12 Tangible fixed assets						
Group	Land and buildings freehold	Land and buildings long leasehold	Land and buildings short leasehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 June 2021	1,146,537	1,854,065	689,745	343,263	105,522	4,139,132
Additions	-	3,542	-	30,715	76,603	110,860
Disposals	-	-	-	(73,684)	(82,822)	(156,506)
At 31 May 2022	1,146,537	1,857,607	689,745	300,294	99,303	4,093,486
Depreciation and impairment						
At 1 June 2021	176,122	345,225	474,302	260,497	73,751	1,329,897
Depreciation charged in the year	16,928	27,454	26,027	50,335	19,151	139,895
Eliminated in respect of disposals	-	-	-	(73,684)	(51,051)	(124,735)
At 31 May 2022	193,050	372,679	500,329	237,148	41,851	1,345,057
Carrying amount						
At 31 May 2022	953,487	1,484,928	189,416	63,146	57,452	2,748,429
At 31 May 2021	970,415	1,508,840	215,443	82,766	31,771	2,809,235

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

12 Tangible fixed assets

(Continued)

Company	Land and buildings freehold	Land and buildings long leasehold	Land and buildings short leasehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 June 2021	1,146,537	1,854,065	689,745	343,263	105,522	4,139,132
Additions	-	3,542	-	30,715	76,603	110,860
Disposals	-	-	-	(73,684)	(82,822)	(156,506)
At 31 May 2022	1,146,537	1,857,607	689,745	300,294	99,303	4,093,486
Depreciation and impairment						
At 1 June 2021	176,122	345,225	474,302	260,497	73,751	1,329,897
Depreciation charged in the year	16,928	27,454	26,027	50,335	19,151	139,895
Eliminated in respect of disposals	-	-	-	(73,684)	(51,051)	(124,735)
At 31 May 2022	193,050	372,679	500,329	237,148	41,851	1,345,057
Carrying amount						
At 31 May 2022	953,487	1,484,928	189,416	63,146	57,452	2,748,429
At 31 May 2021	970,415	1,508,840	215,443	82,766	31,771	2,809,235

13 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	14	-	-	43,000	43,000
Unlisted investments		15,000	15,000	15,000	15,000
		15,000	15,000	58,000	58,000

Movements in fixed asset investments

Group	Investments £
Cost or valuation	
At 1 June 2021 and 31 May 2022	15,000
Carrying amount	
At 31 May 2022	15,000
At 31 May 2021	15,000

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

13 Fixed asset investments

(Continued)

Movements in fixed asset investments

Company	Shares in subsidiaries £	Other investments £	Total £
Cost or valuation			
At 1 June 2021 and 31 May 2022	43,000	15,000	58,000
Carrying amount			
At 31 May 2022	43,000	15,000	58,000
At 31 May 2021	43,000	15,000	58,000

14 Subsidiaries

Details of the company's subsidiaries at 31 May 2022 are as follows:

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

15 Stocks

	Group 2022 £	2021 £	Company 2022 £	2021 £
Finished goods and goods for resale	5,295,549	3,804,669	5,295,549	3,804,669

16 Debtors

	Group 2022 £	2021 £	Company 2022 £	2021 £
Amounts falling due within one year:				
Trade debtors	5,798,903	3,979,854	5,798,903	3,979,854
Corporation tax recoverable	-	86,052	-	86,052
Other debtors	7,124	12,960	7,124	12,960
Prepayments and accrued income	1,605,493	1,868,686	1,605,493	1,868,686
	7,411,520	5,947,552	7,411,520	5,947,552

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

17 Creditors: amounts falling due within one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Other borrowings	19	384,650	392,667	384,650	392,667
Trade creditors		4,170,190	2,874,152	4,170,190	2,874,152
Amounts owed to group undertakings		-	-	43,000	43,000
Corporation tax payable		297,550	-	297,550	-
Other taxation and social security		1,138,519	1,062,361	1,138,519	1,062,361
Other creditors		1,336,948	279,468	1,336,948	279,468
Accruals and deferred income		620,768	429,806	620,768	429,806
		<u>7,948,625</u>	<u>5,038,454</u>	<u>7,991,625</u>	<u>5,081,454</u>

18 Creditors: amounts falling due after more than one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Other borrowings	19	<u>494,559</u>	<u>1,435,555</u>	<u>494,559</u>	<u>1,435,555</u>

19 Loans and overdrafts

	Group 2022 £	2021 £	Company 2022 £	2021 £
Other loans	<u>879,209</u>	<u>1,828,222</u>	<u>879,209</u>	<u>1,828,222</u>
Payable within one year	384,650	392,667	384,650	392,667
Payable after one year	<u>494,559</u>	<u>1,435,555</u>	<u>494,559</u>	<u>1,435,555</u>

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

20 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 2022 £	Liabilities 2021 £
Group		
Decelerated capital allowances	<u>15,160</u>	<u>15,160</u>

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

20 Deferred taxation (Continued)

	Liabilities 2022 £	Liabilities 2021 £
Company		
Decelerated capital allowances	15,160	15,160

21 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	412,870	361,064

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.

22 Share capital

Group and company	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
A Ordinary shares of £1 each	2,141,448	2,141,448	2,141,448	2,141,448
B Ordinary shares of £1 each	5,000	5,000	5,000	5,000
C Ordinary shares of £1 each	1,237,491	1,237,491	1,237,491	1,237,491
D Ordinary shares of £1 each	700	700	700	700
	<u>3,384,639</u>	<u>3,384,639</u>	<u>3,384,639</u>	<u>3,384,639</u>

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

23 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 £2.65m 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.

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

24 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for certain properties. 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 2022 £	2021 £	Company 2022 £	2021 £
Within one year	621,817	651,548	621,817	651,548
Between two and five years	1,110,648	938,398	1,110,648	938,398
In over five years	449,561	462,891	449,561	462,891
	<u>2,182,026</u>	<u>2,052,837</u>	<u>2,182,026</u>	<u>2,052,837</u>

25 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 2022, a balance of £145,354 (2021: £13,692) was owed to directors of the Company.

At 31 May 2022, a balance was owed by two companies controlled by the directors or their close family members of £72,420 and £63,736 (2021: £46,140) and (2021: £94,081). During the year, sales of £186,304 and £147,317 (2021: £148,844) and (2021: £202,911) were made to the same two companies.

26 Cash generated from group operations

	2022 £	2021 £
Profit for the year after tax	999,473	150,110
Adjustments for:		
Taxation charged	299,052	56,287
Finance costs	46,972	67,354
Gain on disposal of tangible fixed assets	(10,897)	(20,343)
Amortisation and impairment of intangible assets	9,401	27,684
Depreciation and impairment of tangible fixed assets	139,895	145,762
Movements in working capital:		
(Increase)/decrease in stocks	(1,490,880)	409,768
Increase in debtors	(1,550,020)	(2,295,008)
Increase in creditors	2,620,638	2,383,625
Cash generated from operations	<u>1,063,634</u>	<u>925,239</u>

MORELLI GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

27 Analysis of changes in net debt - group

	1 June 2021 £	Cash flows £	31 May 2022 £
Cash at bank and in hand	1,100,950	(423,900)	677,050
Borrowings excluding overdrafts	(1,828,222)	949,013	(879,209)
	<u>(727,272)</u>	<u>525,113</u>	<u>(202,159)</u>