

MORLEYS DEPARTMENT STORES LIMITED
GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
AUDITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020



MORLEYS DEPARTMENT STORES LIMITED (REGISTERED NUMBER: 09232295)

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FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

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MORLEYS DEPARTMENT STORES LIMITED

**COMPANY INFORMATION
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

DIRECTORS:	B H Dreesmann M Syed N C C Blow
REGISTERED OFFICE:	472-488 Brixton Road Brixton London SW9 8EH
REGISTERED NUMBER:	09232295 (England and Wales)
SENIOR STATUTORY AUDITOR:	Andrew Green LLB FCA
AUDITORS:	THP Limited Chartered Accountants and Statutory Auditors 34-40 High Street Wanstead London E11 2RJ
BANKERS:	Barclays Bank plc Level 27 One Churchill Place London E14 5HP

MORLEYS DEPARTMENT STORES LIMITED (REGISTERED NUMBER: 09232295)

**GROUP STRATEGIC REPORT
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

The directors present their strategic report of the company and the group for the period 27 January 2019 to 1 February 2020.

THE CHAIRMAN'S REPORT

The overall group results were satisfactory and had benefited from a 53rd week, so on a comparable basis the group's operating profit performance was slightly ahead of the previous year 2018/19.

Whilst the department store groups trading results declined this was counterbalanced by an improvement in our educational supplies business performance. In addition, Morleys Stores Limited had enjoyed a stronger performance from investment income.

I would like to thank all our staff teams for their continued support and commitment to the business in what continues to be a challenging market place.

At the time of writing this statement we are in a period of unprecedented uncertainty with the Covid-19 pandemic. Since the 23rd March the group has taken and is continuing to take all necessary actions to mitigate the current scenario and believes that the company's finances are in a strong and secure position to face the future.

REVIEW OF BUSINESS

Total store sales, including concessions and VAT, were £99,372,014 (2019: £101,338,553) and a profit of £3,675,653 (2019 - £3,808,119) was achieved, against which a taxation charge of £839,947 (2019 - £801,568) has been incurred.

The results for the current financial period related to a 53 week year, as compared with 52 weeks for the previous year. Total store sales benefited by £1,690k as a result of the inclusion of this additional week, which translated into additional profit before tax of £490k.

The Group's key performance indicators are as follows:

	<u>2019/20</u>	<u>2018/19</u>
Total Like for Like Sales, including concessions and VAT	£97.7m	£100.3m
Total Sales, including concessions and VAT	£99.4m	£101.3m
Gross Profit Percentage (own sales)	43.53%	43.93%
Payroll Costs Percentage (own sales)	24.85%	24.33%

The net assets of the group were £10,731,557 (2019: £10,219,890) at the balance sheet date, reflecting its solid position from a solvency and liquidity point of view.

CORONAVIRUS

Due to the Covid 19 worldwide pandemic and based on government instructions the group closed all of its stores on the 23rd of March 2020. The vast majority of staff have since been furloughed under the government Job Retention Scheme. All other costs were restricted to minimum levels allowing the business to navigate this very difficult period as best it can.

As of the 21st of May some of our Homeware stores are planning to reopen and preparations are well underway to allow the other stores to reopen in line with government advice on the 1st of June.

The Group is able to draw on its significant cash and profit reserves to ensure that cash flow is supported during the period of closure and also through the uncertain times once stores are able to reopen. The Directors are confident that the decisions the Group has made so far and the support it has from its key stakeholders will ensure that it can continue as a going concern.

**GROUP STRATEGIC REPORT
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the nature of the company's strategy are subject to a number of risks.

The Directors have set out below the principal risks facing the business.

The Directors are of the opinion that a thorough risk management process is adopted which involves a formal review of all risks identified below. Where possible, processes are in place to mitigate such risks.

Coronavirus

The most significant risks currently facing the Group are the short, medium and long term impacts of the Global Coronavirus Pandemic.

All of the risks detailed below are impacted by this unprecedented event.

Economic downturn

A key factor in the success of the business is consumer spending.

In response to this continuous risk, senior management aim to keep abreast of economic conditions. In cases of severe economic downturn, marketing and pricing strategies will be modified to reflect the new market conditions.

Price inflation

The group is continually assessing all risks that costs inflation may bring with the aim to mitigate future threats this may have on the business.

Wage cost inflation

The group is continually affected by wage cost inflation and pressures within the labour market. The group monitors the market to ensure complete compliance with labour market regulations, and maintains employment policies, remuneration and benefits packages that are designed to be competitive with other companies, as well as providing employees with fulfilling career opportunities.

Competition

The market in which the group operates is highly competitive. As a result, the group is subject to a high level of price sensitivities in its consumer-led market. Policies of constantly assessing our pricing strategy and ongoing market research are in place to mitigate such risks.

Liquidity risk

As a result of the positive cash flows from operating activities achieved in the year and expected in future periods, the Directors do not consider liquidity or cashflow risk to be an issue. Group trading generates sufficient cashflow in order to finance long term capital and store refurbishment expenditure. The Directors also continually monitor cash flow forecasts in order to further manage liquidity risk.

Other business risks

The Company employs security staff, CCTV and tagging systems in its stores to reduce the risk of theft. Daily controls are in place to reduce the risk of till manipulation.

The other business risks to which the Company is exposed are common to all major retailers and are:

- Risk of major damage to the store, caused by fire, flood or other disaster; and
- Reduction in customer footfall arising from a change in the make-up of the local environment.

Brexit

Due to the continued political uncertainty surrounding the Brexit negotiations and subsequent deal, it is proving very difficult for the directors to know how best to prepare for the country's exit from the EU. The Group has tried to take a pragmatic approach to minimise the impact on its trading activities by working with suppliers to ensure continued supply, bringing forward orders if necessary and making arrangements to work within the importation rules should we leave without a deal.

However, without a clear direction from the Government it remains very difficult to plan and prepare. The directors remain committed to monitoring the situation closely and are prepared to implement further plans to minimise the risk to the group.

**GROUP STRATEGIC REPORT
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

SECTION 172(1) STATEMENT

The Directors of the Company and Group, and those of all UK companies, must act in accordance with a set of general duties. These duties are set out in Section 172 of the Companies Act 2006 which are summarised as follows:

"A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole, and in doing so have regard (amongst other matters) to:

- a. the likely consequences of any decisions in the long term;
- b. the interests of the company's employees;
- c. the need to foster the company's business relationships with suppliers, customers and others;
- d. the impact of the company's operations on the community and the environment;
- e. the desirability of the company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly as between the shareholders of the company."

The following paragraphs summarise how the Directors' fulfil their duties:

- **Risk Management**
As we develop as a business so does the risk environment in which we operate becomes more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate risks that the business may encounter. We continually evolving our approach to risk management. Details of the risks encountered by the business and the steps taken to mitigate these risks are detailed on page 3.
- **Our people**
Our people are fundamental to the delivery and success of our operations. We aim to be a responsible employer in our approach to pay and benefits received by our employees. The health, safety and wellbeing of our people are also a major concern for the business and we try to ensure we managed and monitor these as closely as possible. For our business to succeed we need to manage our people's performance, develop and bring through talent while ensuring we operate as efficiently and as effectively as possible. For further details on our people see page 5.
- **Business Relationships**
In order to grow and develop our business we need to grow and develop our business relationships with our suppliers and strategic partners. This includes working with these partners to enhance the development of their products and services to our mutual benefit and having regular and open dialogue.
- **Community and Environment**
It is important to the business that we interact responsibly with the communities in which it operates and the wider environment. We try to ensure we are as involved as much as possible in the local activities and work closely with local bodies to ensure that the community is best served. We try were possible to minimise our impact on the environment.
- **High Standards of Business Conduct**
It is important to the business that we apply high standards of conduct in all areas in which we operate. This principle is closely monitored by the board and wider management team making sure the business behaves in a responsible manner in all activities it undertakes.
- **Shareholders**
As a business we recognise the importance of continual and effective dialogue with our shareholders though open engagement. It is important for the business that shareholders understand our objectives so that they are clearly understood, feedback given and any questions or issues properly considered and dealt with.

ON BEHALF OF THE BOARD:



N C C Blow - Director

Date: 22 May 2020

**REPORT OF THE DIRECTORS
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

The directors present their report with the financial statements of the company and the group for the period 27 January 2019 to 1 February 2020.

DIVIDENDS

Interim dividends totalling £2,324,039 (2019 - £nil) representing £92.96 per share have been paid. The directors recommend that no final dividend be paid.

In previous years, the dividends received by the parent company from the subsidiaries were used to reduce the balance it owes to the ultimate parent company.

FUTURE DEVELOPMENTS

The Directors are confident that continued focus on the key management policies will strengthen the financial position of the Group during the ensuing period.

DIRECTORS

The directors shown below have held office during the whole of the period from 27 January 2019 to the date of this report.

B H Dreesmann

M Syed

N C C Blow

Other changes in directors holding office are as follows:

D I Hordle - resigned 30 April 2019

ENGAGEMENT WITH EMPLOYEES

Diversity and inclusion

The group is fully committed to a policy of treating all existing employees and job applicants equally. Recruitment decisions and the progression of employees within the group are based on merit and not upon any consideration of race, colour, religion, disability, nationality, sex, sexual orientation, marital status or age.

Learning and Development

The group provides employees with regular formal training sessions using e-learning and classroom based training course including an apprenticeship and management development programmes. To keep employees updated with developments within the Group, management uses a digital application available to all employees called Moresay to inform and engage with employees on a regular basis.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHER KEY STAKEHOLDERS

Suppliers

Our suppliers and strategic brand partners are fundamental to our business success. We value all of our relationships and foster long term agreements that benefit both parties.

We expect all of our suppliers to comply with our standards, such as those relating to environmental responsibility, modern slavery, data protection, human rights and ethics.

It is the group's policy to promptly pay suppliers' invoices, thereby maximising settlement discount. Average trade creditors for the period ended 1 February 2020 represented 29 days credit (2019: 30).

Customers

Our customers are at the heart of everything we do as a group and we try to ensure that we communicate with our customers on a regular basis using emails, websites and social media channels. We provide customers with regular event which include product information, demonstrations and sampling. For the majority of our stores the Group provides a customer loyalty scheme which not only gives customers the chance to earn additional discounts but also allows the Group to further develop customer engagement.

The Local Community

The group recognises its responsibility to the wider community in which its department stores are based. We actively take part in community events and work with local representative bodies that help promote the areas in which the stores operate.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, THP Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


N C Blow - Director

Date: 22 May 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MORLEYS DEPARTMENT STORES LIMITED

Opinion

We have audited the financial statements of Morleys Department Stores Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 1 February 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement 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 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 of the parent company affairs as at 1 February 2020 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 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 in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MORLEYS DEPARTMENT STORES 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 its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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 Statement of Directors' Responsibilities set out on page six, 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 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.

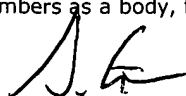
Auditors' responsibilities for the audit of the financial statements

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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 a Report of the Auditors 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.



Andrew Green LLB FCA (Senior Statutory Auditor)
for and on behalf of THP Limited
Chartered Accountants
and Statutory Auditors
34-40 High Street
Wanstead
London
E11 2RJ

Date: 22 May 2020

MORLEYS DEPARTMENT STORES LIMITED (REGISTERED NUMBER: 09232295)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

	Notes	period 27.1.19 to 1.2.20 £	period 28.1.18 to 26.1.19 £
TOTAL STORE SALES		99,372,014	101,338,553
Less : Concession Sales		(32,977,026)	(33,469,093)
: VAT on Own Trade Sales		<u>(10,873,433)</u>	<u>(11,137,299)</u>
TURNOVER		55,521,556	56,732,161
Cost of sales		<u>31,350,832</u>	<u>31,808,470</u>
GROSS PROFIT		24,170,724	24,923,691
Operating costs		<u>27,616,112</u>	<u>28,219,079</u>
		(3,445,388)	(3,295,387)
Concession and rental income		<u>7,253,664</u>	<u>7,236,179</u>
OPERATING PROFIT	5	3,808,276	3,940,792
Interest payable and similar expenses	6	<u>132,623</u>	<u>132,673</u>
PROFIT BEFORE TAXATION		3,675,653	3,808,119
Tax on profit	7	<u>839,947</u>	<u>801,568</u>
PROFIT FOR THE FINANCIAL PERIOD		<u>2,835,706</u>	<u>3,006,551</u>

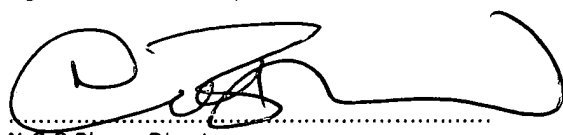
The notes form part of these financial statements

MORLEYS DEPARTMENT STORES LIMITED (REGISTERED NUMBER: 09232295)

**CONSOLIDATED BALANCE SHEET
1 FEBRUARY 2020**

	Notes	£	2020	£	£	2019	£
FIXED ASSETS							
Intangible assets	10			1,862,585			2,219,597
Tangible assets	11			5,727,000			6,454,179
Investments	12			11,070			11,070
				7,600,655			8,684,846
CURRENT ASSETS							
Stocks	13		10,567,928			9,542,945	
Debtors	14		1,225,943			1,281,441	
Cash at bank			7,494,041			9,172,147	
			19,287,912			19,996,533	
CREDITORS							
Amounts falling due within one year	15		10,457,010			11,321,551	
NET CURRENT ASSETS				8,830,902			8,674,982
TOTAL ASSETS LESS CURRENT LIABILITIES				16,431,557			17,359,828
CREDITORS							
Amounts falling due after more than one year	16			5,700,000			7,139,938
NET ASSETS				10,731,557			10,219,890
CAPITAL AND RESERVES							
Called up share capital	18			25,000			25,000
Retained earnings	19			10,706,557			10,194,890
SHAREHOLDERS' FUNDS				10,731,557			10,219,890

The financial statements were approved by the Board of Directors and authorised for issue on 22 May 2020 and were signed on its behalf by:



N C C Blow - Director

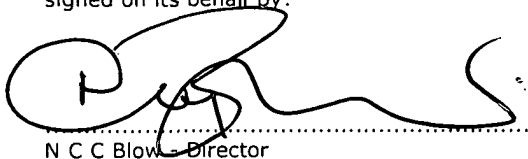
The notes form part of these financial statements

MORLEYS DEPARTMENT STORES LIMITED (REGISTERED NUMBER: 09232295)

COMPANY BALANCE SHEET
1 FEBRUARY 2020

	Notes	£	2020	£	£	2019	£
FIXED ASSETS							
Intangible assets	10			-			-
Tangible assets	11			-			-
Investments	12			<u>13,811,020</u>			<u>13,811,020</u>
				13,811,020			13,811,020
CURRENT ASSETS							
Debtors	14		2,617,650			1,989,388	
Cash at bank			<u>-</u>			<u>716,346</u>	
			2,617,650			2,705,734	
CREDITORS							
Amounts falling due within one year	15		<u>2,642,649</u>			<u>2,680,733</u>	
NET CURRENT (LIABILITIES)/ASSETS				<u>(24,999)</u>			<u>25,001</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				13,786,021			13,836,021
CREDITORS							
Amounts falling due after more than one year	16			<u>-</u>			<u>561,021</u>
NET ASSETS				<u>13,786,021</u>			<u>13,275,000</u>
CAPITAL AND RESERVES							
Called up share capital	18			25,000			25,000
Retained earnings	19			<u>13,761,021</u>			<u>13,250,000</u>
SHAREHOLDERS' FUNDS				<u>13,786,021</u>			<u>13,275,000</u>
Company's profit for the financial year				<u>2,835,060</u>			<u>3,400,000</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 May 2020 and were signed on its behalf by:



N C C Blow - Director

The notes form part of these financial statements

MORLEYS DEPARTMENT STORES LIMITED (REGISTERED NUMBER: 09232295)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020

	Called up share capital £	Retained earnings £	Total equity £
Balance at 28 January 2018	25,000	7,188,339	7,213,339
Changes in equity			
Total comprehensive income	-	3,006,551	3,006,551
Balance at 26 January 2019	25,000	10,194,890	10,219,890
Changes in equity			
Dividends	-	(2,324,039)	(2,324,039)
Total comprehensive income	-	2,835,706	2,835,706
Balance at 1 February 2020	25,000	10,706,557	10,731,557

The notes form part of these financial statements

MORLEYS DEPARTMENT STORES LIMITED (REGISTERED NUMBER: 09232295)

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 28 January 2018	25,000	9,850,000	9,875,000
Changes in equity			
Total comprehensive income	-	<u>3,400,000</u>	<u>3,400,000</u>
Balance at 26 January 2019	<u>25,000</u>	<u>13,250,000</u>	<u>13,275,000</u>
Changes in equity			
Dividends	-	(2,324,039)	(2,324,039)
Total comprehensive income	-	<u>2,835,060</u>	<u>2,835,060</u>
Balance at 1 February 2020	<u>25,000</u>	<u>13,761,021</u>	<u>13,786,021</u>

The notes form part of these financial statements

MORLEYS DEPARTMENT STORES LIMITED (REGISTERED NUMBER: 09232295)

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

	Notes	period 27.1.19 to 1.2.20 £	period 28.1.18 to 26.1.19 £
Cash flows from operating activities			
Cash generated from operations	22	3,976,970	6,973,842
Interest paid		(132,623)	(132,673)
Tax paid		(789,053)	(1,017,884)
Net cash from operating activities		<u>3,055,294</u>	<u>5,823,285</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(969,840)	(1,894,429)
Sale of tangible fixed assets		417	9,162
Net cash from investing activities		<u>(969,423)</u>	<u>(1,885,267)</u>
Cash flows from financing activities			
Loan repayments in year		(1,439,938)	(8,450,000)
Equity dividends paid		(2,324,039)	-
Net cash from financing activities		<u>(3,763,977)</u>	<u>(8,450,000)</u>
Decrease in cash and cash equivalents		(1,678,106)	(4,511,982)
Cash and cash equivalents at beginning of period	23	9,172,147	13,684,129
Cash and cash equivalents at end of period	23	<u>7,494,041</u>	<u>9,172,147</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

1. STATUTORY INFORMATION

Morleys Department Stores Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

The Group's functional and presentation currency is the pound sterling.

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and its subsidiaries, all of whom are 100% owned, made up to the same period end date.. All accounting policies as detailed below are applied consistently across the Group.

Related party exemption

The group has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

3. **ACCOUNTING POLICIES - continued**

Significant judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical judgements in applying the entity's accounting policies

The allocation of store refurbishment expenditure between capital and revenue is an area that requires judgement on the part of management. Costs are allocated in line with the asset recognition contained within FRS102 and on the basis of all available evidence as to their nature. The management uses professional advisors to assist them with this process.

There are no other specific judgements, apart from those involving estimates as detailed below, that management has made in the process of applying the entity's accounting policies that have a significant effect on the amounts recognised in the financial statements.

b) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates can differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of tangible assets and below for the depreciation policy in respect of each class of asset.

(ii) Stock provisioning

Due to the nature of the business, it is necessary for the management to consider the recoverability of the cost of stock and the associated provisioning required. When calculating stock provisions, management considers the nature, condition and future saleability of the stock. See note 12 for the net carrying amount of stock.

iii) Treatment of significant capital projects

The allocation of store refurbishment expenditure between capital and revenue is an area that requires judgement on the part of management. Costs are allocated in line with the asset recognition contained within FRS102 and on the basis of all available evidence as to their nature. The management uses professional advisors to assist them with this process.

(iv) Useful economic live of intangible assets

Goodwill and intangible assets are amortised over their useful economic lives and are assessed annually for indications of impairment. See note 9 for the net carrying amounts of goodwill and intangible assets.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied, net of returns, discounts and value added taxes.

Sales of goods are recognised on sale to the customer, which is considered to be the point of delivery and when the significant risks and rewards of the goods have been passed to the customer.

Business combinations and goodwill

Business combinations, other than group reconstructions, are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given and liabilities incurred plus directly attributable costs. Goodwill recognised represents the excess of the fair value of the consideration given over the fair values of the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill on consolidation is being amortised evenly over its estimated useful life of twenty years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020

3. ACCOUNTING POLICIES - continued

Trading name

Trading Name, being the amount paid in connection with the acquisition of a business in 2014, has been amortised evenly over its estimated useful life of five years.

Tangible fixed assets

Tangible Fixed Assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of Tangible Fixed Assets, less their estimated residual value, over their estimated useful lives at the following rates:

Fixtures & Fittings - 12.5% - 16.67% on cost
Equipment - 15% - 16.67% on cost
Computer Equipment - 33% on cost

Fixtures and Fittings over 15 years old and Equipment over 10 years old are eliminated from fixed assets, except in instances where they are known to be still in use.

Items costing less than £500 are not capitalised but written off to the Profit and Loss Account as incurred.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to sell, after making due allowance for impairment of obsolete or slow moving items. Stocks are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on an average cost method and is calculated with reference to the rolling initial margin achieved on the specific class of stock.

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently carried at this value less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet represent cash at bank and in hand.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in profit or loss under operating expenses.

The carrying value of all short-term financial assets and liabilities are measured at amortised cost.

Taxation

Taxation for the period comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020

3. ACCOUNTING POLICIES - continued

Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Employee benefits

The Group provides a range of benefits to employees, including paid holiday arrangements and a defined contribution pension plan.

(i) Short Term Benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Group Personal Pension Plan

The group operates a group personal pension plan for its employees. This is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown as a creditor on the balance sheet. The assets of the scheme are held separately from the group in independently administered funds.

4. EMPLOYEES AND DIRECTORS

Staff costs during the period (including directors' remuneration) amounted to:

	period 27.1.19 to 1.2.20 £	period 28.1.18 to 26.1.19 £
Wages and salaries	12,522,424	12,534,806
Social security costs	969,311	970,410
Other pension costs	308,102	301,522
	<u>13,799,837</u>	<u>13,806,738</u>

The average number of employees during the period was as follows:

	2020	2019
Sales, distribution and other	809	845
Administration	84	86
	<u>893</u>	<u>931</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020

5. OPERATING PROFIT

The operating profit is stated after charging (crediting):

	period 27.1.19 to 1.2.20 £	period 28.1.18 to 26.1.19 £
Depreciation - owned assets	1,697,019	1,746,218
Amortisation of intangible fixed assets	357,012	418,263
Auditors' Remuneration - Audit	71,500	72,250
Operating Lease Rentals - Equipment	32,631	32,631
Operating Lease Rentals - Premises	<u>122,467</u>	<u>122,467</u>

Directors remuneration	509,152	432,982
Directors' pension contributions (all Directors)	<u>26,527</u>	<u>22,604</u>

Information regarding the highest paid Director is as follows:

Emoluments etc	212,723	180,828
Pension contributions	<u>10,346</u>	<u>17,967</u>

Key Management Compensation

Key management includes the Directors and members of the senior management team. The compensation paid to key management for employee services is shown below:

Salaries and other short term benefits	1,150,270	959,246
Post-employment benefits	<u>56,345</u>	<u>59,889</u>
	<u>1,206,616</u>	<u>1,019,136</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	period 27.1.19 to 1.2.20 £	period 28.1.18 to 26.1.19 £
Interest on intercompany loans	132,559	132,559
Inland Revenue interest	<u>64</u>	<u>114</u>
	<u>132,623</u>	<u>132,673</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020

7. TAXATION

Analysis of the tax charge

The tax charge on the profit for the period was as follows:

	period 27.1.19 to 1.2.20 £	period 28.1.18 to 26.1.19 £
Current tax:		
UK corporation tax	737,324	789,053
Deferred tax	102,623	12,515
Tax on profit	839,947	801,568

UK corporation tax has been charged at 19% (2019 - 19%).

Reconciliation of total tax charge included in profit and loss

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	period 27.1.19 to 1.2.20 £	period 28.1.18 to 26.1.19 £
Profit before tax	3,675,653	3,808,119
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	698,374	723,543
Effects of:		
Expenses not deductible for tax purposes	32,920	34,747
Depreciation in excess of capital allowances	6,108	31,288
Deferred tax movement	102,623	12,515
Disposal of fixed assets	(78)	(525)
Total tax charge	839,947	801,568

8. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

9. DIVIDENDS

	period 27.1.19 to 1.2.20 £	period 28.1.18 to 26.1.19 £
Ordinary shares of £1 each		
Interim	2,324,039	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020

10. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Trading Name £	Totals £
COST			
At 27 January 2019 and 1 February 2020	<u>3,765,268</u>	<u>1,225,000</u>	<u>4,990,268</u>
AMORTISATION			
At 27 January 2019	<u>1,729,420</u>	<u>1,041,251</u>	<u>2,770,671</u>
Amortisation for period	<u>173,263</u>	<u>183,749</u>	<u>357,012</u>
At 1 February 2020	<u>1,902,683</u>	<u>1,225,000</u>	<u>3,127,683</u>
NET BOOK VALUE			
At 1 February 2020	<u>1,862,585</u>	<u>-</u>	<u>1,862,585</u>
At 26 January 2019	<u>2,035,848</u>	<u>183,749</u>	<u>2,219,597</u>

11. TANGIBLE FIXED ASSETS

Group

	Equipment, Fixtures and Vehicles £
COST	
At 27 January 2019	26,577,994
Additions	969,840
Disposals	<u>(137,849)</u>
At 1 February 2020	<u>27,409,985</u>
DEPRECIATION	
At 27 January 2019	20,123,815
Charge for period	1,697,019
Eliminated on disposal	<u>(137,849)</u>
At 1 February 2020	<u>21,682,985</u>
NET BOOK VALUE	
At 1 February 2020	<u>5,727,000</u>
At 26 January 2019	<u>6,454,179</u>

12. FIXED ASSET INVESTMENTS

Group

	Unlisted investments £
COST	
At 27 January 2019 and 1 February 2020	<u>11,070</u>
NET BOOK VALUE	
At 1 February 2020	<u>11,070</u>
At 26 January 2019	<u>11,070</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020

12. FIXED ASSET INVESTMENTS - continued

Company

Shares in
group
undertakings
£

COST

At 27 January 2019
and 1 February 2020

13,811,020

NET BOOK VALUE

At 1 February 2020

13,811,020

At 26 January 2019

13,811,020

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

Elys (Wimbledon) P.L.C

Registered office: 472-488 Brixton Road, Brixton, London, United Kingdom, SW9 8EH
Nature of business: Department Store

Class of shares:	%
Ordinary	holding 100.00

Bodgers (Ilford) Ltd

Registered office: 472-488 Brixton Road, Brixton, London, United Kingdom, SW9 8EH
Nature of business: Dormant

Class of shares:	%
Ordinary	holding 100.00

On 28 February 2018 Bodgers (Ilford) Limited closed its department store.

Selbys (Holloway) Ltd

Registered office: 472-488 Brixton Road, Brixton, London, United Kingdom, SW9 8EH
Nature of business: Department Store

Class of shares:	%
Ordinary	holding 100.00

Morleys (Brixton) Ltd

Registered office: 472-488 Brixton Road, Brixton, London, United Kingdom, SW9 8EH
Nature of business: Department Store

Class of shares:	%
Ordinary	holding 100.00

Morleys (Tooting) Ltd

Registered office: 472-488 Brixton Road, Brixton, London, United Kingdom, SW9 8EH
Nature of business: Home Store

Class of shares:	%
Ordinary	holding 100.00

Roomes (Upminster) Ltd

Registered office: 472-488 Brixton Road, Brixton, London, United Kingdom, SW9 8EH
Nature of business: Department Store

Class of shares:	%
Ordinary	holding 100.00

MORLEYS DEPARTMENT STORES LIMITED (REGISTERED NUMBER: 09232295)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

12. FIXED ASSET INVESTMENTS - continued

Pearsons (Enfield) Ltd

Registered office: 472-488 Brixton Road, Brixton, London, United Kingdom, SW9 8EH

Nature of business: Department Store

Class of shares:	%
Ordinary	holding 100.00

Camp Hopson (Newbury) Ltd

Registered office: 472-488 Brixton Road, Brixton, London, United Kingdom, SW9 8EH

Nature of business: Department Store

Class of shares:	%
Ordinary	holding 100.00

Morleys (Bexleyheath) Ltd

Registered office: 472-488 Brixton Road, Brixton, London, United Kingdom, SW9 8EH

Nature of business: Department Store

Class of shares:	%
Ordinary	holding 100.00

13. STOCKS

	Group	
	2020	2019
	£	£
Finished goods	<u>10,567,928</u>	<u>9,542,945</u>

14. DEBTORS

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	473,119	406,665	-	-
Amounts owed by group undertakings	-	-	2,617,650	1,949,738
Other debtors	-	39,650	-	39,650
Deferred tax asset	160,024	262,647	-	-
Prepayments and accrued income	<u>554,184</u>	<u>533,863</u>	-	-
	<u>1,187,327</u>	<u>1,242,825</u>	<u>2,617,650</u>	<u>1,989,388</u>
Amounts falling due after more than one year:				
Other debtors	<u>38,616</u>	<u>38,616</u>	-	-
Aggregate amounts	<u>1,225,943</u>	<u>1,281,441</u>	<u>2,617,650</u>	<u>1,989,388</u>
Deferred tax asset				
	2020	2019	2020	2019
	£	£	£	£
Accelerated depreciation	<u>160,024</u>	<u>262,647</u>	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Bank loans and overdrafts	-	-	21,342	-
Trade creditors	4,105,380	4,334,014	197,122	153,485
Amounts owed to group undertakings	1,612,390	1,710,232	-	-
Corporation tax	737,324	789,053	-	-
VAT	2,399,085	2,527,248	2,399,085	2,527,248
Other creditors	25,100	-	25,100	-
Accrued expenses	1,577,731	1,961,004	-	-
	<u>10,457,010</u>	<u>11,321,551</u>	<u>2,642,649</u>	<u>2,680,733</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Amounts owed to parent company	<u>5,700,000</u>	<u>7,139,938</u>	<u>-</u>	<u>561,021</u>

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	2020	2019
	£	£
Within one year	138,172	155,098
Between one and five years	304,820	351,358
In more than five years	<u>525,974</u>	<u>602,438</u>
	<u>968,966</u>	<u>1,108,894</u>

An additional annual operating lease commitment (lease expiring in 2027) of £218,676 per annum in respect of land and buildings has not been disclosed above as it is fully recoverable from a third party.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2020	2019
Number:	Class:		£	£
25,000	Ordinary	£1	<u>25,000</u>	<u>25,000</u>

MORLEYS DEPARTMENT STORES LIMITED (REGISTERED NUMBER: 09232295)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020**

19. RESERVES

Group

	Retained earnings £
At 27 January 2019	10,194,890
Profit for the period	2,835,706
Dividends	<u>(2,324,039)</u>
At 1 February 2020	<u>10,706,557</u>

Company

	Retained earnings £
At 27 January 2019	13,250,000
Profit for the period	2,835,060
Dividends	<u>(2,324,039)</u>
At 1 February 2020	<u>13,761,021</u>

20. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Morleys Stores Limited, a company incorporated in Great Britain. Details of the ultimate controlling party can be found in the accounts of Morleys Stores Limited.

A copy of the group consolidated accounts may be obtained from the Group Company Secretary at 16 St George's Road, Wimbledon, London SW19 4DP.

21. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 1 February 2020 (2019 - £Nil) other than a cross guarantee in the form of a charge over the Group's assets, to the favour of the Group's principal Banker, covering all borrowings and overdrafts by the Group from that bank. At the year end there were no net group borrowings from the principal Banker.

22. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	period 27.1.19 to 1.2.20 £	period 28.1.18 to 26.1.19 £
Profit before taxation	3,675,653	3,808,119
Depreciation charges	2,054,031	2,164,481
Profit on disposal of fixed assets	(417)	(2,762)
Finance costs	<u>132,623</u>	<u>132,673</u>
	5,861,890	6,102,511
(Increase)/decrease in stocks	(1,024,983)	526,160
(Increase)/decrease in trade and other debtors	(47,125)	72,255
(Decrease)/increase in trade and other creditors	<u>(812,812)</u>	<u>272,916</u>
Cash generated from operations	<u>3,976,970</u>	<u>6,973,842</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 27 JANUARY 2019 TO 1 FEBRUARY 2020

23. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Period ended 1 February 2020

	1.2.20 £	27.1.19 £
Cash and cash equivalents	<u>7,494,041</u>	<u>9,172,147</u>

Period ended 26 January 2019

	26.1.19 £	28.1.18 £
Cash and cash equivalents	<u>9,172,147</u>	<u>13,684,129</u>

24. ANALYSIS OF CHANGES IN NET FUNDS

	At 27.1.19 £	Cash flow £	At 1.2.20 £
Net cash			
Cash at bank and in hand	<u>9,172,147</u>	<u>(1,678,106)</u>	<u>7,494,041</u>
	<u>9,172,147</u>	<u>(1,678,106)</u>	<u>7,494,041</u>
Total	<u>9,172,147</u>	<u>(1,678,106)</u>	<u>7,494,041</u>