

MORLEYS DEPARTMENT STORES LIMITED
GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
AUDITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018



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FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018**

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MORLEYS DEPARTMENT STORES LIMITED

**COMPANY INFORMATION
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018**

DIRECTORS:	B H Dreesmann M Syed D I Hordle N 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

**GROUP STRATEGIC REPORT
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018**

The directors present their strategic report of the company and the group for the period 29 January 2017 to 27 January 2018.

REVIEW OF BUSINESS

The Department Stores on a like for like basis performed in line with the previous year's profit levels however the total group performance was materially impacted by the opening of our new Store, Morleys in Bexleyheath and our decision to close our Department Store, Bodgers in Ilford which we had traded since 1959.

We remain committed to investing in our Store portfolio so that we can continue to deliver a great customer experience through a well-trained, professional and friendly team. The company successfully introduced a loyalty scheme during the year and this will be rolled out in all stores over the next 12 months so that we can better understand and engage with our customers by listening and analysing their needs and reacting accordingly.

Total store sales, including concessions and VAT, were £107,283,869 (2017: £99,149,495) and a profit of £3,622,321 (2017 - £4,851,645) was achieved, against which a taxation charge of £1,020,108 (2017 - £1,120,988) has been incurred. On a like for like basis total store sales increased by 2.3% to £101,463,127 (2017- £99,149,495).

The group opened its ninth department store in The Broadway Shopping Centre, Bexleyheath on 13 April 2017.

The Group's key performance indicators are as follows:

	<u>2017/18</u>	<u>2016/17</u>
Total Like for Like Sales, including concessions and VAT	£101.5m	£99.1m
Total Sales, including concessions and VAT	£107.3m	£99.1m
Gross Profit Percentage (own sales)	44.15%	44.42%
Payroll Costs Percentage (own sales)	24.19%	23.82%

The net assets of the group were £7,213,340 (2017: £4,611,127) at the balance sheet date, reflecting the solid position of the group from a solvency and liquidity point of view.

PRINCIPAL RISKS AND UNCERTAINTIES

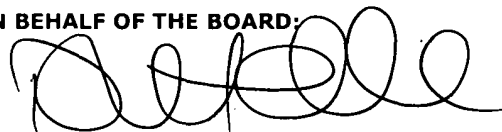
A number of risks arise in the ordinary course of the Group's business and these are reviewed regularly by the Board of Directors as part of its ongoing corporate governance procedures. These reviews consider only the principal risks and uncertainties.

The Group 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 primary risks to which the Group is exposed are common to all major retailers and are:

- Risk of major damage to the store, caused by fire, flood or other disaster;
- Reduction in customer footfall arising from a change in the make-up of the local environment; and
- General economic uncertainty as the result of the UK Brexit vote in June 2016.

ON BEHALF OF THE BOARD:



D I Hordle - Director

30 April 2018

**REPORT OF THE DIRECTORS
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018**

The directors present their report with the financial statements of the company and the group for the period 29 January 2017 to 27 January 2018.

DIVIDENDS

No dividends will be distributed for the period ended 27 January 2018 (2017: £nil). Dividends received by the parent company from the subsidiaries have been and will continue to be 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.

EVENTS SINCE THE END OF THE PERIOD

On 28 February 2018 the subsidiary company, Bodgers (Ilford) Limited closed its department store and ceased trading on that date.

DIRECTORS

The directors shown below have held office during the whole of the period from 29 January 2017 to the date of this report.

B H Dreesmann
M Syed
D I Hordle
N Blow

Other changes in directors holding office are as follows:

N D Stockton ceased to be a director after 27 January 2018 but prior to the date of this report.

GROUP POLICIES IN RESPECT OF EMPLOYEES

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.

The group provides employees with key information of concern to them by regular, formal training sessions and, informally, by memoranda available on employee notice boards.

GROUP'S POLICY IN RESPECT OF PAYMENT OF CREDITORS

It is the group's policy to promptly pay suppliers' invoices, thereby maximising settlement discount. Average trade creditors for the period ended 27 January 2018 represented 32 days credit (2017 : 36).

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

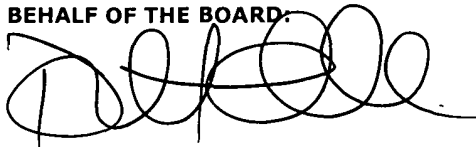
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware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

**REPORT OF THE DIRECTORS
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018**

AUDITORS

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

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'D I Hordle', written over the text 'ON BEHALF OF THE BOARD:'.

D I Hordle - Director

30 April 2018

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 27 January 2018 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).

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.

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 27 January 2018 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 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, 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.

Opinion 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.

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.

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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.

Our 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.



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

30 April 2018

MORLEYS DEPARTMENT STORES LIMITED (REGISTERED NUMBER: 09232295)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018**

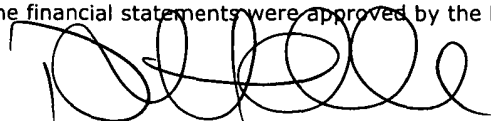
	Notes	period 29.1.17 to 27.1.18 £	period 31.1.16 to 28.1.17 £
TOTAL STORE SALES		107,283,869	99,149,495
Less : Concession Sales		(35,154,862)	(31,855,989)
: VAT on Own Trade Sales		(11,853,105)	(11,030,883)
TURNOVER		60,275,902	56,262,623
Cost of sales		33,665,851	31,268,737
GROSS PROFIT		26,610,051	24,993,886
Operating costs		30,287,221	26,846,067
		(3,677,170)	(1,852,181)
Concession and rental income		7,417,050	6,761,318
OPERATING PROFIT	5	3,739,880	4,909,137
Interest payable and similar expenses	6	117,559	57,492
PROFIT BEFORE TAXATION		3,622,321	4,851,645
Tax on profit	7	1,020,108	1,120,988
PROFIT FOR THE PERIOD		2,602,213	3,730,657
Profit and total comprehensive income attributable to: Owners of the parent		2,602,213	3,730,657

The notes form part of these financial statements

CONSOLIDATED BALANCE SHEET
27 JANUARY 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Intangible assets	9	2,637,860	3,056,123
Tangible assets	10	6,312,368	5,602,188
Investments	11	<u>11,070</u>	<u>11,070</u>
		8,961,298	8,669,381
CURRENT ASSETS			
Stocks	12	10,069,105	9,022,321
Debtors	13	1,366,211	1,310,589
Cash at bank and in hand		<u>13,684,129</u>	<u>8,184,274</u>
		25,119,445	18,517,184
CREDITORS			
Amounts falling due within one year	14	<u>11,277,465</u>	<u>10,485,500</u>
NET CURRENT ASSETS		13,841,980	8,031,684
TOTAL ASSETS LESS CURRENT LIABILITIES		22,803,278	16,701,065
CREDITORS			
Amounts falling due after more than one year	15	<u>15,589,938</u>	<u>12,089,938</u>
NET ASSETS		7,213,340	4,611,127
CAPITAL AND RESERVES			
Called up share capital	17	25,000	25,000
Retained earnings	18	<u>7,188,340</u>	<u>4,586,127</u>
SHAREHOLDERS' FUNDS		7,213,340	4,611,127

The financial statements were approved by the Board of Directors on 30 April 2018 and were signed on its behalf by:

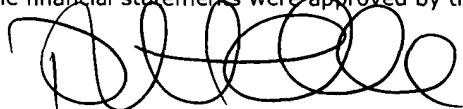


D I Hordle - Director

COMPANY BALANCE SHEET
27 JANUARY 2018

	Notes	2018		2017	
		£	£	£	£
FIXED ASSETS					
Investments	11		<u>13,811,020</u>		<u>13,311,022</u>
			13,811,020		13,311,022
CURRENT ASSETS					
Debtors	13	15,738,505		1,560,192	
Cash at bank		-		<u>686,632</u>	
		15,738,505		2,246,824	
CREDITORS					
Amounts falling due within one year	14	<u>10,663,504</u>		<u>2,221,825</u>	
NET CURRENT ASSETS			<u>5,075,001</u>		<u>24,999</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			18,886,021		13,336,021
CREDITORS					
Amounts falling due after more than one year	15		<u>9,011,021</u>		<u>8,511,021</u>
NET ASSETS			<u>9,875,000</u>		<u>4,825,000</u>
CAPITAL AND RESERVES					
Called up share capital	17		25,000		25,000
Retained earnings	18		<u>9,850,000</u>		<u>4,800,000</u>
SHAREHOLDERS' FUNDS			<u>9,875,000</u>		<u>4,825,000</u>
Company's profit for the financial year			<u>5,050,000</u>		<u>4,800,000</u>

The financial statements were approved by the Board of Directors on 30 April 2018 and were signed on its behalf by:



D I Hordle - Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 31 January 2016	25,000	855,470	880,470
Changes in equity			
Total comprehensive income	-	<u>3,730,657</u>	<u>3,730,657</u>
Balance at 28 January 2017	<u>25,000</u>	<u>4,586,127</u>	<u>4,611,127</u>
Changes in equity			
Total comprehensive income	-	<u>2,602,213</u>	<u>2,602,213</u>
Balance at 27 January 2018	<u>25,000</u>	<u>7,188,340</u>	<u>7,213,340</u>

The notes form part of these financial statements

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 31 January 2016	25,000	-	25,000
Changes in equity			
Total comprehensive income	-	<u>4,800,000</u>	<u>4,800,000</u>
Balance at 28 January 2017	<u>25,000</u>	<u>4,800,000</u>	<u>4,825,000</u>
Changes in equity			
Total comprehensive income	-	<u>5,050,000</u>	<u>5,050,000</u>
Balance at 27 January 2018	<u>25,000</u>	<u>9,850,000</u>	<u>9,875,000</u>

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018**

		period 29.1.17 to 27.1.18 £	period 31.1.16 to 28.1.17 £
Cash flows from operating activities	Notes		
Cash generated from operations	23	5,708,316	6,520,675
Interest paid		(117,559)	(57,492)
Tax paid		(1,086,778)	(582,357)
Net cash from operating activities		<u>4,503,979</u>	<u>5,880,826</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(2,512,265)	(4,043,335)
Sale of tangible fixed assets		8,141	13,544
Net cash from investing activities		<u>(2,504,124)</u>	<u>(4,029,791)</u>
Cash flows from financing activities			
Loan from parent company		3,500,000	1,300,000
Repayment of parent company loan		-	(4,800,000)
Net cash from financing activities		<u>3,500,000</u>	<u>(3,500,000)</u>
Increase/(decrease) in cash and cash equivalents		5,499,855	(1,648,965)
Cash and cash equivalents at beginning of period	24	8,184,274	9,833,239
Cash and cash equivalents at end of period	24	<u>13,684,129</u>	<u>8,184,274</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018**

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 27 January 2018 (2017: 28 January). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018

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

There are no 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) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing their impairment, the management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of debtors.

(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 sale 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 over its estimated useful life of twenty years.

Trading name

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018

3. ACCOUNTING POLICIES - continued

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 the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties, transport and handling directly attributable to bringing the stock to its present location and condition.

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.

Operating leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018

3. ACCOUNTING POLICIES - continued

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 29.1.17 to 27.1.18 £	period 31.1.16 to 28.1.17 £
Wages and salaries	13,297,737	12,176,230
Social security costs	1,012,615	946,790
Other pension costs	268,610	279,466
	<u>14,578,962</u>	<u>13,402,486</u>

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

	Number	Number
Sales, distribution and other	904	842
Administration	104	86
	<u>1,008</u>	<u>928</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018

5. OPERATING PROFIT

The operating profit is stated after charging (crediting):

	period 29.1.17 to 27.1.18 £	period 31.1.16 to 28.1.17 £
Depreciation - owned assets	1,802,085	1,571,450
Amortisation of intangible fixed assets	418,263	418,263
Auditors' Remuneration - Audit	80,600	80,600
Auditors' Remuneration - Accounting Services	4,500	15,300
Operating Lease Rentals - Equipment	26,249	41,580
Operating Lease Rentals - Premises	126,717	137,028

Directors remuneration	581,630	532,540
Directors' pension contributions (all Directors)	28,179	30,047

Information regarding the highest paid Director is as follows:

Emoluments etc	179,859	190,361
Pension contributions	17,937	17,848

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	989,775	928,302
Post-employment benefits	65,363	66,923
	1,055,138	995,225

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	period 29.1.17 to 27.1.18 £	period 31.1.16 to 28.1.17 £
Interest on intercompany loans	117,559	53,059
Inland Revenue interest	-	4,433
	117,559	57,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018

7. TAXATION**Analysis of the tax charge**

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

	period 29.1.17 to 27.1.18 £	period 31.1.16 to 28.1.17 £
Current tax:		
UK corporation tax	1,017,884	1,093,322
Under/(over) provision in prior year	-	(6,544)
Total current tax	1,017,884	1,086,778
Deferred tax	2,224	34,210
Tax on profit	<u>1,020,108</u>	<u>1,120,988</u>

UK corporation tax has been charged at 19.16% (2017: 19.83%)

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 29.1.17 to 27.1.18 £	period 31.1.16 to 28.1.17 £
Profit before tax	<u>3,622,321</u>	<u>4,851,645</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.162% (2017 - 20%)	694,109	970,329
Effects of:		
Expenses not deductible for tax purposes	31,627	45,603
Depreciation in excess of capital allowances	44,716	34,749
Utilisation of tax losses	247,432	42,641
Adjustments to tax charge in respect of previous periods	-	(6,544)
Deferred tax movement	2,224	34,210
Total tax charge	<u>1,020,108</u>	<u>1,120,988</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018

9. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Trading Name £	Totals £
COST			
At 29 January 2017 and 27 January 2018	<u>3,765,268</u>	<u>1,225,000</u>	<u>4,990,268</u>
AMORTISATION			
At 29 January 2017	<u>1,382,894</u>	<u>551,251</u>	<u>1,934,145</u>
Amortisation for period	<u>173,263</u>	<u>245,000</u>	<u>418,263</u>
At 27 January 2018	<u>1,556,157</u>	<u>796,251</u>	<u>2,352,408</u>
NET BOOK VALUE			
At 27 January 2018	<u>2,209,111</u>	<u>428,749</u>	<u>2,637,860</u>
At 28 January 2017	<u>2,382,374</u>	<u>673,749</u>	<u>3,056,123</u>

10. TANGIBLE FIXED ASSETS

Group

	Equipment, Fixtures and Vehicles £
COST	
At 29 January 2017	22,834,078
Additions	2,512,265
Disposals	<u>(288,961)</u>
At 27 January 2018	<u>25,057,382</u>
DEPRECIATION	
At 29 January 2017	17,231,890
Charge for period	1,802,085
Eliminated on disposal	<u>(288,961)</u>
At 27 January 2018	<u>18,745,014</u>
NET BOOK VALUE	
At 27 January 2018	<u>6,312,368</u>
At 28 January 2017	<u>5,602,188</u>

11. FIXED ASSET INVESTMENTS

Group

	Unlisted investments £
COST	
At 29 January 2017 and 27 January 2018	<u>11,070</u>
NET BOOK VALUE	
At 27 January 2018	<u>11,070</u>
At 28 January 2017	<u>11,070</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018

11. FIXED ASSET INVESTMENTS - continued

Company	Shares in group undertakings £
COST	
At 29 January 2017	13,311,021
Additions	<u>499,999</u>
At 27 January 2018	<u>13,811,020</u>
NET BOOK VALUE	
At 27 January 2018	<u>13,811,020</u>
At 28 January 2017	<u>13,311,021</u>

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:	holding
Ordinary	100.00

Bodgers (Ilford) Ltd

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

	%
Class of shares:	holding
Ordinary	100.00

Selbys (Holloway) Ltd

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

	%
Class of shares:	holding
Ordinary	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:	holding
Ordinary	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:	holding
Ordinary	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:	holding
Ordinary	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018

11. 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

12. STOCKS

	Group	
	2018	2017
	£	£
Finished goods	<u>10,069,105</u>	<u>9,022,321</u>

Stock recognised in cost of sales during the year as an expense was £33,936,262 (2017: £31,659,044).

13. DEBTORS

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	425,612	370,854	-	-
Amounts owed by group undertakings	-	-	15,691,066	1,560,192
Other debtors	47,439	-	47,439	-
Deferred tax asset	275,162	277,386	-	-
Prepayments and accrued income	579,382	623,733	-	-
	<u>1,327,595</u>	<u>1,271,973</u>	<u>15,738,505</u>	<u>1,560,192</u>

Amounts falling due after more than one year:

Other debtors	<u>38,616</u>	<u>38,616</u>	<u>-</u>	<u>-</u>
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Aggregate amounts	<u>1,366,211</u>	<u>1,310,589</u>	<u>15,738,505</u>	<u>1,560,192</u>
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Deferred tax asset

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Accelerated depreciation	<u>275,162</u>	<u>277,386</u>	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans and overdrafts	-	-	7,713,338	-
Trade creditors	4,670,346	5,204,085	155,884	108,588
Amounts owed to group undertakings	599,930	652,776	-	-
Corporation tax	1,017,884	1,086,778	-	-
VAT	2,794,282	2,113,237	2,794,282	2,113,237
Accruals and deferred income	2,195,023	1,428,624	-	-
	<u>11,277,465</u>	<u>10,485,500</u>	<u>10,663,504</u>	<u>2,221,825</u>

The bank overdraft that arises in the Parent Company is part of the group set-off arrangement. At the balance sheet date the Group had a positive cash balance of £13,684,129 (2017: £8,184,274).

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts owed to parent company	<u>15,589,938</u>	<u>12,089,938</u>	<u>9,011,021</u>	<u>8,511,021</u>

16. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	142,068	174,711
Between one and five years	419,983	534,455
In more than five years	667,773	924,720
	<u>1,229,824</u>	<u>1,633,886</u>

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2018	2017
Number:	Class:		£	£
25,000	Ordinary	£1	<u>25,000</u>	<u>25,000</u>

18. RESERVES

Group

	Retained earnings
	£
At 29 January 2017	4,586,127
Profit for the period	<u>2,602,213</u>
At 27 January 2018	<u>7,188,340</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018

18. RESERVES - continued**Company**

	Retained earnings £
At 29 January 2017	4,800,000
Profit for the period	<u>5,050,000</u>
At 27 January 2018	<u>9,850,000</u>

19. 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.

20. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 27 January 2018 (2017 - £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.

21. CAPITAL COMMITMENTS

	2018 £	2017 £
Contracted but not provided for in the financial statements	<u>38,102</u>	<u>2,042,737</u>

22. POST BALANCE SHEET EVENTS

On 28 February 2018 the subsidiary company, Bodgers (Ilford) Limited closed its department store and ceased trading on that date.

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

	period 29.1.17 to 27.1.18 £	period 31.1.16 to 28.1.17 £
Profit before taxation	3,622,321	4,851,645
Depreciation charges	2,220,348	1,989,713
Profit on disposal of fixed assets	(8,141)	-
Finance costs	<u>117,559</u>	<u>57,492</u>
	5,952,087	6,898,850
Increase in stocks	(1,046,784)	(520,723)
Increase in trade and other debtors	(57,846)	(177,999)
Increase in trade and other creditors	<u>860,859</u>	<u>320,547</u>
Cash generated from operations	<u>5,708,316</u>	<u>6,520,675</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 29 JANUARY 2017 TO 27 JANUARY 2018

24. 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 27 January 2018

	27.1.18 £	29.1.17 £
Cash and cash equivalents	<u>13,684,129</u>	<u>8,184,274</u>

Period ended 28 January 2017

	28.1.17 £	31.1.16 £
Cash and cash equivalents	<u>8,184,274</u>	<u>9,833,239</u>