

Registered No: 2307708

# **Furniture Village Limited**

## **Report and Financial Statements**

**For the 52 weeks ended 29 March 2009**

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# **Furniture Village Limited**

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Registered No: 2307708

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# Furniture Village Limited

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Registered No: 2307708

## **Directors**

J C Hodgkinson (Chairman)  
P J Harrison  
E G Wynne  
E Duggan  
M A Walker (Appointed 18 December 2008)

## **Secretary**

A J F Burton (Resigned 25 September 2008)  
C E Shiels (Appointed 25 September 2008)

## **Auditors**

Ernst & Young LLP  
Apex Plaza  
Reading  
Berkshire  
RG1 1YE

## **Bankers**

Bank of Scotland  
Beaumont House  
3 Queens Road  
Reading  
Berkshire  
RG1 4AR

## **Registered Office**

258 Bath Road  
Slough  
Berkshire  
SL1 4DX

## Chairman's statement

Whilst our previous financial year was a record for Furniture Village by every measure, the early recognition that conditions in the Spring of 2008 were starting to tighten enabled us to plan for 'challenging times' and to realign our business to the new world in which we find ourselves. Whilst the degree of the challenge 'surprised' everyone, the restructuring of the business in the last year has improved all aspects of the operation from product and marketing strategy to operational and cash management efficiencies.

As detailed below, whilst our volumes in the past year have been impacted when compared to our record year, our proactivity and creativity has enabled our performance to remain towards the upper end of the sector. In so doing we have delivered another year of profitability, albeit inevitably affected by substantial market driven volume declines. The decision to reduce our selling prices in line with the Government's temporary adjustment to VAT, including orders placed but yet to be completed, reflected our stated desire to offer our customers outstanding value and was warmly received by our customers.

This level of profitability has been achieved through protecting volumes where possible, disciplined management of margins which were ahead of the previous year, substantial overhead savings through cost restructuring, together with efficiency gains across the business. In addition, the business has maintained a strong cash position through proactive and detailed management of all elements of cash, ending the year with cash ahead of the previous year end.

The Directors of the business have achieved 'several years of business evolution' in the last twelve months, placing Furniture Village well to benefit from both competitor fall out and economic recovery when it comes.

### Trading Review

Turnover for the 52 weeks to 29 March 2009 was £161.9m, 9.4% or £16.8m down on the previous year, reflecting an underlying like for like decrease of 12.4%.

Through better buying, merchandise management, further staff training and foreign exchange hedging we have again grown the margin, against the backdrop of an extremely price sensitive market and major exchange rate fluctuations. The longstanding determination to protect and grow the margin has continued to underpin our 'firm business foundations' and has again made a significant contribution in the year.

As consumer sentiment has hardened somewhat towards big ticket retail our brand essence of choice, quality, value and service has been ever more significant and our communication of this through creative and targeted marketing has remained high.

The impact on profitability of reduced volumes has been offset to some degree through overhead savings including headcount reductions. In carrying out this extremely difficult exercise we have adopted the philosophy of revisiting the way we operate and not just 'cutting-costs', the result being a significantly more efficient operation which will cope well with increased volumes when the economy recovers.

### New Stores & Concepts

Our track record has been and will remain one of prudent expansion of our portfolio, only considering well thought through new store projects which will add value to the chain over a sustained period. In the year we opened one new store in Gillingham, again alongside an existing B&Q store. The store has performed well in its first six months of trading. Further new stores are under active consideration, though no firm commitments have yet been made.

## Chairman's statement (continued)

The evolution of our product offer has continued across all parts of our business and where we have introduced new lines to the business, they have reflected a desire to 'trade with increased authority' in areas which address both the 'realigned' market and our customer demographic.

### Balance Sheet

The improvements in working capital and cash management in the year have been substantial. The profitability of the business, albeit on a lower level, has been supported through a wide range of cash management initiatives which have resulted in the overall cash position being ahead of last year. This includes a further year of paying debt to term.

### People

In the past year we have reviewed all aspects of our people management; from recruitment & retention, to general and targeted training, at store and group level. In what has clearly been a challenging year we are a better business for this further commitment to our people.

As our business has long been geared towards 'success related' remuneration where possible, lower volumes have inevitably lead to lower remuneration for many – despite the best endeavours of everyone. In recognition that everyone at Furniture Village has continued to deliver a fantastic proposition to our customers, in spite of difficult trading conditions, the Board took the decision to make a one off 'loyalty bonus' to all employees in March of this year – equivalent to 2.5% of net salary.

### Outlook

We are trading well ahead of our budgets after the first two periods of the new financial year, however we fully recognise that the UK is far from being 'out of the woods yet'. That being said, the business is extremely well placed to capitalise on market share opportunities and economic and housing improvements when they come. It has a proven track record of growth and is more efficient now than at any time in its history.

J C Hodkinson

**Chairman**

## Directors' report

The directors present their report and financial statements for the 52 weeks ended 29 March 2009.

### Strategy overview

The Furniture Village strategy is to position itself at the upper end of the volume furniture retail market in the UK.

#### ***Our mission:***

To provide our customers with an unrivalled shopping experience: An Awesome Experience.

#### ***Statement of intent***

To continue to grow and develop our business and reputation, on the basis of sustainable competitive advantage through the levels of service we offer, the passion and skill of the people who provide it and the range, quality and value of our products. In pursuing these aims we will continue to ensure that our business remains relevant to the changed market in which we find ourselves and fosters a culture of continuous evolution and improvement.

### Financial highlights

Turnover for the 52 weeks to 29 March 2009 was £161.9m, 9.4% or £16.8m down on the previous year, reflecting an underlying like for like decrease of 12.4% (2008: £178.7m, £20.5m or 13.0% higher than the previous year).

During the past year against a backdrop of global and local economic difficulties we have remained profitable, whilst staying true to our culture and strategy and in so doing improved all aspects of the business.

Whilst reported operating profit for the year of £2.4m is down on last years £7.3m, we generated EBITDA of £5.2m and strides forward in terms of cash management have resulted in year end cash being ahead of our previous record year.

### Performance management and employee involvement

People remain central to everything we do and the business has well established reporting tools which enable quick and accurate analysis of business performance. This analysis ranges from well established daily, weekly, and periodic reporting, through to timely ad-hoc analysis.

Training and Communication remain central to the execution of our strategy. Our Academy of Learning and Development coaches employees from all disciplines within our business and has played a central role in enabling the 'business realignment' which has enhanced business performance in the past year.

Similarly, the meetings and conferences we hold either locally or centrally are crucial in communicating our expectations for performance of each function, together with the results of current trading. As importantly, these communication sessions allow for regular feedback of ideas for improvement within the business.

## Directors' report (continued)

### Risk

The size of our business necessitates a lean management structure, which in turn dictates the amount of resource that can be allocated to managing risk as a unique 'subject'.

Instead we segment risk and manage it accordingly:

- Strategic risk
- Financial risk
- Operational risk
- Health & Safety risk.

#### *Strategic risk:*

The economic and competitive landscapes have clearly changed significantly over recent years and indeed through the last financial year. The demise of so many 'price-centric' big ticket retailers was somewhat predictable, however the tightening in the UK housing market together with the onset of a 'full blown' recession has further impacted many 'non-specialist' and 'independent' furniture retailers. The demographic we have chosen to focus on, together with our determination to offer quality, choice and value have provided customers with a degree of 'certainty' in somewhat uncertain times.

The chosen strategy has withstood the challenging trading conditions and the business has remained both profitable and cash generative and with further improvements planned the business is well placed to exploit opportunities when they arise.

#### *Financial risk:*

Whilst the business has always been 'cash-conscious' the focus on further enhancements to all aspects of cash management in the past twelve months has proven successful. The business remains very comfortable in cash terms, underpinned by continued profitability even in the most challenging of times and after allowing for the 'investment' of a much deserved 'Loyalty Bonus' for all employees.

The finance function is well versed in providing budgetary and forecast benchmarks through the year, providing a strong predictive capability and level of confidence to all relevant stakeholders.

One of the key areas of focus for financial risk management includes that of exchange rate movements. As an element of our product is sourced in US dollars we attempt to provide a degree of certainty around this area by adopting a hedging strategy which could include forward contracts, options and spot purchases.

#### *Derivatives – Fair value*

The fair value at 29 March 2009 of derivatives held by the company was as follows:

Forward foreign exchange contracts £535,960 (unrealised gain) (2008: £42,533 unrealised gain).

#### *Operational risk:*

Store managers, supported by regional management who ensure operational standards, manage our stores at a local level. Our concentration on quality stores, systems and infrastructure ensure consistency of performance. Our supplier base is managed in an open, honest and constructive fashion, with quality of service being of huge significance to us.

#### *Health & Safety:*

The business takes its health and safety responsibilities very seriously. We ensure in all areas that we seek to comply with all relevant legislation and allocate management time to this subject at the highest level on a regular basis. The result of this focus is an exemplary record for a business of this size.

## Directors' report (continued)

### Principal activities and review of the business

The principal activity of the company is the sale of quality furniture in the retail market.

Turnover has decreased in total by 9.4% compared to last year to £161,912,000 (2008: £178,704,000) with the operating profit decreasing to £2,395,000 (2008: £7,309,000) and the profit before interest and tax decreasing to £2,379,000 (2008: £7,107,000).

We opened our latest store in Gillingham in August 2008, a store which has performed strongly. As in previous years we have continued to invest in organic enhancements to our portfolio of stores with new product initiatives across all buyerships ensuring newness and innovation for customers and employees alike.

### Results and dividends

The profit for the year, after taxation but before dividends, amounted to £1,942,000 (2008: £5,915,000). The directors have not paid an ordinary dividend to Furniture Village Group Limited, the parent company, in 2009 (2008: £2,000,000) due to sufficient reserves being held at year-end in the parent company. Preference dividends of £222,000 (2008: £222,000) were paid to Furniture Village Group Limited during the year. These preference dividends have been classified as interest paid in accordance with FRS 25 - Financial Instruments: Disclosure and Presentation.

### Future developments

As mentioned previously, the development of the business in the past twelve months, together with the ongoing enhancements to product ranges and customer service, give every confidence that the business will prosper when economic and housing sector 'green shoots' become something more substantial.

### Directors and their interests

The current directors, who are listed on page 1, all served throughout the year covered by this report, with the exception of M Walker, appointed on 18 December 2008 as Trading Director.

With Furniture Village Limited being the trading company, no director held any "A" ordinary shares, any "B" ordinary shares nor any beneficial interest in the preference shares of the Company at 31 March 2008 or throughout the year ended 29 March 2009, and hence received no dividends.

### Directors' statement as to disclosure of information to auditors

The directors who were members of the Board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

### Directors' liabilities

The company has indemnified the directors of the company against liability in respect of proceedings brought about by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force throughout the year.



## **Directors' report (continued)**

### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### **Charitable contributions**

The company's charitable donations for the year were £37,532 (2008: £34,058).


### **Events subsequent to the balance sheet date**

There are no events subsequent to the balance sheet date which require reporting for the company.

### **Elective resolution and auditors**

The company has passed Elective Resolutions to dispense with the laying of the financial statements before the company in General Meeting, the appointment of auditors annually and the holding of the Annual General Meetings, pursuant to sections 252, 386 and 366A of the Companies Act.

By order of the Board



C E Shiels  
Secretary

20 July 2009

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **Independent auditors' report**

## **to the members of Furniture Village Limited**

We have audited the financial statements of Furniture Village Limited for the 52 weeks ended 29 March 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Independent auditors' report

to the members of Furniture Village Limited (continued)

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 March 2009 and of its profit for the 52 weeks then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP  
Registered Auditor  
Reading

21 July 2009

## Profit and loss account

for the 52 weeks ended 29 March 2009

		52 weeks to 29 March 2009 £'000	52 weeks to 30 March 2008 £'000
	Note		
<b>Turnover</b>	2	161,912	178,704
Cost of sales		(82,667)	(92,437)
<b>Gross profit</b>		79,245	86,267
Distribution costs		(44,116)	(46,714)
Administrative expenses		(32,602)	(32,082)
<b>Profit before cost of new store openings</b>		2,527	7,471
New and re-launched store pre-trading costs		(132)	(162)
<b>Operating profit</b>		2,395	7,309
Loss on disposal of fixed assets and leasehold interests	3	(16)	(202)
<b>Profit before interest and tax</b>	4	2,379	7,107
Interest receivable	7	283	537
Interest payable	8	(269)	(281)
<b>Profit on ordinary activities before taxation</b>		2,393	7,363
Tax on profit on ordinary activities	9	(451)	(1,448)
<b>Profit for the financial year attributable to members</b>		1,942	5,915

All the activity of the company has been generated through continuing operations in both the current and prior year.

## Statement of recognised gains and losses

There are no recognised gains and losses other than the profit of £1,942,000 for the 52 weeks ended 29 March 2009 (52 weeks ended 30 March 2008: profit of £5,915,000).

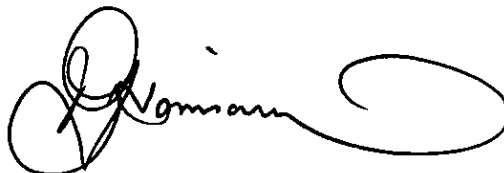
## Balance sheet

at 29 March 2009

		29 March 2009 £'000	30 March 2008 £'000
	Note		
<b>Fixed assets</b>			
Tangible assets	11	21,908	22,699
<b>Current assets</b>			
Stocks	12	7,791	10,323
Debtors	13	18,672	16,043
Cash at bank and in hand	21(c)	9,926	5,945
		36,389	32,311
<b>Creditors: amounts falling due within one year</b>	14	(41,416)	(39,897)
<b>Net current liabilities</b>		(5,027)	(7,586)
<b>Total assets less current liabilities</b>		16,881	15,113
<b>Creditors: amounts falling due after one year</b>	15	(36)	(65)
<b>Preference shares</b>	17	(3,150)	(3,150)
<b>Provisions for liabilities and charges</b>	18	(3,595)	(3,740)
		10,100	8,158
<b>Capital and reserves</b>			
Called up share capital	19	650	650
Share premium account	20	274	274
Profit and loss account	20	9,176	7,234
<b>Shareholders' funds</b>	20	10,100	8,158

Approved by the Board

P J Harrison  
Director



E Duggan  
Director



20 July 2009

## Statement of cash flows

for the 52 weeks ended 29 March 2009

		29 March 2009 £'000	30 March 2008 £'000
	Note		
<b>Net cash inflow from continuing operating activities</b>	21(a)	6,334	2,641
<b>Returns on investments and servicing of finance</b>	21(b)	58	204
<b>Taxation</b>	21(b)	(300)	(1,235)
<b>Capital expenditure and financial investment</b>	21(b)	(2,084)	(3,986)
<b>Equity dividends paid to parent company</b>	21(b)	-	(2,000)
<b>Financing</b>	21(b)	(27)	(25)
<b>Increase / (Decrease) in cash</b>		<u>3,981</u>	<u>(4,401)</u>

Ordinary and preference dividends are paid solely to the parent company, Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited.

The dividend payment made to Furniture Village Group Limited for the ordinary shares was £nil in 2008/09, compared to £2,000,000 in 2007/08 and is paid solely for the funding of the parent company and ultimate holding company.

### Reconciliation of net cash flow to movement in net funds

		29 March 2009 £'000	30 March 2008 £'000
	Note		
Increase/(decrease) in cash		3,981	(4,401)
Repayment of capital element of finance lease		27	25
<b>Change in net funds resulting from cash flows</b>		<u>4,008</u>	<u>(4,376)</u>
<b>Net funds at beginning of financial year</b>	21(c)	5,853	10,229
<b>Net funds at end of financial year</b>	21(c)	<u>9,861</u>	<u>5,853</u>

## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 1. Accounting policies

#### ***Basis of preparation***

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards. Funding is provided within the group through loans held in the parent company, Furniture Village Holdings Limited.

The accounting policies used in preparing the financial statements are consistent with those of the previous financial year.

#### ***Fixed assets***

All fixed assets are initially recorded at cost. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### ***Depreciation***

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Short leasehold property	-	over the lease term
Fixtures, fittings and equipment	-	over 4-10 years
Motor vehicles	-	over 3-5 years

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and comprises the purchase price of the goods and other directly attributable costs incurred in bringing the product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### ***Deferred taxation***

Deferred taxation is provided on all timing differences, arising from the different treatment for financial statements and taxation purposes of transactions and events recognised in the financial statements of the current and previous years. Deferred taxation is measured on an undiscounted basis at rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted at the balance sheet date. Deferred taxation assets are only recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

#### ***Pension costs***

The company operates a defined contribution pension scheme for eligible employees. Eligibility is defined by length of service. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

#### ***New and re-launched stores pre-trading costs***

The costs associated with the pre-trading period of new and re-launched stores are written off in the year in which they are incurred.

#### ***Rent free periods and reverse premiums***

During the course of opening new stores, operating leases are negotiated which may include rent-free periods and/or reverse premiums. Rent free periods and net reverse premiums are amortised from the date of lease commencement on a straight-line basis over the period to the next open market rent review.



# Notes to the financial statements

for the 52 weeks ended 29 March 2009

## 1. Accounting policies (continued)

### *Revenue recognition*

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the value of the consideration received, excluding value added tax. The following criteria must also be met before revenue is recognised:

#### *Sale of goods*

Revenue from the sale of goods is recognised on delivery of the goods to the customer;

#### *Delivery service*

Revenue from the delivery service provided to our customers is recognised on completion of the delivery of the goods.

### *Leasing and hire purchase commitments*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the asset's useful life. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. All differences are taken to the profit and loss account.

## 2. Turnover

Turnover, which is stated net of value added tax, represents the value of goods and services delivered and invoiced to customers. Turnover relates to one continuing activity, the retailing of household furniture within the United Kingdom.

## 3. Loss on disposal of fixed assets and leasehold interests

	52 weeks to 29 March 2009 £'000	52 weeks to 30 March 2008 £'000
Loss on disposal of fixed assets	(16)	(109)
Other costs relating to disposals	-	(93)
	<u>(16)</u>	<u>(202)</u>

The effect on the taxation charge for the year of the exceptional items recognised below operating profit is disclosed in note 9.

## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 4. Profit before interest and tax

This is stated after charging:

		<i>52 weeks to 29 March 2009 £'000</i>	<i>52 weeks to 30 March 2008 £'000</i>
Audit of the financial statements	- Furniture Village Limited and Group Companies	75	91
Other fees to auditors	- corporation tax advice	18	14
	- VAT advice	6	7
	- equity restructuring	-	90
Depreciation of owned assets		2,811	2,618
Depreciation of assets held under finance leases and hire purchase contracts		27	27
Operating lease rentals	- property	14,008	14,073
	- other	936	953
		<u>          </u>	<u>          </u>

### 5. Directors' emoluments

	<i>52 weeks to 29 March 2009 £'000</i>	<i>52 weeks to 30 March 2008 £'000</i>
Standard emoluments	821	892
Emoluments	<u>821</u>	<u>892</u>
Company contributions paid to money purchase pension schemes	<u>44</u>	<u>37</u>
	<i>2009 No.</i>	<i>2008 No.</i>
Members of money purchase pension scheme	4	3
	<u>          </u>	<u>          </u>

The amounts in respect of the highest paid director were standard emoluments of £284,000 (2008: £327,000) and company contributions paid to pension schemes of £17,000 (2008: £15,000). Directors' emoluments include bonuses relating to the period in which they accrue, although these may be paid after the year end.

## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 6. Staff costs

	<i>52 weeks to 29 March 2009 £'000</i>	<i>52 weeks to 30 March 2008 £'000</i>
Wages and salaries	22,833	24,283
Social security costs	2,461	2,673
Pension costs	785	728
	<u>26,079</u>	<u>27,684</u>

The average monthly number of employees during the year was as follows:

	<i>52 weeks to 29 March 2009 No.</i>	<i>52 weeks to 30 March 2008 No.</i>
Office and management	81	83
Retailing and distribution	642	660
	<u>723</u>	<u>743</u>

### 7. Interest receivable

	<i>52 weeks to 29 March 2009 £'000</i>	<i>52 weeks to 30 March 2008 £'000</i>
Bank interest	273	526
Other interest	10	11
	<u>283</u>	<u>537</u>

### 8. Interest payable

	<i>52 weeks to 29 March 2009 £'000</i>	<i>52 weeks to 30 March 2008 £'000</i>
Dividends paid on non-equity preference shares to parent company	222	222
Finance charges payable under finance leases and hire purchase contracts	6	8
Other interest	41	51
	<u>269</u>	<u>281</u>

Preference dividends are paid solely to the parent company Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited.

## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 9. Tax on profit on ordinary activities

	52 weeks to 29 March 2009 £'000	52 weeks to 30 March 2008 £'000
<i>UK corporation tax:</i>		
Tax on profits in the year	738	1,691
Tax over provided in previous years	(142)	(16)
Total current tax	596	1,675
<i>Deferred tax</i>		
Originated and reversal of timing differences (note 18) - current year	(102)	(299)
- prior year	(43)	72
	(145)	(227)
	451	1,448

The tax effect in the profit and loss account relating to exceptional items recognised below operating profit is a credit of £0 (2008: £28,000).

#### *Factors affecting the tax charge for the period*

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	52 weeks to 29 March 2009 £'000	52 weeks to 30 March 2008 £'000
Profit on ordinary activities before tax	2,393	7,363
Expected tax charge on profit on ordinary activities calculated at the standard rate of tax in the UK of 28% (2008: 30%)	670	2,209
<i>Effects of:</i>		
Disallowed expenses and non-taxable income	475	490
Depreciation in excess of capital allowances	51	(145)
Short term timing differences	51	11
Tax over provided in previous years	(142)	(16)
Capital gains	-	168
Group relief	(509)	(1,042)
Current tax charge for the year	596	1,675

As a result of changes in the UK 2008 budget, the main UK corporation tax rate was reduced to 28% with effect from 1 April 2008, along with changes to the capital allowance regime. Those changes are quantified in these financial statements.

## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 10. Ordinary dividends on equity shares to parent company

	52 weeks to 29 March 2009 £'000	52 weeks to 30 March 2008 £'000
Dividends paid on ordinary shares to parent company	-	2,000

The dividend payment made to Furniture Village Group Limited for the ordinary shares was £nil in 2008/09 (2007/08: £2,000,000) due to sufficient reserves being held at year-end in the parent company.

Ordinary dividends are paid solely for the funding of the parent company, Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited.

### 11. Tangible fixed assets

	Short leasehold property £'000	Fixtures fittings equipment & vehicles £'000	Total £'000
<i>Cost:</i>			
At 31 March 2008	30,705	8,997	39,702
Additions	1,410	653	2,063
Disposals	(257)	(31)	(288)
At 29 March 2009	31,858	9,619	41,477
<i>Depreciation:</i>			
At 31 March 2008	11,190	5,813	17,003
Provided during the year	1,992	846	2,838
Disposals	(250)	(22)	(272)
At 29 March 2009	12,932	6,637	19,569
<i>Net book value:</i>			
At 29 March 2009	18,926	2,982	21,908
At 31 March 2008	19,515	3,184	22,699

The net book value of the company's fixtures, fittings, equipment and vehicles includes £62,000 (2008: £89,000) in respect of assets held under finance leases and hire purchase contracts.

## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 12. Stocks

	<i>29 March</i>	<i>30 March</i>
	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Goods for resale	7,791	10,323

### 13. Debtors

	<i>29 March</i>	<i>30 March</i>
	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Trade debtors	799	796
Other debtors	1,967	2,171
Prepayments and accrued income	5,020	6,196
Owed by ultimate parent company – Furniture Village Holdings Limited	10,886	6,880
	<u>18,672</u>	<u>16,043</u>

### 14. Creditors: amounts falling due within one year

	<i>29 March</i>	<i>30 March</i>
	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Deposits on goods not yet delivered	7,125	9,015
Obligations under finance leases and hire purchase contracts (see note 16)	29	27
Trade creditors	16,965	13,039
Corporation tax	1,127	831
Other taxes and social security costs	2,092	3,418
Other creditors and accruals	6,749	6,460
Owed to parent company – Furniture Village Group Limited	7,329	7,107
	<u>41,416</u>	<u>39,897</u>

### 15. Creditors: amounts falling due after one year

	<i>29 March</i>	<i>30 March</i>
	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Obligations under finance leases and hire purchase contracts (see note 16)	36	65

## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 16. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts

	29 March 2009 £'000	30 March 2008 £'000
<i>Amounts payable:</i>		
Within one year	33	33
In two to five years	38	70
	<hr/> 71	<hr/> 103
<i>Less: finance charges allocated to future periods</i>	(6)	(11)
	<hr/> 65	<hr/> 92
	<hr/> <hr/>	<hr/> <hr/>

### 17. Preference shares

	29 March 2009 £'000	30 March 2008 £'000
<i>Authorised:</i>		
Cumulative preference shares of £1 (on which a total dividend of £96,000 is payable)		
- Number of shares - 1,400,000 (2008: 1,400,000)	1,400	1,400
7.2% Cumulative redeemable preference shares of £1 each		
- Number of shares - 3,000,000 (2008: 3,000,000)	3,000	3,000
	<hr/> 4,400	<hr/> 4,400
	<hr/> <hr/>	<hr/> <hr/>
<i>Allotted, called up and fully paid:</i>		
Cumulative preference shares of £1 (on which a total dividend of £96,000 is payable)		
- Number of shares - 1,400,000 (2008: 1,400,000)	1,400	1,400
7.2% Cumulative redeemable preference shares of £1 each		
- Number of shares - 1,750,000 (2008: 1,750,000)	1,750	1,750
	<hr/> 3,150	<hr/> 3,150
	<hr/> <hr/>	<hr/> <hr/>

The cumulative redeemable preference shares were due to be redeemed by 31 December 2003. However, the parent company has exercised the right to roll this redemption date forward and has not specified a future redemption date. Dividends on preference shares are payable quarterly in arrears to the parent company. Furniture Village Group Limited has the right to redeem these preference shares and they are redeemable at par. Furniture Village Group Limited has stated it will not redeem these preference shares within the next year.

## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 18. Provisions for liabilities and charges

	<i>Provision for dilapidations £'000</i>	<i>Deferred tax £'000</i>	<i>Total £'000</i>
At 31 March 2008	40	3,700	3,740
Provided/(released) during the current year	-	(102)	(102)
Prior year under/(over) provision	-	(43)	(43)
At 29 March 2009	40	3,555	3,595

*The deferred tax consists of:*

	<i>29 March 2009 £'000</i>	<i>30 March 2008 £'000</i>
Accelerated capital allowances	1,528	1,616
Other timing differences	(70)	(13)
Capital gains	2,097	2,097
Total deferred tax liability	3,555	3,700

### 19. Share capital

	<i>29 March 2009 £'000</i>	<i>30 March 2008 £'000</i>
<i>Authorised:</i>		
Equity interest		
“A” Ordinary shares of £1 each		
- Number of shares - 150,000 (2008: 150,000)	150	150
“B” Ordinary shares of £1 each		
- Number of shares - 550,000 (2008: 550,000)	550	550
	700	700
<i>Allotted, called up and fully paid:</i>		
Equity interest		
“A” Ordinary shares of £1 each		
- Number of shares - 150,000 (2008: 150,000)	150	150
“B” Ordinary shares of £1 each		
- Number of shares - 500,340 (2008: 500,340)	500	500
	650	650

All of the ordinary shares rank pari passu.



## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 20. Reconciliation of shareholders funds and movements on reserves

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 April 2007	650	274	3,319	4,243
Profit for the financial year	-	-	5,915	5,915
Ordinary dividends paid to parent company	-	-	(2,000)	(2,000)
At 30 March 2008	650	274	7,234	8,158
Profit for the financial year	-	-	1,942	1,942
Ordinary dividends paid to parent company	-	-	-	-
At 29 March 2009	650	274	9,176	10,100

### 21. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	<i>52 weeks to 29 March 2009 £'000</i>	<i>52 weeks to 30 March 2008 £'000</i>
Operating profit	2,395	7,309
Depreciation	2,838	2,645
(Increase)/Decrease in stocks	2,533	(678)
(Increase)/Decrease in non-intercompany debtors	1,333	(1,679)
Increase/(Decrease) in non-intercompany creditors	1,019	(207)
Increase/(Decrease) in provisions for maintenance warranties	-	40
	10,118	7,430
(Increase)/Decrease in intercompany debtors	(4,006)	(6,880)
Increase/(Decrease) in intercompany creditors	222	2,091
Net cash inflow from operating activities	6,334	2,641

The dividend payment made to Furniture Village Group Limited for the ordinary shares was £nil in 2008/09 (2007/08: £2,000,000) due to sufficient reserves being held at year-end in the parent company.

Ordinary dividends are paid solely for the funding of the parent company, Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited.

## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 21. Notes to the statement of cash flows (continued)

(b) Analysis of cash flows for heading netted in the statement of cash flows

	52 weeks to 29 March 2009 £'000	52 weeks to 30 March 2008 £'000
<i>Returns on investments and servicing of finance:</i>		
Interest received	327	485
Interest paid excluding preference dividends	(41)	(51)
Interest element of finance lease rental payments	(6)	(8)
Intercompany preference dividend paid to parent company	(222)	(222)
	<u>58</u>	<u>204</u>

Preference dividends are paid solely to the parent company, Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited.

	52 weeks to 29 March 2009 £'000	52 weeks to 30 March 2008 £'000
<i>Taxation:</i>		
Corporation tax paid	(300)	(1,235)
	<u></u>	<u></u>
<i>Capital expenditure and financial investment:</i>		
Payments relating to disposal of leasehold interests	-	(93)
Payments to acquire tangible fixed assets	(2,084)	(3,893)
	<u>(2,084)</u>	<u>(3,986)</u>
	<u></u>	<u></u>
<i>Equity dividends paid to parent company:</i>		
Intercompany ordinary dividend paid to parent company	-	(2,000)
	<u></u>	<u></u>

The dividend payment made to Furniture Village Group Limited for the ordinary shares was £nil in 2008/09 (2007/08: £2,000,000) due to sufficient reserves being held at year-end in the parent company.

Ordinary dividends are paid solely for the funding of the parent company, Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited.

	52 weeks to 29 March 2009 £'000	52 weeks to 30 March 2008 £'000
<i>Financing:</i>		
Repayments of capital element of finance leases and hire purchase contracts	(27)	(25)
	<u></u>	<u></u>

## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 21. Notes to the statement of cash flows (continued)

(c) Analysis of changes in net funds

	<i>At 31 March 2008 £'000</i>	<i>Cash flow £'000</i>	<i>At 29 March 2009 £'000</i>
Cash at bank and in hand	5,945	3,981	9,926
Finance leases	(92)	27	(65)
	<u>5,853</u>	<u>4,008</u>	<u>9,861</u>

### 22. Capital commitments

Due to the timing of new store and refurbishment commitments, future capital expenditure not otherwise included in these financial statements is as follows:

	<i>29 March 2009 £'000</i>	<i>30 March 2008 £'000</i>
Authorised by the directors and contracted for	-	-
Authorised by the directors but not yet contracted for	-	750
	<u>-</u>	<u>750</u>

The capital commitments authorised by the directors in 2008 related to the new store in Gillingham.

### 23. Operating lease commitments

In respect of leases, the following annual commitments existed at 29 March 2009 in respect of non-cancellable operating leases:

	<i>Land and buildings 29 March 2009 £'000</i>	<i>Land and buildings 30 March 2008 £'000</i>	<i>Other 29 March 2009 £'000</i>	<i>Other 30 March 2008 £'000</i>
<i>Operating leases which expire:</i>				
Within one year	-	28	228	139
In two to five years	1,316	362	630	730
In over five years	13,920	14,733	-	-
	<u>15,236</u>	<u>15,123</u>	<u>858</u>	<u>869</u>

## Notes to the financial statements

for the 52 weeks ended 29 March 2009

### 24. Related parties

As part of their employment the directors and employees can purchase goods from the company at a discount. The amount of goods purchased by the directors is not considered to be material either to the company or to the individuals. The discounts for the directors are on the same terms as those of all other employees. The company has taken advantage of the exemption allowed under FRS 8 'Related Party Disclosures', from disclosing transactions with related parties that are part of the Furniture Village Group, as the company is a 100% subsidiary of a group whose financial statements are publicly available.

### 25. Pension arrangements

The company operated a defined contribution pension scheme for eligible employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Accrued contributions at the year end amounted to £45,000 (2008: £17,000 prepayment).

### 26. Parent undertaking and controlling party

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Furniture Village Holdings Limited, registered in England and Wales. Group financial statements are prepared by Furniture Village Holdings Limited and are available from the registered office at 258 Bath Road, Slough, SL1 4DX.