Registered No 2307708

Furniture Village Limited

Report and Financial Statements

For the 52 weeks ended 30 March 2008

Registered No 2307708

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Directors

J C Hodkinson	(Chairman)
P J Harrison	
E G Wynne	
E Duggan	
D J Imrie	(retired / resigned 15 May 2007)
J M L Clark	(retired / resigned 15 May 2007)

Secretary

A J F Burton

Auditors

Ernst & Young LLP
Apex Plaza
Reading
Berkshire
RG1 1YE

Bankers

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

Registered Office

258 Bath Road
Slough
Berkshire
SL1 4DX

Chairman's statement

The strategy for the business set by the Directors at the beginning of the past year called for Sustainable profit growth, through investment in our brand' and despite an ever tightening market I am pleased to say that this objective has been delivered

A little over twelve months ago we said thank you to two retiring executive directors and shareholders as they exited the business and in so doing welcomed a strengthened' management team comprising senior people developed from within Furniture Village a further endorsement of our ongoing policy of 'Growing Our Own This management team has continued to move the business forward and it is very satisfying to report that we have not only achieved record sales volumes but also our highest level of profitability

As is well known trading conditions for big ticket retail has continued to tighten since the turn of the year, yet we have nevertheless maintained profitable like for like increases through careful merchandising together with further investments in imaginative and effective marketing

That being said, we clearly appreciate the severity of today's market-place and we do not underestimate what is required in order to protect the continued development and prosperity of the business

Trading review

Turnover for the 52 weeks to 30 March 2008 was £178 7m, £20 5m or 13 0% higher than the previous year in total with sales order intake 8 3% up on a like for like basis and up 22 9% on a similar two year comparison

In the past year we have again combined significant volume growth and healthy improvement in margin performance which has resulted in gross profit of £86 3m, an increase versus last year of £11 6m or 15 5% This is the sustainable profit growth which our strategy set out to achieve

Our commitment to communicating to existing and potential customers was reaffirmed with further increases in marketing spend the results of which have been solid footfall numbers across the business The increased marketing was in part linked to the extremely successful launch of our FV Bedshop concept in the latter part of the year

In order to optimise the return from the footfall into our stores we have again increased the numbers of sales consultants in store whilst further strengthening their training, which in turn has resulted in improvements in both order values and margin

New stores

Our approach to new stores has been and remains that of sensible, well thought through expansion Only when we have fully analysed all aspects of a prospective new store do we proceed and it is this approach which last year enabled the opening of stores in Bristol (Cribbs Causeway) in conjunction with B&Q and at Solihull These stores have delivered our best ever launch performance and comfortably overachieved against tough internal targets with Bristol becoming our first £10m plus store in the year

As in previous years we have continued to invest in the organic enhancements of our portfolio of stores with successful expansion of trading space in Guildford and full department refurbishments in all stores for the launch of the FV Bedshop

In the coming year we are looking forward to an early autumn opening for our latest store in Gillingham which is again linked with B&Q Whilst other new stores are under consideration the current trading climate is such that we will take our time and fully consider all aspects of these investments before further commitments

Chairman's statement (continued)

Balance sheet

Improvements in profitability through increases in volumes and margins, driven through further investment in marketing people and store development together with further enhancements in working capital controls, have resulted in strong cash generation in the year The strength of this cash position has enabled us to make an additional early voluntary debt repayment towards the new funding structure which was put in place last year

People

In addition to the strengthening of the senior management team referred to above our long held philosophy of Growing Our Own' has played an important part in the development of our people at all levels Our extensive training facilities are in constant use with all people areas of the business benefiting from a range of courses and seminars aimed at everything from selling, merchandising and administration to management coaching and interpersonal skills

Outlook

The retail sector at present is clearly experiencing turbulent times and it is essential in these circumstances that we remain close to the needs of both our customers and our own people Whilst big ticket appears to have suffered it is important that we stick to the principles of our business which have delivered such strong performance in recent years, Quality Service, Innovation and Honesty leading to real value

After the first couple of periods of the new financial year we are trading in line with internal budgets which assumed very tough conditions, however we are mindful that they could yet tighten further Over recent years we have 'de-risked' the operation of the business in terms of linking significant elements of overheads directly to volumes and it is this action which will help cushion the business to a degree from whatever the economy has in store for us in the coming weeks and months

At the same time as we look for efficiencies in everything we do, we will aggressively seek out incremental, profitable business through new marketing ideas and product innovation coupled with further investment in effective communication

JC Hodkinson

Chairman

Directors' report

The directors present their report and financial statements for the 52 weeks ended 30 March 2008

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 protect the business we have created and consolidate the successful initiatives already underway, whilst preparing for a future in which innovation and proactivity are key

Financial highlights

Turnover for the 52 weeks to 30 March 2008 was £178 7m, £20 5m or 13 0% higher than the previous year in total with sales order intake 8 3% up on a like for like basis and up 22 9% on a similar two year comparison

During the past year we have made improvements in profitability through increases in volumes and margins driven through further investment in marketing, people and store development This progress against tightening trading conditions which became more challenging as the year progressed, resulted in the reported operating profit of £7 3m for the year being 24% ahead of the previous year of £5 9m

Performance management and employee involvement

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 the 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 key enhancements in business performance in the past year such as increased customer conversions and improved margin retention

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 competitive landscape currently indicates that our strategy to continue to move away from a 'price centric' offering, whilst maintaining a strong value for money' message is the correct one The decisions taken in recent years in terms of service and quality, together with further advances in the coming year will provide us with the platform to deal with what is likely to be an unforgiving market

Financial risk

The business continues to focus on effective management of cash The cash generative nature of the operation has enabled us to comfortably meet our financial obligations to landlords, suppliers and other stakeholders, aided by the flexibility we have over capital expenditure commitments In addition we have taken advantage of this relatively strong cash position to pay early some of our borrowings, reducing debt and interest charges ahead of schedule

The finance function is well versed in providing budgetary and forecast benchmarks through the year, providing a strong predictive capability

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 30 March 2008 of derivatives held by the company was as follows

Forward foreign exchange contracts £42 533 (unrealised gain) (2007 £26 584 unrealised loss)

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 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 increased in total by 13% compared to last year to £178 704,000 (2007 £158,188,000) with the operating profit increasing by 24% to £7 309,000 (2007 £5,876,000) and the profit before interest and tax increasing by 44% to £7,107 000 (2007 £4,935,000)

We opened our latest store in Solihull in May 2007, a store which had continued to perform very strongly In addition we opened a store at Cribbs Causeway in Bristol in April 2007, with it immediately becoming the highest bookings store in the Group As in previous years we have continued to invest in the organic enhancements of our portfolio of stores with successful expansion of trading space in Guildford and full department refurbishments in all stores for the launch of the FV Bedshop

Results and dividends

The profit for the year, after taxation but before dividends, amounted to £5,915,000 (2007 £4,014,000) The directors have authorised and paid a dividend to Furniture Village Group Limited, the parent company, of £2,000 000 (2007 £4,867,000) during the year Preference dividends of £222,000 (2007 £222,000) were also 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

In the coming year we are looking forward to an early autumn opening for our latest store in Gillingham which is again linked with B&Q Whilst other new stores are under consideration the current trading climate is such that we will take our time and fully consider all aspects of these investments before further commitments

Directors and their interests

The current directors, who are listed on page 1, all served throughout the year covered by this report David Imrie and Jack Clark also served from the start of the financial year until they retired and thus resigned from the Board on 15 May 2007 The Board would like to thank Mr Imrie and Mr Clark for their invaluable contributions to the business over their time with the company

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 1 April 2007 or throughout the year ended 30 March 2008, 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 £34 058 (2007 £38,051)

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

A J F Burton

Secretary

Date 19 August 2008

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

Ernst & Young

Independent auditors' report

to the members of Furniture Village Limited

We have audited the company's financial statements for the 52 weeks ended 30 March 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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 30 March 2008 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

Date 20 August 2008

Profit and loss account

for the 52 weeks ended 30 March 2008

	Note	*52 weeks to 30 March 2008 £'000*	*52 weeks to 1 April 2007 £'000*
Turnover	2	178,704	158,188
Cost of sales		(92,437)	(83,480)
Gross profit		86,267	74 708
Distribution costs		(46,714)	(38,296)
Administrative expenses		(32,082)	(30,246)
Profit before cost of new store openings		7,471	6,166
New and re-launched store pre-trading costs		(162)	(290)
Operating profit		7,309	5,876
Loss on disposal of fixed assets and leasehold interests	3	(202)	(941)
Profit before interest and tax	4	7,107	4,935
Interest receivable	7	537	278
Interest payable	8	(281)	(237)
Profit on ordinary activities before taxation		7,363	4,976
Tax on profit on ordinary activities	9	(1,448)	(962)
Profit for the financial year attributable to members		5,915	4,014

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

Statement of recognised gains and losses

for the 52 weeks ended 30 March 2008

There are no recognised gains and losses other than the profit of £5 915,000 for the 52 weeks ended 30 March 2008 (52 weeks ended 1 April 2007 profit of £4,014,000)

Balance sheet
at 30 March 2008

	Note	*30 March 2008 £'000*	*1 April 2007 £'000*
Fixed assets			
Tangible assets	11	22,699	21,795
Current assets			
Stocks	12	10,323	9 645
Debtors	13	16,043	7,432
Cash at bank and in hand	21(c)	5,945	10,346
		32,311	27,423
Creditors amounts falling due within one year	14	(39,897)	(37,806)
Net current liabilities		(7,586)	(10,383)
Total assets less current liabilities		15,113	11,412
Creditors amounts falling due after one year	15	(65)	(92)
Preference shares	17	(3 150)	(3 150)
Provisions for liabilities and charges	18	(3 740)	(3 927)
		8,158	4,243
Capital and reserves			
Called up share capital	19	650	650
Share premium account	20	274	274
Profit and loss account	20	7,234	3,319
Shareholders' funds	20	8,158	4,243

Approved by the Board

P J Harrison
Director

E Duggan
Director

Date 19 August 2008

Statement of cash flows

for the 52 weeks ended 30 March 2008

	Note	30 March 2008 £'000	1 April 2007 £'000
Net cash inflow from continuing operating activities	21(a)	2,641	15,082
Returns on investments and servicing of finance	21(b)	204	41
Taxation	21(b)	(1,235)	(1,213)
Capital expenditure and financial investment	21(b)	(3,986)	(4,055)
Equity dividends paid to parent company	21(b)	(2,000)	(4,867)
Financing	21(b)	(25)	(20)
(Decrease) / Increase in cash		(4 401)	4,968

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 net cash inflow from continuing operating activities and the returns on investments, servicing of finance and equity dividends paid have been affected by the dividend paid to Furniture Village Group Limited and the consequent intercompany creditor balance See note 21(a)

The dividend payment made to Furniture Village Group Limited for the ordinary shares was £2,000,000 in 2007/08, compared to £4,867 000 in 2006/07 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

	Note	30 March 2008 £'000	1 April 2007 £'000
(Decrease) / Increase in cash		(4,401)	4,968
Repayment of capital element of finance lease		25	20
Change in net funds resulting from cash flows		(4,376)	4,988
Inception of finance lease		-	(137)
Movement in net funds		(4,376)	4 851
Net funds at beginning of financial year	21(c)	10,229	5 378
Net funds at end of financial year	21(c)	5,853	10 229

Notes to the financial statements

for the 52 weeks ended 30 March 2008

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 trading 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 30 March 2008

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

Notes to the financial statements

for the 52 weeks ended 30 March 2008

3 Loss on disposal of fixed assets and leasehold interests

	52 weeks to 30 March 2008 £'000	*52 weeks to 1 April 2007 £'000*
Loss on disposal of fixed assets	(109)	(267)
Other costs relating to disposals	(93)	(674)
	(202)	(941)

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

4 Profit before interest and tax

This is stated after charging

		52 weeks to 30 March 2008 £'000	*52 weeks to 1 April 2007 £'000*
Audit of the financial statements	- Furniture Village Limited	63	63
	- other fellow group companies	28	4
Other fees to auditors	- corporation tax advice	14	22
	- VAT advice	7	5
	- equity restructuring	90	148
Depreciation of owned assets		2,618	2,343
Depreciation of assets held under finance leases and hire purchase contracts		27	21
Operating lease rentals	- property	14,073	13,352
	- other	953	941

5. Directors' emoluments

	52 weeks to 30 March 2008 £'000	*52 weeks to 1 April 2007 £'000*
Standard emoluments	892	1,102
Non-recurring emoluments	-	174
Emoluments	892	1 276
Company contributions paid to money purchase pension schemes	37	37

Notes to the financial statements

for the 52 weeks ended 30 March 2008

5 Directors' emoluments (continued)

	2008 *No*	*2007* *No*
Members of money purchase pension scheme	3	4

The amounts in respect of the highest paid director were standard emoluments of £327,000 (2007 £277,000) non-recurring emoluments of £nil (£2007 £145,000) and company contributions paid to pension schemes of £15,000 (2007 £10,000) Directors' emoluments include bonuses relating to the period in which they accrue, although these may be paid after the year end

6 Staff costs

	52 weeks to 30 March 2008 £'000	*52 weeks to 1 April 2007 £'000*
Wages and salaries	24,283	21 859
Social security costs	2,673	2 362
Pension costs	728	660
	27 684	24 881

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

	52 weeks to 30 March 2008 No	*52 weeks to 1 April 2007 No*
Office and management	103	97
Retailing and distribution	640	563
	743	660

7 Interest receivable

	52 weeks to 30 March 2008 £'000	*52 weeks to 1 April 2007 £'000*
Bank interest	526	251
Other interest	11	27
	537	278

Notes to the financial statements

for the 52 weeks ended 30 March 2008

8 Interest payable

	52 weeks to 30 March 2008 £'000	52 weeks to 1 April 2007 £'000
Dividends paid on non-equity preference shares to parent company	222	222
Bank loans and overdrafts	-	1
Finance charges payable under finance leases and hire purchase contracts	8	7
Other interest	51	7
	281	237

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

9. Tax on profit on ordinary activities

		52 weeks to 30 March 2008 £'000	52 weeks to 1 April 2007 £'000
UK corporation tax			
Tax on profits in the year		1,691	833
Tax (over) / under provided in previous years		(16)	41
Total current tax		1,675	874
Deferred tax			
Originated and reversal of timing differences (note 18)	- current year	(299)	451
	- prior year	72	(363)
		(227)	88
		1,448	962

The tax effect in the profit and loss account relating to exceptional items recognised below operating profit is a credit of £28,000 (2007 £nil)

Notes to the financial statements

for the 52 weeks ended 30 March 2008

9 Tax on profit on ordinary activities (continued)

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 30 March 2008 £'000	*52 weeks to 1 April 2007 £'000*
Profit on ordinary activities	7,363	4,976
Expected tax charge on profit on ordinary activities calculated at the standard rate of tax in the UK of 30% (2007 30%)	2,209	1,493
Effects of		
Disallowed expenses and non-taxable income	490	564
Capital allowances in excess of depreciation	(145)	(204)
Short term timing differences	11	(257)
Tax (over) / under provided in previous years	(16)	41
Capital gains	168	10
Group relief	(1,042)	(773)
Current tax charge for the year	1,675	874

Under the 2007 Finance Act the rate of UK corporation tax has reduced from 30% to 28% with effect from 1 April 2008

The effect on the company of these proposed changes to the UK tax system will be fully reflected in the company's financial statements for the year ending 29 March 2009

10. Ordinary dividends on equity shares to parent company

	52 weeks to 30 March 2008 £'000	*52 weeks to 1 April 2007 £'000*
Dividends paid on ordinary shares to parent company	2,000	4,867

The dividend payment made to Furniture Village Group Limited for the ordinary shares was £2 000 000 in 2007/08 compared to £4 867,000 in 2006/07 and is paid solely for the funding of the parent company

Ordinary 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 30 March 2008

11. Tangible fixed assets

	Short leasehold property £'000	Fixtures fittings equipment & vehicles £'000	Total £'000
Cost.			
At 2 April 2007	28,576	7,875	36,451
Additions	2,336	1,322	3,658
Disposals	(207)	(200)	(407)
At 30 March 2008	30.705	8.997	39,702
Depreciation			
At 2 April 2007	9,504	5,152	14,656
Provided during the year	1,841	804	2,645
Disposals	(155)	(143)	(298)
At 30 March 2008	11,190	5,813	17,003
Net book value			
At 30 March 2008	19,515	3,184	22,699
At 2 April 2007	19,072	2,723	21,795

The net book value of the company's fixtures fittings equipment and vehicles includes £89,000 (2007 £116,000) in respect of assets held under finance leases and hire purchase contracts

12 Stocks

	30 March 2008 £'000	*1 April 2007 £'000*
Goods for resale	10,323	9,645

13. Debtors

	30 March 2008 £'000	*1 April 2007 £'000*
Trade debtors	796	930
Other debtors	2,171	1,941
Prepayments and accrued income	6,196	4.561
Owed by ultimate parent company – Furniture Village Holdings Limited	6,880	-
	16,043	7,432

Notes to the financial statements

for the 52 weeks ended 30 March 2008

14 Creditors: amounts falling due within one year

	30 March 2008 £'000	*1 April 2007 £'000*
Deposits on goods not yet delivered	9,015	6,084
Obligations under finance leases and hire purchase contracts (see note 16)	27	25
Trade creditors	14,203	15,431
Corporation tax	831	391
Other taxes and social security costs	3,418	3,389
Other creditors and accruals	5,296	7,470
Owed to parent company – Furniture Village Group Limited	7,107	5,016
	39,897	37,806

15. Creditors: amounts falling due after one year

	30 March 2008 £'000	*1 April 2007 £'000*
Obligations under finance leases and hire purchase contracts (see note 16)	65	92

16. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts

	30 March 2008 £'000	*1 April 2007 £'000*
Amounts payable		
Within one year	33	33
In two to five years	70	103
	103	136
Less finance charges allocated to future periods	(11)	(19)
	92	117

Notes to the financial statements

for the 52 weeks ended 30 March 2008

17 Preference shares

	30 March 2008 £'000	1 April 2007 £'000
Authorised		
Cumulative preference shares of £1 (on which a total dividend of £96,000 is payable)		
- Number of shares - 1,400,000 (2007 1,400,000)	1,400	1,400
7 2% Cumulative redeemable preference shares of £1 each		
- Number of shares - 3,000,000 (2007 3,000,000)	3,000	3,000
	4,400	4,400
Allotted, called up and fully paid		
Cumulative preference shares of £1 (on which a total dividend of £96,000 is payable)		
- Number of shares - 1,400,000 (2007 1,400,000)	1,400	1,400
7 2% Cumulative redeemable preference shares of £1 each		
- Number of shares - 1,750,000 (2007 1,750,000)	1,750	1,750
	3,150	3,150

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

18 Provisions for liabilities and charges

	Provision for maintenance warranties £'000	*Deferred tax £'000*	*Total £'000*
At 2 April 2007	-	3,927	3,927
Provided / (released) during the current year	40	(299)	(259)
Prior period under provision	-	72	72
At 30 March 2008	40	3,700	3,740

The deferred tax consists of

	30 March 2008 £'000	*1 April 2007 £'000*
Accelerated capital allowances	1,616	1,535
Other timing differences	(13)	(23)
Capital gains	2,097	2,415
Total deferred tax liability	3,700	3,927

Notes to the financial statements

for the 52 weeks ended 30 March 2008

19 Share capital

	30 March 2008 £'000	*1 April 2007 £'000*
Authorised		
Equity interest		
A' Ordinary shares of £1 each		
- Number of shares - 150,000 (2007 150,000)	150	150
B" Ordinary shares of £1 each		
- Number of shares - 550,000 (2007 550,000)	550	550
	700	700
Allotted, called up and fully paid		
Equity interest		
A Ordinary shares of £1 each		
- Number of shares - 150 000 (2007 150,000)	150	150
B' Ordinary shares of £1 each		
- Number of shares - 500,340 (2007 500,340)	500	500
	650	650

All of the ordinary shares rank pari passu

20. Reconciliation of shareholders funds and movements on reserves

	Share capital £'000	*Share premium £'000*	*Profit and loss account £'000*	*Total £'000*
At 3 April 2006	650	274	4,172	5,096
Profit for the financial year	-	-	4,014	4,014
Ordinary dividends paid to parent company	-	-	(4,867)	(4,867)
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

Notes to the financial statements

for the 52 weeks ended 30 March 2008

21. Notes to the statement of cash flows

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

	52 weeks to 30 March 2008 £'000	*52 weeks to 1 April 2007 £'000*
Operating profit	7,309	5,876
Depreciation	2,645	2,364
Increase in stocks	(678)	(175)
(Increase) / Decrease in non-intercompany debtors	(1,679)	238
(Decrease) / Increase in non-intercompany creditors	(207)	6 595
Increase in provisions for maintenance warranties	40	-
	7,430	14,898
Increase in intercompany debtors	(6,880)	-
Decrease in intercompany creditors	2,091	184
Net cash inflow from operating activities	2,641	15,082

The net cash inflow from continuing operating activities has been affected by the dividend paid to Furniture Village Group Limited and the consequent intercompany creditor balance

The dividend payment made to Furniture Village Group Limited for the ordinary shares was £2 000 000 in 2007/08 compared to £4,867,000 in 2006/07

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

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

	52 weeks to 30 March 2008 £'000	*52 weeks to 1 April 2007 £'000*
Returns on investments and servicing of finance		
Interest received	485	278
Interest paid excluding preference dividends	(51)	(8)
Interest element of finance lease rental payments	(8)	(7)
Intercompany preference dividend paid to parent company	(222)	(222)
	204	41

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 higher interest received in the period resulted from the higher average cash balances during the year

Notes to the financial statements

for the 52 weeks ended 30 March 2008

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

	52 weeks to 30 March 2008 £'000	*52 weeks to 1 April 2007 £'000*
Taxation		
Corporation tax paid	(1,235)	(1,213)
Capital expenditure and financial investment		
Proceeds from disposal of other assets	-	1
Payments relating to disposal of leasehold interests	(93)	(674)
Payments to acquire tangible fixed assets	(3,893)	(3,382)
	(3,986)	(4 055)
Equity dividends paid to parent company		
Intercompany ordinary dividend paid to parent company	(2,000)	(4,867)

The dividend payment made to Furniture Village Group Limited for the ordinary shares was £2,000,000 in 2007/08 compared to £4,867,000 in 2006/07

Ordinary 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 30 March 2008 £'000	*52 weeks to 1 April 2007 £'000*
Financing		
Repayments of capital element of finance leases and hire purchase contracts	(25)	(20)

(c) Analysis of changes in net funds

	At 1 April 2007 £'000	*Cash flow £'000*	*At 30 March 2008 £'000*
Cash at bank and in hand	10,346	(4,401)	5 945
Finance leases	(117)	25	(92)
	10,229	(4 376)	5 853

Cash flows relating to non-operating exceptionals

Capital expenditure and financial investment cash flows include £93,000 outflow (2007 £674,000) from the disposal of leasehold interests and £nil (2007 £1 000) from the disposal of fixed assets

Notes to the financial statements

for the 52 weeks ended 30 March 2008

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

	30 March 2008 £'000	*1 April 2007 £'000*
Authorised by the directors and contracted for	-	878
Authorised by the directors but not yet contracted for	750	-
	750	878

The capital commitments authorised by the directors and contracted for relates to the new store in Gillingham

23 Operating lease commitments

In respect of leases, the following annual commitments existed at 30 March 2008 in respect of non-cancellable operating leases

	Land and buildings 30 March 2008 £'000	*Land and buildings 1 April 2007 £'000*	*Other 30 March 2008 £'000*	*Other 1 April 2007 £'000*
Operating leases which expire				
Within one year	28	-	139	223
In two to five years	362	204	730	699
In over five years	14,733	14,397	-	-
	15,123	14,601	869	922

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 £17,000 (2007 £22,000 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