Registered No 2307708

Furniture Village Limited

Report and Financial Statements

For the 52 weeks ended 3 April 2011

24/1/12 SO

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Directors
J C Hodkinson (Chairman)
P J Harrison
E G Wynne
E Duggan
M A Walker

Secretary
C E Shiels

Auditors
Ernst & Young LLP
Apex Plaza
Reading
Berkshire RG1 1YE

Bankers
Bank of Scotland (part of Lloyds Banking Group)
The Atrium
Davidson House
Forbury Square
Reading
Berkshire RG1 3EU

Registered Office
258 Bath Road
Slough
Berkshire SL1 4DX

Chairman's statement

In my previous Chairman's statement I detailed management's determination to prepare for what they considered to be a challenging year for the UK Retail sector following the then pending general election It is pleasing to report that the improvements to the business which have resulted thus far from its 'Change for the Better Programme' have further improved its resilience, enabling it to continue to trade profitably in a difficult market where consumer confidence has fallen significantly

Whilst the business improvement programme has contributed well to business performance in the past year there are further significant enhancements to operational effectiveness and efficiency which are already in the pipeline and will result in a leaner, fitter and more scalable business long into the future

There is little doubt however, that the immediate-term challenge resulting from a tightening in trading subsequent to the increase in VAT requires a careful balance of driving profitable volumes and controlling spending, whilst continuing to invest in our people and our business for the longer term

The management team have historically plotted a careful, sensible course and will continue to do so with the 'Change for the Better' programme, providing genuinely exciting and solid foundations for the business for its next twenty years

Trading review

Turnover for the 52 weeks to the 3th April 2011 was £180 7m, up £8 3m or 4 8% on last year's 53 weeks The increase on the equivalent 52 week period for the prior year is £10 8m or 6 3%

The work done in recent years to deliver a robust product margin has allowed the business to accommodate a degree of product-cost pressures, deterioration in the value of sterling and significant increases in promotional price-focussed competition, whilst also securing a solid volume performance

Overheads continue to be well controlled, with a degree of early efficiency improvements from the 'Change for the Better' programme, offsetting to a degree some significant increases in marketing investment and property related spend

The resultant EBITDA for the 52 week year was £6 8m, down by £1 5m or 17 7% compared to last year's 53 week year Comparison with the equivalent 52 week period for the prior year however shows an EBITDA which was down by £0 5m or 7 3%

Balance sheet

The underlying business model is cash generative and the solid trading performance outlined above together with a continued focus on the cash position during the year, has resulted in a closing cash balance of £11 8m, after allowing for continued investment in capital expenditure with the opening of our new Kingston and Farnborough Stores and relocation of our National Distribution Centre

People

Furniture Village is very much a people business and in the past year investment in this area has further increased, in recognition of the impact that training and development has on overall performance Significant additional funding for 'company-wide' training has been approved in the year, with customer service training featuring strongly The business has excellent retention rates and regularly recognises great performance and long service to the business, that being said it is far from complacent and will continue to invest in its existing company-wide 'Listening and Feedback' process, facilitated by the relatively flat structure and open lines of communication These exercises will enable the management of the business to stay close to its people in what will likely prove to be difficult trading conditions for all of retail

Chairman's statement (continued)

New stores

The third of our recent new stores was successfully launched at Kingston in the year, joining Cheltenham and Farnborough which opened towards the end of the previous financial year Following extensive research an updated target list of potential new stores has been identified That being said the 'prudent' expansion strategy which has served the business well will continue and only those projects which meet or exceed our 'exacting investment hurdles' will be considered In addition, our programme of organic expansion of trading space will continue in the year ahead, with warehouse space being converted to trading space in targeted locations across the UK

Outlook

There is little doubt that consumer confidence is under significant pressure at present and that this is likely to continue for some time yet The businesses which will come through these tough times will be those which create a culture which continuously seeks trading, operational, efficiency and cost improvements, whilst doing so in a way which gears everything they do to the ever changing 'needs and wants' of today's consumer

The furniture customer of today and the future will increasingly look for retailers that they can trust because they represent a combination of 'real value' and 'outstanding service', a desire which is at the heart of the marketing statement 'You're in Safe Hands at Furniture Village'

The management of Furniture Village understand these challenges and whilst recognising that trading may take a little time to recover all of its lost ground, they have created a strategy which balances these factors in the short, medium and long term interests of the business and in so doing aim to become the number one destination for discerning furniture shoppers in the UK

J C Hodkinson

Chairman

Directors' report

The directors present their report and financial statements for the 52 weeks ended 3 April 2011

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

Results and dividends

The profit for the 52 week year, after taxation but before dividends, amounted to £3 0m which is in line with the prior period profit of £3 0m for the equivalent 52 week period (2010 – reported profit of £3 7m for 53 weeks) The directors have paid an ordinary dividend to Furniture Village Group Limited, the parent company, in 2011 of £750k (2010 – £nil) Preference dividends of £222k (2010 – £222k) 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

Principal activities and review of the business

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

Turnover in the 52 week period has increased in total by 4 8% compared to last year's reported 53 week period to £180 7m (2010 – £172 4m), but has increased by 6 3% against the equivalent 52 week period for last year The operating profit has decreased to £3 8m (2010 – £4 5m for the equivalent 52 weeks) and the profit before interest and tax decreasing to £3 7m (2010 – £4 6m for the equivalent 52 weeks)

The past year has been one in which we appear to have traded somewhat better than many of our competitors and yet we will not be lulled into a false sense of security The management team has a wealth of experience in dealing with difficult trading conditions and the year we are entering is likely to be as challenging as any the sector will have faced What is clear is that whilst we are reporting a solid set of results for last year, we recognise that we must continue to evolve and 'Change for the Better'

Future developments

The 'Change for the Better' programme which started in the autumn of 2010 has identified further operational, efficiency and cost enhancements which will form the basis of structural changes in the year ahead These changes will leverage existing assets and experience, significantly improving all aspects of our Supply Chain and Customer Service propositions, reinforcing our already strong reputation in those areas in which consumers are placing increasing importance

Financial highlights

Turnover for the 52 weeks to 3 April 2011 was £180 7m, an increase of 6 3% or £10 8m against the equivalent 52 week period for the prior year Reported figures show an increase of 4 8% or £8 3m on the amount of £172 4m reported for the 53 weeks of the prior period, (2010 – £172 4m, 6 5% or £10 5m up on the previous year)

Against the backdrop of a very challenging market, it was pleasing to again report a solid year of volume growth whilst managing margins and overheads well, resulting in another year of robust profit and underlying cash generation

Directors' report (continued)

This performance has to a large degree been 'self-generated', with the underlying softening in consumer confidence being offset by the business successfully challenging itself to make further improvements in terms of choice, value, quality and service

Reported operating profit for the 52 week year of £3 8m is down £0 7m from £4 5m being for last years equivalent 52 week period (2010 £5 5m for the reported 53 week period) This has generated EBITDA of £6 8m compared to £7 3m for last year's equivalent 52 week period (2010 £8 3m for the reported 53 week period)

People, products and promotions

There is little doubt that the solid trading and financial results contained within this report were made possible by the open and honest two-way communication which exists within the business This has enabled us to quickly and effectively explain the nature of the challenges facing the sector, our strategy to deal with it and our requirements of every one of our people to successfully overcome it We have again increased the investment in all aspects of training, supporting this programme with more frequent face to face discussions at all levels regarding how we can 'Change for the Better'

The product side of the business has continued to evolve over the past year, with ranges being churned as they are challenged to 'earn' their space on the floor This has created a vitality and excitement for our people and our customers and is a key element of ensuring that our product offer remains relevant for the world in which we are all now trading

As consumers' spending habits continue to change at pace it is essential that businesses better understand how they are thinking and acting and then adapt their offering, promotions and communications accordingly In the past year we have increased our focus and investments in this area and as a result have a promotion and communication plan designed to stay in tune with the current market

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 £22,830 (2010 – £53,481) The prior year amount included a one-off donation to the Furniture Trade Benevolent Association (FTBA) associated with the company's 20th anniversary which occurred in that year

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 section 234 of the Companies Act 2006 Such qualifying third party indemnity provision was in force throughout the year and remains in force as at the date of approving the Directors' report

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, and
- Health & Safety risk

Strategic risk

The changes made in recent years have undoubtedly made positive contributions to the performance in the year, however this is a 'journey and not a destination' The changes to our consumers' mind set, our immediate and wider competitors' behaviours are regularly reviewed and the implications reflected in what we do This includes frequent domestic and global economic analysis, ranging from a financial to a supply chain and consumer perspective That being said, we remain convinced that the broad strategic direction which has served us so well over many years remains the right one for the market in which we operate, as consumers exercise more scrutiny and place more emphasis on trust, service, quality, choice and value, playing strongly to our existing core strengths

Financial risk

The past year has been one of solid volume growth combined with strong margins and well controlled overheads However, there is no doubt that the retail sector in the UK is experiencing a degree of challenge which will test all businesses and we have prepared well for this situation Our focus in recent years on a strong cash model has and will continue to serve us well and this has been augmented with operational cost savings which have been identified through increased centralisation and automation which will enhance our overall offer, leaving the business both healthier and leaner

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 3 April 2011 of derivatives held by the company was as follows

Forward foreign exchange contracts £48,087 (unrealised gain) (2010 – £83,416 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 seek to ensure consistency of performance Our supplier base is managed in an open, honest and constructive fashion, with quality of service being of huge importance 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)

Directors

The directors who served during the year and to the date of this report were as follows

J C Hodkinson (Chairman)
P J Harrison
E G Wynne
E Duggan
M A Walker

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Events subsequent to the balance sheet date

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

Going concern

Furniture Village Limited results are consolidated into a group, the ultimate parent company of which is Furniture Village Holdings Limited Furniture Village Limited is the trading company of the group and funding is provided within the group through loans held in the ultimate parent company, Furniture Village Holdings Limited As such, the following statement on going concern is extracted from the consolidated accounts of the group due to its direct relevance to Furniture Village Limited

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of its financial instruments and derivative activities are described in this Directors' report

In the 52 weeks to 3 April 2011 the Group has succeeded in a difficult economic and trading environment to grow turnover by 6 3% (against the equivalent 52 weeks in the previously reported 53 week year) to maintain a healthy level of EBITDA of £6 8m, (EBITDA of £7 3m for the equivalent 52 weeks in the previous reported 53 week year) In addition, through proactive measures taken to enhance the groups' cash position over recent years, the group has ended the year with cash of £11 8m

The shareholding of the ultimate parent company, Furniture Village Holdings Ltd, is all held by Directors and senior Employees of the Company, and as such the business is able to respond quickly to changes in the economic and trading environment The directors therefore believe the group is well placed to manage its business risks successfully despite the current uncertain economic outlook and are confident that the group has adequate resources to continue trading effectively for the foreseeable future This position is supported by a continued strong and supportive relationship with the Lloyds Banking Group Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

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 section 485 of the Companies Act 2006

By order of the Board

Ed Duggan, Director

Date 5 December 2011

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgements and 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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 3 April 2011 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 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Chairman's Report and the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 3 April 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of Furniture Village Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Debbie O'Hanlon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Reading

Date 5 December 2011

Profit and loss account

for the 52 weeks ended 3 April 2011

	Note	*52 weeks ended 3 April 2011 £000*	*53 weeks ended 4 April 2010 £000*
Turnover	2	180,706	172,368
Cost of sales		(92,945)	(87,462)
Gross profit		87,761	84,906
Distribution costs		(47,882)	(44,694)
Administrative expenses		(35,824)	(34,361)
Profit before cost of new store openings		4,055	5,851
New and re-launched store pre-trading costs		(245)	(393)
Operating Profit		3,810	5,458
Loss on disposal of fixed assets	3	(74)	(6)
Profit before interest and tax	4	3,736	5,452
Interest receivable and similar income	7	99	126
Interest payable and similar charges	8	(235)	(246)
Profit on ordinary activities before taxation		3,600	5,332
Tax	9	(579)	(1,658)
Profit for the financial period	20	3,021	3,674

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

Statement of total recognised gains and losses

for the 52 weeks ended 3 April 2011

There are no recognised gains and losses other than the profit of £3,021,000 attributable to the shareholders of the company for the 52 weeks ended 3 April 2011 (2010 – profit of £3,674,000)

Balance sheet
at 3 April 2011

	Note	*3 April 2011 £000*	*4 April 2010 £000*
Fixed assets			
Tangible assets	11	21,630	22,641
Current assets			
Stocks	12	9,486	8,122
Debtors	13	27,960	24,458
Cash at bank and in hand	21(c)	11,792	15,324
		49,238	47,904
Creditors amounts falling due within one period	14	(48,304)	(49,486)
Net current assets /(liabilities)		934	(1,582)
Total assets less current liabilities		22,564	21,059
Creditors amounts falling due after more than one period	15	-	(3)
Preference shares	17	(3,150)	(3,150)
Provisions for liabilities	18	(3,369)	(4,132)
Net assets		16,045	13,774
Capital and reserves			
Called up share capital	19	650	650
Share premium account	20	274	274
Profit and loss account	20	15,121	12,850
Shareholders' funds	20	16,045	13,774

P J Harrison
Director

E Duggan
Director

Date 5 December 2011

Statement of cash flows

for the 52 weeks ended 3 April 2011

	Note	52 weeks ended 3 April 2011 £000	53 weeks ended 4 April 2010 £000
Net cash inflow from continuing operating activities	21(a)	1,629	9,634
Returns on investments and servicing of finance	21(b)	(135)	(114)
Taxation	21(b)	(1,790)	(1,034)
Capital expenditure and financial investment	21(b)	(2,455)	(3,057)
Equity dividends paid to parent company	10	(750)	-
Financing	21(b)	(31)	(31)
(Decrease) / Increase in cash		(3,532)	5,398

Reconciliation of net cash flow to movement in net funds

	Note	52 weeks ended 3 April 2011 £000	53 weeks ended 4 April 2010 £000
(Decrease) / Increase in cash		(3,532)	5,398
Repayment of capital element of finance lease		31	31
Change in net funds resulting from cash flows		(3,501)	5,429
Net funds at beginning of financial period	21(c)	15,290	9,861
Net funds at end of financial period	21(c)	11,789	15,290

Notes to the financial statements

at 3 April 2011

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards

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

Tangible fixed assets

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, equipment and vehicles	–	over 4-10 periods

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

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

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 periods 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

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

Notes to the financial statements

at 3 April 2011

1. Accounting policies (continued)

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

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 period 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

Provisions and liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities Accordingly, a financial instrument is treated as equity if

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable, and

(ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the company exchanging a fixed amount of cash or other assets for a fixed number of the company's own equity instruments

When shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet The corresponding dividends relating to the liability component are charged as interest expense in the income statement

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
at 3 April 2011

3. Loss on disposal of fixed assets

	52 weeks ended 3 April 2011 £000	*53 weeks ended 4 April 2010 £000*
Loss on disposal of fixed assets	(74)	(6)

The effect on the taxation charge for the period 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 ended 3 April 2011 £000	*53 weeks ended 4 April 2010 £000*
Audit of the financial statements		
– Furniture Village Limited and Group Companies	80	79
Other fees to auditors		
– Corporation tax services	65	42
– VAT services	23	8
– Other services	1	10
Depreciation of owned assets	3,031	2,772
Depreciation of assets held under finance leases and hire purchase contracts	27	27
Operating lease rentals		
– Property	15,628	14,541
– Other	919	820

Notes to the financial statements

at 3 April 2011

5. Directors' remuneration

	52 weeks ended 3 April 2011 £000	*53 weeks ended 4 April 2010 £000*
Aggregate remuneration	1,089	1,117
Company contributions paid to money purchase pension schemes	63	53

	52 weeks ended 3 April 2011 No	*53 weeks ended 4 April 2010 No*
Members of money purchase pension scheme	4	4

The amounts in respect of the highest paid director were aggregate remuneration of £336,000 (2010 – £343,000) and company contributions paid to pension schemes of £23,000 (2010 – £17,000) Directors' remuneration include bonuses relating to the period in which they accrue, although these may be paid after the period end

Notes to the financial statements

at 3 April 2011

6. Staff costs

	52 weeks ended 3 April 2011 £000	53 weeks ended 4 April 2010 £000
Wages and salaries	25,585	24,519
Social security costs	2,695	2,649
Pension costs	825	719
	29,105	27,887

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

	52 weeks ended 3 April 2011 No	53 weeks ended 4 April 2010 No
Office and management	82	74
Retailing and distribution	676	638
	758	712

7. Interest receivable and similar income

	52 weeks ended 3 April 2011 £000	53 weeks ended 4 April 2010 £000
Bank interest	91	104
Other interest	8	22
	99	126

Notes to the financial statements
at 3 April 2011

8. Interest payable and similar charges

	52 weeks ended 3 April 2011 £000	53 weeks ended 4 April 2010 £000
Dividends paid on non-equity preference shares to parent company	222	222
Finance charges payable under finance leases and hire purchase contracts	1	4
Other interest	12	20
	235	246

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

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

		52 weeks ended 3 April 2011 £000	53 weeks ended 4 April 2010 £000
UK corporation tax			
UK corporation tax on the profit for the period		1,366	1,624
Tax over provided in previous periods		(464)	(63)
Total current tax (note 9(b))		902	1,561
Deferred tax			
Origination and reversal of timing differences	– current period	(258)	100
	– prior period	(65)	(3)
Total deferred tax (note 18)		(323)	97
Tax on profit on ordinary activities		579	1,658

Notes to the financial statements

at 3 April 2011

9. Tax (continued)

(b) Factors affecting the current tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 28% (4 April 2010 – 28%) The differences are explained below

	52 weeks ended 3 April 2011 £000	*53 weeks ended 4 April 2010 £000*
Profit on ordinary activities before tax	3,600	5,332
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (4 April 2010 – 28%)	1,008	1,493
Effects of		
Disallowed expenses and non-taxable income	554	491
Depreciation in excess of capital allowances	87	(123)
Short term timing differences	(85)	23
Tax over provided in previous periods	(464)	(63)
Group relief	(198)	(260)
Current tax for the period (note 9(a))	902	1,561

Changes to UK Corporation Tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date The Finance Act 2010, which included a reduction in the UK corporate tax rate to 27% was substantially enacted on 21 July 2010 Therefore the deferred tax assets and liabilities of the company have been calculated at this rate

The Finance Act 2011, which was substantively enacted on 29 March 2011, included a reduction in the UK corporate tax rate to 26% in April 2011 and to 25% effective from 1 April 2012 In his budget of 23 March 2011, the Chancellor of the Exchequer announced further reductions to the tax rate by 1% each year until 2014 This reduction will affect any future and current tax charge of the company

The effect of the reduction in the tax rate to 23% would be to reduce the deferred tax liability by £493k The rate change will also impact the amount of future cash payment to be made by the Company

The effect on the Company of these proposed changes to the UK tax system will be reflected in the Company's financial statements in future years, as appropriate, once the proposals have been substantively enacted

Notes to the financial statements

at 3 April 2011

10. Ordinary dividends on equity shares to parent company

	52 weeks ended 3 April 2011 £000	*53 weeks ended 4 April 2010 £000*
Dividends paid on ordinary shares to parent company	750	–

There was £750,000 dividend paid to Furniture Village Group Limited for the ordinary shares (2010– £nil) No amount was paid in the prior period due to sufficient reserves being held at that period-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 and vehicles £000*	*Total £000*
Cost			
At 4 April 2010	34,537	10,308	44,845
Additions	1,610	590	2,200
Disposals	(405)	(655)	(1,060)
Written off	(79)	–	(79)
At 3 April 2011	35,663	10,243	45,906
Depreciation			
At 4 April 2010	14,952	7,252	22,204
Provided during the period	2,217	841	3,058
Disposals	(337)	(649)	(986)
At 3 April 2011	16,832	7,444	24,276
Net book value			
At 3 April 2011	18,831	2,799	21,630
At 4 April 2010	19,585	3,056	22,641

The net book value of the company's fixtures, fittings, equipment and vehicles includes £7,000 (2010 – £34,000) in respect of assets held under finance leases and hire purchase contracts

Notes to the financial statements
at 3 April 2011

12. Stocks

	3 April 2011 £000	4 April 2010 £000
Goods for resale	9,486	8,122

13. Debtors

	3 April 2011 £000	4 April 2010 £000
Trade debtors	1,187	967
Other debtors	2,005	2,274
Prepayments and accrued income	4,795	4,960
Owed by ultimate parent company – Furniture Village Holdings Limited	19,973	16,257
	27,960	24,458

14. Creditors: amounts falling due within one period

	3 April 2011 £000	4 April 2010 £000
Deposits on goods not yet delivered	7,627	9,019
Obligations under finance leases and hire purchase contracts (see note 16)	3	31
Trade creditors	21,884	20,891
Corporation tax	766	1,654
Other taxes and social security costs	2,834	2,217
Other creditors and accruals	6,667	8,123
Owed to parent company – Furniture Village Group Limited	8,523	7,551
	48,304	49,486

15. Creditors: amounts falling due after more than one period

	3 April 2011 £000	4 April 2010 £000
Obligations under finance leases and hire purchase contracts (see note 16)	–	3

Notes to the financial statements

at 3 April 2011

16. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts

	3 April 2011 £000	*4 April 2010 £000*
Amounts payable		
Within one period	3	32
In two to five periods	–	3
	3	35
Less finance charges allocated to future periods	–	(1)
	3	34

17. Preference shares

Allotted, called up and fully paid	*3 April 2011 £000*	*4 April 2010 £000*
Cumulative preference shares of £1 (on which a total dividend of £96,000 is payable) – Number of shares – 1,400,000 (2010 – 1,400,000)	1,400	1,400
7 2% Cumulative redeemable preference shares of £1 each – Number of shares – 1,750,000 (2010 – 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 period

Notes to the financial statements

at 3 April 2011

18. Provisions for liabilities

	Provision for dilapidations £000	*Deferred tax £000*	*Total £000*
At 4 April 2010	480	3,652	4,132
Released during the current period	(440)	(65)	(505)
Prior period over provision	–	(258)	(258)
At 3 April 2011	40	3,329	3,369

The deferred tax consists of

	3 April 2011 £000	*4 April 2010 £000*
Deferred tax liability		
Accelerated capital allowances	1,398	1,605
Other timing differences	(16)	(50)
Capital gains	1,947	2,097
Total deferred tax liability	3,329	3,652

19. Issued equity share capital

Allotted, called up and fully paid	*No*	*3 April 2011 £000*	*No*	*4 April 2010 £000*
'A' ordinary shares of £1 each	150,000	150	150,000	150
'B' ordinary shares of £1 each	500,340	500	500,340	500
		650		650

All of the ordinary shares rank pari passu

Notes to the financial statements

at 3 April 2011

20. Reconciliation of shareholders' funds and movements on reserves

	Share capital *£000*	*Share premium* *£000*	*Profit and loss account* *£000*	*Total* *£000*
At 29 March 2009	650	274	9,176	10,100
Profit for the period	–	–	3,674	3,674
At 4 April 2010	650	274	12,850	13,774
Profit for the period	–	–	3,021	3,021
Ordinary dividends paid to parent undertaking (note 10)	–	–	(750)	(750)
At 3 April 2011	650	274	15,121	16,045

21. Notes to the statement of cash flows

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

	52 weeks ended 3 April 2011 *£000*	*53 weeks ended 4 April 2010* *£000*
Operating profit	3,810	5,458
Depreciation	3,058	2,799
(Increase) in stocks	(1,364)	(331)
Decrease / (Increase) in non-intercompany debtors	213	(421)
(Decrease) / Increase in non-intercompany creditors	(904)	6,838
(Decrease) / Increase in provisions	(440)	440
	4,373	14,783
(Increase) in intercompany debtors	(3,716)	(5,371)
Increase in intercompany creditors	972	222
Net cash inflow from operating activities	1,629	9,634

Notes to the financial statements

at 3 April 2011

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 ended 3 April 2011 £000	53 weeks ended 4 April 2010 £000
Returns on investments and servicing of finance		
Interest received	100	132
Interest paid excluding preference dividends	(12)	(20)
Interest element of finance lease rental payments	(1)	(4)
Intercompany preference dividend paid to parent company	(222)	(222)
	(135)	(114)

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 (continued)

	52 weeks ended 3 April 2011 £000	53 weeks ended 4 April 2010 £000
Taxation		
Corporation tax paid	(1,790)	(1,034)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(2,455)	(3,057)

	52 weeks ended 3 April 2011 £000	53 weeks ended 4 April 2010 £000
Financing		
Repayments of capital element of finance leases and hire purchase contracts	(31)	(31)

Notes to the financial statements

at 3 April 2011

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

(c) Analysis of net funds

	At 4 April 2010 £000	*Cash flow £000*	*At 3 April 2011 £000*
Cash at bank and in hand	15,324	(3,532)	11,792
Finance leases	(34)	31	(3)
	15,290	(3,501)	11,789

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

	3 April 2011 £000	*4 April 2010 £000*
Authorised by the directors and contracted for	28	731
Authorised by the directors but not yet contracted for	–	161
	28	892

The capital commitments at the end of the current period relate to the new National Distribution Centre The capital commitments in the prior period relate to the new store in Kingston

23. Operating lease commitments

In respect of leases, the following annual commitments existed at the period end and in respect of non-cancellable operating leases

	Land and buildings 3 April 2011 £000	*Land and buildings 4 April 2010 £000*	*Other 3 April 2011 £000*	*Other 4 April 2010 £000*
Operating leases which expire				
Within one period	–	143	160	105
In two to five periods	1,148	1,442	362	571
In over five periods	15,569	14,867	–	–
	16,717	16,452	522	676

24. Pension arrangements

The company operates 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 as at 3 April 2011 amounted to £nil (2010 – £nil)

Notes to the financial statements

at 3 April 2011

25. Related party transactions

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 Holdings Limited Group, as the company is a 100% subsidiary of a group whose financial statements are publicly available

26. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Furniture Village Group Limited, registered in England and Wales

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