Registered No 02307708

Furniture Village Limited

Report and Financial Statements

For the 52 weeks ended 31 March 2013

CONTENTS

Directors

J C Hodkinson	(Chairman)
P J Harrison	
E G Wynne	
M A Walker	
C E Shiels	(Appointed 2nd April 2012)

Secretary

C E Shiels

Auditors

Ernst & Young LLP
Apex Plaza
Reading
Berkshire RG1 1YE

Bankers

Bank of Scotland
33 Old Broad Street
London

Registered Office

258 Bath Road
Slough
Berkshire SL1 4DX

Chairman's statement

The 2012/13 financial year started very strongly and the double digit like for like growth that was evident throughout Quarter 4 of the previous financial year continued As such, it was disappointing to be stopped in our tracks' over the summer when consumers were understandably distracted by the Olympic and Paralympic Games Indeed, whilst the event was a resounding success for the nation as a whole, it certainly supressed customer foot-flow over the summer, particularly with regard to big ticket or major purchases, as was widely reported in the press at the time

Whilst it was hoped that the feel good factor post the Olympics would allow the trading shortfall over the summer to be recouped, this was not to be the case, with volumes further compounded by the onset of sustained bad weather over the key Winter Sale trading period in January Notwithstanding this, like for like order intake was 3% ahead of the previous year, an endorsement of the strategic initiatives implemented during the year, which more than offset the one-off events outlined above An opportunity to relocate the Croydon Store to a nearby larger and more prominent flagship location also led to the closure of the existing Croydon store towards the end of the year, ahead of the new store successfully launching in May 2013

It is clear that the on-going combination of lower consumer confidence and reduced disposable incomes has led some customers to migrate towards the value end of the market and during the year there has been an increasing focus on the introduction of lower priced, yet inordinately good quality ranges Alongside this however, we have remained determined to maintain our position as the largest retailer of branded furniture at the mid to upper end of the furniture retail market In the short term however both these elements have placed pressure on margins, which together with a cost base that was structured to support a higher level of volumes, resulted in EBITDA of £3m, £1m higher than the previous financial year but still lower than traditional levels of profitability

Furthermore, over the last couple of years this combination of lower consumer confidence and reduced disposable incomes has generally led to a more unpredictable trading environment, with consumers seemingly more susceptible to the vagaries of political and economic news, extreme weather or other such event As such, Management set out towards the end of the financial year to increase margins and reduce the cost base of the business in order to ensure that the business could better withstand potential future volatility in trading and ensure a return to historical levels of profitability

This plan encapsulated every area of the business and identified significant margin and efficiency improvements, along with other overhead reductions, that could be implemented without inhibiting the ability of the business to grow volumes further Management are pleased to report that this has ensured the return of the business to a much leaner cost base, which alongside further like for like volume growth, has resulted in trading profitability levels to the end of November 2013 being significantly ahead of the previous financial year

Trading Review

Gross order intake (bookings) for the 52 weeks to the 31 March 2013 was £215 8m, £5 9m higher than the previous year and 3% ahead on a like for like basis This growth was achieved after absorbing the adverse effect of the Olympic Games on customer foot-flow, which was widely reported as having sector wide impact, and sustained adverse weather in January, in addition to the closure of the Croydon Store ahead of the relocation to a larger flagship location in May 2013

Turnover (deliveries) during the year was favourably impacted by both the year on year increase in order intake and a strong opening order book due to the timing of Chinese New Year As such, net turnover was £181 8m, (52 weeks ended 1 April 2012 – £170 5m), £11 3m higher than the previous financial year and 6 1% ahead on a like for like basis

The profit before interest and tax for the 52 weeks to the 31 March 2013 was £34k, £1 2m higher than the previous year (52 weeks to the 1 April 2012 – loss of £1 1m) and EBITDA was £3 0m (52 weeks to the 1 April 2012 – £2 0m)

Chairman's statement (continued)

Balance sheet

The underlying business model remains cash generative, though the year end cash balance was disproportionately affected by the lower volumes over the Winter Sale and an ensuing impact on working capital, largely due to the adverse and sustained bad weather in January 2013 As such, a significant element of this year on year reduction in cash is timing related, with cash balances returning to prior year levels by the end of June 2013 Furthermore, during the year £1 1m of Corporation Tax relating to the sale of leases 10 years ago was also paid

People

Furniture Village is a 'people business' and the culture of development, training, recognition and reward are of the utmost importance to Management Significant investment in training continued across the business, ensuring that product knowledge is developed and enhanced, along with skills for all customer service, distribution and administrative functions During the year, additional training facilities were established within our National Distribution Centre in Milton Keynes and a dedicated Training Manager was appointed, further enhancing the level of training devoted to all personnel across the business

New stores and Internet

During the year, the Croydon store was closed due to the redevelopment of the site by the Landlord and an opportunity was negotiated to move to a larger, now flagship location also in Croydon This new store was successfully opened in May 2013, its size facilitating the launch of many new initiates and concepts which have since been rolled out across the store portfolio In addition, a new store was opened in Ipswich in August 2013 and has likewise traded ahead of expectations

Significant opportunities for the expansion of existing store selling space are currently being considered, with negotiations on a strategically key new store also at an advanced stage Several other potential new sites are currently being appraised, though the 'prudent' expansion strategy which has served the business well will continue

During the year we have also continued to develop and grow our transactional website and have successfully increased customer flow to the site with more targeted internet advertising Whilst we will continue to exponentially increase our investment in the internet site over the coming year, we remain committed to the need for both 'bricks and clicks', particularly at the mid to upper end of the furniture market

Outlook

The outlook for the economy is generally more positive now than at any point since the start of the global recession in 2008 Consumer confidence is improving, unemployment is falling and we have seen of late a return to higher levels of activity within the housing market, the latter to which the furniture industry is of course inextricably linked An improving market, combined with significant internal product and operational initiatives, has led to order intake in the current year being well ahead on a like for like basis, with the new store at Croydon and Ipswich also continuing to trade well

Furthermore, the steps we have taken to date by way of margin improvement and cost reduction have added to the strong volume performance in generating a significant like for like increase in profitability, as well as ensuring the business is well positioned to capitalise on an improving economic outlook and trading environment In achieving this however, we have remained true to the principles that have always been central to the ethos of Furniture Village, namely offering value, quality, choice and customer service at every stage of the buying cycle, and to that end we remain absolutely committed

J C Hodkinson
Chairman

Directors' report

The directors present their report and financial statements for the 52 weeks ended 31 March 2013

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 all 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

Turnover for the 52 weeks to the 31 March 2013 was £181 8m, £11 3m higher than the previous financial year (52 weeks to the 1 April 2012 – £170 5m) and 6 1% ahead on a like for like basis This was predominantly due to a year on year increase in order intake, combined with a strong opening order book due to the timing of Chinese New Year This increase in order intake was driven primarily by higher levels of promotional activity and an increased investment in marketing, though also benefitted from new product, training and operational initiatives The profit before interest and tax for the 52 weeks to the 31 March 2013 was £34k, £1 2m higher than the previous year (52 weeks to the 1 April 2012 – loss of £1 1m) and EBITDA for the 52 week year was £3 0m (52 weeks to the 1 April 2012 – £2 0m)

The directors have paid an ordinary dividend to Furniture Village Group Limited the parent company, in the 52 weeks ended 31 March 2013 of £500k (52 weeks ended 1 April 2012 – £750k) Preference dividends of £222k (52 weeks ended 1 April 2012 – £222k) were paid to Furniture Village Group Limited during the year

Principal activities and review of the business

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

Gross order intake (bookings) for the 52 weeks to the 31 March 2013 was £215 8m, £5 9m higher than the previous year and 3% ahead on a like for like basis This growth was achieved after absorbing the adverse effect of the Olympic Games on customer foot-flow, which was widely reported as having sector wide impact, and sustained adverse weather in January, in addition to the closure of the Croydon Store ahead of the relocation to a larger flagship location in May 2013

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Future developments

At the start of the new financial year Management implemented a plan to ensure that the business was able to better withstand the impact of one-off events such as the Olympics and, in doing so, ensure a return to historical levels of profitability This plan encapsulated every area of the business and identified significant margin and efficiency improvements, along with other overhead reductions, that could be implemented without inhibiting the ability of the business to grow volumes further Management are pleased to report that this has ensured the return of the business to a much leaner cost base, which alongside like for like volume growth, has resulted in trading profitability levels to the end of November 2013 being significantly ahead of the previous financial year

Directors' report (continued)

People, products and promotions

Furniture Village is a 'people business' and the culture of development, training, recognition and reward are of the utmost importance to Management Significant investment in training continues across the business, ensuring that product knowledge is continuously developed and enhanced, along with skills for all customer service, distribution and administrative functions During the year, additional training facilities were established within our National Distribution Centre in Milton Keynes and a dedicated Training Manager was appointed, further enhancing the level of training devoted to all personnel across the business Lines of communication, facilitated by a relatively flat structure, are open and honest and are endorsed by excellent retention rates and long service to the business

Choice, value and quality continue to be the key drivers of product selection and these factors have remained of paramount importance during the year as we continue to review and enhance our product offering and ensure its relevance for today's customer The combination of both reduced consumer confidence and disposable income has led, to a degree, to a migration towards the value end of the market and during the year there has been an increasing focus on the introduction of lower priced, yet inordinately good quality ranges At the same time, we remain committed to ensuring we maintain our position as the largest retailer of branded furniture and in doing so are pleased to continue supporting British manufacturing We also remain resolute in ensuring that our highly skilled sales personnel understand the needs of all our customers and are able to impart expertise across the full range of product categories

During the year, extensive market research continued to be undertaken in order to 'test' the strategic direction of the business and to better understand the Furniture Village customer, brand awareness and advertising recall The results supported the emergence of a more value conscious consumer and this has been matched by the introduction of a wider choice of lower priced product lines to satisfy this demand The furniture market remains highly competitive and we have continued to attract new customers with exciting, value driven promotional offers, whilst also leveraging our extensive previous customer base to ensure our existing Furniture Village customers remain so for life During the year, we have also continued to develop our transactional website and increase customer flow to the site with more targeted internet advertising

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 trading strategy is regularly revisited and reviewed to ensure its appropriateness to today's trading environment and customer This includes frequent domestic and global economic analysis, in conjunction with a detailed review of other changes potentially impacting the business, whether financial, supply chain or from a consumer and marketing 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 Notwithstanding this, we continue to invest in the internet site and multi-channel, though we are steadfast in the need for both 'bricks and clicks', particularly at the mid to upper end of the furniture market

Directors' report (continued)

Risk (continued)

Financial risk

The trading environment continues to be challenging and our focus in recent years on a strong cash model has and will continue to serve us well New investment opportunities are subject to detailed and vigorous financial appraisal and the inherent cautious approach to risk continues, as demonstrated by the prudent expansion strategy to date Significant operational cost savings and margin improvements have been identified and since the start of the new financial year Management has implemented a robust plan to increase the ability of the business to withstand the impact of one-off events such as the Olympics To date, this has ensured the return of the business to historical levels of profitability, whilst still generating like for like volume growth and, furthermore, ensuring the business is well positioned to capitalise on an improving economic outlook and trading environment The performance of the business is also routinely monitored in the context of the banking facilities and their associated covenants

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 31 March 2013 of derivatives held by the company was as follows

Forward foreign exchange contracts £187k unrealised gain (1 April 2012 – £68k 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 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 and seeks to comply with all relevant legislation We also engage with external consultants to ensure that current practices, procedures and training methods are effective and robust and in doing so that we protect all stakeholders

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

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 and financial risk management objectives are described in this Directors' report

Directors' report (continued)

Going concern (continued)

In the 52 weeks to 31 March 2013 the Group has increased order intake against the previous financial year, despite a continuing tough trading environment This was achieved through increased investment in marketing and higher levels of promotional activity, resulting in a modest profit before interest and tax Since then a plan to significantly reduce overheads and improve margins has been implemented and the current year is on track to generate a significant increase in profitability and underlying cash

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 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 Lloyds Banking Group with underlying cash generation from the deployment of the cost and margin enhancement plan, in addition to a favourable movement in merchant services clearing terms, facilitating a restructure of the term loan as described in Furniture Village Holdings Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts

Directors

The directors who served during the year were as follows

J C Hodkinson	(Chairman)
P J Harrison	
E G Wynne	
M A Walker	
C E Shiels	(Appointed 2nd April 2012)

Charitable contributions

The company's charitable donations for the year were £14k (52 weeks ended 1 April 2012 – £16k)

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors 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

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

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

C E Shiels
Director

Date 20 December 2013

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 adequate 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 31 March 2013 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 auditor

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 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 financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss 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 23 December 2013

Profit and loss account

for the 52 weeks ended 31 March 2013

	Notes	*52 weeks ended 31 March 2013 £000*	*52 weeks ended 1 April 2012 £000*
Turnover	2	181,765	170,533
Cost of sales		(96,905)	(89,721)
Gross profit		84,860	80,812
Distribution costs		(50,856)	(47,023)
Administrative expenses		(34,004)	(34,487)
Operating profit / (loss) before restructuring costs		-	(698)
Restructuring costs		–	(399)
Operating profit / (loss)		0	(1,097)
Profit / (loss) on disposal of fixed assets	3	34	(51)
Profit / (loss) before interest and tax	4	34	(1,148)
Interest receivable and similar income	7	31	51
Interest payable and similar charges	8	(247)	(262)
(Loss) on ordinary activities before taxation		(182)	(1,359)
Tax (charge) / credit	9	(29)	226
(Loss) for the financial period	20	(211)	(1,133)

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 31 March 2013

There are no recognised gains and losses other than the loss of £211k attributable to the shareholders of the company for the 52 weeks ended 31 March 2013 (52 weeks ended 1 April 2012 – loss of £1,133k)

Balance sheet
at 31 March 2013

	Notes	31 March 2013 £000	1 April 2012 £000
Fixed assets			
Tangible assets	11	20,403	21,214
Current assets			
Stocks	12	9,886	11,651
Debtors	13	34,307	32,860
Cash at bank and in hand	21(c)	5,890	9,940
		50,083	54,451
Creditors. amounts falling due within one period	14	(52,566)	(56,022)
Net current liabilities		(2,483)	(1,571)
Total assets less current liabilities		17,920	19,643
Creditors: amounts falling due after more than one period	15	(33)	–
Preference shares	17	(3,150)	(3,150)
Provisions for liabilities	18	(1,286)	(2,331)
Net assets		13,451	14,162

Capital and reserves			
Called up share capital	19	650	650
Share premium account	20	274	274
Profit and loss account	20	12,527	13,238
Shareholders' funds	20	13,451	14,162

P J Harrison
Director

C E Shiels
Director

Date 20 December 2013

Statement of cash flows

for the 52 weeks ended 31 March 2013

	Notes	*52 weeks ended 31 March 2013 £000*	*52 weeks ended 1 April 2012 £000*
Net cash inflow from continuing operating activities	21(a)	159	2,835
Returns on investments and servicing of finance	21(b)	(214)	(214)
Taxation	21(b)	(1,176)	(764)
Capital expenditure and financial investment	21(b)	(2,384)	(2,956)
Equity dividends paid to parent company	10	(500)	(750)
Financing	21(b)	65	(3)
(Decrease) in cash		(4,050)	(1,852)

Reconciliation of net cash flow to movement in net funds

	Notes	*52 weeks ended 31 March 2013 £000*	*52 weeks ended 1 April 2012 £000*
(Decrease) in cash		(4,050)	(1,852)
Repayment of capital element of finance lease	21(b)	34	3
Change in net funds resulting from cash flows		(4,016)	(1,849)
Inception of finance lease	21(b)	(99)	–
Movement in net funds		(4,115)	(1,849)
Net funds at beginning of financial period	21(c)	9,940	11,789
Net funds at end of financial period	21(c)	5,825	9,940

Notes to the financial statements

at 31 March 2013

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 and fittings	–	over 10 periods
Equipment	–	over 4 periods

The carrying values of tangible fixed assets are reviewed for impairment annually if events or changes in circumstances indicate the carrying value may not be recoverable

Website development costs

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred

Depreciation is provided on all capitalised website development costs at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Website development costs	–	over 2 periods

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 fair 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

Notes to the financial statements (continued)
at 31 March 2013

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantially 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

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives 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 Reclassifications have been made to the prior year profit and loss account to better reflect the nature of the expense

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 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

Notes to the financial statements (continued)

at 31 March 2013

1. Accounting policies (continued)

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

3. Profit / (loss) on disposal of fixed assets

	52 weeks ended 31 March 2013	*52 weeks ended 1 April 2012*
	£000	*£000*
Profit / (loss) on disposal of fixed assets	34	(51)

Notes to the financial statements (continued)
at 31 March 2013

4. Profit / (loss) before interest and tax

This is stated after charging

	52 weeks ended 31 March 2013 £000	*52 weeks ended 1 April 2012 £000*
Audit of the financial statements		
– Furniture Village Limited and Group Companies	85	80
Other fees to auditors		
– Corporation tax services	20	27
– Other services	10	13
Depreciation of owned assets	3,371	3,178
Depreciation of assets held under finance leases and hire purchase contracts	6	7
Net proceeds relating to store relocation	1,617	–
New warehouse costs	–	829
New and re-launched store costs	–	346
Operating lease rentals – Property	16,617	15,582
Operating lease rentals – Other	1,126	1,038

5. Directors' remuneration

	52 weeks ended 31 March 2013 £000	*52 weeks ended 1 April 2012 £000*
Aggregate remuneration	892	947
Company contributions paid to money purchase pension schemes	61	34

	52 weeks ended 31 March 2013 No	*52 weeks ended 1 April 2012 No*
Members of money purchase pension scheme	4	4

The amounts in respect of the highest paid director were aggregate remuneration of £279k (52 weeks ended 1 April 2012 – £274k) and company contributions paid to pension schemes of £24k (52 weeks ended 1 April 2012 – £24k) Directors' remuneration includes bonuses relating to the period in which they accrue, although these may be paid after the period end

Notes to the financial statements (continued)

at 31 March 2013

6. Staff costs

	52 weeks ended 31 March 2013 £000	52 weeks ended 1 April 2012 £000
Wages and salaries	24,806	24,655
Social security costs	2,554	2,594
Pension costs	761	198
	28,121	27,447

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

	52 weeks ended 31 March 2013 No	52 weeks ended 1 April 2012 No
Office and management	88	85
Retailing and distribution	644	641
	732	726

7. Interest receivable and similar income

	52 weeks ended 31 March 2013 £000	52 weeks ended 1 April 2012 £000
Bank interest	28	38
Other interest	3	13
	31	51

Notes to the financial statements (continued)

at 31 March 2013

8. Interest payable and similar charges

	52 weeks ended 31 March 2013 £000	*52 weeks ended 1 April 2012 £000*
Dividends paid on non-equity preference shares to parent company	222	222
Finance charges payable under finance leases and hire purchase contracts	1	–
Other interest	24	40
	247	262

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 loss on ordinary activities

The tax is made up as follows

		52 weeks ended 31 March 2013 £000	*52 weeks ended 1 April 2012 £000*
UK corporation tax			
UK corporation tax on the loss for the period		1,112	814
Tax over provided in previous periods		(38)	(2)
Total current tax (note 9(b))		1,074	812
Deferred tax			
Origination and reversal of timing differences	– current period	(998)	(1,040)
	– prior period	(47)	2
Total deferred tax (note 18)		(1,045)	(1,038)
Tax charge / (credit) on loss on ordinary activities		29	(226)

Notes to the financial statements (continued)

at 31 March 2013

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 24% (52 weeks ended 1 April 2012 – 26%) The differences are explained below

	52 weeks ended 31 March 2013 £000	*52 weeks ended 1 April 2012 £000*
Loss on ordinary activities before tax	(182)	(1,359)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (52 weeks ended 1 April 2012 – 26%)	(44)	(353)
Effects of		
Disallowed expenses and non-taxable income	363	489
Depreciation in excess of capital allowances	175	68
Short term timing differences	(4)	(20)
Tax over provided in previous periods	(38)	(2)
Group relief	(152)	(171)
Rollover or holdover gains	774	801
Current tax for the period (note 9(a))	1,074	812

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 tax rates that have been enacted or substantively enacted at the balance sheet date

In his 2012 budget, on 21 March 2012, the Chancellor of the Exchequer announced a number of changes to the UK Corporation Tax rate These included a reduction in the UK Corporation Tax rate from 25% to 24% effective from 1 April 2012 (and substantively enacted as of 26 March 2012), and reduction from 24% to 23% from 1 April 2013, which was substantively enacted on 3 July 2012

The UK government intended to reduce the UK corporate income tax rate to 22% by 1 April 2014, but the Chancellor announced in his Autumn statement on 5 December 2012 that the main rate of Corporation Tax will be reduced by a further one per cent from 1 April 2014, to 21%

Furthermore, in his 2013 budget, on 20 March 2013, the Chancellor of the Exchequer announced a further reduction to the UK Corporation Tax rate by one per cent from 1 April 2015, to 20% Consequently, the company will only recognise the impact of the rate change that is substantively enacted at the balance sheet date in its financial statements, this being 23%

The aggregate impact of the proposed reductions from 23% to 20% would reduce the Company's deferred tax liabilities by approximately £163k

Notes to the financial statements (continued)
at 31 March 2013

10. Ordinary dividends on equity shares to parent company

	52 weeks ended 31 March 2013 £000	*52 weeks ended 1 April 2012 £000*
Dividends paid on ordinary shares to parent company	500	750

In the period £500k of equity dividends were paid to Furniture Village Group Limited for the ordinary shares (52 weeks ended 1 April 2012 - £750k)

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 and fittings £000*	*Equipment and website £000*	*Total £000*
Cost				
At 1 April 2012	37,181	6,543	4,534	48,258
Additions	1,585	89	1,049	2,723
Disposals	(753)	(251)	(42)	(1,046)
At 31 March 2013	38,013	6,381	5,541	49,935
Depreciation				
At 1 April 2012	18,754	4,779	3,511	27,044
Provided during the period	2,303	373	701	3,377
Disposals	(626)	(222)	(41)	(889)
At 31 March 2013	20,431	4,930	4,171	29,532
Net book value				
At 31 March 2013	17,582	1,451	1,370	20,403
At 1 April 2012	18,427	1,764	1,023	21,214

The net book value of the company's fixtures, fittings, equipment and website at 31 March 2013 includes £93k (1 April 2012 – £nil) in respect of assets held under finance leases and hire purchase contracts

Notes to the financial statements (continued)

at 31 March 2013

12. Stocks

	31 March 2013 £000	*1 April 2012 £000*
Goods for resale	9,886	11,651

13. Debtors

	31 March 2013 £000	*1 April 2012 £000*
Trade debtors	848	1,042
Other debtors	2,395	2,897
Prepayments and accrued income	6,106	5,969
Owed by ultimate parent company – Furniture Village Holdings Limited	24,958	22,952
	34,307	32,860

14. Creditors: amounts falling due within one period

	31 March 2013 £000	*1 April 2012 £000*
Deposits on goods not yet delivered	8,517	9,507
Obligations under finance leases and hire purchase contracts (see note 16)	32	–
Trade creditors	23,168	26,705
Corporation tax	712	814
Other taxes and social security costs	3,140	3,081
Other creditors and accruals	6,800	6,425
Owed to parent company – Furniture Village Group Limited	10,197	9,490
	52,566	56,022

Included in other creditors at the 31 March 2013 is £1,206k (1 April 2012 - £nil) deferred receipts arising on the restructure of forward foreign exchange contracts This deferred gain will be released to the profit and loss account in line with restructured forward contracts entered into at the same time for the year ended March 2014

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

	31 March 2013 £000	*1 April 2012 £000*
Obligations under finance lease and hire purchase contracts (see note 16)	33	–

Notes to the financial statements (continued)

at 31 March 2013

16. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts

	31 March 2013 £000	*1 April 2012 £000*
Amounts payable		
Within one period	35	–
In two to five periods	35	–
	70	–
Less finance charges allocated to future periods	(5)	–
	65	–

17. Preference shares

Allotted, called up and fully paid	*31 March 2013 £000*	*1 April 2012 £000*
Cumulative preference shares of £1 (on which a total dividend of £96,000 is payable) – Number of shares – 1,400,000 (2012 – 1,400,000)	1,400	1,400
7 2% Cumulative redeemable preference shares of £1 each – Number of shares – 1,750,000 (2012 – 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 (continued)

at 31 March 2013

18. Provisions for liabilities

	Provision for dilapidations £000	*Deferred tax £000*	*Total £000*
At 1 April 2012	40	2,291	2,331
Released during the current period	–	(998)	(998)
Prior period over provision	–	(47)	(47)
At 31 March 2013	40	1,246	1,286

The provision for dilapidations is to cover estimated costs the Company may incur on the exit of leasehold properties when the leases expire

The deferred tax consists of

	31 March 2013 £000	*1 April 2012 £000*
Deferred tax liability		
Accelerated capital allowances	991	1,250
Other timing differences	(15)	(15)
Capital gains	270	1,056
Total deferred tax liability	1,246	2,291

19. Issued equity share capital

Allotted, called up and fully paid	*No*	*31 March 2013 £000*	*No*	*1 April 2012 £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 (continued)

at 31 March 2013

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 2011	650	274	15,121	16,045
Loss for the period	–	–	(1,133)	(1,133)
Ordinary dividends paid to parent undertaking (note 10)	–	–	(750)	(750)
At 1 April 2012	650	274	13,238	14,162
Loss for the period	–	–	(211)	(211)
Ordinary dividends paid to parent undertaking (note 10)	–	–	(500)	(500)
At 31 March 2013	650	274	12,527	13,451

21. Notes to the statement of cash flows

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

	52 weeks ended 31 March 2013 £000	*52 weeks ended 1 April 2012 £000*
Operating profit / (loss)	0	(1,097)
Depreciation	3,377	3,185
Decrease / (increase) in stocks	1,765	(2,165)
Decrease / (increase) in non-intercompany debtors	557	(1,918)
(Decrease) / increase in non-intercompany creditors	(4,241)	6,842
	1,458	4,847
(Increase) in intercompany debtors	(2,006)	(2,979)
Increase in intercompany creditors	707	967
Net cash inflow from continuing operating activities	159	2,835

Notes to the financial statements (continued)

at 31 March 2013

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 31 March 2013 £000	*52 weeks ended 1 April 2012 £000*
Returns on investments and servicing of finance		
Interest received	33	48
Other interest paid	(24)	(40)
Interest element of finance lease rental payments	(1)	–
Intercompany preference dividend paid to parent company	(222)	(222)
	(214)	(214)

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

	52 weeks ended 31 March 2013 £000	*52 weeks ended 1 April 2012 £000*
Taxation		
Corporation tax paid	(1,176)	(764)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(2,575)	(2,961)
Proceeds from disposal of tangible fixed assets	191	5
	(2,384)	(2,956)

	52 weeks ended 31 March 2013 £000	*52 weeks ended 1 April 2012 £000*
Financing		
New finance leases	99	–
Repayments of capital element of finance leases and hire purchase contracts	(34)	(3)
	65	(3)

Notes to the financial statements (continued)
at 31 March 2013

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

(c) Analysis of net funds

	1 April 2012 £000	*Cash flow £000*	*31 March 2013 £000*
Cash at bank and in hand	9,940	(4,050)	5,890
Finance leases	–	(65)	(65)
	9,940	(4,115)	5,825

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

	31 March 2013 £000	*1 April 2012 £000*
Authorised by the directors and contracted for	295	–
Authorised by the directors but not yet contracted for	298	–
	593	–

The capital commitments relate to the new store in Croydon

23. 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 31 March 2013 amounted to £nil (1 April 2012 – £nil)

24. 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 31 March 2013 £000	*Land and buildings 1 April 2012 £000*	*Other 31 April 2013 £000*	*Other 1 April 2012 £000*
Operating leases which expire				
Within one period	1,336	577	67	112
In two to five periods	421	896	868	742
In over five periods	15,791	15,270	–	–
	17,548	16,743	935	854

Notes to the financial statements (continued)
at 31 March 2013

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