

# **Furniture Village Limited**

## **Report and Financial Statements**

For the 53 weeks ended 02 April 2017

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<b>CONTENTS</b>	<b>PAGES</b>
Officers and professional advisors	1
Strategic Report	2 – 4
Directors' report	5 – 6
Statement of directors' responsibilities	7
Independent auditor's report to the members	8 – 9
Income statement	10
Statement of comprehensive income	11
Statement of change in equity	12
Statement of financial position	13
Statement of cash flows	14
Notes to the financial statements	15 – 32

**Directors**

J C Hodgkinson (Non-executive Chairman)  
P J Harrison  
C E Shiels  
G H Suthern (Resigned 19<sup>th</sup> July 2017)

**Non-executive Directors**

J M Simon  
S McPartland MP

**Secretary**

C E Shiels

**Auditors**

Ernst & Young LLP  
Apex Plaza  
Reading  
Berkshire RG1 1YE

**Bankers**

Bank of Scotland  
33 Old Broad Street  
London EC2N 1HW

**Registered Office**

258 Bath Road  
Slough  
Berkshire SL1 4DX

## Strategic report

The Directors present their Strategic Report for the year ended 02 April 2017.

### Review of the Business

The principal activity of the group is the sale of quality furniture in the retail market. The Furniture Village strategy is to position itself at the mid to upper end of the UK volume furniture retail market.

Over the last financial year, Furniture Village has continued to invest significantly in all areas of the business, in line with its strategic growth plans. After opening three stores during 2015/16, a further seven were opened during 2016/17, in Preston, Taunton, Tamworth, Cheadle, Hull, Aintree and York, a significant 25% uplift in the number of stores from 40 to 50 over just a two year period.

This has clearly necessitated a step change in the infrastructure and allied operating cost base of the business, this being required ahead of the new stores opening and therefore suppressing profitability in the current financial year. Indeed, this was further heightened due to six of the seven stores only opening in the last three months of the year, too late to generate trading profits given the average lead-time to fulfil customer orders. That said, all the new stores have traded in line with expectations and ended the year with significant order books, with the full year benefit of these stores to add significantly to profitability and cash in the year ahead.

During the financial year we have also invested in a new internet platform, with the new website launching in June 2016 and offering a cleaner more contemporary look, an easier customer journey and considerable further development potential as we continue on our journey to provide our customers with a truly 'omni-channel' experience. It was pleasing therefore that alongside significant growth from both new stores and online, and naturally after an element of associated cannibalisation, that we also increased order intake across our existing store base by c. 2% on a like for like basis.

<b>Key Financial Performance Indicators:</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
Order Intake (gross of VAT)	£291.9m	£264.7m	£27.2m or 10.3%
Turnover (net of VAT)	£238.1m	£213.9m	£24.2m or 11.3%
Gross Profit %	48.1%	48.0%	+0.1pp
Underlying Trading EBITDA* (FRS 102)	£6.7m	£8.5m	£(1.8)m
EBITDA (FRS 102)	£5.2m	£7.6m	£(2.4)m
Profit after taxation (FRS 102)	£1.4m	£3.0m	£(1.6)m
Cash Balance	£16.7m	£20.1m	£(3.4)m

\* EBITDA before new and re-launched store costs.

Gross order intake (bookings) for the 53 weeks to the 02 April 2017 was £291.9m, £27.2m or 10.3% higher than the previous year, reflective of strong growth across new stores, online and throughout the existing store portfolio.

Turnover (net deliveries) during the year was £238.1m, £24.2m or 11.3% ahead of the previous year, the result of the previously noted uplift in order intake (bookings), though lower absolute growth than the aforementioned bookings run rate, with the order book naturally building in relation to the new stores. Furthermore, given extensive currency and other cost pressures throughout the supply chain it was pleasing to maintain the gross profit %, a reflection of the strong working relationships held between Furniture Village and all our suppliers, alongside a change in purchasing from USD to GBP in relation to a key supplier during the year.

## Strategic Report (continued)

Whilst volumes increased significantly, the investment required in the infrastructure to support the new stores, along with new store trading losses, has caused underlying trading EBITDA to drop from the prior year of £8.5m to £6.7m, though the investment in both new stores and online will add significantly to profitability and cash in the year ahead.

The underlying business model remains highly cash generative and the closing cash position was £16.7m, only £3.4m lower than the previous year, despite investment in fixed assets of £10.7m (closing cash balance 52 weeks to the 27 March 2016 £20.1m). Net cash inflow from continuing operating activities is £8.5m, lower than the previous year due to the timing of the key Winter Sale deliveries and the impact on year-end creditors.

### Outlook

The vote to leave the European Union last year and the immediate and significant devaluation of Sterling has naturally taken some time to feed through to higher prices and/or 'shrinkflation'. Inflationary pressures are now significant however and with wage growth muted, disposable incomes are falling. Alongside this, continuing political uncertainty and a slowdown in the economy is only likely to dent business and consumer confidence further, all these factors hardly contributing to a buoyant retail market. That said however, whilst the external environment is likely to become increasingly challenging, we believe that there remains significant opportunity to grow our market share further, primarily through a combination of new stores, investment in technology and improvements in productivity, throughout all areas of the business.

In terms of the store portfolio, we have opened ten new stores over the last two years, with our considered and prudent approach to site selection ensuring minimal cannibalisation from our existing store base. We still consider there to be potential for further significant new store growth however, though a more cautious approach has been adopted in light of the ongoing economic uncertainty. That said, we have exchanged on two new stores in Rugby and Chelmsford, both set to open in the 2017/18 financial year, with further opportunities also identified. It is also worth noting that whilst the new store growth to date has necessitated commensurate operational investment, we consider that the current cost base will support further significant growth and ensure we are able to leverage our existing national marketing, support functions and distribution networks further, offering significant upside to profitability in the years ahead.

We are continuing to invest in the new internet platform that launched in June 2016, ensuring that we remain at the forefront of new functionality and able to provide our customers with an ever improving customer journey. Alongside this, we have also been working on a major project to replace our store ERP system, and whilst our current technology has served us well, the new system will ensure an improved customer experience, both in-store and post-sale, along with facilitating improved efficiencies and profitability in the years ahead.

The implications of the decision to leave the European Union are still unknown but the current economic pressures are likely to continue for some time and our ability to react to ever changing market conditions will be more important than ever before. As ever, a focus on space productivity will ensure that we can respond to both changes in consumer tastes and budgets, with the strength of our supplier relationships enabling swift action to be taken, whilst never compromising style, choice or the quality of our furniture. In addition, and alongside the ERP project, processes and procedures are being reviewed across the business to ensure that we realise further productivity and efficiency improvements, alongside seeking to improve the customer experience at every stage of the buying cycle.

The 2017/18 financial year has started strongly and we are performing ahead of expectations. That said, we will not let that lull us into a false sense of security, particularly in light of a deteriorating economic backdrop. As ever, if the market is to shrink, then we must and will look to our people in every area of the business to counter this and increase our market share, our unique market positioning further facilitating this. We are fortunate to have a hugely loyal and talented workforce and, together with a renewed emphasis on training and development, will ensure we bring out the best in our people, whose determination to succeed is fortunately never in short supply.

## Strategic Report (continued)

### Principal Risks

The principal risks are segmented and managed 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 competitors, and any other changes potentially impacting the business, whether financial, supply chain or from a consumer and marketing perspective. As such, 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 place increasingly more emphasis on trust, service, quality, choice and value, playing strongly to our existing core strengths. We are also continuing to invest in the internet site and multi-channel, though we are steadfast in the need for both, particularly at the mid to upper end of the furniture market.

#### Financial risk

The underlying business model is highly cash generative. Notwithstanding this, 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.

One of the key areas of focus for financial risk management includes that of exchange rate movements. During the year however, the move to pay a significant foreign supplier in GBP (previously USD) has reduced the foreign currency exposure and as a result no hedging instruments were in place as at the year end.

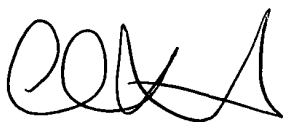
#### Operational risk

Store managers, supported by regional management, ensure operational standards are maintained and manage our stores at a local level. Our concentration on quality stores, systems and infrastructure seek to ensure consistency of performance, with the new replacement ERP system set to further enhance this. Our supplier base is managed in an open, honest and constructive manner, with quality of service being of huge importance to us and regular dialogue continues to ensure adherence to our exacting product standards and lead-time requirements. Furthermore, we ensure that key suppliers are able to adapt to unforeseen circumstances and/or fluctuations in demand to minimise any supply chain risk.

#### Health & Safety risk

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. We have furthermore now strengthened our systems with a dedicated health and safety reporting tool, which together with a highly experienced team will further ensure that appropriate standards, controls and records are maintained, as we expand the business further.

By order of the Board



Claire E Shiels (Director)

Date 01/09/17

## Directors' Report

The directors present their report and financial statements for the 53 weeks ended 02 April 2017.

### Dividends

The directors do not recommend the payment of a dividend.

### Future Developments

The directors aim to maintain the management policies and strategy which have resulted in the group's uplift in underlying trading EBITDA. They consider that next year will show a further uplift in existing store profitability, with significant longer term profit growth facilitated by the growth strategy outlined in the Strategic Report.

### Going concern

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 the Strategic Review.

In the 53 weeks to 02 April 2017 the Group has increased order intake against the previous financial year and alongside growth in the margin and well controlled costs has generated an uplift in underlying trading EBITDA, albeit total EBITDA is reduced by operating cost investments to support the new store growth and new store trading losses, as outlined in the Strategic Report. Underlying cash generation after capital investment remains strong and has ensured significant cash balances are available to support the expansion strategy outlined earlier.

The majority shareholding of the ultimate parent company, Furniture Village Holdings Ltd, is 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.

### Employee Involvement

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. 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. All employees participate directly in the success of the business through the group's bonus and other incentive schemes.

### Disabled employees

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

Where existing employees become disabled, it is the group'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.

### Post Balance Sheet Events

Since the balance sheet date contracts have been exchanged on new stores in Rugby and Chelmsford.

## Directors' Report (continued)

### Directors

The directors who served during the year were as follows:

J C Hodgkinson (Non-executive Chairman)  
P J Harrison  
G H Suthern (Resigned 19<sup>th</sup> July 2017)

C E Shiels

Non-executive Directors

J M Simon  
S McPartland MP

### 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.

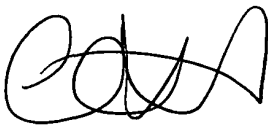
### Disclosure of information to the auditors

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



Claire E Shiels  
Director

Date 01/09/17



## Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' 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.

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# **Independent auditor's report**

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

We have audited the financial statements of Furniture Village Limited for the year ended 2 April 2017 which comprise of the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related note 1 to 28. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 7, 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2 April 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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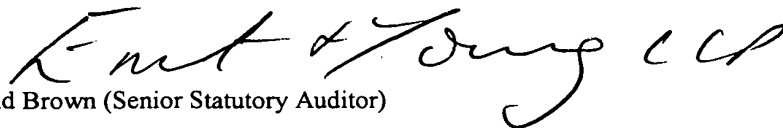
## Independent auditor's report

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.



David Brown (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

Date 1-09-2011

# Income Statement

for the 53 weeks ended 02 April 2017

		53 weeks ended 02 April 2017 £000	52 weeks ended 27 March 2016 £000
	Notes		
<b>Turnover</b>	2	238,064	213,912
Cost of sales		(123,670)	(111,227)
<b>Gross profit</b>		114,394	102,685
Distribution costs		(66,512)	(57,586)
Administrative expenses		(46,123)	(41,419)
Other operating income		1,559	1,565
<b>Operating profit before cost of new and re-launched stores</b>		3,318	5,245
New and re-launched stores		(1,453)	(873)
<b>Operating profit</b>		1,865	4,372
Loss on disposal of fixed assets	3	(20)	(320)
<b>Profit before interest and tax</b>		1,845	4,052
Interest receivable and similar income	8	73	61
Interest payable and similar charges	9	(243)	(249)
<b>Profit on ordinary activities before taxation</b>		1,675	3,864
Tax charge	10	(316)	(884)
<b>Profit for the financial period</b>		1,359	2,980

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

## Statement of comprehensive income

for the 53 weeks ended 02 April 2017

		<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
	<i>Notes</i>		
Profit for the financial period		1,359	2,980
Loss on cash flow hedges		(21)	(1,176)
Movement on deferred tax relating to cash flow hedge	10	4	236
<b>Total comprehensive income</b>		<b>1,342</b>	<b>2,040</b>

## Statement of change in equity

for the 53 weeks ended 02 April 2017

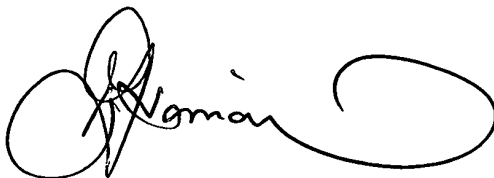
	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Hedge Reserves £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 29 March 2015	650	274	957	13,325	15,206
Profit for the financial period	–	–	–	2,980	2,980
Other comprehensive (expense)	–	–	(940)	–	(940)
Total comprehensive income	–	–	(940)	2,980	2,040
Ordinary dividends paid to parent undertaking	–	–	–	(1,000)	(1,000)
At 27 March 2016	650	274	17	15,305	16,246
Profit for the financial period	–	–	–	1,359	1,359
Other comprehensive (expense)	–	–	(17)	–	(17)
Total comprehensive income	–	–	(17)	1,359	1,342
Ordinary dividends paid to parent undertaking	–	–	–	(1,000)	(1,000)
At 02 April 2017	650	274	–	15,664	16,588

# Statement of financial position

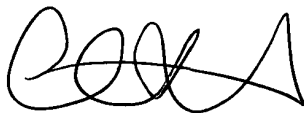
at 02 April 2017

		02 April 2017 £000	27 March 2016 £000
	Notes		
<b>Fixed assets</b>			
Intangible assets	12	3,136	2,406
Tangible assets	13	30,884	24,233
		<u>34,020</u>	<u>26,639</u>
<b>Current assets</b>			
Stocks	14	14,026	12,723
Debtors	15	44,561	43,644
Cash	21(b)	16,675	20,079
		<u>75,262</u>	<u>76,446</u>
<b>Creditors:</b> amounts falling due within one period	16	(88,325)	(82,225)
<b>Net current liabilities</b>		<u>(13,063)</u>	<u>(5,779)</u>
<b>Total assets less current liabilities</b>		<u>20,957</u>	<u>20,860</u>
<b>Preference shares</b>	17	(3,150)	(3,150)
<b>Provisions for liabilities</b>	18	(1,219)	(1,464)
<b>Net assets</b>		<u>16,588</u>	<u>16,246</u>
<b>Capital and reserves</b>			
Called up share capital	19	650	650
Share premium account	19	274	274
Hedge reserve	20	–	17
Profit and loss account		15,664	15,305
<b>Shareholders' funds</b>		<u>16,588</u>	<u>16,246</u>

P J Harrison  
Director



C E Shields  
Director



Date 01/09/17

## Statement of cash flows

for the 53 weeks ended 02 April 2017

		53 weeks ended 02 April 2017 £000	52 weeks ended 27 March 2016 £000
	Notes		
<b>Net cash inflow from continuing operating activities</b>	21(a)	8,464	15,433
<b>Investing activities</b>			
Interest received		73	61
Payments to acquire tangible fixed assets		(9,389)	(4,476)
Payments to acquire intangible fixed assets		(1,309)	(2,535)
Net cash flow used from investing activities		(10,625)	(6,950)
<b>Financing activities</b>			
Intercompany preference dividend paid to parent company		(222)	(222)
Other interest paid		(21)	(27)
Equity dividends paid to parent company	11	(1,000)	(1,000)
Net cash flow used from financing activities		(1,243)	(1,249)
<b>Change in cash resulting from cash flows</b>		(3,404)	7,234
<b>Cash at beginning of financial period</b>	21(b)	20,079	12,845
<b>Cash at end of financial period</b>	21(b)	16,675	20,079



## Notes to the financial statements

at 02 April 2017

### 1. Accounting policies

#### *Statement of compliance*

Furniture Village Limited is a limited liability company incorporated in the United Kingdom. The registered office is 258 Bath Road, Slough, Berkshire, SL1 4DX. The company's financial statements have been prepared in compliance with FRS 102 for the year ended 02 April 2017.

#### *Judgements and key sources of estimation uncertainty*

The preparation of the financial statements can require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgement (apart from those involving estimates) has had the most significant effect on amounts recognised in the financial statements:

#### *Operating lease commitments*

The company has entered into commercial property leases as a lessor on retail and warehouse units. The classification of such leases as operating or finance leases is required by the company. Based on an evaluation of the terms and conditions of the leases, whether it retains or acquires the significant risk and rewards of ownership and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position, it has been established that these leases meet the classification of operating leases.

#### *Taxation*

The company establishes provisions based on reasonable estimates. The amount of such provisions is based on differing interpretations of tax regulations by the taxable entity.

#### *Basis of preparation*

The financial statements are prepared in accordance with applicable accounting standards.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

#### *Intangible fixed assets*

Intangible assets are capitalised at cost. Amortisation is provided on all intangible 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:

Software	–	over 4 periods
Website design and infrastructure costs	–	over 7 periods
Website ongoing development costs	–	over 2 periods

Design and content development costs are capitalised within intangible fixed assets in accordance with FRS 102 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 Income Statement as incurred.

The carrying values of intangible fixed assets are reviewed for impairment annually if events or changes in circumstances indicate the carrying value may not be recoverable. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

## Notes to the financial statements (continued)

at 02 April 2017

### 1. Accounting policies (continued)

#### *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. Such cost includes costs directly attributable to making the asset capable of operating as intended. The expected useful life is stipulated as follows:

Leasehold property	–	over the lease term
Fixtures and fittings	–	over 10 periods or over the lease term
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.

#### *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 VAT and other sales taxes or duty. 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.

#### *Cash*

Cash comprise of cash at banks and in hand.

#### *Provisions for liabilities*

A provision is recognised when the group 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.

The effect of the time value of money is not material and therefore the provisions are not discounted.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences which are differences in relation to both taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes to the financial statements (continued)

at 02 April 2017

### 1. Accounting policies (continued)

#### *Holiday accrual*

All short-term compensated absences as holiday entitlement earned but not taken at the balance sheet date will be accrued for.

#### *Foreign currencies*

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

#### *Hedge accounting*

The company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- a) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- b) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; or
- c) Hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement.

#### *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement. If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and are transferred to the income statement. If the related transaction is not expected to occur, the amount is taken to the income statement. The Company uses forward currency contracts as hedges of its material exposure to foreign currency risk in forecasted transactions and firm commitments.

## Notes to the financial statements (continued)

at 02 April 2017

### 1. Accounting policies (continued)

#### *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 Income Statement as they become payable in accordance with the rules of the scheme.

#### *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 life. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term.

#### *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. This predominately includes property, personnel, training and marketing launch costs.

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

During the course of opening new stores and re-gears of existing leases, 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 to the end of the lease term.

#### *Short-term debtors and creditors*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in administrative expenses.

#### *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, measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature. The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years. Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

## Notes to the financial statements (continued)

at 02 April 2017

### 2. Turnover

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

### 3. Loss on disposal of fixed assets

	<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
Loss on disposal of fixed assets	(20)	(320)

### 4. Profit before interest and tax

This is stated after charging:

	<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
Auditor's and associates remuneration	168	153
Depreciation of owned assets	3,133	2,620
Amortisation of owned assets	210	645
Operating lease rentals – Property	19,987	17,735
Operating lease rentals – Other	1,674	1,467

## Notes to the financial statements (continued)

at 02 April 2017

### 5. Auditor's remuneration

The remuneration of the auditors or its associates is analysed as follows:

	<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
Audit of the financial statements	92	107
Total audit	<u>92</u>	<u>107</u>
Audit related assurance services	23	15
Taxation compliance services	34	25
Tax advisory services	0	2
Other assurance services	19	4
Total non-audit services	<u>76</u>	<u>46</u>
Total auditors and associates remuneration	<u>168</u>	<u>153</u>

### 6. Directors' remuneration

	<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
Aggregate remuneration in respect of qualifying services	841	1,003
Company contributions paid to money purchase pension schemes	<u>53</u>	<u>56</u>
	<i>53 weeks ended 02 April 2017 No.</i>	<i>52 weeks ended 27 March 2016 No.</i>
Members of money purchase pension scheme	<u>4</u>	<u>4</u>

The amounts in respect of the highest paid director were aggregate remuneration of £299k (52 weeks ended 27 March 2016 – £305k) and company contributions paid to pension schemes of £26k (52 weeks ended 27 March 2016 – £25k). 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 02 April 2017

### 7. Staff costs

	<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
Wages and salaries	32,251	30,305
Social security costs	3,359	2,996
Pension costs	832	772
	<u>36,442</u>	<u>34,073</u>

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

	<i>53 weeks ended 02 April 2017 No.</i>	<i>52 weeks ended 27 March 2016 No.</i>
Office and management	128	107
Retailing and distribution	752	686
	<u>880</u>	<u>793</u>

### 8. Interest receivable and similar income

	<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
Bank interest	73	61
	<u>73</u>	<u>61</u>

## Notes to the financial statements (continued)

at 02 April 2017

### 9. Interest payable and similar charges

	<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
Dividends payable on non-equity preference shares to parent company	222	222
Other interest	21	27
	<u>243</u>	<u>249</u>

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

### 10. Tax

#### (a) Tax on profit on ordinary activities

The tax is made up as follows:

	<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
<i>Current tax:</i>		
UK corporation tax on the profit for the period	444	–
Adjustment in respect of previous periods	74	37
Losses carried back (credited) to income statement	–	(502)
<b>Total current tax</b>	<u>518</u>	<u>(465)</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences – current period	113	1570
– prior period	(241)	(81)
– change of tax rates	(74)	(140)
<b>Total deferred tax</b>	<u>(202)</u>	<u>1,349</u>
<b>Total tax per income statement</b>	<u>316</u>	<u>884</u>
<b>Other comprehensive income items</b>		
Deferred tax (credit)/charge	(4)	(236)
<b>Total other comprehensive income items</b>	<u>(4)</u>	<u>(236)</u>



## Notes to the financial statements (continued)

at 02 April 2017

### 10. Tax (continued)

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

The charge for the year can be reconciled to the profit per the income statement as follows:

	<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
Profit for the period – continuing operations	1,675	3,864
Tax on profits at standard rate of 20% (52 weeks ended 27 March 2016 – 20%)	335	773
<i>Effects of:</i>		
Disallowed expenses and non-taxable income	364	319
Group relief/other reliefs	(138)	–
Losses carried back	–	(24)
Adjustment from previous periods	(167)	(44)
Tax rate changes	(74)	(140)
Hedging	(4)	–
Tax charge for the period	316	884
Income tax expense reported in the income statement	316	884

(c) Changes to UK Corporation Tax

The standard rate of Corporation Tax in the UK remained at 20% from the prior year with effect from 1 April 2016. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 20%. The Budget in 2016 subsequently announced that the standard rate will fall further to 17% with effect from 1 April 2020. These rates were enacted during the current period and deferred tax balances have been stated at a rate of 17%.

## Notes to the financial statements (continued)

at 02 April 2017

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

	<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
Dividends payable on ordinary shares to parent company	1,000	1,000

In the period £1,000k of equity dividends are payable to Furniture Village Group Limited for the ordinary shares (52 weeks ended 27 March 2016 – £1,000k).

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

## Notes to the financial statements (continued)

at 02 April 2017

### 12. Intangible fixed assets

	<i>Software</i> £000	<i>Website</i> £000	<i>Total</i> £000
Cost:			
At 27 March 2016	3,493	–	3,493
Additions	452	488	940
Disposals	–	–	–
Reclassify Software to Website †	(717)	717	–
At 02 April 2017	3,228	1,205	4,433
Amortisation:			
At 27 March 2016	1,087	–	1,087
Provided during the period	88	122	210
Disposals	–	–	–
At 02 April 2017	1,175	122	1,297
Carrying amount at 02 April 2017	2,053	1,083	3,136
Carrying amount at 27 March 2016	2,406	–	2,406

† Due to the nature and size of the groups' website platform, the asset was reclassified in the period so as to be disclosed as its own identifiable intangible asset.

### 13. Tangible fixed assets

	<i>leasehold</i> <i>property</i> £000	<i>Fixtures</i> <i>and fittings</i> £000	<i>Equipment</i> £000	<i>Total</i> £000
Cost:				
At 27 March 2016	40,539	4,476	1,414	46,429
Additions	7,278	740	1,793	9,811
Disposals	(80)	(19)	(16)	(115)
At 02 April 2017	47,737	5,197	3,191	56,125
Depreciation:				
At 27 March 2016	19,182	2,149	865	22,196
Provided during the period	2,457	345	331	3,133
Disposals	(60)	(18)	(10)	(88)
At 02 April 2017	21,579	2,476	1,186	25,241
Carrying amount at 02 April 2017	26,158	2,721	2,005	30,884
Carrying amount at 27 March 2016	21,357	2,327	549	24,233

## Notes to the financial statements (continued)

at 02 April 2017

### 14. Stocks

	<i>02 April 2017 £000</i>	<i>27 March 2016 £000</i>
Goods for resale	14,026	12,723

Stocks recognised as an expense in cost of sales for the period were £124,678k (27 March 2016 - £111,517k). The stock impairment provisions included in cost of sales for the 53 weeks ended 02 April 2017 were £297k (52 weeks ended 27 March 2016 – £532k).

### 15. Debtors

	<i>02 April 2017 £000</i>	<i>27 March 2016 £000</i>
Trade debtors	1,048	1,095
Other debtors	1,151	613
Fair value forward contracts	–	584
Prepayments and accrued income	8,924	8,249
Corporation tax	1,071	1,187
Owed by ultimate parent company – Furniture Village Holdings Limited	32,367	31,916
	<u>44,561</u>	<u>43,644</u>

The trade debtors provision included in administrative expenses for the 53 weeks ended 02 April 2017 was £25k (52 weeks ended 27 March 2016 – £25k).

### 16. Creditors: amounts falling due within one period

	<i>02 April 2017 £000</i>	<i>27 March 2016 £000</i>
Deposits on goods not yet delivered	14,900	12,518
Trade creditors	35,051	36,947
Corporation tax	–	–
Other taxes and social security costs	4,507	4,231
Other creditors and accruals	19,267	15,151
Owed to parent company – Furniture Village Group Limited	14,600	13,378
	<u>88,325</u>	<u>82,225</u>

The intercompany balance owed to Furniture Village Group Limited is repayable on demand.

## Notes to the financial statements (continued)

at 02 April 2017

### 17. Preference shares

	02 April 2017 £000	27 March 2016 £000
<i>Allotted, called up and fully paid</i>		
Cumulative preference shares of £1 (on which a total dividend of £96,000 is payable)		
– Number of shares – 1,400,000 (2016 – 1,400,000)	1,400	1,400
7.2% Cumulative redeemable preference shares of £1 each		
– Number of shares – 1,750,000 (2016 – 1,750,000)	1,750	1,750
	<u>3,150</u>	<u>3,150</u>

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.

### 18. Provisions for liabilities

	<i>Provision for dilapidations</i> £000	<i>Deferred tax</i> £000	<i>Total</i> £000
At 27 March 2016	195	1,269	1,464
Provided during the current period	(40)	(205)	(245)
At 02 April 2017	<u>155</u>	<u>1,064</u>	<u>1,219</u>

Deferred Tax provision is made up of timing differences between fixed assets realized through use.

Dilapidation provision is a provision made under the terms of the lease to restore the premises to the original condition. It was calculated based on expected costs to restore the premises we are leasing to the original condition, on expiry of the lease or should the lease be otherwise terminated by either party. The impact of discounting the dilapidation provision is not material.

## Notes to the financial statements (continued)

at 02 April 2017

### 18. Provisions for liabilities (continued)

The deferred tax consists of:

	02 April 2017 £000	27 March 2016 £000
<i>Deferred tax liability/(assets)</i>		
Fixed asset timing differences	674	873
Short term timing differences	(6)	(26)
Non trading timing differences	396	419
Derivatives	–	3
Total deferred tax liability	1,064	1,269
	02 April 2017 £000	27 March 2016 £000
<i>Deferred tax (assets)</i>		
Recoverable after 12 months	(6)	(26)
Total deferred tax asset	(6)	(26)
	02 April 2017 £000	27 March 2016 £000
<i>Deferred tax liabilities</i>		
Payable within 12 months	–	3
Payable after 12 months	1,070	1,292
Total deferred tax liability	1,070	1,295

## Notes to the financial statements (continued)

at 02 April 2017

### 19. Issued equity share capital

		02 April 2017		27 March 2016
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
'A' ordinary shares of £1 each	150,000	150	150,000	150
'B' ordinary shares of £1 each	500,340	500	500,340	500
		<u>650</u>		<u>650</u>

All of the ordinary shares rank pari passu.

The share premium reserve records the amount above the nominal value received for shares sold, less transactions costs.

### 20. Hedge reserves

	02 April 2017	27 March 2016
	<i>£000</i>	<i>£000</i>
Fair value hedging instrument net of recycled gain/losses carried forward from prior period	–	20
Deferred tax liability	–	(3)
	<u>–</u>	<u>17</u>

The hedge reserve recognises the deferred gain of the fair value forward contracts until the hedged item impacts profit and loss. The amount of any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flow that was recognised in the profit and loss as at 02 April 2017 amounted to £nil (27 March 2016 – £nil).

## Notes to the financial statements (continued)

at 02 April 2017

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

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

	<i>53 weeks ended 02 April 2017 £000</i>	<i>52 weeks ended 27 March 2016 £000</i>
Operating profit	1,865	4,372
Depreciation	3,133	2,620
Amortisation	210	645
(Increase) in stocks	(1,303)	(2,409)
(Increase)/Decrease in non-intercompany debtors	(466)	2,109
Increase in non-intercompany creditors	4,832	11,406
(Increase) in intercompany debtors	(451)	(2,135)
Increase in intercompany creditors	1,222	1,222
Change in fair value hedged item	(17)	(940)
Corporation tax paid	(561)	(1,457)
Net cash inflow from continuing operating activities	<u>8,464</u>	<u>15,433</u>

(b) Analysis of cash

	<i>27 March 2016 £000</i>	<i>Cash flow £000</i>	<i>02 April 2017 £000</i>
Cash	20,079	(3,404)	16,675
	<u>20,079</u>	<u>(3,404)</u>	<u>16,675</u>

### 22. Capital commitments

Due to the timing of new store and refurbishment commitments, coupled with the implementation of a replacement enterprise resource planning system, future capital expenditure not otherwise included in these financial statements is as follows:

	<i>02 April 2017 £000</i>	<i>27 March 2016 £000</i>
Authorised by the directors and contracted for	1,539	200
Authorised by the directors but not yet contracted for	–	3,600
	<u>1,539</u>	<u>3,800</u>



## Notes to the financial statements (continued)

at 02 April 2017

### 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 02 April 2017 amounted to £nil (27 March 2016 – £nil).

### 24. Operating leases

#### *Operating lease commitments:*

In respect of leases, the following future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Other</i>
	<i>02 April</i>	<i>27 March</i>	<i>02 April</i>	<i>27 March</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one period	21,385	18,881	1,217	862
In two to five periods	81,683	72,696	2,217	995
In over five periods	111,710	100,680	–	–
	<u>214,778</u>	<u>192,257</u>	<u>3,434</u>	<u>1,857</u>

#### *Operating lease income:*

The following future minimum rentals receivable under non-cancellable operating leases for retail space sublet to a third party retailer are as follows:

	<i>Other Operating Income</i>	<i>Other Operating Income</i>
	<i>02 April</i>	<i>27 March</i>
	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
Within one period	750	818
In two to five periods	–	87
	<u>750</u>	<u>905</u>

## Notes to the financial statements (continued)

at 02 April 2017

### 25. Financial instruments

	02 April 2017 £000	27 March 2016 £000
<i>Financial assets at fair value (hedge accounting)</i>		
Forward foreign currency contracts	–	584
	–	584

The company uses hedge accounting to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through other comprehensive income for the effective portion. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value is recycled through profit and loss as the hedged item impacts profit and loss.

### 26. 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 102 '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.

### 27. 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.

### 28. Events subsequent to the balance sheet date

Since the balance sheet date contracts have been exchanged on new stores in Rugby and Chelmsford.