4317404

Furniture Village Group Limited

Report and Financial Statements

For the 52 weeks ended 1 April 2007

CONTENTS

Registered No 4317404

Directors

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

Secretary

A J F Burton

Auditors

Ernst & Young LLP
Apex Plaza
Reading
Berkshire
RG1 1YE

Bankers

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

Registered Office

258 Bath Road
Slough
Berkshire
SL1 4DX

Chairman's statement

The directors of the business put in place a strategy for the year designed to achieve a 'Profitable Increase in Market Share' and it is pleasing to confirm that they have achieved this goal

A year ago I reported that the FV quality-based strategy 'requires investment in infrastructure, quality control, marketing and personal development' and the benefits of this approach are clear to see in what was a landmark year for the group

Against what is still a somewhat unpredictable market I am delighted to report an operating profit before new stores for 2006/7 of £5 5m, an increase of £1 0m or 18% compared to last year

This achievement is a demonstration that the business is 'built on firm foundations' with a management team of quality and depth, a truly significant legacy of the retiring shareholders David Imrie and Jack Clark and indeed a testimony to the significant contribution of Bank Of Scotland, who we are delighted remain as our sole bankers

On behalf of the board and the employees of Furniture Village I would like to take this opportunity to express our deepest thanks to David & Jack for their years of huge contribution to not only our business, but the industry as a whole

Trading review

Turnover for the 52 weeks to 1 April 2007 was £158 2m, £20 1m or 14 5% higher than the previous year in total and 13 9% up on a like for like basis, approximately 13% up excluding the impact of an extra Easter

The combination of this significant volume growth and a healthy improvement in margin performance has resulted in gross profit of £74 7m, an increase versus last year of £10 4m or 16 2%

In the past year we set out to increase communication with our existing and potential customers via multiple channels, funded by a significant increase in marketing investment The resulting increased footfall has been converted at a higher rate than prior years following the investment in additional sales personnel and employee training, which has also helped to improve our average order value

Above all the consistency of a strong trading performance across the country and across the year is hugely satisfying

New stores

We remain committed to a sensible expansion of the chain, in carefully selected locations which we are confident will deliver a healthy return on investment, however such are the vagaries of the commercial property market, combined with the requirements of planning legislation that our only new store in the year opened at Bolton

The lack of the right new store opportunities has helped us focus on organic enhancements to existing stores Through 'reclaiming' non-selling space and trading incremental product often from our FV2 range, we have successfully expanded and refurbished our stores at Friern Barnet, Tunbridge Wells, Chester, Thurrock and Staines

All of these stores are trading well ahead of expectations and we are currently planning for the next phase of organic development

Our new store at Cribbs Causeway, Bristol was opened in April 2007 and to date has proven to be our most successful launch and a 'soft-opening' of our new Solihull store has also been very promising

Several further new store opportunities are under consideration for the latter part of the 2007/8 financial year

Chairman's statement (continued)

Balance sheet

The increases in volumes and margins have gone hand in hand with increased investment in marketing, property and people The resulting improvements in cash generation have been augmented by improvements in our supply chain management in what was a strong year in terms of working capital management

People

The philosophy at Furniture Village has always been to 'grow our own' talent and the management team commitment to this remains as strong as ever The past year has seen a further increase in our investment in people through increased utilisation of our Academy of Learning and Development in Slough The board changes which have recently taken place were an opportunity for people within our business and it is a testimony to the principle of developing our own talent that all senior appointments were individuals who have come through our ranks The development plan for the new financial year is already in place, with a commitment for every employee to benefit from targeted training as the year progresses

Outlook

Notwithstanding an unseasonably hot and sunny start to the year which rarely favours 'big ticket' retailers, especially over the Easter weekend, the performance in the first quarter of the new financial year has again delivered good like for like growth, based upon very strong comparatives from last year

With further investments in marketing and property, together with a drive for efficiency and scalability in support functions, the business is well placed for a successful start to the next chapter in the FV story

JC Hodkinson

Chairman

Directors' report

The directors present their consolidated report and financial statements for the 52 weeks ended 1 Apnl 2007

Strategy overview

The Furniture Village strategy is to position itself at the upper end of the volume furniture retail market in the UK The significant increase in the concentration of retailers at the 'price-lead' end of the market reinforces this stance and the anticipated changes in demographics in the coming years further support our view that we are well placed for the future

Our mission:

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

Statement of intent:

To continue to grow and develop our business and reputation, on the basis of sustainable competitive advantage through the levels of service we offer, the passion and skill of the people who provide it and the range, quality and value of our products

Financial highlights

Turnover for the 52 weeks to 1 April 2007 was £158 2m (52 weeks to 2 April 2006 £138 1m), 14 5% higher than the previous year in total on a comparable basis and 13 9% ahead on a like for like basis

Investments in the business in the year that will continue to contribute to the delivery of the strategy include increased training and development, additional marketing and promotions, store infrastructure and quality control

Against this backdrop of strong investment in the business and challenging trading conditions the reported operating profit before amortisation of goodwill of £5 9m is 16% ahead of the previous year of £5 1m

Performance management and employee involvement

The business operates an industry-leading suite of reporting tools that provide real time understanding of all aspects of the business This allows formalised weekly performance reporting that can be analysed by store and by product group and this information is shared across the group and with all members

The business makes a concerted effort to share relevant information with all employees and will continue to do so During the year, the policy of providing employees with information about the group has been continued Regular meetings are held between local management and employees to allow a free flow of information and ideas Employees participate directly in the success of the business through the various incentive arrangements, which cover everyone employed within the business

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'

We segment risk and manage it accordingly

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

Directors' report (continued)

Risk (continued)

Strategic risk

The competitive landscape as outlined above indicates that our strategy to continue to move away from the price-focused end of the volume market is the correct one The decisions taken in recent years in terms of service and quality, together with further advances in the coming year will ensure that we maintain our momentum

Financial risk

The business has always been focused on effective management of cash The cash generative nature of the operation has enabled us to comfortably meet our financial obligations to landlords, suppliers and other stakeholders, aided by the flexibility we have over capital expenditure commitments

In addition, we have a very effective finance operation that provides budgetary and forecast benchmarks through the year, allowing strong predictive capabilities

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 1 April 2007 of derivatives held by the company was as follows

Forward foreign exchange contracts   £26,584 (unrealised loss) (2006 £38,966 unrealised gain)

Operational risk

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

Health & Safety

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

Structure of the Furniture Village Group

The Furniture Village Group consists of the holding company, Furniture Village Group Limited, the trading company, Furniture Village Limited, and two dormant companies, London Bed Company Limited and The London Furniture Company (Chelsea) Limited

Principal activities and review of business

The principal activity of the group is the sale of quality furnishings in the retail market

Turnover has increased by 15% compared to last year to £158,188,000 (2006 £138,134,000) with the operating profit increasing by 18% to £5,197,000 (2006 £4,391,000) and the profit before interest and tax increasing by 2% to £4,256,000 (2006 52 week £4,159,000)

One new outlet was opened during the year in Bolton There was one closure, maintaining the number of physical trading outlets at thirty-five, in addition to our transactional website Part of the lease at the Slough store was disposed during the year A number of stores have been fully refurbished during the year, including Friern Barnet, Tunbridge Wells and Thurrock

Directors' report (continued)

Results and dividends

The profit for the year, after taxation, amounted to £993,000 (2006 profit of £734,000) The directors do not recommend the payment of a dividend (2006 £nil)

Future developments

We are pleased to announce that new stores have opened in Bristol and Solihull early in the new financial year with further sites in negotiation

Directors and their interests

The current directors, who are listed on page 1, all served throughout the period covered by this report The directors at 1 April 2007 and their interests in the share capital of the company were as follows

	2007 Ordinary Shares of £0 50 each	*2006 Ordinary Shares of £0 50 each*
J C Hodkinson	184,758	184,758
P J Harrison	1,832,640	1,832,640
D J G Imrie	1,832,640	1,832,640
J M L Clark	526,713	596,713
E G Wynne	194,804	194,804
E Duggan	194,804	194,804

Directors' statement as to disclosure of information to auditors

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

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

Directors' liabilities

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

Disabled employees

The group 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 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

Charitable contributions

The group's charitable donations for the 52 weeks were £38,051 (2006 £28,670)

Directors' report (continued)

Events subsequent to the balance sheet date

On Good Friday, 6 April 2007, a new store opened at Cribbs Causeway, Bristol, and has proved to be our most successful launch to date On 19 May 2007, a new store opened in Solihull

On 15 May 2007 the group was restructured as part of a share buy back and re-financing transaction The transaction maintains Bank of Scotland as our sole bankers and means all shares are now owned 'within the business' The new loans which total £24 5m are repayable over the next seven years and Bank of Scotland has set new covenants based on these loans The new ultimate parent undertaking and controlling party for the group is Furniture Village Holdings Limited, a company registered in England and Wales

Auditors

A resolution to reappoint Ernst & Young LLP as the company's auditors and to set their remuneration will be put to the members at the Annual General Meeting

By order of the Board

A J F Burton
Secretary

Date 2 August 2007

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report

to the members of Furniture Village Group Limited

We have audited the group and parent company financial statements (the "financial statements") of Furniture Village Group Limited for the 52 weeks ended 1 April 2007 which comprise the Group and Company Profit and Loss Financial statements, the Group and Company Statements of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the related notes 1 to 27 These financial statements have been prepared under the accounting policies set out therein

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

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Independent auditors' report

to the members of Furniture Village Group Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 1 April 2007 and of the group's profit for the 52 weeks then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Reading

Date 3 August 2007

Group profit and loss account

for the 52 weeks ended 1 April 2007

	Note	*52 weeks to 1 April 2007 £'000*	*52 weeks to 2 April 2006 £'000*
Turnover	2	158,188	138,134
Cost of sales		(83,480)	(73,843)
Gross profit		74,708	64,291
Distribution costs		(38,296)	(32,647)
Administrative expenses		(30,925)	(27,128)
Profit before cost of new store openings		5,487	4,516
New and re-launched store pre-trading costs		(290)	(125)
Operating profit		5,197	4,391
Profits and losses on disposal of fixed assets and leasehold interests	3	(941)	(232)
Profit before interest and tax	4	4,256	4,159
Interest receivable	7	278	155
Interest payable and similar charges	8	(2,579)	(2,411)
Profit on ordinary activities before taxation		1,955	1,903
Tax on profit on ordinary activities	9	(962)	(1,169)
Profit for the financial year	21	993	734

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

Group statement of total recognised gains and losses

for the 52 weeks ended 1 April 2007

There are no recognised gains and losses other than the profit of £993,000 for the 52 weeks ended 1 April 2007 (2006 profit of £734,000)

Company profit and loss account

for the 52 weeks ended 1 April 2007

	Note	*52 weeks to 1 April 2007 £'000*	*52 weeks to 2 April 2006 £'000*
Administrative expenses		(14)	(28)
Operating loss and loss before interest and tax		(14)	(28)
Equity dividends received from Furniture Village Limited		4,867	5,134
Non-equity dividends received from Furniture Village Limited		222	222
Interest receivable	7	-	2
Interest payable and similar charges	8	(2,564)	(2,404)
Profit on ordinary activities before taxation		2,511	2,926
Tax on profit on ordinary activities	9	-	-
Profit retained for the financial year	21	2,511	2,926

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

Company statement of total recognised gains and losses

for the 52 weeks ended 1 April 2007

There are no recognised gains and losses other than the profit of £2,511,000 for the 52 weeks ended 1 April 2007 (2006 profit of £2,926,000)

The dividend payment received by Furniture Village Group Limited from Furniture Village Limited for the ordinary shares was £4,867,000 in 2006/07 compared to £5,134,000 in 2005/06

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

Group balance sheet

at 1 April 2007

	Note	*1 April 2007 £'000*	*2 April 2006 £'000*
Fixed assets			
Intangible assets	10	9,755	10,420
Tangible assets	11	21,795	20,621
		31,550	31,041
Current assets			
Stocks	13	9,645	9,470
Debtors	14	7,754	7,993
Cash at bank and in hand	22 (c)	10,347	5,582
		27,746	23,045
Creditors amounts falling due within one year	15	(38,192)	(30,255)
Net current liabilities		(10,446)	(7,210)
Total assets less current liabilities		21,104	23,831
Creditors amounts falling due after one year	16	(8,099)	(11,907)
Provisions for liabilities and charges			
Deferred tax	19	(3,665)	(3,577)
		9,340	8,347
Capital and Reserves			
Called up share capital	20	3,197	3,197
Share premium	21	3	3
Profit and loss account	21	6,140	5,147
Shareholders' funds	21	9,340	8,347

Approved by the Board

P J Harrison
Director

E Duggan
Director

Date 2 August 2007

Company balance sheet

at 1 April 2007

	Note	1 April 2007 £'000	2 April 2006 £'000
Fixed assets			
Investments	12	19,454	19,454
Debtors receivable after one year			
Deferred tax asset	19	262	262
Current assets			
Debtors	14	5,339	5,155
Cash at bank and in hand	22 (c)	1	204
		5,340	5,359
Creditors: amounts falling due within one year	15	(5,403)	(4,033)
Net current (liabilities)/assets		(63)	1,326
Total assets less current liabilities		19,653	21,042
Creditors amounts falling due after one year	16	(8,007)	(11,907)
		11,646	9,135
Capital and Reserves			
Called up share capital	20	3,197	3,197
Share premium account	21	3	3
Profit and loss account	21	8,446	5,935
Shareholders' Funds	21	11,646	9,135

Approved by the Board

P J Harrison
Director

E Duggan
Director

Date 2 August 2007

Group statement of cash flows

for the 52 weeks ended 1 April 2007

	Note	52 weeks to 1 April 2007 £'000	52 weeks to 2 April 2006 £'000
Net cash inflow from continuing operating activities	22(a)	14,880	5,109
Returns on investments and servicing of finance	22(b)	(803)	(1,167)
Taxation	22(b)	(1,213)	(660)
Capital expenditure and financial investment	22(b)	(4,055)	(1,042)
Financing	22(b)	(3,845)	(3,492)
Increase/(decrease) in cash	22(c)	4,964	(1,252)

Reconciliation of net cash flow to movement in net debt

	Notes	52 weeks to 1 April 2007 £'000	52 weeks to 2 April 2006 £'000
Increase / (Decrease) in cash		4,964	(1,252)
Repayment of capital element of finance lease		20	-
Cash outflow from decrease in loans		3,825	3,492
Change in net debt resulting from cash flows		8,809	2,240
Inception of finance lease		(137)	-
Redemption premia on bank loans		(1,143)	(994)
Amortisation of arrangement fee on loans		(348)	(95)
Movement in net debt		7,181	1,151
Net debt at beginning of financial year	22(c)	(10,349)	(11,500)
Net debt at end of financial year	22(c)	(3,168)	(10,349)

Company statement of cash flows

for the 52 weeks ended 1 April 2007

	Note	*52 weeks to 1 April 2007 £'000*	*52 weeks to 2 April 2006 £'000*
Net cash outflow from continuing operating activities	22(a)	(202)	(568)
Returns on investments and servicing of finance	22(b)	4,023	4,043
Financing	22(b)	(3,825)	(3,492)
Decrease in cash	22(c)	(4)	(17)

Reconciliation of net cash flow to movement in net debt

	Notes	*52 weeks to 1 April 2007 £'000*	*52 weeks to 2 April 2006 £'000*
Decrease in cash		(4)	(17)
Cash outflow from decrease in debt		3,825	3,492
Change in net debt resulting from cash flows		3,821	3,475
Redemption premia on bank loans		(1,143)	(994)
Amortisation of arrangement fee on loans		(348)	(95)
Movement in net debt		2,330	2,386
Net debt at beginning of financial year	22(c)	(15,727)	(18,113)
Net debt at end of financial year	22(c)	(13,397)	(15,727)

Notes to the financial statements

for the 52 weeks ended 1 April 2007

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 year

Basis of consolidation

The group financial statements consolidate the financial statements of Furniture Village Group Limited and its subsidiary undertakings, drawn up to 1 April 2007

Furniture Village Limited has been included in the financial statements using the acquisition method of accounting

Fixed assets and investments

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

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life up to a presumed maximum of 20 years It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or circumstances indicate that the carrying value may not be recoverable

Depreciation

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

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

Stocks

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

Deferred taxation

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

Foreign currencies

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

Notes to the financial statements

for the 52 weeks ended 1 April 2007

1. Accounting policies (continued)

Pension costs

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

New and re-launched stores pre-trading costs

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

Rent free periods and reverse premiums

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

Revenue recognition

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

Sale of goods

Revenue from the sale of goods is recognised on dispatch of the goods to the customer,

Delivery service

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

Leasing commitments

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

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

Capital instruments

Shares are included in shareholders' funds Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount

Provision is made for the accrued premia payable on repayment of elements of the loans on a discounted basis The discount rates used reflect the rates implicit in the loan agreements

Share-based payments

During the year the company adopted FRS 20 "Share-based payment" This requires the fair value of options and share awards to be charged to the profit and loss account over the vesting or performance period A commitment was made before year end to close the Furniture Village Group Limited Inland Revenue Approved Share Option Scheme (the 'Scheme') The Scheme was closed after year end and provision has been made in the financial statements for the payments made to option holders in return for the surrender of their options

Notes to the financial statements

for the 52 weeks ended 1 April 2007

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 and loss on disposal of fixed assets and leasehold interests

	52 weeks to 1 April 2007 £'000	*52 weeks to 2 April 2006 £'000*
Loss on disposal of fixed assets	(267)	(168)
Provision for loss on disposal of fixed assets	-	(64)
Other costs relating to disposals	(674)	-
	(941)	(232)

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

4. Profit before interest and tax

This is stated after charging

		52 weeks to 1 April 2007 £'000	*52 weeks to 2 April 2006 £'000*
Audit of the financial statements	- Furniture Village Group Limited	4	4
	- other fellow group companies	63	46
Other fees to auditors	- corporation tax advice	22	31
	- VAT advice	5	1
	- equity restructuring	148	31
Depreciation of owned assets		2,343	2,243
Depreciation of assets held under finance leases and hire purchase contracts		21	-
Amortisation of Intangible assets		665	666
Operating lease rentals	- property	13,352	12,901
	- other	941	875

Notes to the financial statements

for the 52 weeks ended 1 April 2007

5. Directors' emoluments

	52 weeks to 1 April 2007 £'000	52 weeks to 2 April 2006 £'000
Standard emoluments	1,102	944
Non-recurring emoluments	174	-
Emoluments	1,276	944
Company contributions paid to money purchase pension schemes	37	21

	2007 No	2006 No
Members of money purchase pension scheme	4	4

The amounts in respect of the highest paid director were standard emoluments of £277,000 (2006 £254,000), non-recurring emoluments of £145,000 (£2006 £nil) and company contributions paid to pension schemes of £10,000 (2006 £5,000) Directors' emoluments include bonuses relating to the period in which they accrue, although these may be paid after the year end

6. Staff costs

	52 weeks to 1 April 2007 £'000	52 weeks to 2 April 2006 £'000
Wages and salaries	21,859	19,088
Social security costs	2,362	2,094
Pension costs	660	545
	24,881	21,727

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

	52 weeks to 1 April 2007 No	52 weeks to 2 April 2006 No
Office and management	97	78
Retailing and distribution	563	555
	660	633

Notes to the financial statements

for the 52 weeks ended 1 April 2007

7. Interest receivable

Group

	52 weeks to 1 April 2007 £'000	52 weeks to 2 April 2006 £'000
Bank interest	251	126
Other interest	27	29
	278	155

Company

	52 weeks to 1 April 2007 £'000	52 weeks to 2 April 2006 £'000
Bank interest	-	2

8. Interest payable and similar charges

Group

	52 weeks to 1 April 2007 £'000	52 weeks to 2 April 2006 £'000
Bank loans and overdrafts	1,074	1,315
Finance charges payable under finance leases and hire purchase contracts	7	-
Redemption premia	1,143	994
Amortisation of arrangement fee on loans (note 17)	348	95
Other interest	7	7
	2,579	2,411

Company

	52 weeks to 1 April 2007 £'000	52 weeks to 2 April 2006 £'000
Bank loans and overdrafts	1,073	1,315
Redemption premia	1,143	994
Amortisation of arrangement fee on loans (note 17)	348	95
	2,564	2,404

Notes to the financial statements

for the 52 weeks ended 1 April 2007

9. Tax on profit on ordinary activities

Group		*52 weeks to 1 April 2007*	*52 weeks to 2 April 2006*
UK corporation tax		*£'000*	*£'000*
Tax on profits in the year		833	1,218
Tax under/(over) provided in previous years		41	(65)
Total current tax		874	1,153
Deferred tax			
Originating and reversal of timing differences (note 19)	- current year	451	15
	- prior year	(363)	1
		88	16
		962	1,169

The effect in the profit and loss account relating to exceptional items recognised below operating profit is £nil (2006 £nil)

Factors affecting the tax charge for the period

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

	52 weeks to 1 April 2007	*52 weeks to 2 April 2006*
	£'000	*£'000*
Profit on ordinary activities	1,955	1,903
Expected tax charges on profit on ordinary activities calculated at the standard rate of tax in the UK of 30% (2006 30%)	586	571
Effects of		
Disallowed expenses and non-taxable income	498	462
Capital allowances in excess of depreciation	(204)	(129)
Other timing differences	(257)	8
Tax under/(over) provided in previous years	41	(65)
Goodwill amortisation	200	200
Capital gains	10	106
Current tax charge for the year	874	1,153

During March 2007 the UK government announced Budget tax changes which, if enacted in the proposed manner, will have a significant effect on the group's future tax position At 1 April 2007 these changes to the UK tax system are not regarded as 'substantively enacted' as they are still subject to Parliamentary agreement and so their effect is not reflected in the group's balance sheet at 1 April 2007 However, as at the date of signing, they may be regarded as 'substantively enacted' It is proposed that the rate of UK corporation tax will reduce from 30% to 28% from 1 April 2008 This rate change will both affect the amount of future cash tax payments to be made by the group and will also reduce the size of the group's deferred tax asset

Changes to the UK capital allowance regime have also been proposed, the most significant of these changes for the group is the reduction in the rate of capital allowances applicable to plant and machinery expenditure from 25% to 20% per annum on a reducing balance basis from 1 April 2008 The effect on the group of these proposed changes to the UK tax system will be fully reflected in the group's financial statements for the year ending 30 March 2008

Notes to the financial statements

for the 52 weeks ended 1 April 2007

9. Tax on profit on ordinary activities (continued)

Company

	52 weeks to 1 April 2007 £'000	52 weeks to 2 April 2006 £'000
UK corporation tax		
Total current tax	-	-
Deferred tax		
Originating and reversal of timing differences	-	-
	-	-

Factors affecting the tax charge for the period

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

	52 weeks to 1 April 2007 £'000	52 weeks to 2 April 2006 £'000
Profit on ordinary activities	2,511	2,926
Expected tax charges on profit on ordinary activities calculated at the standard rate of tax in the UK of 30% (2006 30%)	753	878
Effects of		
Disallowed expenses and non-taxable income	(1,526)	(1,606)
Group relief	773	728
Current tax charge for the year	-	-

10. Intangible fixed assets

Group

	Goodwill £'000
Cost	
At 1 April 2007 and at 3 April 2006	13,303
Amortisation	
At 3 April 2006	2,883
Providing during the year	665
At 1 April 2007	3,548
Net book value:	
At 1 April 2007	9,755
At 3 April 2006	10,420

Notes to the financial statements

for the 52 weeks ended 1 April 2007

11. Tangible fixed assets

Group

	Short leasehold property £'000	*Fixtures, fittings equipment & vehicles £'000*	*Total £'000*
Cost:			
At 3 April 2006	25,896	7,490	33,386
Additions	3,250	579	3,829
Disposals	(570)	(194)	(764)
At 1 April 2007	28,576	7,875	36,451
Depreciation			
At 3 April 2006	8,231	4,534	12,765
Provided during the year	1,601	763	2,364
Disposals	(328)	(145)	(473)
At 1 April 2007	9,504	5,152	14,656
Net book value.			
At 1 April 2007	19,072	2,723	21,795
At 3 April 2006	17,665	2,956	20,621

The net book value of the company's fixtures, fittings, equipment and vehicles includes £116,000 (2006 £nil) in respect of assets held under finance leases and hire purchase contracts

12. Investments

	1 April 2007 £'000	*2 April 2006 £'000*
Furniture Village Limited	19,454	19,454
London Bed Company Limited	-	-
The London Furniture Company (Chelsea) Limited	-	-
Total cost and net book value	19,454	19,454

Details of the investments in which the group and the company holds 20% or more of the nominal value of any class of share capital are as follows

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Furniture Village Limited	"A" Ordinary shares	100%	Furniture retail
	"B" Ordinary shares	100%	
	Preference shares	100%	
	Redeemable preference shares	100%	
London Bed Company Limited	Ordinary shares	100%	Dormant
The London Furniture Company (Chelsea) Limited	Ordinary shares	100%	Dormant

Notes to the financial statements

for the 52 weeks ended 1 April 2007

13. Stocks

Group

	1 April 2007 £'000	*2 April 2006 £'000*
Goods for resale	9,645	9,470

14. Debtors

Group

	1 April 2007 £'000	*2 April 2006 £'000*
Trade debtors	930	1,067
Other debtors	2,263	2,298
Prepayments and accrued income	4,561	4,628
	7,754	7,993

Company

	1 April 2007 £'000	*2 April 200 £'000*
Amount owing by subsidiary	5,016	4,832
Other debtors	323	323
	5,339	5,155

15. Creditors: amounts falling due within one year

Group

	1 April 2007 £'000	*2 April 2006* £'000
Current instalment due on bank loan (note 17)	3,600	3,825
Redemption premia on loans (note 17)	1,791	-
	5,391	3,825
Loan notes	-	199
Obligations under finance leases and hire purchase contracts	25	-
Deposits on goods not yet delivered	6,084	5,598
Trade creditors	15,431	10,740
Corporation tax	391	729
Other taxes and social security costs	3,389	3,204
Other creditors and accruals	7,481	5,960
	38,192	30,255

Notes to the financial statements

for the 52 weeks ended 1 April 2007

15. Creditors: amounts falling due within one year (continued)

Company

	1 April 2007 £'000	*2 April 2006 £'000*
Current instalment due on bank loan (note 17)	3,600	3,825
Redemption premia on loans (note 17)	1,791	-
	5,391	3,825
Loan notes	-	199
Other creditors and accruals	12	9
	5,403	4,033

Loan notes

The unsecured, guaranteed loan notes were issued on 6 December 2001 and originally comprised series "A" loan notes of £1,368,166 and series "B" loan notes of £822,718 They were repayable at par and matured on 31 December 2006 The loan notes can be redeemed at the option of the note holders, after 12 months from issue date Interest, received on the cash collateral account, less an administration charge, was payable to the loan note holders Cash of £2,190,884 was paid into a blocked cash collateral account, held by the Bank of Scotland as security for the obligations of the company in respect of the loan notes On 6 December 2002, £100,000 of the series "A" loan notes were redeemed at par, in addition to all of the series "B" loan notes During the 2003/04 financial year £284,255 series "A" loan notes were redeemed at par During the 2004/05 financial year, £530,019 of the series "A" loan notes were redeemed at par During the 2005/06, £255,000 of the series "A" loan notes were redeemed at par During the current financial year, all of the remaining series "A" loan notes (£198,892) were redeemed

16. Creditors: amounts falling due after one year

Group

	1 April 2007 £'000	*2 April 2006* £'000
Bank loans (note 17)	5,232	8,485
Obligations under finance leases and hire purchase contracts (see note 18)	92	-
Redemption premia on loans	2,775	3,422
	8,099	11,907

Company

	1 April 2007 £'000	*2 April 2006* £'000
Bank loans (note 17)	5,232	8,485
Redemption premia on loans	2,775	3,422
	8,007	11,907

Notes to the financial statements

for the 52 weeks ended 1 April 2007

17. Bank loans

Group and Company

	1 April 2007 £'000	*2 April 2006 £'000*
Within one year	5,391	3,825
Between 1 and 2 years	6,886	4,952
Between 2 and 5 years	1,121	7,303
	13,398	16,080
Issue costs	(760)	(760)
Less issue costs amortised at 1 April 2007/2 April 2006	760	412
Unamortised issue costs at 1 April 2007/2 April 2006	-	(348)
Loan amount after deducting unamortised issue costs	13,398	15,732
Less amount falling due within one year included in creditors	(5,391)	(3,825)
	8,007	11,907

The bank loans are secured by debentures granted in favour of Bank of Scotland (as security Trustee) and are subject to an interest rate that varies by reference to LIBOR

The bank loans are provided as part of a composite debt and equity investment by Bank of Scotland which is structured to provide an aggregate return to the Bank on its total investment As a consequence, the Directors consider that the disclosure in isolation of the interest rate attaching to the proportion of the loans falling due after 5 years (as required by FRS 4) would not be meaningful

18. Obligations under finance leases and hire purchase contracts

Group

Amounts due under finance leases and hire purchase contracts

	1 April 2007 £'000	*2 April 2006 £'000*
Amounts payable		
Within one year	33	-
In two to five years	103	-
	136	-
Less finance charges allocated to future periods	(19)	-
	117	-

Notes to the financial statements

for the 52 weeks ended 1 April 2007

19. Deferred taxation

Group

Provision for deferred tax

	£'000
At 3 April 2006	3,577
Provided during the current year	451
Prior period underprovision	(363)
At 1 April 2007	3,665

The deferred tax consists of

	1 April 2007 £'000	2 April 2006 £'000
Deferred tax asset		
Other timing differences	(262)	(262)
Deferred tax liability		
Accelerated capital allowances	1,535	1,439
Other timing differences	(23)	(25)
Capital gains	2,415	2,425
Total deferred tax liability	3,665	3,577

Company

Deferred tax asset

	£'000
At 3 April 2006	262
Provided during the current year	-
At 1 April 2007	262

The deferred tax asset consists of

	1 April 2007 £'000	2 April 2006 £'000
Other timing differences	262	262

Notes to the financial statements

for the 52 weeks ended 1 April 2007

20. Share capital

	1 April 2007 £'000	2 April 2006 £'000
Authorised		
Ordinary shares of £0 50 each (2006 - £0 50 each)		
Number of shares – 5,588,378 (2006 – 5,588,378)	2,794	2,794
"A" Ordinary shares of £0 50 each (2006 - £0 50 each)		
Number of shares – 2,628,955 (2006 – 2,628,955)	1,315	1,315
	4,109	4,109
Allotted, called up and fully paid		
Ordinary shares of £0 50 each (2006 - £0 50 each)		
Number of shares – 4,766,359 (2006 – 4,766,359)	2,383	2,383
"A" Ordinary shares of £0 50 each (2006 - £0 50 each)		
Number of shares – 1,627,216 (2006 – 1,627,216)	814	814
	3,197	3,197

All of the ordinary shares rank pari passu, except as noted below The Furniture Village Group Limited Inland Revenue Approved Share Option Scheme was established by the Company on 3 March 2003 In terms of this scheme, the Directors are able to grant options to eligible Furniture Village employees over up to 10% of the authorised share capital The first allocation of options under the new scheme took place in July 2003 During the 2003/04 financial year options were awarded over 447,443 ordinary £0 50 shares at £0 66 each, exercisable between 24 July 2006 and 24 July 2013, in accordance with the scheme rules By the end of the 2003/04 year options over 49,501 of these shares had lapsed During the 2004/05, no further options were issued but options over a further 19,750 of these shares had lapsed During 2005/06, no further options were issued but options over a further 27,900 of these shares had lapsed, leaving options over 345,667 shares outstanding at 2 April 2006

A commitment was made before year end to close the Furniture Village Group Limited Inland Revenue Approved Share Option Scheme The Scheme was closed after year end and provision has been made in the financial statements for the payments made to option holders in return for the surrender of their options

The Furniture Village Group Limited Employee Share Trust (the "Trust") was established by the Company on 4 May 2005 for the benefit of the employees of Furniture Village Limited The Trust is operated by Royal Bank of Canada Trustees Limited At 1 April 2007, the Trust held no ordinary shares (2006 £nil)

Notes to the financial statements

for the 52 weeks ended 1 April 2007

21. Reconciliation of shareholders funds and movement on reserves

Group

	Share capital £'000	*Share premium £'000*	*Profit & loss account £'000*	*Total £'000*
At 4 April 2005	3,197	3	4,413	7,613
Retained loss for the year	-	-	734	734
At 3 April 2006	3,197	3	5,147	8,347
Retained loss for the year	-	-	993	993
At 1 April 2007	3,197	3	6,140	9,340

Company

	Share capital £'000	*Share premium £'000*	*Profit & loss account £'000*	*Total £'000*
At 4 April 2005	3,197	3	3,009	6,209
Retained profit for the year	-	-	2,926	2,926
At 3 April 2006	3,197	3	5,935	9,135
Retained profit for the year	-	-	2,511	2,511
At 1 April 2007	3,197	3	8,446	11,646

22. Notes to the statement of cash flows

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

Group	*52 weeks to 1 April 2007 £'000*	*52 weeks to 2 April 2006 £'000*
Operating profit	5,197	4,391
Depreciation	2,364	2,243
Amortisation of goodwill	665	666
Increase in stocks	(175)	(472)
Increase / (Decrease) in debtors	239	(80)
Decrease / (Increase) in creditors	6,590	(1,639)
Net cash inflow from operating activities	14,880	5,109

Notes to the financial statements

for the 52 weeks ended 1 April 2007

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

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

Company	*52 weeks to 1 April 2007 £'000*	*52 weeks to 2 April 2006 £'000*
Operating loss	(14)	(28)
Increase in debtors	(184)	(545)
(Decrease)/increase in creditors	(4)	5
Net cash inflow from operating activities	(202)	(568)

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

Group	*52 weeks to 1 April 2007 £'000*	*52 weeks to 2 April 2006 £'000*
Returns on investments and servicing of finance		
Interest received	278	155
Interest paid	(1,074)	(1,322)
Interest element of finance lease rental payments	(7)	-
	(803)	(1,167)
Taxation		
Corporation tax paid	(1,213)	(660)
Capital expenditure and financial investment		
Proceeds from sale of leasehold interest	-	-
Proceeds from disposal of other assets	1	500
Payments relating to disposal of leasehold interests	(674)	-
Payments to acquire tangible fixed assets	(3,382)	(1,542)
	(4,055)	(1,042)
Financing		
Repayment of borrowings and redemption premia	(3,825)	(3,492)
Repayments of capital element of finance leases and hire purchase contracts	(20)	-
	(3,845)	(3,492)

Notes to the financial statements

for the 52 weeks ended 1 April 2007

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

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

Company	*52 weeks to 1 April 2007 £'000*	*52 weeks to 2 April 2006 £'000*
Returns on investments and servicing of finance		
Equity dividends received from Furniture Village Limited	4,867	5,134
Non-equity dividends received from Furniture Village Limited	222	222
Interest received	-	2
Interest paid	(1,066)	(1,315)
	4,023	4,043
Financing		
Repayment of borrowings and redemption premia	(3,825)	(3,492)

(c) Analysis of changes in net debt

Group	*At 3 April 2006 £'000*	*Cash flow £'000*	*Other non-cash changes £'000*	*At 1 April 2007 £'000*
Cash at bank and in hand	5,582	4,765	-	10,347
Liquid resources	(199)	199	-	-
	5,383	4,964	-	10,347
Debt due within one year	(3,825)	3,825	(5,391)	(5,391)
Debt due after one year	(11,907)	-	3,900	(8,007)
Finance lease	-	20	(137)	(117)
	(10,349)	8,809	(1,628)	(3,168)

The liquid resources are cash collateral of £nil (2006 £198,892) which has been paid into a blocked account, held by the Bank of Scotland as security for the obligations of the company in respect of the loan notes (note 15)

Cash flows relating to non-operating exceptionals

Capital expenditure and financial investment cash flows include £674,000 outflow (2006 £nil) from the disposal of leasehold interests and £1,000 inflow (2006 £500,000) from the disposal of fixed assets

Notes to the financial statements

for the 52 weeks ended 1 April 2007

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

(c) Analysis of changes in net debt

Company

	At 3 April 2006 £'000	*Cash flow £'000*	*Other non-cash changes £'000*	*At 1 April 2007 £'000*
Cash at bank and in hand	204	(203)	-	1
Liquid resources	(199)	199	-	-
	5	(4)	-	1
Debt due within one year	(3,825)	3,825	(5,391)	(5,391)
Debt due after one year	(11,907)	-	3,900	(8,007)
	(15,727)	3,821	(1,491)	(13,397)

The liquid resources are cash collateral of £nil (2006 £198,892) which has been paid into a blocked account, held by the Bank of Scotland as security for the obligations of the company in respect of the loan notes (note 15)

23. Post balance sheet event

On 15 May 2007 the group was restructured as part of a share buy back and re-financing transaction The transaction maintains Bank of Scotland as our sole bankers and means all shares are now owned 'within the business' The new loans which total £24 5m are repayable over the next seven years and Bank of Scotland has set new covenants based on these loans The new ultimate parent undertaking and controlling party for the group is Furniture Village Holdings Limited, a company registered in England and Wales

24. 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

Group

	1 April 2007 £'000	*2 April 2006 £'000*
Authorised by the directors and contracted for	878	-
Authorised by the directors but not yet contracted for	-	-
	878	-

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

Notes to the financial statements

for the 52 weeks ended 1 April 2007

25. Operating lease commitments

In respect of leases the following annual commitments existed at 1 April 2007 in respect of non-cancellable operating leases

Group

	Land & buildings 1 April 2007 £'000	*Land & buildings 2 April 2006 £'000*	*Other 1 April 2007 £'000*	*Other 2 April 2006 £'000*
Operating leases which expire				
Within one year	-	-	223	72
In two to five years	204	172	699	734
In over five years	14,397	12,804	-	-
	14,601	12,976	922	806

26. Pension arrangements

The group operated a defined contribution pension scheme for eligible employees The assets of the scheme are held separately from those of the group in an independently administered fund Prepaid contributions at the year end amounted to £22,000 (2006 £12,000)

27. Related parties

As part of their employment the directors and employees can purchase goods from the group at a discount The amount of goods purchased by the directors is not considered to be material either to the group or to the individuals The discounts for the directors are on the same terms as those of all other employees Further to the share transactions in the 2005/06 financial year, the Furniture Village Group Limited Employee Share Trust (the "Trust") was owed £152,500 by Mr Wynne and owed £152,500 by Mr Duggan and these amounts are included within other debtors The company owns 100% of the share capital of Furniture Village Limited, 100% of the share capital of the London Bed Company Limited and 100% of the share capital of The London Furniture Company (Chelsea) Limited The group has taken advantage of the exemptions in FRS 8 Related party disclosures, from disclosing transactions with related parties that are part of the Furniture Village Group

As noted in the Directors' Report and note 23, on 15 May 2007 the Furniture Village Group entered into a transaction whereby the new ultimate parent undertaking and controlling party became Furniture Village Holdings Limited rather than Furniture Village Group Limited