

Furniture Village Group Limited

Report and Financial Statements

For the 53 weeks ended 4 April 2010

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Directors

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

Secretary

C E Shiels

Auditors

Ernst & Young LLP
Apex Plaza
Reading
Berkshire RG1 1YE

Bankers

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

Registered Office

258 Bath Road
Slough
Berkshire SL1 4DX

Directors' report

The directors present their report and financial statements for the 53 weeks ended 4 April 2010

Results and dividends

The profit for the year, after taxation, amounted to £222,000 (2009 – profit of £222 000) The directors have authorised and paid a dividend to Furniture Village Holdings Limited, the parent undertaking, of £1,000,000 (2009 – £2,100,000) during the period

Principal activities and review of business

The principal activity of the company is the investment in Furniture Village Limited, a company which sells quality furnishings in the retail market

On 16 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 ultimate parent undertaking and controlling party for the group is Furniture Village Holdings Limited, a company registered in England and Wales

Future developments

The company will continue to be a holding company of Furniture Village Limited in the future

Directors

The directors who served the company during the year were as follows

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

Risk

The size of our business necessitates a lean management structure, which in turn dictates the amount of resource that can be allocated to managing risk as a unique 'subject'

Instead we segment risk and manage it accordingly

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

Strategic risk

In recent years the economic and competitive landscapes have changed significantly and in order to accommodate these changes the business considered it appropriate to re-examine its strategic direction Whilst many of the resultant changes to the business started in the previous financial year, the majority of the benefits have come this year It is important to stress that the changes in the business have been made for the long term and are based upon continuing to serve the upper end of the volume furniture market and reflect a consistency of strategic direction

Directors' report (continued)

Risk (continued)

Strategic risk (continued)

Whilst the core strategy has not changed in recent years, the business has restructured much of its operation as outlined earlier, continuing to target a similar demographic which has proven more capable of withstanding the difficult trading times in which we find ourselves

The healthy profit and cash growth in a market which continues to be challenging, demonstrates the appropriateness of the strategy and stewardship of it

Financial risk

As volumes have returned, margins grown and costs remained tightly controlled, profitability has consequently returned to trend levels. When combined with further improvements in cash management, the underlying cash generative nature of the business model is clear to see. In the year the record cash levels have supported the opening of three new stores and voluntary additional debt repayments ahead of schedule.

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 4 April 2010 of derivatives held by the company was as follows

Forward foreign exchange contracts for the group of £83,416 (unrealised gain) (2009 – £535,960 unrealised gain)

Operational risk

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

Health & Safety

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

Directors' 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 2006. Such qualifying third party indemnity provision was in force throughout the year.

Charitable contributions

The group charitable donations for the year were £53,481 (2009 – £37,532), including a one-off donation to the Furniture Trade Benevolent Association (FTBA).

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.

Directors' report (continued)

Events subsequent to the balance sheet date

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

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of its financial instruments and derivative activities are described in the Directors' report on pages 2 to 4

In the 53 weeks to 4 April 2010 the group has succeeded in a difficult economic and trading environment to grow order intake by 9% on a like for like basis and has furthermore increased operating profit from £1.4m in the previous year to £4.5m in the current year. In addition, through proactive measures taken to enhance the groups' cash position over recent years, the group has ended the year with cash of £15.3m, an increase of £5.4m on the previous year.

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

Elective resolution and auditors

The company has passed Elective Resolutions to dispense with the laying of the financial statements before the company in General Meeting, the appointment of auditors annually and the holding of the Annual General Meetings, pursuant to section 485 of the Companies Act 2006.

By order of the Board



Ed Duggan
Director

Date

2/8/10

Statement of directors' responsibilities

The directors are responsible for preparing 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 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). 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 financial statements of Furniture Village Group Limited for the 53 weeks ended 4 April 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 4 April 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report

to the members of Furniture Village Group Limited (continued)

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

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

Reading

Date *3 August 2010*

Profit and loss account

for the 53 weeks ended 4 April 2010

		53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
	Notes		
Operating profit and profit before interest and tax		–	–
Equity dividends received from Furniture Village Limited		–	–
Non-equity dividends received from Furniture Village Limited		222	222
Interest payable and similar charges	5	–	–
		<hr/>	<hr/>
Profit on ordinary activities before taxation		222	222
Tax on profit on ordinary activities	6	–	–
		<hr/>	<hr/>
Profit for the financial year attributable to members	11	222	222
		<hr/>	<hr/>

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

Statement of total recognised gains and losses

for the year ended 4 April 2010

There are no recognised gains and losses other than the profit of £222,000 for the 53 weeks ended 4 April 2010 (29 March 2009 – profit of £222,000)

The dividend payment paid by Furniture Village Group Limited to Furniture Village Holdings Limited for the ordinary shares was £1,000,000 in 2009/10 compared to £2,100,000 in 2008/09

Ordinary and preference dividends are received solely from Furniture Village Limited, a 100% owned subsidiary of Furniture Village Group Limited. Dividends are paid solely to Furniture Village Holdings Limited, which holds 100% of the ordinary share capital of Furniture Village Group Limited

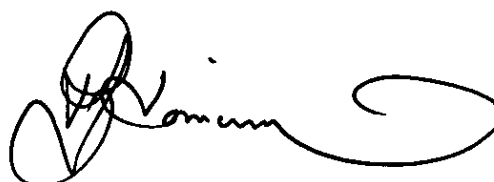
Balance sheet

at 4 April 2010

		4 April 2010 £000	29 March 2009 £000
	Note		
Fixed assets			
Investments	7	19,454	19,454
Current assets			
Debtors	8	7,551	7,329
Cash at bank and in hand		-	-
		7,551	7,329
Creditors amounts falling due within one year	9	(24,500)	(23,500)
Net current liabilities		(16,949)	(16,171)
Total assets less current liabilities		2,505	3,283
		2,505	3,283
Capital and reserves			
Called up share capital	10	2,383	2,383
Share premium account	11	3	3
Profit and loss account	11	119	897
Shareholders' funds	11	2,505	3,283

PETER HARRISON

Director



NO AUGGAN

Director



Date

2/8/10

Statement of cash flow

for the 53 weeks ended 4 April 2010

		53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
	Note		
Net cash inflow from continuing operating activities	12(a)	778	1,878
Returns on investments and servicing of finance	12(b)	222	222
Equity dividends paid to parent undertaking	12(b)	(1,000)	(2,100)
Financing	12(b)	—	—
Increase in cash		—	—

Reconciliation of net cash flow to movement in net debt

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
Increase in cash	—	—
Cash outflow from increased in debt	—	—
Change in net debt resulting from cash flows	—	—
Redemption premia on bank loans	—	—
Movement in net debt	—	—
Net debt at beginning of financial year	—	—
Net debt at end of financial year	—	—

Notes to the financial statements

for the 53 weeks ended 4 April 2010

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. Funding is provided within the group through loans held in the parent undertaking, Furniture Village Holdings Limited.

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

Investments

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

Group financial statements

The company is exempt, by virtue of section 401 of the Companies Act 2006, from the requirement to prepare group financial statements as it is a wholly owned subsidiary. Therefore, these financial statements present information about the company and not its group.

2. Operating profit and profit before interest and tax

This is stated after charging

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
Audit of the financial statements – Furniture Village Group Limited	–	–

Audit fees incurred in relation to Furniture Village Group Limited for the 53 weeks to the 4 April 2010 are minimal and therefore included in Furniture Village Limited.

3. Directors' emoluments

The duties performed for Furniture Village Group Limited as a company by the Directors are minimal and therefore the directors are remunerated for their services through Furniture Village Limited.

4. Staff costs

Furniture Village Group limited does not have any employees. All employees are employed by and remunerated through Furniture Village Limited.

5. Interest payable and similar charges

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
Bank loans and overdrafts	–	–

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

6. Tax

(a) Tax on profit on ordinary activities

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
<i>Current tax</i>		
Total current tax	–	–
<i>Deferred tax</i>		
Originating and reversal of timing differences	–	–
	–	–

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (29 March 2009 – 28%) The differences are explained below

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
Profit on ordinary activities	222	222
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (29 March 2009 – 28%)	62	62
<i>Effects of</i>		
Disallowed expenses and non-taxable income	(62)	(62)
Current tax charge for the year	–	–

In his Budget of 22 June 2010, the Chancellor of the Exchequer announced budget tax changes, which, if enacted in the proposed manner, will have a significant effect on the group's future tax position. As at 4 April 2010, the tax changes announced in the Budget had not been 'substantively enacted' and as such, in accordance with accounting standards, the changes have not been reflected in the group's financial statements as at 4 April 2010.

The budget proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011. Each 1% reduction will be enacted annually. The rate change will both impact the amount of the future cash tax payment to be made by the group and reduce the size of the group's deferred tax assets and liabilities.

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

7. Investments

	4 April 2010 £000	29 March 2009 £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 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

8. Debtors

	4 April 2010 £000	29 March 2009 £000
Amount owing by subsidiary	7,551	7,329

9. Creditors' amounts falling due within one year

	4 April 2010 £000	29 March 2009 £000
Owed to parent undertaking	24,500	23,500

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

10. Issued share capital

	4 April 2010 £000	29 March 2009 £000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £0.50 each (2009 – £0.50 each)		
– Number of shares – 4,766,359 (2009 – 4,766,359)	2,383	2,383
“A” Ordinary shares of £0.50 each (2009 – £0.50 each)		
– Number of shares – nil (2009 – nil)	–	–
	<u>2,383</u>	<u>2,383</u>

All of the ordinary shares rank *pari passu*

11. Reconciliation of shareholders funds and movement on reserves

	Share capital £000	Share premium £000	Profit and loss account £000	Total share- holders' funds £000
At 30 March 2008	2,383	3	2,775	5,161
Retained profit for the year	–	–	222	222
Ordinary dividends paid to parent undertaking	–	–	(2,100)	(2,100)
At 29 March 2009	<u>2,383</u>	<u>3</u>	<u>897</u>	<u>3,283</u>
Retained profit for the year	–	–	222	222
Ordinary dividends paid to parent undertaking	–	–	(1,000)	(1,000)
At 4 April 2010	<u>2,383</u>	<u>3</u>	<u>119</u>	<u>2,505</u>

12. Notes to the statement of cash flows

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

	4 April 2010 £000	29 March 2009 £000
Operating profit	–	–
Decrease in non-intercompany debtors	–	–
Decrease in non-intercompany creditors	–	–
	<u>–</u>	<u>–</u>
Increase in intercompany debtors	(222)	(222)
Increase in intercompany creditors	1,000	2,100
	<u>778</u>	<u>1,878</u>
Net cash inflow from operating activities	<u>778</u>	<u>1,878</u>

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

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

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

	<i>4 April 2010 £000</i>	<i>29 March 2009 £000</i>
Returns on investments and servicing of finance		
Equity dividends received from Furniture Village Limited	–	–
Non-equity dividends received from Furniture Village Limited	222	222
Interest paid	–	–
	<u>222</u>	<u>222</u>
	<i>4 April 2010 £000</i>	<i>29 March 2009 £000</i>
Equity dividends paid to parent undertaking		
Intercompany ordinary dividend paid to parent undertaking	(1,000)	(2,100)
	<u>(1,000)</u>	<u>(2,100)</u>

13. Related parties

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

14. Ultimate parent undertaking and controlling party

In the director's 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