

Furniture Village Group Limited

Report and Financial Statements

For the 52 weeks ended 30 March 2014

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CONTENTS

PAGES

Officers and professional advisors	1
Strategic Report	2 - 3
Directors' report	4 - 5
Statement of directors' responsibilities	6
Independent auditor's report to the members	7 – 8
Profit and loss account	9
Balance sheet	10
Statement of cash flows	11
Notes to the financial statements	12 – 18

Directors

J C Hodgkinson (Chairman)
P J Harrison
E G Wynne
M A Walker
C E Shiels
I A Gray (Appointed 31st May 2013)

Secretary

C E Shiels

Auditors

Ernst & Young LLP
Apex Plaza
Reading
Berkshire RG1 1YE

Bankers

Bank of Scotland
33 Old Broad Street
London

Registered Office

258 Bath Road
Slough
Berkshire SL1 4DX

Strategic Report

The directors present their Strategic Report for the 52 weeks ended 30 March 2014.

Review of the business

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

The profit for the year, after taxation but before dividends, amounted to £722k (52 weeks ended 31 March 2013 – profit of £772k). The directors have paid an ordinary dividend to Furniture Village Holdings Limited, the parent company, of £500k (52 weeks ended 31 March 2013 – £500k) during the year.

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

Principal risks

Furniture Village Group Limited is the holding company of Furniture Village Limited, the trading company. As such, the following risk summary is extracted from the accounts of the trading company due to its direct relevance to Furniture Village Group Limited.

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

Instead we segment risk and manage it accordingly:

- Strategic risk;
- Financial risk;
- Operational risk; and
- Health & Safety risk.

Strategic risk

The trading strategy is regularly revisited and reviewed to ensure its appropriateness to today's trading environment and customer. This includes frequent domestic and global economic analysis, in conjunction with a detailed review of other changes potentially impacting the business, whether financial, supply chain or from a consumer and marketing perspective. That being said, we remain convinced that the broad strategic direction which has served us so well over many years remains the right one for the market in which we operate, as consumers exercise more scrutiny and place more emphasis on trust, service, quality, choice and value, playing strongly to our existing core strengths. We are also continuing to invest in the internet site and multi-channel, though we are steadfast in the need for both 'bricks and clicks', particularly at the mid to upper end of the furniture market.

Financial risk

The underlying business model is highly cash generative and together with the investment of £6m from Business Growth Fund, we are in a strong position to accelerate our growth plans. New investment opportunities are subject to detailed and vigorous financial appraisal and the inherent cautious approach to risk continues, as demonstrated by the prudent expansion strategy to date. Significant operational cost savings and margin improvements have been identified and implemented over the last year and we will continue to seek out efficiency improvements wherever possible. To date, this has generated a significant improvement in levels of profitability, which has also continued into the new financial year, further ensuring that the business is well positioned to capitalise on an improving economic outlook and trading environment. The performance of the business is also routinely monitored in the context of the banking facilities and their associated covenants, with the term loan debt to be fully repaid by 31st March 2015.

Strategic Report (continued)

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.

The unrealised (loss)/gain of forward foreign exchange contracts amounted to £(201)k (31 March 2013 - £118k unrealised gain).


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. 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.

By order of the Board



Claire E Shiels
Director

Date 03/09/2014

Directors' Report (Registered No. 04317404)

Directors

The directors who served during the year were as follows:

J C Hodgkinson (Chairman)
P J Harrison
E G Wynne
M A Walker
C E Shiels
I A Gray (Appointed 31st May 2013)

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' 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.

Going concern

Furniture Village Group Limited owns 100% of the equity of Furniture Village Limited, the trading company, and is in turn owned 100% by the ultimate parent company Furniture Village Holdings Limited. Funding is provided within the group through loans held in the parent undertaking, Furniture Village Holdings Limited. As such, the following statement on going concern is extracted from the consolidated accounts of the group due to its direct relevance to Furniture Village Group Limited.

The group's business activities, together with the factors likely to affect its future development, its financial position and financial risk management objectives are described in the Strategic Report.

In the 52 weeks to 30 March 2014 the Group has increased order intake against the previous financial year, alongside both growth in the margin and a substantial reduction in the like for like cost base. This has generated a significant uplift in profitability, with this growth set to continue into the new financial year. Underlying cash generation remains strong and furthermore, since the balance sheet date Business Growth Fund has invested £6m into Furniture Village, being a combination of long term loan notes and 8% equity participation.

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

Post Balance Sheet Events

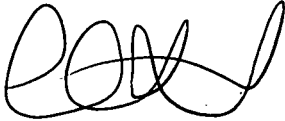
On 21 August 2014 Furniture Village Holdings Ltd completed a transaction with Business Growth Fund in order to secure a £6m investment to accelerate the growth plans outlined in the Strategic Report. This was provided through a combination of loan notes and 8% equity participation and, as such, Furniture Village Group Ltd jointly and severally guarantees the performance of the obligations and liabilities in connection with the issuance of the loan notes by Business Growth Fund to Furniture Village Holdings Ltd.

Directors' Report (continued) (Registered No. 04317404)

Elective resolution and auditors

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

By order of the Board



C E Shiels
Director

Date 02/09/2014

Statement of directors' responsibilities

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

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

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

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

Independent auditor's report

to the members of Furniture Village Group Limited

We have audited the financial statements of Furniture Village Group Limited for the 52 weeks ended 30 March 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related note 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 30 March 2014 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report

to the members of Furniture Village Group Limited (continued)

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.

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 *14 September 2014*

Profit and loss account

for the 52 weeks ended 30 March 2014

		52 weeks ended 30 March, 2014 £000	52 weeks ended 31 March 2013 £000
	Notes		
Operating profit	2	–	–
Equity dividends received from Furniture Village Limited		500	500
Non-equity dividends received from Furniture Village Limited		222	222
		<hr/>	<hr/>
Profit on ordinary activities before taxation		722	722
Tax	5	–	–
		<hr/>	<hr/>
Profit for the financial period	11	722	722
		<hr/> <hr/>	<hr/> <hr/>

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

Statement of total recognised gains and losses

for the 52 weeks ended 30 March 2014

There are no recognised gains and losses other than the profit of £722k attributable to the shareholders of the company for the 52 weeks ended 30 March 2014 (52 weeks ended 31 March 2013 – profit of £722k).

Balance sheet

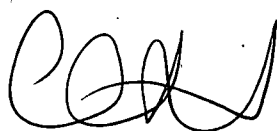
at 30 March 2014

		30 March 2014 £000	31 March 2013 £000
	Note		
Fixed assets			
Investments	7	19,454	19,454
Current assets			
Debtors	8	10,934	10,197
Cash at bank and in hand		5	20
		10,939	10,217
Creditors: amounts falling due within one period	9	(27,000)	(26,500)
Net current liabilities		(16,061)	(16,283)
Total assets less current liabilities		3,393	3,171
Capital and reserves			
Called up share capital	10	2,383	2,383
Share premium account	11	3	3
Profit and loss account	11	1,007	785
Shareholders' funds	11	3,393	3,171



P J Harrison

Director



C E Shiels

Director

Date 07/09/2014

Statement of cash flows

for the 52 weeks ended 30 March 2014

		52 weeks ended 30 March 2014 £000	52 weeks ended 31 March 2013 £000
	Note		
Net cash (outflow) from continuing operating activities	12(a)	(237)	(207)
Returns on investments and servicing of finance	12(b)	722	722
Equity dividends paid to parent undertaking	12(b)	(500)	(500)
(Decrease)/increase in cash		(15)	15

Reconciliation of net cash flow to movement in net funds

	52 weeks ended 30 March 2014 £000	52 weeks ended 31 March 2013 £000
(Decrease)/increase in cash	(15)	15
Change in net funds resulting from cash flows	(15)	15
Net funds at beginning of financial period	20	5
Net funds at end of financial period	5	20

Notes to the financial statement

for the 52 weeks ended 30 March 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared on a going concern basis and under the historical cost convention and in accordance with applicable accounting standards.

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

Group financial statements

The company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare group financial statements as it is a wholly owned subsidiary and is included in the consolidated financial statements of Furniture Village Holdings Limited which are publicly available (note 14). Therefore, these financial statements present information about the company and not its group.

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.

Dividend revenue is recognised when the Company's right to receive payment is established.

Classification of shares as debt or equity

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

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the company exchanging a fixed amount of cash or other assets for a fixed number of the company's own equity instruments.

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

2. Operating Profit

This is stated after charging:

	52 weeks ended 30 March 2014 £000	52 weeks ended 31 March 2013 £000
Auditor's remuneration		
Audit of the financial statements – Furniture Village Group Limited	–	–
	<u> </u>	<u> </u>

Audit fees incurred in relation to Furniture Village Group Limited for both financial periods are minimal and therefore borne by Furniture Village Limited.

3. Directors' remuneration

The duties performed for Furniture Village Group Limited as a company by the Directors are minimal and the directors do not consider that they have received any remuneration for any incidental services to the company. The directors are also directors of other companies within the Furniture Village Holdings Group and are remunerated for their services through Furniture Village Limited.

Notes to the financial statement (continued)

for the 52 weeks ended 30 March 2014

4. Staff costs

Furniture Village Group Limited does not have any employees.

5. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	52 weeks ended 30 March 2014 £000	52 weeks ended 31 March 2013 £000
<i>UK corporation tax:</i>		
UK corporation tax on the profit for the period	—	—
Total current tax (note 5(b))	—	—
<i>Deferred tax:</i>		
Originating and reversal of timing differences	—	—
Tax on profit on ordinary activities	—	—

(b) Factors affecting the tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 23% (52 weeks ended 31 March 2013 – 24%). The differences are explained below:

	52 weeks ended 30 March 2014 £000	52 weeks ended 31 March 2013 £000
Profit on ordinary activities before tax	722	722
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (52 weeks ended 31 March 2013 – 24%)	166	173
<i>Effects of:</i>		
Non-taxable income	(166)	(173)
Current tax for the period (note 5(a))	—	—

Notes to the financial statement (continued)

for the 52 weeks ended 30 March 2014

5. Tax (continued)

Changes to UK Corporation Tax

Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

In July 2013, the planned reduction in the Corporation Tax rate from 23% to 21%, effective 1 April 2014, and a further reduction to 20%, effective 1 April 2015 were enacted.

Accordingly, the company will recognise deferred tax at the lowest rate which was substantively enacted at the balance sheet date, this being 20%

6. Ordinary dividends on equity shares to parent company

	52 weeks ended 30 March 2014 £000	52 weeks ended 31 March 2013 £000
Dividends paid on ordinary shares to parent company	500	500

In the period £500k of equity dividends were paid to Furniture Village Holdings Limited for the ordinary shares (52 weeks ended 31 March 2013 – £500k).

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

Notes to the financial statement (continued)

for the 52 weeks ended 30 March 2014

7. Investments

	30 March 2014 £000	31 March 2013 £000
Cost and net book value		
Furniture Village Limited	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:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
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	50%	Dormant
The London Furniture Company (Chelsea) Limited	Ordinary shares	100%	Dormant

8. Debtors

	30 March 2014 £000	31 March 2013 £000
Amount owing by subsidiary	10,934	10,197

9. Creditors: amounts falling due within one year

	30 March 2014 £000	31 March 2013 £000
Amount owed to parent undertaking	27,000	26,500

Notes to the financial statement (continued)

for the 52 weeks ended 30 March 2014

10. Issued share capital

		30 March 2014		31 March 2013
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £0.50 each	4,766,359	2,383	4,766,359	2,383

All of the ordinary shares rank pari passu.

11. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 April 2012	2,383	3	563	2,949
Profit for the period	—	—	722	722
Ordinary dividends paid to parent undertaking	—	—	(500)	(500)
At 31 March 2013	2,383	3	785	3,171
Profit for the period	—	—	722	722
Ordinary dividends paid to parent undertaking	—	—	(500)	(500)
At 30 March 2014	2,383	3	1,007	3,393

The dividend payment paid by Furniture Village Group Limited to Furniture Village Holdings Limited for the ordinary shares was £500k in the 52 weeks ended 30 March 2014 (52 weeks ended 31 March 2013 – £500k).

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.

Notes to the financial statement (continued)

for the 52 weeks ended 30 March 2014

12. Notes to the statement of cash flows

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

	52 weeks ended 30 March 2014 £000	52 weeks ended 31 March 2013 £000
Operating profit	–	–
(Increase) in intercompany debtors	(737)	(707)
Increase in intercompany creditors	500	500
Net cash (outflow) from operating activities	(237)	(207)

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

	52 weeks ended 30 March 2014 £000	52 weeks ended 31 March 2013 £000
Returns on investments and servicing of finance:		
Equity dividends received from Furniture Village Limited	500	500
Non-equity dividends received from Furniture Village Limited	222	222
	722	722
	52 weeks ended 30 March 2014 £000	52 weeks ended 31 March 2013 £000
Equity dividends paid to parent undertaking:		
Intercompany ordinary dividend paid to parent undertaking	(500)	(500)

13. Related party transactions

The company owns 100% of Furniture Village Limited, 50% of the share capital of the London Bed Company Limited (dormant) and 100% of the share capital of The London Furniture Company (Chelsea) Limited. The company has taken advantage of the exemptions in FRS 8: Related party disclosures, from disclosing transactions with related parties that are wholly owned within the Furniture Village Group.

14. Ultimate parent undertaking and controlling party

In the director's opinion, the company's immediate and 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.

Notes to the financial statement (continued)

for the 52 weeks ended 30 March 2014

15. Events subsequent to the balance sheet date

On 21 August 2014 Furniture Village Holdings Ltd completed a transaction with Business Growth Fund in order to secure a £6m investment to accelerate the growth plans outlined in the Strategic Report. This was provided through a combination of loan notes and 8% equity participation and, as such, Furniture Village Group Ltd jointly and severally guarantees the performance of the obligations and liabilities in connection with the issuance of the loan notes by Business Growth Fund to Furniture Village Holdings Ltd.