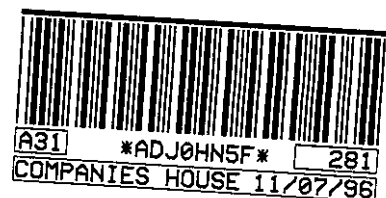


FURNITURE VILLAGE PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995



FURNITURE VILLAGE PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 1995

DIRECTORS

J G Rose - Chairman
P J Harrison
D J Imrie
P A Grant
S A Corbyn

The directors have pleasure in presenting their report and financial statements for the year ended 31 December 1995.

This year saw a growth in turnover to £18.6m from the existing five stores and the opening of four further stores in December which contributed no turnover in the year under review.

RESULTS AND DIVIDENDS

The profit for the year, before taxation and dividends on preference shares, was £352,413 (1994: £744,923). After charging taxation and dividends on preference shares the retained profit of £392,452 was transferred to revenue reserves which at the year end were £2,017,580.

Once again the directors do not recommend the payment of a dividend on the Ordinary shares as the cash resources continue to be retained to finance the store expansion programme.

REVIEW OF THE BUSINESS

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

Turnover for the year increased by 26% to £18,616,821 (1994: £14,751,000).

Whilst the long hot spell through June to September undoubtedly had an adverse effect on the profit on ordinary activities before taxation of £352,413 it was even more significantly affected by new store pre-trading costs of £302,726 which, when added back, gives a figure of £655,139.

All new store openings occurred in December and consisted of two Furniture Village stores (Southampton and Richmond on Thames) and two smaller stores (Kingston upon Thames and Bromley), trading as The London Bedding Company. None of these stores contributed to turnover in the year under review.

These latter two units represent pilot stores set up to test the Directors' belief that there is an opportunity to develop a chain of bedding shops located in major town centres serving the middle to upper end of the market.

Looking forward to 1996 contracts have been exchanged on two further Furniture Village stores at Slough and Reading, both of which are expected to commence trading before the end of the year, and negotiations are well advanced for further stores.

In addition to opening new stores the company has also invested heavily in an increased central establishment structure which the Directors feel positions the company to take full advantage of any upturn in the economy and to enable it to support the much larger business resulting from the company's vigorous store opening programme planned for the medium term future.

At the year end a medium term bank loan of £1m was drawn down to help fund the new stores and adequate finance will be available to fund the planned expansion in 1996.

The Directors are pleased to report that 1996 has started well with orders received achieving budget and ahead of last year on a like for like basis. At the time of writing the forward order book is £6.2m.

FURNITURE VILLAGE PLC
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 1995

TANGIBLE FIXED ASSETS

Details of the movements in fixed assets are shown in note 8 to the financial statements. The majority of additions relate to the fitting out of the new stores opened in December 1995.

PERSONNEL

The Directors very much appreciate the commitment of those who work for the company in all departments and at all levels, what they contribute is vital for the continued success of the company.

SUPPLIERS AND CONTRACTORS

The continued goodwill and support from suppliers of both products and services also contributes significantly to the success of the company and is much valued by the Directors.

DIRECTORS' INTERESTS

The beneficial interests of the directors and their families in the share capital of the company were as follows:-

	1995		1994	
	Shares of £1 each		Shares of £1 each	
	"A" Ordinary	"B" Ordinary	"A" Ordinary	"B" Ordinary
J G Rose	30,000	-	30,000	-
P J Harrison	60,000	-	60,000	-
D J G Imrie	60,000	-	60,000	-
P A Grant	-	15,000	-	15,000
S A Corbyn	-	-	-	-

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the result for the year. The directors consider that, in preparing the financial statements which accompany this report, the company has used appropriate accounting policies, and that all accounting standards which they believe to be applicable have been followed. They further consider that these accounting policies have been consistently applied and are supported by reasonable and prudent judgements and estimates.

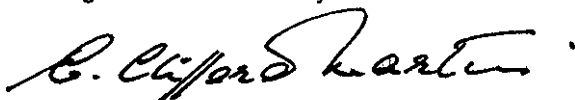
FURNITURE VILLAGE PLC
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 1995

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the company's assets and to prevent and detect fraud and other irregularities

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Clark Whitehill as auditors to the company will be put to the Annual General Meeting.

Approved by the Board on 10 April 1996
and signed on its behalf by:



G C Martin

Secretary

17 Eyston Way
Abingdon

AUDITORS' REPORT
TO THE SHAREHOLDERS OF FURNITURE VILLAGE PLC

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Directors' Report on pages 1 to 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 the information in the financial statements.

UNQUALIFIED OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1995 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

37 Minster Street
Reading

11 April 1996


CLARK WHITEHILL
Chartered Accountants
and Registered Auditor

FURNITURE VILLAGE PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995 £	1994 £
TURNOVER	2	18,616,821	14,751,000
Cost of sales		<u>(12,371,951)</u>	<u>(9,913,567)</u>
GROSS PROFIT		6,244,870	4,837,433
Distribution costs	3a	(2,678,522)	(1,905,873)
Administration expenses	3b	<u>(2,975,213)</u>	<u>(2,188,869)</u>
PROFIT BEFORE COST OF NEW STORE OPENINGS		591,135	742,691
New Store Pre-Trading Costs	1g	<u>(302,726)</u>	<u>(94,891)</u>
OPERATING PROFIT	3	288,409	647,800
Interest receivable		71,004	99,406
Interest payable	5	<u>(7,000)</u>	<u>(2,283)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		352,413	744,923
Tax on profit on ordinary activities	6	<u>136,039</u>	<u>(269,608)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		488,452	475,315
DIVIDENDS	7	<u>(96,000)</u>	<u>(96,000)</u>
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	16	<u>£ 392,452</u>	<u>£ 379,315</u>
		£	£
ACCUMULATED RESERVES			
At 1 January 1995		1,625,128	1,258,033
Profit for the year		392,452	379,315
Capitalisation of reserves		<u>-</u>	<u>(12,220)</u>
At 31 December 1995		<u>£ 2,017,580</u>	<u>£ 1,625,128</u>

The Profit and Loss Account contains all the gains and losses recognised in the year.

The notes on pages 8 to 15 form part of these financial statements.

FURNITURE VILLAGE PLC
BALANCE SHEET
31 DECEMBER 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible assets	8	4,040,988	<u>2,366,026</u>
CURRENT ASSETS			
Stocks	10	2,471,761	1,881,669
Debtors	11	877,005	535,415
Cash at bank and in hand		<u>956,039</u>	<u>1,181,611</u>
		4,304,805	3,598,695
CREDITORS: Amounts falling due within one year	12	<u>(3,303,773)</u>	<u>(2,156,485)</u>
NET CURRENT ASSETS		<u>1,001,032</u>	<u>1,442,210</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,042,020	3,808,236
CREDITORS: Amounts falling due after more than one year	13	(1,000,000)	(668)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	14	<u>-</u>	<u>(158,000)</u>
NET ASSETS		<u>£ 4,042,020</u>	<u>£ 3,649,568</u>
CAPITAL AND RESERVES			
Called up share capital	15	2,024,440	2,024,440
Profit and loss account		<u>2,017,580</u>	<u>1,625,128</u>
SHAREHOLDERS' FUNDS	16	<u>£ 4,042,020</u>	<u>£ 3,649,568</u>

Approved by the Board on 10 April 1996
and signed on its behalf by:

P J Harrison

D J Imrie

Directors

The notes on pages 8 to 15 form part of these financial statements.

FURNITURE VILLAGE PLC
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1995

		1995 £	1994 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	<u>911,540</u>	<u>92,290</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		(48,000)	(96,000)
Interest paid		-	(2,283)
Interest received		<u>71,004</u>	<u>99,406</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>23,004</u>	<u>1,123</u>
TAXATION			
Corporation tax paid		(216,961)	(47,043)
Payment from group for tax losses		<u>-</u>	<u>435</u>
NET CASH (OUTFLOW) FROM TAXATION		<u>(216,961)</u>	<u>(46,608)</u>
INVESTING ACTIVITIES			
Receipts from sale of fixed assets		8,700	7,914
Payments to acquire tangible fixed assets		<u>(1,951,855)</u>	<u>(997,654)</u>
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>(1,943,155)</u>	<u>(989,740)</u>
NET CASH (OUTFLOW) BEFORE FINANCING		<u>(1,225,572)</u>	<u>(942,935)</u>
FINANCING			
Capital element of finance lease payments		-	(1,132)
Issue of ordinary share capital		-	12,220
Bank loan	21	<u>1,000,000</u>	<u>-</u>
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		<u>1,000,000</u>	<u>11,088</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	20	<u>£ (225,572)</u>	<u>£ (931,847)</u>

The notes on pages 8 to 15 form part of these financial statements.

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Depreciation

Depreciation is provided on all tangible fixed assets in use at rates calculated to write off the cost or valuation, less estimated residual value, of each asset 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

c) Leased Assets

Where the company has entered into finance leases, the obligations to the lessor are shown as part of borrowings and the rights in the corresponding assets are treated in the same way as owned fixed assets. Leases are regarded as finance leases where their terms transfer to the lessee substantially all the benefits and burdens of ownership other than the right to legal title.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

d) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a "first in, first out" basis.

e) Deferred Taxation

Deferred taxation is accounted for using the liability method on all material timing differences to the extent that it is probable that liabilities or assets will crystallise. Timing differences are taxable items, allowances or reliefs which are given effect to in taxation periods different from those in which they have effect in the financial statements. They comprise mainly accelerated tax depreciation allowances and short-term timing differences.

f) Pension Costs

The company contributes to personal pension plans of all eligible employees. Eligibility is defined by length of service. Contributions are charged to the profit and loss account as they are incurred.

g) New Stores Pre-Trading Costs

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

2. TURNOVER

Turnover represents the net amount invoiced to customers excluding Value Added Tax and sales of fixed assets. Sales are recognised when goods are delivered and accepted by customers. All turnover relates to household furniture retailing within the United Kingdom.

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1995

3. OPERATING PROFIT

This is stated after charging:

	1995 £	1994 £
a) Distribution costs:		
Depreciation	1,218	1,781
Other costs	<u>2,677,304</u>	<u>1,904,092</u>
	<u>£ 2,678,522</u>	<u>£ 1,905,873</u>
b) Administrative expenses:		
Payments made to auditors		
- as auditors	9,000	7,500
- for tax services	3,000	1,000
Depreciation	271,175	179,260
Directors' remuneration (note 4(a))	250,629	274,758
Operating lease rentals - Property	1,112,600	807,500
Other costs	<u>1,328,809</u>	<u>918,851</u>
	<u>£ 2,975,213</u>	<u>£ 2,188,869</u>

4. DIRECTORS AND STAFF

a) Directors' emoluments:		
Fees	-	-
Other emoluments	<u>250,629</u>	<u>274,758</u>
	<u>£ 250,629</u>	<u>£ 274,758</u>

Emoluments, excluding pension scheme contributions:

Chairman	<u>£ 16,500</u>	<u>£ 12,500</u>
Highest paid director	<u>£ 116,096</u>	<u>£ 135,812</u>

During the year consultancy fees amounting to £20,000 (1994: £20,000) were paid to a company in which the chairman has an interest.

In addition £20,000 was paid to a fellow group company in respect of the services of two of the company's Directors.

Other directors	<u>No.</u>	<u>No.</u>
£ Nil	2	2
£105,001 - £110,000	1	-
£120,001 - £125,000	=	<u>1</u>

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1995

4. DIRECTORS AND STAFF (continued)

	1995 £	1994 £
b) Staff costs for all employees including executive directors consist of:		
Wages and salaries	1,811,849	1,354,389
Social security costs	186,263	155,942
Pension costs	<u>38,553</u>	<u>9,843</u>
	<u>£ 2,036,665</u>	<u>£ 1,520,174</u>
The average weekly number of employees during the period was made up as follows:-	<u>No.</u>	<u>No.</u>
Office and management	24	18
Retailing and distribution	<u>50</u>	<u>36</u>
	<u>74</u>	<u>54</u>

5. INTEREST PAYABLE

	1995 £	1994 £
On Bank loan	7,000	-
On finance leases	<u>-</u>	<u>2,283</u>
	<u>£ 7,000</u>	<u>£ 2,283</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Taxation based on profits for the year:		
Corporation tax at 33% (1994: 33%)	30,000	225,000
Deferred taxation at 33%	(158,000)	48,000
Adjustment in respect of prior year	<u>(8,039)</u>	<u>(3,392)</u>
	<u>£ (136,039)</u>	<u>£ 269,608</u>

7. DIVIDENDS

Preference shares	Interim	- paid June 1995	48,000	48,000
	Final	- paid January 1996	<u>48,000</u>	<u>48,000</u>
			<u>£ 96,000</u>	<u>£ 96,000</u>

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1995

8. TANGIBLE FIXED ASSETS

	Short Leasehold Property £	Fixtures, Fittings Equipment and Vehicles £	Total £
COST:			
At 1 January 1995	1,803,090	1,149,781	2,952,871
Additions at cost	1,532,399	419,456	1,951,855
Disposals	<u>-</u>	<u>(14,350)</u>	<u>(14,350)</u>
At 31 December 1995	<u>3,335,489</u>	<u>1,554,887</u>	<u>4,890,376</u>
DEPRECIATION:			
At 1 January 1995	213,278	373,567	586,845
Charge for the year	85,778	186,615	272,393
Disposals	<u>-</u>	<u>(9,850)</u>	<u>(9,850)</u>
At 31 December 1995	<u>299,056</u>	<u>550,332</u>	<u>849,388</u>
NET BOOK VALUE:			
At 31 December 1995	<u>£ 3,036,433</u>	<u>£ 1,004,555</u>	<u>£ 4,040,988</u>
At 31 December 1994	<u>£ 1,589,812</u>	<u>£ 776,214</u>	<u>£ 2,366,026</u>

9. INVESTMENTS

The company has a wholly owned dormant subsidiary called London Bedding Company Limited, which is registered in England and Wales. The aggregate capital and reserves of that company at 31 December 1995 was £2.

10. STOCKS

	1995 £	1994 £
Goods for resale	<u>£ 2,471,761</u>	<u>£ 1,881,669</u>

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1995

11. DEBTORS

	1995 £	1994 £
Trade debtors	139,345	73,698
Other debtors	23,167	2,200
Prepayments	<u>714,493</u>	<u>459,517</u>
	<u>£ 877,005</u>	<u>£ 535,415</u>

12. CREDITORS: Amounts falling due within one year

Obligations under finance leases and hire purchase contracts	-	1,376
Deposits on goods not yet delivered	869,341	554,974
Trade creditors	1,850,974	1,072,338
Corporation tax	30,000	225,000
Other taxes and social security costs	76,055	73,327
Dividends payable	48,000	-
Accruals	<u>429,403</u>	<u>229,470</u>
	<u>£ 3,303,773</u>	<u>£ 2,156,485</u>

13. CREDITORS: Amounts falling due after more than one year

Bank loan	1,000,000	-
Obligations under finance leases and hire purchase contracts	<u>-</u>	<u>668</u>
	<u>£ 1,000,000</u>	<u>£ 668</u>

Interest is charged on the Bank loan at 1.75% over LIBOR. The loan is secured by a fixed and floating charge over the company's assets and is repayable by equal quarterly instalments commencing in December 1997.

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1995

14. DEFERRED TAXATION

Deferred taxation provided in the financial statements and the total potential liability including the amounts for which provision has been made, is as follows:-

	1995		1994	
	Full Potential Liability	Provided in the Financial Statements	Full Potential Liability	Provided in the Financial Statements
	£	£	£	£
Timing differences arising from:				
Accelerated tax depreciation allowances	230,990	-	157,200	157,200
Short term timing differences	(990)	-	800	800
Capital gains rolled over	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
	£ 730,000	£ -	£ 658,000	£ 158,000

The movement in the provision for deferred tax is as follows:-

	£
Provision at 1 January 1995	158,000
Transfer to profit and loss account	<u>(158,000)</u>
Provision at 31 December 1995	£ -

No provision has been made in respect of the corporation tax due on the capital gain as the directors propose to roll over the gain into future non wasting qualifying capital expenditure.

15. CALLED UP SHARE CAPITAL

	1995	1994
	£	£
AUTHORISED:		
"A" Ordinary shares of £1 each	150,000	150,000
"B" Ordinary shares of £1 each	550,000	550,000
"C" Ordinary shares of £1 each	400,000	400,000
9.3% Cumulative preference shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
	£ 2,100,000	£ 2,100,000
ALLOTTED, CALLED UP AND FULLY PAID:		
"A" Ordinary shares of £1 each	150,000	150,000
"B" Ordinary shares of £1 each	474,440	474,440
"C" Ordinary shares of £1 each	400,000	400,000
9.3% Cumulative preference shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
	£ 2,024,440	£ 2,024,440

All of the ordinary shares rank pari passu. The preference shares are to be redeemed between 1998 and 2003 with dividends payable half yearly.

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1995

16. SHAREHOLDERS' FUNDS

	1995 £	1994 £
At 1 January 1995	3,649,568	3,258,033
Retained profit for the year	392,452	379,315
Issue of shares for cash	<u>-</u>	<u>12,220</u>
At 31 December 1995	<u>£ 4,042,020</u>	<u>£ 3,649,568</u>
ANALYSIS OF SHAREHOLDERS' FUNDS		
Equity shareholders' funds	3,042,020	2,649,568
Non -Equity shareholders' funds	<u>1,000,000</u>	<u>1,000,000</u>
	<u>£ 4,042,020</u>	<u>£ 3,649,568</u>

17. OTHER FINANCIAL COMMITMENTS

The following annual commitments existed at 31 December 1995 in respect of non-cancellable operating leases which are all property leases:

	1995	1994
Falling due in more than 5 years	<u>£ 1,930,600</u>	<u>£ 1,137,100</u>

18. ULTIMATE PARENT COMPANY

With effect from 6 January 1995 the company's holding company for all operational purposes is Cadogan Group Limited. The company's ultimate parent company is Cadogan Settled Estates Limited, which is registered in England and Wales.

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1995

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995 £	1994 £
Operating profit	288,409	647,800
Depreciation charge	272,393	181,041
(Profit)/loss on disposal of fixed assets	(4,200)	5,669
(Increase) in stocks	(590,092)	(481,456)
(Increase)/decrease in debtors	(341,590)	347,585
Increase/(decrease) in creditors	<u>1,286,620</u>	<u>(608,349)</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>£ 911,540</u>	<u>£ 92,290</u>

20. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1995	1994	Change in the Year
Cash at bank and in hand	<u>£ 956,039</u>	<u>£ 1,181,611</u>	<u>£ (225,572)</u>

21. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank Loan	Share Capital
Balance at 1 January 1995	-	2,024,440
Drawn down in the year	<u>1,000,000</u>	<u>-</u>
Balance at 31 December 1995	<u>£ 1,000,000</u>	<u>£ 2,024,440</u>

22. CAPITAL COMMITMENTS

Future capital expenditure not otherwise included in these financial statements.

	1995 £	1994 £
Authorised by the directors and contracted for	<u>£ 328,000</u>	<u>£ 315,000</u>
Capital expenditure required for anticipated store openings in 1996 not yet authorised by the Directors or contracted for	<u>£ 1,700,000</u>	<u>£ 1,575,000</u>