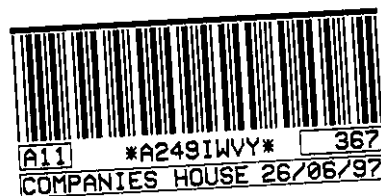


FURNITURE VILLAGE PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996



FURNITURE VILLAGE PLC
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1996

RETAILER OF THE YEAR

It gives me great pleasure to advise you that in January 1997 the company received the Furniture Industry award as "Retailer of the Year", this time in the multiple category. We achieved similar recognition in the intermediate category in 1994 and also as "Independent Retailer" of the Year in 1993. This is the first time any business has received the award at all three levels and is a fitting tribute to the further progress achieved in 1996.

TRADING

I am pleased to say 1996 was another successful year for the company. We recorded strong sales growth of 18% in like-for like stores and a further marked increase through additional stores. Together they gave a turnover of £33m, 78% ahead of 1995.

At the start of 1995 we traded from five out/edge-of-town Furniture Village stores and in December of that year opened a further two stores at Southampton and Kew, and two smaller city centre bedding stores trading as the London Bedding Company.

These nine stores traded throughout 1996 and in the last quarter were joined by additional Furniture Village openings at Slough, Reading and Bedford. I am gratified to say that initial orders booked by these stores handsomely exceeded our ambitious budget.

RESULTS

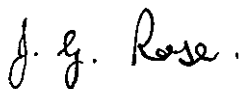
I am further pleased to report that profit before cost of new store openings for 1996 was £875,677 representing a 95% increase upon the comparable figure last year (1995: £447,506). It remains our policy to charge pre-trading costs as they are incurred. The charge for 1996 was £236,313 and 1995 £231,716.

Furthermore, in accordance with our practice of recording sales only when the goods are delivered to customers (on average about 2 months after the order is received) there is inevitably an initial period during which new stores incur substantial costs without the compensating benefit of sales. Again, these costs are charged as they are incurred.

Similarly, in compliance with a new accounting recommendation, rentals are now charged from the date trading commences irrespective of negotiated rent free periods. Whilst ensuing benefits will be released up until the first rent review this change in accounting policy reduced the profit before taxation for 1996 by £190,707 and also created a charge for prior years of £72,619.

PEOPLE

A retailer can have no greater asset than its people, they are vital in every part of the business. This is especially important to us, as in order to achieve our expansion plans we continue to need top quality people. Fortunately this challenge appeals to the type of people we attract and we endeavour to create a working environment in which clear thinking and initiative are developed, appreciated and rewarded. I am truly grateful to all of my colleagues.



J G Rose
Chairman
15 MAY 1997

FURNITURE VILLAGE PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 1996

DIRECTORS

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

The directors are pleased to present their report and financial statements for the year ended 31 December 1996.

RESULTS AND DIVIDENDS

The profit for the year after the cost of new store openings, but before taxation and dividends on preference shares, was £ 605,881 (1995: £279,794). After charging taxation and dividends on preference shares the retained profit of £411,506 was transferred to revenue reserves which at the year end were £2,381,467.

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 78% to £33,145,386 (1995: £18,653,228).

The two Furniture Village stores and two London Bedding Company stores opened in December 1995 traded for the whole of 1996 and a further three Furniture Village stores commenced trading in 1996. These three new stores had an exciting start with orders booked appreciably ahead of budget.

Negotiations are in hand for a number of new Furniture Village stores and it is hoped to open not fewer than two in 1997 and a further four in 1998. The company intends to continue to pursue a vigorous store opening programme as suitable properties become available. The directors are encouraged by the first year's result of the two London Bedding Company stores and consequently intend to increase their number as suitable sites become available.

Adequate finances are expected to be available to fund both avenues of expansion.

The directors are pleased to report that 1997 has started well with the first quarter achieving budget and 17% ahead of last year on like for like stores. At the end of the quarter the forward order book was £9.8m.

CHANGE OF ACCOUNTING POLICY

In 1996 the company changed its accounting policy in respect of inducements to enter into property leaseholds. This change in policy has reduced the profits before taxation for 1996 by £190,707 and also created a charge in respect of prior years of £72,619 before taxation. Full details are given in note 2 to the financial statements.

TANGIBLE FIXED ASSETS

Details of the movements in fixed assets are shown in note 9 to the financial statements. The majority of additions relate to the fitting out of the new stores opened in 1996.

SHARE CAPITAL

In September 1996 1,000,000 7.2% cumulative redeemable preference shares of £1 each were issued at par to Cadogan Estates Limited. The resulting position is shown in note 16 to the financial statements.

FURNITURE VILLAGE PLC
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 1996

SUPPLIERS AND CONTRACTORS

Throughout 1996, as in previous years, the company has enjoyed harmonious relationships with all its suppliers and contractors. Both parties depend upon each other to build a business from which customers benefit. Many suppliers went to extraordinary lengths to help the company in 1996 and the Directors are grateful to all of them for the way in which they responded to the challenges encountered by the company.

It is company policy to settle all debts with its creditors on a timely basis, taking account of the credit period given by each supplier.

1997

The company is now trading from ten Furniture Village and two London Bedding Company stores. Turnover for these stores for 1997 is budgeted at just over £50m which would be a further increase of over 50% above the record for 1996. The results for the first quarter achieved budget with turnover on like-for-like stores ahead by 17%. Judging by the reports the Directors have heard and read recently this is appreciably better than most furnishers.

We aim to open a minimum of two Furniture Village stores and four London Bedding Company stores during the year.

DIRECTORS' INTERESTS

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

	1996		1995	
	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.

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 also 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.

FURNITURE VILLAGE PLC
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 1996

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 15 May 1997
and signed on its behalf by:



G C Martin

Secretary

316, Bath Road
Slough
SL1 4DX

AUDITORS' REPORT
TO THE SHAREHOLDERS OF FURNITURE VILLAGE PLC

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Directors' Report on pages 2 to 4 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

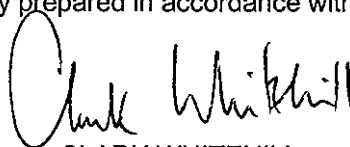
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

15 May 1997
25 New Street Square
London
EC4A 3LN


CLARK WHITEHILL
Chartered Accountants
and Registered Auditor

FURNITURE VILLAGE PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £	As Restated 1995 £
TURNOVER	3	33,145,386	18,653,228
Cost of sales		<u>(21,696,250)</u>	<u>(12,403,097)</u>
GROSS PROFIT		11,449,136	6,250,131
Distribution costs	4a	(5,142,499)	(2,721,233)
Administrative expenses	4b	<u>(5,430,960)</u>	<u>(3,081,392)</u>
PROFIT BEFORE COST OF NEW STORE OPENINGS		875,677	447,506
New Store Pre-Trading Costs	1f	<u>(236,213)</u>	<u>(231,716)</u>
OPERATING PROFIT	4	639,464	215,790
Interest receivable		58,552	71,004
Interest payable	6	<u>(92,135)</u>	<u>(7,000)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		605,881	279,794
Tax on profit on ordinary activities	7	<u>(79,375)</u>	<u>161,039</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		526,506	440,833
DIVIDENDS	8	<u>(115,000)</u>	<u>(96,000)</u>
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	17	<u>£ 411,506</u>	<u>£ 344,833</u>
		£	£
ACCUMULATED RESERVES			
At 1 January 1996 (As previously reported)		2,017,580	1,625,128
Prior Year Adjustment (Note 2)		<u>(47,619)</u>	<u>-</u>
As Restated		1,969,961	1,625,128
Profit for the year		<u>411,506</u>	<u>344,833</u>
At 31 December 1996		<u>£ 2,381,467</u>	<u>£ 1,969,961</u>

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

The notes on pages 9 to 16 form part of these financial statements.

FURNITURE VILLAGE PLC
BALANCE SHEET
31 DECEMBER 1996

	Notes	£	1996	£	As Restated 1995 £
FIXED ASSETS					
Tangible assets	9			6,562,025	4,040,988
CURRENT ASSETS					
Stocks	11	3,939,208			2,471,761
Debtors	12	2,459,033			877,005
Cash at bank and in hand		<u>14,836</u>			<u>956,039</u>
			6,413,077		4,304,805
CREDITORS: Amounts falling due within one year	13	<u>(5,569,195)</u>			<u>(3,351,392)</u>
NET CURRENT ASSETS				<u>843,882</u>	<u>953,413</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				7,405,907	4,994,401
CREDITORS: Amounts falling due after more than one year	14		<u>(2,000,000)</u>		<u>(1,000,000)</u>
NET ASSETS			<u>£ 5,405,907</u>	<u>£ 3,994,401</u>	
CAPITAL AND RESERVES					
Called up share capital	16		3,024,440		2,024,440
Profit and loss account			<u>2,381,467</u>		<u>1,969,961</u>
SHAREHOLDERS' FUNDS (Including Non-Equity Interests)	17		<u>£ 5,405,907</u>	<u>£ 3,994,401</u>	

Approved by the Board on 15 May 1997
and signed on its behalf by:

P J Harrison

D J Imrie

Directors

The notes on pages 9 to 16 form part of these financial statements.

FURNITURE VILLAGE PLC
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1996

		1996 £	1995 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	<u>195,967</u>	<u>911,540</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		(96,000)	(48,000)
Interest paid		(85,135)	-
Interest received		<u>58,552</u>	<u>71,004</u>
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(122,583)</u>	<u>23,004</u>
TAXATION			
Corporation tax paid		<u>(24,375)</u>	<u>(216,961)</u>
NET CASH (OUTFLOW) FROM TAXATION		<u>(24,375)</u>	<u>(216,961)</u>
INVESTING ACTIVITIES			
Receipts from sale of fixed assets		36,250	8,700
Payments to acquire tangible fixed assets		<u>(3,026,462)</u>	<u>(1,951,855)</u>
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>(2,990,212)</u>	<u>(1,943,155)</u>
NET CASH (OUTFLOW) BEFORE FINANCING		<u>(2,941,203)</u>	<u>(1,225,572)</u>
FINANCING			
Issue of ordinary share capital	22	1,000,000	-
Repayment of Bank Loan	22	(1,000,000)	-
Bank loan	22	<u>2,000,000</u>	<u>1,000,000</u>
NET CASH INFLOW FROM FINANCING		<u>2,000,000</u>	<u>1,000,000</u>
(DECREASE) IN CASH AND CASH EQUIVALENTS	21	<u>£ (941,203)</u>	<u>£ (225,572)</u>

The notes on pages 9 to 16 form part of these financial statements.

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

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) Stocks

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

d) 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.

e) 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.

f) 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.

g) Rent Free Periods

During the course of opening new stores operating leases are negotiated which may include Rent Free periods.

Where this is the case such Rent Free periods are amortised from the date of trading on a straight line basis over the period to the next open market rent review in accordance with UITF abstract 12.

This represents a change in the previous adopted practice of charging operating lease rentals as they are incurred. The amortisation represents a change in accounting policy. The effect on the profits of the year of this change is shown in Note 2.

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1996

2. PRIOR YEAR ADJUSTMENT

As a result of the change in accounting policy referred to in Note 1g the effect on the profits of this year and last year is as follows:-

	1996 £	1995 £
Amortisation of Rent Free periods	190,707	72,619
Taxation effect of adjustment	<u>(65,000)</u>	<u>(25,000)</u>
	<u>£ 125,707</u>	<u>£ 47,619</u>

In addition this adjustment has led to a reclassification of New Store Pre-Trading costs in relation to 1995. A total of £71,010 no longer falls to be classified as such expenditure and therefore the relevant headings have been altered to take account of this amount.

The comparative figures have been re-stated to take effect of these changes.

3. 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.

4. OPERATING PROFIT

This is stated after charging:

	1996 £	1995 £
a) Distribution costs:		
Depreciation	1,160	1,218
Other costs	<u>5,141,339</u>	<u>2,720,015</u>
	<u>£ 5,142,499</u>	<u>£ 2,721,233</u>
b) Administrative expenses:		
Payments made to auditors		
- as auditors	10,500	9,000
- for tax services	3,500	3,000
Depreciation	467,837	271,175
Directors' remuneration (note 5(a))	287,249	250,629
Operating lease rentals - Property	2,171,661	1,185,219
Other costs	<u>2,490,213</u>	<u>1,362,369</u>
	<u>£ 5,430,960</u>	<u>£ 3,081,392</u>

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1996

5. DIRECTORS AND STAFF

	1996 £	1995 £
a) Directors' emoluments:		
Fees	-	-
Other emoluments	<u>287,249</u>	<u>250,629</u>
	<u>£ 287,249</u>	<u>£ 250,629</u>

Emoluments, excluding pension scheme contributions:

Chairman	<u>£ 24,330</u>	<u>£ 16,500</u>
Highest paid director	<u>£ 128,569</u>	<u>£ 116,096</u>

During the year consultancy fees amounting to £ 20,000 (1995: £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	1	-

	1996 £	1995 £
b) Staff costs for all employees including executive directors consist of:		
Wages and salaries	3,068,191	1,811,849
Social security costs	323,291	186,263
Pension costs	<u>55,090</u>	<u>38,553</u>
	<u>£ 3,446,572</u>	<u>£ 2,036,665</u>

The average weekly number of employees during the period was made up as follows:-

	<u>No.</u>	<u>No.</u>
Office and management	35	24
Retailing and distribution	<u>92</u>	<u>50</u>
	<u>127</u>	<u>74</u>

6. INTEREST PAYABLE

	1996 £	1995 £
On Bank loan	88,137	7,000
Other Interest	<u>3,998</u>	-
	<u>£ 92,135</u>	<u>£ 7,000</u>

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1996

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
Taxation based on profits for the year:		
Corporation tax at 33% (1995: 33%)	85,000	5,000
Deferred taxation at 33%	-	(158,000)
Adjustment in respect of prior year	<u>(5,625)</u>	<u>(8,039)</u>
	<u>£ 79,375</u>	<u>£ (161,039)</u>

8. DIVIDENDS

Preference shares	Interim	- paid August 1996	48,000	48,000
	Final	- paid January 1997	<u>67,000</u>	<u>48,000</u>
			<u>£ 115,000</u>	<u>£ 96,000</u>

9. TANGIBLE FIXED ASSETS

	Short Leasehold Property £	Fixtures, Fittings Equipment and Vehicles £	Total £
COST:			
At 1 January 1996	3,335,489	1,554,887	4,890,376
Additions at cost	2,289,371	737,091	3,026,462
Disposals	<u>-</u>	<u>(47,695)</u>	<u>(47,695)</u>
At 31 December 1996	<u>5,624,860</u>	<u>2,244,283</u>	<u>7,869,143</u>
DEPRECIATION:			
At 1 January 1996	299,056	550,332	849,388
Charge for the year	218,285	250,712	468,997
Disposals	<u>-</u>	<u>(11,267)</u>	<u>(11,267)</u>
At 31 December 1996	<u>517,341</u>	<u>789,777</u>	<u>1,307,118</u>
NET BOOK VALUE:			
At 31 December 1996	<u>£ 5,107,519</u>	<u>£ 1,454,506</u>	<u>£ 6,562,025</u>
At 31 December 1995	<u>£ 3,036,433</u>	<u>£ 1,004,555</u>	<u>£ 4,040,988</u>

10. INVESTMENTS

The company has a 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 1996 was £2.

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1996

11. STOCKS

	1996	1995
Goods for resale	<u>£ 3,939,208</u>	<u>£ 2,471,761</u>

12. DEBTORS

Trade debtors	614,461	139,345
Other debtors	20,794	23,167
Prepayments	<u>1,823,778</u>	<u>714,493</u>
	<u>£ 2,459,033</u>	<u>£ 877,005</u>

13. CREDITORS: Amounts falling due within one year

Deposits on goods not yet delivered	1,465,371	869,341
Trade creditors	2,604,870	1,850,974
Corporation tax	60,000	5,000
Other taxes and social security costs	445,740	76,055
Dividends payable	67,000	48,000
Accruals	<u>926,214</u>	<u>502,022</u>
	<u>£ 5,569,195</u>	<u>£ 3,351,392</u>

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

Bank loans	<u>£ 2,000,000</u>	<u>£ 1,000,000</u>
------------	--------------------	--------------------

Interest is charged on the Bank loan at 1.5% over LIBOR. The loan is secured by a fixed and floating charge over the company's assets and is repayable by quarterly instalments commencing in February 1998.

The total amount outstanding at 31 December 1996 is due for repayment as follows:

	1996	1995
	£	£
Due Between 1 and 2 years	500,000	-
Due Between 2 and 5 years	<u>1,500,000</u>	<u>1,000,000</u>
	<u>£ 2,000,000</u>	<u>£ 1,000,000</u>

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1996

15. 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:-

	1996		1995	
	Full Potential Liability £	Provided in the Financial Statements £	Full Potential Liability £	Provided in the Financial Statements £
Timing differences arising from:				
Accelerated tax depreciation allowances	410,793	-	230,990	-
Short term timing differences	(3,382)	-	(990)	-
Capital gains rolled over	500,000	-	500,000	-
	<u>£ 907,411</u>	<u>£ -</u>	<u>£ 730,000</u>	<u>£ -</u>

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.

16. CALLED UP SHARE CAPITAL

	1996 £	1995 £
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
9.6% Cumulative preference shares of £1 each	1,000,000	1,000,000
7.2% Cumulative Redeemable preference shares of £1 each	3,000,000	-
	<u>£ 5,100,000</u>	<u>£ 2,100,000</u>
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
9.6% Cumulative preference shares of £1 each	1,000,000	1,000,000
7.2% Cumulative Redeemable preference shares of £1 each	1,000,000	-
	<u>£ 3,024,440</u>	<u>£ 2,024,440</u>

All of the ordinary shares rank pari passu. The Cumulative Redeemable preference shares are to be redeemed on 31 December 2003. Dividends on preference shares are payable quarterly in arrears.

At an Extraordinary General Meeting of the company held on 26 September 1996 an Ordinary Resolution was passed to increase the authorised share capital of the company to £5,100,000 by the creation of 3,000,000 Cumulative Redeemable Preference shares of £1 each.

On the same day 1,000,000 Cumulative Redeemable Preference shares of £1 each were issued for a consideration of £1,000,000 cash.

FURNITURE VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 1996

17. SHAREHOLDERS' FUNDS

	1996 £	1995 £
At 1 January 1996 (As previously reported)	4,042,020	3,649,568
Prior Year Adjustment (Note 2)	<u>(47,619)</u>	<u>-</u>
As Restated	3,994,401	3,649,568
Retained profit for the year	411,506	344,833
Issue of shares for cash	<u>1,000,000</u>	<u>-</u>
At 31 December 1996	<u>£ 5,405,907</u>	<u>£ 3,994,401</u>
ANALYSIS OF SHAREHOLDERS' FUNDS		
Equity shareholders' funds	3,405,907	2,994,401
Non -Equity shareholders' funds	<u>2,000,000</u>	<u>1,000,000</u>
	<u>£ 5,405,907</u>	<u>£ 3,994,401</u>

18. OTHER FINANCIAL COMMITMENTS

The following annual commitments existed at 31 December 1996 in respect of non-cancellable operating leases which are all property leases:

	1996	1995
Falling due in more than 5 years	<u>£ 2,999,100</u>	<u>£ 1,930,600</u>

19. ULTIMATE PARENT COMPANY

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.

**20. RECONCILIATION OF OPERATING PROFIT TO NET CASH
INFLOW FROM OPERATING ACTIVITIES**

	1996 £	1995 £
Operating profit	639,464	215,790
Depreciation charge	468,997	272,393
Loss/(profit) on disposal of fixed assets	178	(4,200)
(Increase) in stocks	(1,467,447)	(590,092)
(Increase) in debtors	(1,582,028)	(341,590)
Increase in creditors	<u>2,136,803</u>	<u>1,359,239</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>£ 195,967</u>	<u>£ 911,540</u>

FURNITURE VILLAGE PLC
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21. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996	1995	Change in the Year
Cash at bank and in hand	<u>£ 14,836</u>	<u>£ 956,039</u>	<u>£ (941,203)</u>

22. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank Loan £	Share Capital £
Balance at 1 January 1996	1,000,000	2,024,440
Repaid in the year	(1,000,000)	-
Issue during the year	-	1,000,000
Drawn down in the year	<u>2,000,000</u>	<u>-</u>
Balance at 31 December 1996	<u>£ 2,000,000</u>	<u>£ 3,024,440</u>

23. CAPITAL COMMITMENTS

Future capital expenditure not otherwise included in these financial statements.

	1996 £	1995 £
Authorised by the directors and contracted for	<u>£ 236,452</u>	<u>£ 328,000</u>
Capital expenditure required for anticipated store openings in the forthcoming year not yet authorised by the Directors or contracted for	<u>£ -</u>	<u>£ 1,700,000</u>