

Furniture Village PLC

Financial Statements and Accounts

27 December 1998

Registered No. 2307708



Furniture Village PLC

DIRECTORS

J M F Padovan (Chairman) *†
J G Rose (Deputy Chairman) *†
S A Corbyn †
P A Grant *†
P J Harrison
D J G Imrie
H M Mountford

SECRETARY

G C Martin

AUDITORS

Ernst & Young
Apex Plaza
Reading
RG1 1YE

BANKERS

National Westminster Bank
Knightsbridge
186 Brompton Road
London
SW3 1XJ

REGISTERED OFFICE

316 Bath Road
Slough
Berkshire
SL1 4DX

* Member of the audit committee and remuneration committee

† Non Executive Director

Furniture Village PLC

CHAIRMAN'S STATEMENT

In making my first Statement as Chairman of your Company, I am delighted to be able to report another increase in profits - and particularly so as 1998 was a difficult year for many retailers, and especially for retailers in the furniture sector. Profit before tax and exceptional items for the year to 27 December 1998 grew to £2.2 million (1997: £1.4million) on turnover up from £53.3 million to £69.4 million.

TRADING REVIEW

1998 started well with very strong activity in the first three months. As reported last year the order book had increased to £13.0 million by the end of March 1998 from its already high level of £7.2 million at the end of 1997. The market became difficult, however, in the second quarter and remained so almost until the end of the year. It gives me great confidence for our future that our management - at store level as well as the central management team - were able to react so quickly and so expertly to this new challenge. In particular, overhead expenditure was ruthlessly controlled; stock levels were reduced with an improvement in ongoing stock turn; arrangements were made with our suppliers which enabled a better and more immediate service to be given to our customers; and expansion plans were critically reviewed.

At the same time we did not deviate from our underlying mission which is to run the business "focused on exceptional customer service, with good quality, competitively priced furnishings, offered from attractive and convenient locations". This mission reinforces the Furniture Village "brand" and gives us great resilience even in unhelpful market conditions.

By the year end our policies had enabled us to increase overall like for like sales compared with 1997, to improve gross margins by nearly 1% and to finish the year with trading and financial flexibility unimpaired. Our year end order book amounted to £6.8 million.

At the year end we also started implementing a new computer system to replace the existing store management system. It is designed to add considerably to trading efficiency and management information, and should be fully operative by the Autumn of 1999.

PROPERTY

During the year we opened three new stores at Thurrock, Aylesbury and Friern Barnet, totalling 58,000 net selling square feet. We also entered into a concession arrangement with Selfridges to open a London Bedding Company unit in their Oxford Street store. Since opening this unit in October 1998 trading has been significantly above expectations.

We will be opening a 14,000 square foot store in Brighton in Spring 1999 and an 18,000 square foot store in Leeds in the Autumn of 1999.

BALANCE SHEET

The company finished 1998 with a strong Balance Sheet and low gearing. This was achieved through retained profits of £1.3 million, a rigorous programme of control over working capital and a further subscription of £1.0 million into share capital by Cadogan Estates Ltd. The flexibility provided by our prudent financing policies will enable us to respond to trading opportunities as they occur in 1999 and beyond.

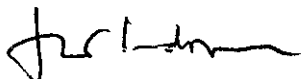
MANAGEMENT AND STAFF

Our management and staff responded exceptionally well when difficult conditions in our trade became apparent in Spring 1998. I thank them all for this and congratulate them on the results. First class service is at the heart of Furniture Village's retail offering, and we have ample evidence of our customers' appreciation of it.

CHAIRMAN'S STATEMENT

CURRENT TRADING AND PROJECTS

1999 has started well with solid performances from nearly all our stores. With new store openings at Brighton and Leeds, and further expansion planned in the Year 2000, we are confident of strong growth in the coming years.



J M F Padovan
Chairman

Furniture Village PLC

DIRECTORS REPORT

The directors present their report and financial statements for the year ended 27 December 1998.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,493,000 (1997: £1,478,000).

The directors do not recommend the payment of an ordinary dividend. Preference dividends of £168,000 (1997: £168,000) were paid in the year.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company continues to be the sale of quality furnishings in the retail market.

Turnover in 1998 was £69.4 million compared to £53.3 million in the previous year and profits before tax and exceptional items increased from £1.4 million to £2.2 million. Three new stores were opened at the beginning of the second quarter and a concession was opened in Selfridges in London at the end of the year bringing the number of trading outlets to nineteen.

FUTURE DEVELOPMENTS

Two new stores are planned for 1999, one opening prior to Easter and one in the Autumn.

DIRECTORS AND THEIR INTERESTS

The directors at 27 December 1998 and their interests in the share capital of the company were as follows:

	1998		1997	
	Shares of £1 each		Shares of £1 each	
	"A"	"B"	"A"	"B"
	Ordinary	Ordinary	Ordinary	Ordinary
J M F Padovan (Chairman)	-	3,400	-	3,400
J G Rose (Deputy Chairman)	-	-	-	-
P J Harrison	60,000	-	60,000	-
D J G Imrie	60,000	-	60,000	-
P A Grant	-	12,000	-	12,000
S A Corbyn	-	-	-	-
H M Mountford (Appointed 16 February 1998)	-	-	-	-
F Bassnett (Appointed 3 August 1998 and resigned 19 April 1999)	-	-	-	-

No director held any beneficial interest in the preference shares of the company at 31 December 1997, at date of appointment, or at 27 December 1998.

H M Mountford has a conditional option to acquire 3,400 "B" ordinary shares at £5 per share.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

DIRECTORS REPORT

CREDITOR PAYMENT POLICY AND PRACTICE

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, providing that all trading terms and conditions have been complied with.

At 27 December 1998, the company had an average of 28 days purchases outstanding in trade creditors.

YEAR 2000 COMPLIANCE

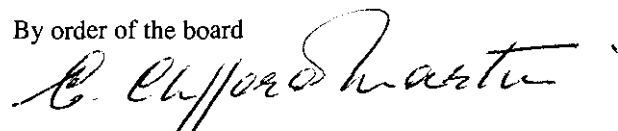
It is well known that many computer and digital storage systems express dates using only the last two digits of the year and will therefore require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions. The operation of the business depends not only on the company's own computer systems, but also to some degree on those of suppliers. There could be some exposure to further risks in the event that there is a failure by other parties to remedy their own year 2000 issues.

The company is well advanced in the process of addressing the risks to the business resulting from the date change to the year 2000 and appropriate systems modifications have been implemented to ensure that they are year 2000 compliant.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



G C Martin
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

REPORT OF THE AUDITORS
to the members of Furniture Village PLC

We have audited the accounts on pages 9 to 21, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 12.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of the 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.

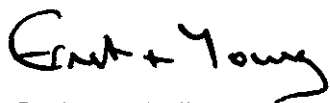
Basis of opinion

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 accounts. 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 information in the accounts.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 27 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', written in a cursive style.

Registered Auditor
Reading

26 April 1999.

Furniture Village PLC

PROFIT AND LOSS ACCOUNT

for the year ended 27 December 1998

	Notes	1998 £'000	1997 £'000
TURNOVER	2	69,442	53,255
Cost of sales		(44,811)	(34,889)
GROSS PROFIT		24,631	18,366
Distribution costs		(10,951)	(8,093)
Administrative expenses		(10,985)	(8,496)
PROFIT BEFORE COST OF NEW STORE OPENINGS		2,695	1,777
New store pre-trading costs		(356)	(250)
OPERATING PROFIT	3	2,339	1,527
Exceptional items	4	-	477
PROFIT BEFORE INTEREST AND TAX		2,339	2,004
Interest receivable		112	126
Interest payable	7	(276)	(205)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,175	1,925
Tax on profit on ordinary activities	8	(682)	(447)
PROFIT FOR THE FINANCIAL YEAR		1,493	1,478
Dividends on non-equity shares	9	(168)	(168)
PROFIT RETAINED FOR THE FINANCIAL YEAR	20	1,325	1,310

STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit for the year ended 27 December 1998.

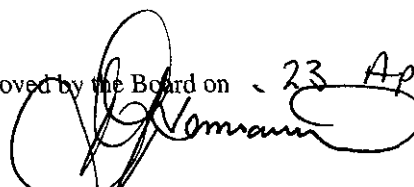
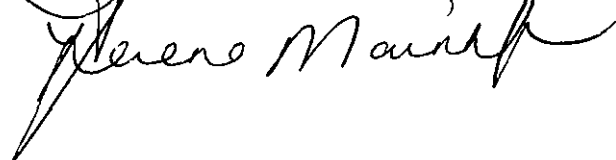
Furniture Village PLC

BALANCE SHEET

at 27 December 1998

	Notes	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	10	11,004	8,389
CURRENT ASSETS			
Stocks	12	5,359	5,870
Debtors	13	4,453	4,503
Cash at bank and in hand	21d	2,619	980
		<u>12,431</u>	<u>11,353</u>
CREDITORS: amounts falling due within one year	14	<u>(13,246)</u>	<u>(11,509)</u>
NET CURRENT LIABILITIES		<u>(815)</u>	<u>(156)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,189</u>	<u>8,233</u>
CREDITORS: amounts falling due after more than one year	15	<u>(1,131)</u>	<u>(1,500)</u>
		<u>9,058</u>	<u>6,733</u>
CAPITAL AND RESERVES			
Called up share capital (including non-equity capital)	19	3,794	3,028
Share premium account	20	247	13
Profit and loss account	20	5,017	3,692
SHAREHOLDERS' FUNDS (including non-equity interest)	20	<u>9,058</u>	<u>6,733</u>

Approved by the Board on 23 April 1999


)Directors


Furniture Village PLC

STATEMENT OF CASH FLOWS for the year ended 27 December 1998

	<i>Notes</i>	<i>1998 £'000</i>	<i>1997 £'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	21(a)	4,306	2,360
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	21(b)	(225)	(266)
TAXATION	21(b)	(485)	(22)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	21(b)	(2,457)	(2,860)
FINANCING	21(b)	500	17
INCREASE/(DECREASE) IN CASH		<u>1,639</u>	<u>(771)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>1998 £'000</i>	<i>1997 £'000</i>
Increase/(decrease) in cash	1,639	(771)
Cash used to repay bank loan	500	-
MOVEMENT IN NET DEBT	<u>2,139</u>	<u>(771)</u>
NET DEBT AT 1 JANUARY	21(c) (1,020)	(1,985)
Adjustment to cash balance	21(d) -	1,736
NET DEBT AT 27 DECEMBER	<u>21(c) 1,119</u>	<u>(1,020)</u>

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 1998

1 ACCOUNTING POLICIES

Accounting convention

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

Turnover

Sales are recognised when goods are delivered and accepted by customers.

Depreciation

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

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all material timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Pension costs

The company contributes to personal pension schemes of eligible employees. Eligibility is defined by length of service. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

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.

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.

Leasing commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under the leases are included as liabilities in the balance sheet.

The interest element of the rental obligations are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

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

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 1998

2 TURNOVER

Turnover, which is stated net of value added tax, represents the value of goods delivered and invoiced to customers. All turnover relates to household furniture retailing within the United Kingdom.

3 OPERATING PROFIT

This is stated after charging:

	1998 £'000	1997 £'000
Auditors' remuneration		
- as auditors	18	17
- as advisors	49	6
Depreciation	1,246	712
Operating lease rentals - property	4,166	3,404

4 EXCEPTIONAL ITEMS

	1998 £'000	1997 £'000
Net profit on sale and closure of a store operation	-	920
Loss on disposal of associated fixed assets	-	(443)
	-	477

5 DIRECTORS EMOLUMENTS

	1998 £'000	1997 £'000
Emoluments	512	345
Company contributions paid to pension schemes	9	12

The amounts in respect of the highest paid director were emoluments of £155,000 (1997: £155,000) and company contributions paid to pension schemes of £3,000 (1997: £3,000).

During the year consultancy fees amounting to £21,000 (1997: £20,000) were paid to Beatzone Limited, a company in which the Deputy 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 (1997: £20,000).

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 1998

6 STAFF COSTS

	1998 £'000	1997 £'000
Wages and salaries	6,295	4,521
Social security costs	649	460
Pension costs	110	84
	<u>7,054</u>	<u>5,065</u>

The average monthly number of employees during the period:

	1998 No.	1997 No.
Office and management	34	21
Retailing and distribution	208	167
	<u>242</u>	<u>188</u>

7 INTEREST PAYABLE

	1998 £'000	1997 £'000
Bank loan and overdrafts	163	163
Interest on loan from holding company	22	-
Other interest	91	42
	<u>276</u>	<u>205</u>

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
UK corporation tax	740	485
Deferred taxation (note 17)	-	-
	<u>740</u>	<u>485</u>
Corporation tax over provided in previous years	(58)	(38)
	<u>682</u>	<u>447</u>

9 DIVIDENDS

	1998 £'000	1997 £'000
Dividends paid on non-equity preference shares	<u>168</u>	<u>168</u>

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 27 December 1998

10 TANGIBLE FIXED ASSETS

	<i>Short leasehold property</i>	<i>Fixtures, fittings equipment and vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:			
At 1 January 1998	7,162	3,081	10,243
Additions	3,201	882	4,083
Disposals	-	(503)	(503)
At 27 December 1998	10,363	3,460	13,823
Depreciation:			
At 1 January 1998	766	1,088	1,854
Provided during the year	730	516	1,246
Disposals	(1)	(280)	(281)
At 27 December 1998	1,495	1,324	2,819
Net book value:			
At 27 December 1998	8,868	2,136	11,004
At 1 January 1998	6,396	1,993	8,389

The net book value of fixtures, fittings and equipment above includes an amount of £196,000 (1997: £nil) in respect of assets held under finance leases.

11 INVESTMENT

The company owns 100% of the share capital of London Bedding Company Limited, a dormant subsidiary which is registered in England and Wales. The aggregate capital and reserves of the company at 31 December 1997 and 27 December 1998 was £2.

12 STOCKS

	<i>1998 £'000</i>	<i>1997 £'000</i>
Goods for resale	5,359	5,870

13 DEBTORS

	<i>1998 £'000</i>	<i>1997 £'000</i>
Trade debtors	164	252
Other debtors	175	24
Prepayments and accrued income	4,114	4,227
	4,453	4,503

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 27 December 1998

14 CREDITORS: amounts falling due within one year

	1998 £'000	1997 £'000
Current instalment due on bank loan (note 16)	500	500
Obligations under finance leases (note 17)	65	-
Deposits on goods not yet delivered	1,795	2,198
Trade creditors	5,857	5,260
Corporation tax	682	485
Other taxes and social security costs	2,208	1,539
Other creditors and accruals	2,139	1,527
	<u>13,246</u>	<u>11,509</u>

Included in Other taxes and social security costs is £1,544,000 (1997: £1,007,000) relating to the Primback case which refers to VAT.

15 CREDITORS: amounts falling due after more than one year

	1998 £'000	1997 £'000
Bank loans	1,000	1,500
Obligations under finance leases (note 17)	131	-
	<u>1,131</u>	<u>1,500</u>

16 BANK LOANS

	1998 £'000	1997 £'000
Within one year	500	500
Between 1 and 2 years	500	500
Between 2 and 5 years	500	1,000
	<u>1,500</u>	<u>2,000</u>

The loan is secured by a fixed and floating charge over the company's assets and is repayable by quarterly instalments.

On 17 March 1999 the Board approved a further bank loan of £1.0 million which will be repayable in quarterly instalments from March 2001.

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 1998

17 OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

	1998 £'000	1997 £'000
Amounts payable		
Within one year	74	-
In two to five years	149	-
	223	-
Less: finance charges allocated to future periods	27	-
	196	-
Finance leases are analysed as follows:		
Current obligations (note 14)	65	-
Non current obligations (note 15)	131	-
	196	-

18 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	Potential Liability 1998 £'000	Provided 1998 £'000	Potential Liability 1997 £'000	Provided 1997 £'000
Capital allowances in advance of depreciation	684	-	538	-
Short term timing differences	(10)	-	(11)	-
Capital gains held over	785	-	785	-
	1,459	-	1,312	-

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

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 27 December 1998

19 SHARE CAPITAL

	1998 £'000	1997 £'000
<i>Authorised:</i>		
Equity Interest		
"A" Ordinary shares of £1 each	150	150
"B" Ordinary shares of £1 each	550	550
"C" Ordinary shares of £1 each	-	400
	<u>700</u>	<u>1,100</u>
Non Equity Interest		
Cumulative preference shares of £1 each (on which a total dividend of £96,000 is payable)	1,400	1,000
7.2% Cumulative Redeemable preference shares of £1 each	3,000	3,000
	<u>5,100</u>	<u>5,100</u>
<i>Allotted, called up and fully paid:</i>		
Equity Interest		
"A" Ordinary shares of £1 each	150	150
"B" Ordinary shares of £1 each	494	478
"C" Ordinary shares of £1 each	-	400
	<u>644</u>	<u>1,028</u>
Non Equity Interest		
Cumulative preference shares of £1 each (on which a total dividend of £96,000 is payable)	1,400	1,000
7.2% Cumulative Redeemable preference shares of £1 each	1,750	1,000
	<u>3,794</u>	<u>3,028</u>

The authorised share capital was amended by a resolution passed on 21 April 1998. The "C" Ordinary shares were converted into Cumulative preference shares on the basis of one Cumulative preference share for every one "C" Ordinary share on the same day.

On 22 December 1998 a £1,000,000 short term loan issued on 30 September 1998 from Cadogan Estates Ltd was converted into - £750,000 7.2% Cumulative Redeemable preference shares
- £16,000 "B" Ordinary shares of £1 each - fully paid for cash of £250,000.

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

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 1998

20 RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENT ON RESERVES

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
At 1 January 1997	3,024	-	2,382	5,406
Retained profit for the year	-	-	1,310	1,310
Issue of shares	4	13	-	17
At 31 December 1997	3,028	13	3,692	6,733
Retained profit for the year	-	-	1,325	1,325
Issue of shares	766	234	-	1,000
At 27 December 1998	3,794	247	5,017	9,058

21 NOTES TO THE STATEMENT OF CASH FLOWS

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

	<i>1998 £'000</i>	<i>1997 £'000</i>
Operating profit	2,339	1,527
Depreciation	1,246	712
Profit on disposal of fixed assets	(122)	(5)
Decrease/(Increase) in stocks	511	(1,930)
Increase in debtors	(1,100)	(631)
Increase in creditors	1,432	2,687
Net cash inflow from operating activities	4,306	2,360

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

Returns on investments and services of finance:

	<i>1998 £'000</i>	<i>1997 £'000</i>
Interest received	112	126
Interest paid	(169)	(157)
Preference dividend paid	(168)	(235)
	(225)	(266)

Taxation:

	<i>1998 £'000</i>	<i>1997 £'000</i>
Corporation tax paid	(485)	(22)

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 1998

21 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

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

Capital expenditure and financial investment:

	1998 £'000	1997 £'000
Receipts from disposal of property in prior year	1,150	-
Receipts from sale of tangible fixed assets	344	55
Payments to acquire tangible fixed assets	(3,951)	(2,915)
	<u>(2,457)</u>	<u>(2,860)</u>

Financing:

	1998 £'000	1997 £'000
Issue of shares capital	1,000	17
Repayment of bank loan	(500)	-
	<u>500</u>	<u>17</u>

c) Analysis of changes in net debt

	At 1 January 1998 £000	Cash Flow £'000	At 27 December 1998 £'000
Cash at bank and in hand	980	1,639	2,619
Debt due within one year	(500)	-	(500)
Debt due after one year	(1,500)	500	(1,000)
	<u>(1,020)</u>	<u>2,139</u>	<u>1,119</u>

d) The cash balances in the prior year have been adjusted to bring the cash book cut off date, which was on a calendar basis, in line with the trading cut off date, which was the last Sunday in December. The adjustment reflects cheques to suppliers raised between the last Sunday in the month and 31 December 1997. A corresponding adjustment has been made to the trade creditors in the prior year.

e) In December 1998 the company entered into a finance lease arrangement in respect of assets with a total capital value at the inception of the lease of £196,000 (1997 : £Nil).

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 27 December 1998

22 CAPITAL COMMITMENTS

Future capital expenditure not otherwise included in these financial statements

	1998 £'000	1997 £'000
Authorised by the directors and contracted for	1,078	755

23 OTHER FINANCIAL COMMITMENTS

In respect of leases the following annual commitments existed at 27 December 1998 in respect of non-cancellable operating leases which are all property leases:

	1998 £'000	1997 £'000
Operating leases which expire: In more than 5 years	4,671	4,127

24 RELATED PARTIES

During the year the company purchased goods in the normal course of business from Peter Guild Ltd, a fellow subsidiary, for £464,000 (1997: £579,000). The price charged was the normal market price in the case of each individual purchase. At the balance sheet date the amount due to Peter Guild Ltd was £14,000 (1997: £1,000).

Payments were made to Cadogan Estates Limited, a fellow subsidiary, totalling £31,000 (1997: £85,000) relating to rent guarantees for some of the stores.

On 30 September 1998 a short term loan was issued by Cadogan Estates Limited which was converted into shares on 22 December 1998. Interest of £22,000 (1997: £nil) was payable on this loan.

As part of their employment the directors and senior employees can purchase goods from the company at a discount. The amount of goods purchased are not considered to be material either to the company or to the individuals.

25 PARENT UNDERTAKING

The holding company for all operational purposes is Cadogan Group Limited and the ultimate holding company is Cadogan Settled Estates Limited, both of which are registered in England and Wales.

The ultimate ownership of Cadogan Settled Estates Limited is vested in the eighth Earl Cadogan's 6 December 1961 Settlement.

Group accounts are prepared by Cadogan Settled Estates Limited and Cadogan Group Limited and can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.