

FURNITURE VILLAGE LIMITED (FORMERLY PLC)

Report and Accounts

For the year ended 31 March 2002

Registered No: 2307708



ERNST & YOUNG

DIRECTORS

P J Harrison
D J G Imrie
J M L Clark

SECRETARY

E G Wynne

AUDITORS

Ernst & Young LLP
Apex Plaza
Reading
Berkshire
RG1 1YE

BANKERS

Bank Of Scotland
Beaumont House
3 Queens Road
Reading
RG1 4AR

REGISTERED OFFICE

316 Bath Road
Slough
Berkshire
SL1 4DX

Furniture Village Limited

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2002

CONTENTS	PAGES
Directors' report	4 - 5
Statement of directors' responsibilities	6
Independent auditors' report to the shareholders	7
Profit and loss account	8
Balance sheet	9
Statement of cash flows	10
Notes to the financial statements	11 - 21

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2002.

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 has increased by 13% to £107,211,000 (2001: £95,019,000) during the year and operating profit increased by 39% from £3,774,000 to £5,259,000.

During the year, the executive management team completed a management buy-out of the business. In terms of this transaction, Furniture Village Group Limited acquired the entire shareholding of Furniture Village Limited on 6th December 2001.

RESTATEMENT OF PRIOR YEAR FIGURES

The accounting policy for deferred taxation was changed in the year with the implementation of FRS19. Prior year figures have been amended to reflect the adoption of the new standard. The effect of the change in policy is to reduce profit and net assets in the prior year by £1,612,000. Further details are contained in note 23 to the accounts.

RESULTS AND DIVIDENDS

The profit for the year, after taxation but before dividends, amounted to £5,417,000 (2001 re-stated: £686,000). The directors recommended and paid an ordinary dividend amounting to £8,207,000 (2001: £520,000). Preference dividends of £222,000 (2001: £222,000) were also paid during the year.

FUTURE DEVELOPMENTS

Three new stores will open in the first half of 2002/03 with further expansion opportunities being investigated.

DIRECTORS AND THEIR INTERESTS

The current directors, who are listed on page 2, all served throughout the year covered by this report. JMF Padovan, JG Rose, SA Corbyn and PA Grant resigned on the 6th December 2001 to facilitate the management buyout. Mr JC Hodgkinson was appointed both as a director and Chairman on 1 June 2002.

The directors who served during the financial year and their interests in the share capital of the company were as follows:

	2002		2001	
	Shares of £1 each		Shares of £1 each	
	"A"	"B"	"A"	"B"
	Ordinary	Ordinary	Ordinary	Ordinary
P J Harrison	-	-	60,000	-
D J G Imrie	-	-	60,000	-
J M L Clark	-	-	-	6,500
J M F Padovan (resigned 6 December 2001)	-	-	-	3,400
J G Rose (resigned 6 December 2001)	-	-	-	-
S A Corbyn (resigned 6 December 2001)	-	-	-	-
P A Grant (resigned 6 December 2001)	-	-	-	12,000

No director held any beneficial interest in the preference shares of the company at 27 December 1998, at date of appointment, or at 31 March 2002.

DIRECTORS' REPORT (CONTINUED)

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.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the group has been continued. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the various incentive arrangements, which cover everyone employed within the business.

CHARITABLE CONTRIBUTIONS

The company's charitable donations for the period were £27,142 (2001 £25,232)

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 31 March 2002 the company had an average of 34 days (2001: 33 days) purchases outstanding in trade creditors.

EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 8 July 2002, the company disposed of its leasehold interest in the Fulham store, yielding net proceeds from the sale, after the write-off of fixtures and fittings and costs directly associated with the disposal, of approximately £2.3million.

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor and to authorise the directors to fix their remuneration will be put to the members at the forthcoming Annual General Meeting.

By order of the Board



Secretary

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each year which give a true and fair view of the state of affairs of the company and the profit or loss 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FURNITURE VILLAGE LTD

We have audited the company's financial statements for the year ended 31 March 2002 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

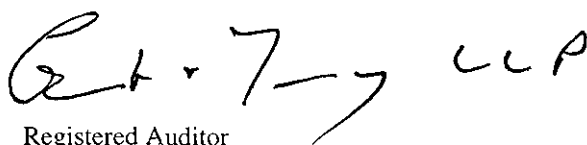
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Reading

18 July 2002.

Furniture Village Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2002

	Notes	2002 £'000	2001 £'000 <i>Restated</i>
TURNOVER	2	107,211	95,019
Cost of sales		(64,212)	(57,258)
GROSS PROFIT		42,999	37,761
Distribution costs		(19,714)	(16,247)
Administrative expenses		(17,943)	(17,150)
PROFIT BEFORE COST OF NEW STORE OPENINGS		5,342	4,364
New store pre-trading costs		(83)	(590)
OPERATING PROFIT		5,259	3,774
Non operating exceptional items	3	2,157	-
PROFIT BEFORE INTEREST AND TAX	4	7,416	3,774
Interest receivable		126	115
Interest payable	7	189	(345)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		7,731	3,544
Tax on profit on ordinary activities	8	(2,314)	(2,858)
PROFIT FOR THE FINANCIAL YEAR		5,417	686
Ordinary dividends on equity shares	9	(8,207)	(520)
Preference dividends on non-equity shares	9	(222)	(222)
LOSS RETAINED FOR THE FINANCIAL YEAR	19	(3,012)	(56)

STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit for the year ended 31 March 2002.

RESTATEMENT OF PRIOR YEAR FIGURES

The accounting policy for deferred tax was changed in the year with the implementation of FRS19. Prior year figures have been amended to reflect the adoption of the new standard. The effect of the change in policy is to reduce profit in the prior year by £1,612,000. Further details are contained in note 23 to the accounts.

Furniture Village Limited

BALANCE SHEET

At 31 March 2002

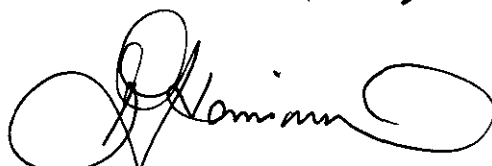
	Notes	2002 £'000	2001 £'000 <i>Restated</i>
FIXED ASSETS			
Tangible assets	10	16,938	17,399
CURRENT ASSETS			
Stocks	12	7,477	7,362
Debtors	13	6,611	7,631
Cash at bank and in hand	20(c)	6,987	4,652
		<u>21,075</u>	<u>19,645</u>
CREDITORS: amounts falling due within one year	14	(27,577)	(21,943)
NET CURRENT LIABILITIES		<u>(6,502)</u>	<u>(2,298)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,436</u>	<u>15,101</u>
CREDITORS: amounts falling due after more than one year	15	-	(2,500)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	17	(2,459)	(1,612)
		<u>7,977</u>	<u>10,989</u>
CAPITAL AND RESERVES			
Called up share capital (including non-equity capital)	18	3,800	3,800
Share premium account	19	274	274
Profit and loss account	19	3,903	6,915
SHAREHOLDERS' FUNDS (including non-equity interest)	19	<u>7,977</u>	<u>10,989</u>

RESTATEMENT OF PRIOR YEAR FIGURES

The accounting policy for deferred taxation was changed in the year with the implementation of FRS19. Prior year figures have been amended to reflect the adoption of the new standard. The effect of the change in policy is to reduce net assets in the prior year by £1,612,000. Further details are contained in note 23 to the accounts.

Approved by the Board on 18 JULY 2002

Director



Director



Furniture Village Limited

STATEMENT OF CASH FLOWS

For the year ended 31 March 2002

	<i>Notes</i>	<i>2002 £'000</i>	<i>2001 £'000</i>
NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES	20(a)	14,365	7,180
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20(b)	93	(286)
TAXATION	20(b)	(1,599)	(1,030)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	20(b)	747	(5,228)
EQUITY DIVIDENDS PAID		(8,727)	(644)
FINANCING	20(b)	(2,544)	699
INCREASE IN CASH		<u>2,335</u>	<u>691</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>Notes</i>	<i>2002 £'000</i>	<i>2001 £'000</i>
Increase in cash		2,335	691
Cash used to repay bank loan		2,500	250
Cash from new loan issued		-	(1,000)
Cash used to repay finance leases		44	81
MOVEMENT IN NET DEBT		<u>4,879</u>	<u>22</u>
NET DEBT AT 2 APRIL 2001	20(c)	<u>2,108</u>	<u>2,086</u>
NET DEBT AT 31 MARCH 2002	20(c)	<u>6,987</u>	<u>2,108</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

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, which are shown net of VAT, 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 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 on all timing differences, arising from the different treatment for accounts and taxation purposes of transactions and events recognised in the accounts of the current and previous years. Deferred taxation is measured on an undiscounted basis at rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted at the balance sheet date. Deferred taxation assets are only recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Pension costs

The company operates a defined contribution pension scheme for eligible employees. Eligibility is defined by length of service. Contributions are charged in 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 and reverse premiums

During the course of opening new stores, operating leases are negotiated which may include rent free periods and/or reverse premiums.

Rent free periods and net reverse premiums 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 elements of future obligations under the leases are included as liabilities in the balance sheet. The interest elements 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 Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

2 TURNOVER

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

3 NON OPERATING EXCEPTIONAL ITEMS

	2002 £'000	2001 £'000
Proceeds on disposal of leasehold interests	3,250	-
Loss on disposal of fixed assets	(1,093)	-
	<u>2,157</u>	<u>-</u>

The effect on the taxation charge for the year of the exceptional items recognised below operating profit is disclosed in note 8.

4 PROFIT BEFORE INTEREST AND TAX

	2002 £'000	2001 £'000
This is stated after charging:		
Auditors' remuneration		
- as auditors	27	19
- as advisors	47	27
Depreciation of owned assets	1,788	1,634
Depreciation of assets held under finance leases	60	84
Operating lease rentals - property	8,514	7,671
- other	536	402
	<u>12,972</u>	<u>10,447</u>

5 DIRECTORS EMOLUMENTS

	2002 £'000	2001 £'000
Emoluments	639	551
Company contributions paid to money purchase pension schemes	<u>8</u>	<u>8</u>
	<u>647</u>	<u>559</u>
	2002 No.	2001 No.
Members of money purchase pension scheme	2	3

The amounts in respect of the highest paid director were emoluments of £197,250 (2001: £188,000) and company contributions paid to pension schemes of £4,000 (2001: £4,000). During the period consultancy fees amounting to £15,873 (2001: £25,248) were paid to Beatzone Limited, a company in which the former Deputy Chairman has an interest.

Furniture Village Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

6 STAFF COSTS

	2002 £'000	2001 £'000
Wages and salaries	11,021	9,400
Social security costs	1,168	999
Pension costs	233	193
	<u>12,422</u>	<u>10,592</u>

The average monthly number of employees during the period was as follows:

	2002 No.	2001 No.
Office and management	48	47
Retailing and distribution	322	306
	<u>370</u>	<u>353</u>

7 INTEREST PAYABLE

	2002 £'000	2001 £'000
Bank loan and overdrafts	73	169
Other interest	3	6
Finance charges payable under finance leases	2	10
Interest re Primback case (VAT)	(267)	160
	<u>(189)</u>	<u>345</u>

All liabilities and interest payable in respect of the Primback VAT case, provided for in prior years, were settled during the current year. £267,000 interest, provided in excess of requirements, has been reversed to the profit and loss account during the current year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000 <i>Restated</i>
UK corporation tax		
Tax on profits in the period	1,554	1,223
Tax (over)/under provided in previous years	(87)	23
Total current tax	1,467	1,246
Deferred tax		
Originating and reversal of timing differences (note 17)	847	-
Prior year adjustment	-	1,612
	2,314	2,858

The accounting policy for deferred tax was changed in the year with the implementation of FRS19. Prior year figures have been amended to reflect the adoption of the new standard. The effect of the change in policy is a prior year deferred tax charge of £1,612,000. The tax effect in the profit and loss account relating to exceptional items recognised below operating profit is a debit of £647,000.

Factors affecting the tax charge for the period

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £'000	2001 £'000
Profit on ordinary activities	7,731	3,544
Expected tax charge on profit on ordinary activities calculated at the standard rate of tax in the UK of 30% (2001: 30%)	2,319	1,063
Effect of:		
Disallowed expenses and non-taxable income	(629)	186
Depreciation in excess of capital allowances	11	(131)
Short term timing differences	-	109
Tax (over)/under provided in previous years	(87)	23
Other adjustments	-	(4)
Capital gains	42	-
Group relief	(189)	-
Current tax charge for the period	1,467	1,246

Furniture Village Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

9 DIVIDENDS

	2002 £'000	2001 £'000
Dividends paid and proposed on equity ordinary shares	8,207	520
Dividends paid on non-equity preference shares	222	222
	<u>8,429</u>	<u>742</u>

10 TANGIBLE FIXED ASSETS

	Short leasehold property £'000	Fixtures, fittings equipment and vehicles £'000	Total £'000
Cost:			
At 2 April 2001	18,449	4,944	23,393
Additions	1,866	637	2,503
Disposals	(1,414)	(433)	(1,847)
At 31 March 2002	<u>18,901</u>	<u>5,148</u>	<u>24,049</u>
Depreciation:			
At 2 April 2001	3,532	2,462	5,994
Provided during the year	1,259	589	1,848
Disposals	(554)	(177)	(731)
At 31 March 2002	<u>4,237</u>	<u>2,874</u>	<u>7,111</u>
Net book value:			
At 31 March 2002	<u>14,664</u>	<u>2,274</u>	<u>16,938</u>
At 2 April 2001	<u>14,917</u>	<u>2,482</u>	<u>17,399</u>

The net book value of fixtures, fittings and equipment above includes an amount of £nil (2001: £60,000) in respect of assets held under finance leases.

11 INVESTMENT

At 2 April 2001 the company owned 100% of the share capital of The London Bed Company Limited, a dormant subsidiary registered in England and Wales, with aggregate capital and reserves of £2. The company was sold to Furniture Village Group Limited on the 6th December 2001 for a consideration of £2 as part of the management buy-out transaction.

Furniture Village Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

12 STOCKS

	2002 £'000	2001 £'000
Goods for resale	7,477	7,362

13 DEBTORS

	2002 £'000	2001 £'000
Trade debtors	1,360	1,168
Other debtors	2,394	2,872
Prepayments and accrued income	2,857	3,591
	6,611	7,631

14 CREDITORS: amounts falling due within one year

	2002 £'000	2001 £'000
Obligations under finance leases (note 16)	-	44
Deposits on goods not yet delivered	5,033	4,477
Trade creditors	7,501	5,341
Corporation tax	892	1,024
Other taxes and social security costs	2,368	4,184
Proposed equity dividend	-	520
Other creditors and accruals	4,406	6,353
Owed to parent company	7,377	-
	27,577	21,943

15 CREDITORS: amounts falling due after more than one year

	2002 £'000	2001 £'000
Bank loan	-	2,500

The loan was fully repaid as part of the management buyout transaction on the 6th December 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

16 OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

	2002 £'000	2001 £'000
Amounts payable		
Within one year	-	46
Less: finance charges allocated to future periods	-	2
	<u>-</u>	<u>44</u>
Finance leases are analysed as follows:		
Current obligations (note 14)	-	44
	<u>-</u>	<u>44</u>

17 PROVISION FOR LIABILITIES AND CHARGES

Provision for deferred tax:

	£'000
At 1 April 2001 (restated)	1,612
Provided during the current year	907
Prior period overprovision	(60)
At 31 March 2002	<u>2,459</u>

The deferred tax consists of:

	2002 £'000	2001 £'000
Accelerated capital allowances	948	958
Other timing differences	(9)	(131)
Capital gains	1,520	785
Total deferred tax liability	<u>2,459</u>	<u>1,612</u>

Furniture Village Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

18 SHARE CAPITAL

	2002 £'000	2001 £'000
<i>Authorised:</i>		
Equity Interest		
“A” Ordinary shares of £1 each	150	150
“B” Ordinary shares of £1 each	550	550
	<u>700</u>	<u>700</u>
Non Equity Interest		
Cumulative preference shares of £1 each (on which a total dividend of £96,000 is payable)	1,400	1,400
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	500	500
	<u>650</u>	<u>650</u>
Non Equity Interest		
Cumulative preference shares of £1 each (on which a total dividend of £96,000 is payable)	1,400	1,400
7.2% Cumulative Redeemable preference shares of £1 each	1,750	1,750
	<u>3,800</u>	<u>3,800</u>

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.

On 6 July 1998, options were granted to the Employee Benefit Trust to purchase 33,044 “B” ordinary shares at £5 each. These options are exercisable when certain performance criteria have been met. An option had already been exercised for 6,500 shares, leaving unexercised options over 26,544 shares. As part of the management buyout process of Furniture Village Group Limited, the trustees of the Furniture Village Employee Benefits Trust (Regent Capital Trust Corporation Limited of Jersey) surrendered this share option entitlement in exchange for their being granted a similar option over the shares of Furniture Village Group Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

19 RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENT ON RESERVES

	Share Capital £'000	Share Premium £'000	Profit & Loss Account (Restated) £'000	Total (Restated) £'000
At 2 April 2000	3,794	247	6,971	11,012
Retained profit for the year	-	-	1,556	1,556
Prior year adjustment			(1,612)	(1,612)
Issue of shares	6	27	-	33
At 1 April 2001 (restated)	3,800	274	6,915	10,989
Retained loss for the year	-	-	(3,012)	(3,012)
At 31 March 2002	3,800	274	3,903	7,977

The accounting policy for deferred taxation was changed in the year with the implementation of FRS19. Prior year figures have been amended to reflect the adoption of the new standard. The effect of the change in policy is to reduce profits in the prior year by £1,612,000. Further details are contained in note 23 to the accounts.

20 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2002 £'000	2001 £'000
Operating profit	5,259	3,774
Depreciation	1,848	1,718
Loss on disposal of fixed assets	23	49
Increase in stocks	(115)	(298)
Decrease in debtors	1,020	(1,475)
Increase in creditors	6,330	3,412
Net cash inflow from operating activities	14,365	7,180

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

Returns on investments and servicing of finance:

	2002 £'000	2001 £'000
Interest received	126	116
Interest paid	191	(170)
Preference dividend paid	(222)	(222)
Interest element on finance lease rental payments	(2)	(10)
	93	(286)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

20 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

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

	2002 £'000	2001 £'000
Taxation:		
Corporation Tax paid	(1,599)	(1,030)
Capital expenditure and financial investment:		
Proceeds from disposal of leasehold interests	3,250	1
Payments to acquire tangible fixed assets	(2,503)	(5,229)
	747	(5,228)
Financing:		
Issue of shares	-	33
Repayment of bank loan	(2,500)	(250)
Issue of bank loan	-	1,000
Capital element of finance lease rental payments	(44)	(84)
	(2,544)	699

c) Analysis of changes in net debt

	At 2 April 2001 £'000	Cash Flow £'000	At 31 March 2002 £'000
Cash at bank and in hand	4,652	2,335	6,987
Debt due within one year	(44)	44	-
Debt due after one year	(2,500)	2,500	-
	2,108	4,879	6,987

Cashflows relating to non-operating exceptionals

Capital expenditure and financial investment cashflows include £3,250,000 from the disposal of leasehold interests.

21 CAPITAL COMMITMENTS

Future capital expenditure not otherwise included in these financial statements

	2002 £'000	2001 £'000
Authorised by the directors and contracted for	120	99
Authorised by the directors but not yet contracted for	1,650	1,049
	1,770	1,148

Furniture Village Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

22 OTHER FINANCIAL COMMITMENTS

In respect of leases the following annual commitments existed at 31 March 2002 in respect of non-cancellable operating leases:

	<i>Land & Buildings 2002</i>	<i>Land & Buildings 2001</i>	<i>Other 2002</i>	<i>Other 2001</i>
Operating leases which expire:				
Within one year	-	-	103	150
In two to five years	-	30	271	299
In over five years	8,857	8,035	-	-
	<u>8,857</u>	<u>8,065</u>	<u>374</u>	<u>449</u>

23 PRIOR YEAR ADJUSTMENT

The Group accounting policy for deferred tax was changed in the year with the implementation of FRS 19. Prior year figures have been amended to reflect the adoption of the new standard. The effect of the change in the policy is to decrease profit and net assets in the prior year by £1,612,000.

The effect of the implementation of FRS 19 on reported results is as follows:

	<i>2001 £'000</i>
Retained profit as previously reported	8,527
Effect of implementing the new standard	(1,612)
As restated	<u>6,915</u>
Net assets as previously reported	12,601
Effect of implementing the new standard	(1,612)
As restated	<u>10,989</u>

As a result of adopting the change in accounting policy, the profit for the year ended 31 March 2002 has been reduced by £847,000.

24 RELATED PARTIES

Payments were made to Cadogan Estates Limited, a fellow subsidiary, totalling £16,470 (2001: £33,000) relating to rent guarantees for some of the stores.

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 AND CONTROLLING PARTY

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Furniture Village Group Limited, registered in England and Wales. Group accounts are prepared by Furniture Village Group Limited and are available from the registered office at Bath Road Retail Park, 316 Bath Road, Slough, SL1 4DX.