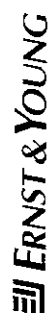


# **Furniture Village Limited**

**Report and Financial Statements**

**For the year ended 30 March 2003**

 **ERNST & YOUNG**



# Furniture Village Limited

Registered No: 2307708

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**Directors**

J C Hodgkinson (Chairman) (appointed 1 June 2002)

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

Berkshire

RG1 4AR

**Registered Office**

258 Bath Road

Slough

Berkshire

SL1 4DX



## Directors' Report

The Directors present their report and financial statements for the year ended 30 March 2003.

### 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 11% to £120,909,000 (2002: £108,804,000) during the year and operating profit increased by 1% from £5,259,000 to £5,301,000. Seven new outlets were opened during the year with one closure, bringing the number of trading outlets to thirty-two.

During the previous financial 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 6 December 2001. These results therefore represent the first full year of trading following the buy-out.

### Results and Dividends

The profit for the year, after taxation but before dividends, amounted to £4,951,000 (2002: £5,417,000). The Directors do not recommend the payment of a dividend (2002: £8,207,000). Preference dividends of £222,000 (2002: £222,000) were also paid during the year.

### Future Developments

A new venture, trading under the name of "London Furniture Company", was launched on 6 April 2003 off Sloane Square, London, and a fully refurbished Slough store has re-opened in the first half of 2003/04. One new store has been committed for 2003/04 with further expansion opportunities being investigated.

### Directors and their Interests

The current Directors, who are listed on page 1, all served throughout the year covered by this report, with the exception of Mr J C Hodgkinson, who was appointed both as a Director and Chairman on 1 June 2002.

No Director held any "A" ordinary shares, any "B" ordinary shares nor any beneficial interest in the preference shares of the Company at 1 April 2002 or throughout the year ended 30 March 2003.

### 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 £30,750 (2002 £27,142).



## Directors' Report

### Events Subsequent to the Balance Sheet Date

On 6 April 2003, a new store opened off Sloane Square, London, trading under the name of "London Furniture Company". In addition, on 26 May 2003, the Slough store re-opened following a full refurbishment.

### Auditors

A resolution to reappoint Ernst & Young LLP as the Company's auditors and to set their remuneration will be put to the members at the Annual General Meeting.

By order of the Board *on 23 JUNE 2003*



Secretary

## Statement of Directors' responsibilities in respect of the financial statements

Company law requires the Directors to prepare financial statements 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 financial statements, the Directors are required to:

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

The Directors are responsible for keeping 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 financial statements 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.

**ERNST & YOUNG**  
**Independent auditors' report**  
to the members of Furniture Village Limited

We have audited the Company's financial statements for the year ended 30 March 2003 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Statement of Cash Flows and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and 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.

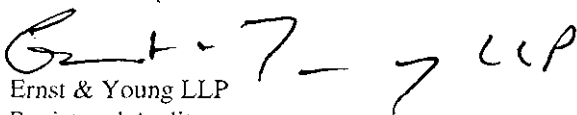
**Basis of audit opinion**

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 30 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
Reading

23 June 2003



# Profit and Loss Account

For the year ended 30 March 2003

|                                                        | Note | 2003<br>£'000 | 2002<br>£'000<br><i>Restated</i> |
|--------------------------------------------------------|------|---------------|----------------------------------|
| <b>Turnover</b>                                        | 2    | 120,909       | 108,804                          |
| Cost of sales                                          |      | (69,574)      | (64,212)                         |
| <b>Gross Profit</b>                                    |      | 51,335        | 44,592                           |
| Distribution costs                                     |      | (25,039)      | (21,307)                         |
| Administrative expenses                                |      | (20,268)      | (17,943)                         |
| <b>Profit before cost of New Store Openings</b>        |      | 6,028         | 5,342                            |
| New store pre-trading costs                            |      | (727)         | (83)                             |
| <b>Operating Profit</b>                                |      | 5,301         | 5,259                            |
| Non operating exceptional items                        | 3    | 1,772         | 2,157                            |
| <b>Profit Before Interest and Tax</b>                  | 4    | 7,073         | 7,416                            |
| Bank interest receivable                               |      | 231           | 126                              |
| Interest payable                                       | 7    | (1)           | 189                              |
| <b>Profit on Ordinary Activities Before Tax</b>        |      | 7,303         | 7,731                            |
| Tax on profit on ordinary activities                   | 8    | (2,352)       | (2,314)                          |
| <b>Profit for the Financial Year</b>                   |      | 4,951         | 5,417                            |
| Ordinary dividends on equity shares                    | 9    | -             | (8,207)                          |
| Preference dividends on non-equity shares              | 9    | (222)         | (222)                            |
| <b>Profit / (Loss) Retained for the Financial Year</b> | 16   | 4,729         | (3,012)                          |

## STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit for the year ended 30 March 2003.

## RESTATEMENT OF PRIOR YEAR FIGURES

The accounting policy for the presentation of delivery charges invoiced to customers was changed in the year. Prior year figures have been amended to reflect this. This change in accounting policy had no effect on the profit as previously reported. Further details are contained in note 1 to the financial statements.

**Balance Sheet**

At 30 March 2003

|                                                            | Note  | 2003<br>£'000  | 2002<br>£'000  |
|------------------------------------------------------------|-------|----------------|----------------|
| <b>Fixed Assets</b>                                        |       |                |                |
| Tangible assets                                            | 10    | 22,314         | 16,938         |
| <b>Current Assets</b>                                      |       |                |                |
| Stocks                                                     | 11    | 9,141          | 7,477          |
| Debtors                                                    | 12    | 7,454          | 6,611          |
| Cash at bank and in hand                                   | 17(c) | 6,973          | 6,987          |
|                                                            |       | <u>23,568</u>  | <u>21,075</u>  |
| <b>Creditors:</b> amounts falling due within one year      | 13    | (29,586)       | (27,577)       |
| <b>Net Current Liabilities</b>                             |       | <u>(6,018)</u> | <u>(6,502)</u> |
| <b>Total Assets Less Current Liabilities</b>               |       | <u>16,296</u>  | <u>10,436</u>  |
| <b>Provisions for Liabilities and Charges</b>              |       |                |                |
| Deferred tax                                               | 14    | (3,590)        | (2,459)        |
|                                                            |       | <u>12,706</u>  | <u>7,977</u>   |
| <b>Capital and Reserves</b>                                |       |                |                |
| Called up share capital (including non-equity capital)     | 15    | 3,800          | 3,800          |
| Share premium account                                      | 16    | 274            | 274            |
| Profit and loss account                                    | 16    | 8,632          | 3,903          |
| <b>Shareholders' Funds</b> (including non-equity interest) | 16    | <u>12,706</u>  | <u>7,977</u>   |

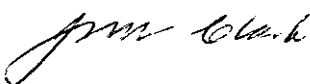
Approved by the Board on

23 June 2003

Director



Director



# Statement of Cash Flows

For the year ended 30 March 2003

|                                                             | Note  | 2003<br>£'000 | 2002<br>£'000 |
|-------------------------------------------------------------|-------|---------------|---------------|
| <b>Net Cash Inflow from Continuing Operating Activities</b> | 17(a) | 7,186         | 14,365        |
| <b>Returns on Investments and Servicing of Finance</b>      | 17(b) | 8             | 93            |
| <b>Taxation</b>                                             | 17(b) | (1,643)       | (1,599)       |
| <b>Capital Expenditure and Financial Investment</b>         | 17(b) | (5,565)       | 747           |
| <b>Equity Dividends Paid</b>                                |       | -             | (8,727)       |
| <b>Financing</b>                                            | 17(b) | -             | (2,544)       |
| <b>Increase in Cash</b>                                     |       | (14)          | 2,335         |

## Reconciliation of Net Cash Flow to Movement in Net Debt

|                                   | Note  | 2003<br>£'000 | 2002<br>£'000 |
|-----------------------------------|-------|---------------|---------------|
| Increase in cash                  |       | (14)          | 2,335         |
| Cash used to repay bank loan      |       | -             | 2,500         |
| Cash used to repay finance leases |       | -             | 44            |
| <b>Movement in Net Debt</b>       |       | (14)          | 4,879         |
| <b>Net Debt at 1 April 2002</b>   | 17(c) | 6,987         | 2,108         |
| <b>Net Debt at 30 March 2003</b>  | 17(c) | 6,973         | 6,987         |

# Notes to the Financial Statements

For the year ended 30 March 2003

## 1. Accounting Policies

### **Accounting Convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The accounting policies used in preparing the financial statements are consistent with those of the previous year, except for the presentation of delivery charges invoiced to customers. This change in accounting policy had no effect on the profit as previously reported. The change resulted in a reclassification in the prior year comparative of £1,593,000 from distribution costs to turnover.

### **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 on all timing differences, arising from the different treatment for financial statements and taxation purposes of transactions and events recognised in the financial statements 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 lease 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.

## Notes to the Financial Statements

For the year ended 30 March 2003

### 1. Accounting Policies (continued)

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. All differences are taken to the profit and loss account.

### 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

|                                             | 2003<br>£'000 | 2002<br>£'000 |
|---------------------------------------------|---------------|---------------|
| Proceeds on disposal of leasehold interests | 3,250         | 3,250         |
| Loss on disposal of fixed assets            | (1,428)       | (1,093)       |
| Other costs relating to disposals           | (50)          | -             |
|                                             | <u>1,772</u>  | <u>2,157</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

|                                                  | 2003<br>£'000 | 2002<br>£'000 |
|--------------------------------------------------|---------------|---------------|
| This is stated after charging:                   |               |               |
| Auditors' remuneration                           |               |               |
| - as auditors                                    | 30            | 27            |
| - as advisors                                    | 77            | 47            |
| Depreciation of owned assets                     | 2,003         | 1,788         |
| Depreciation of assets held under finance leases | -             | 60            |
| Operating lease rentals - property               | 9,754         | 8,514         |
| - other                                          | 464           | 536           |
|                                                  | <u></u>       | <u></u>       |

# Notes to the Financial Statements

For the year ended 30 March 2003

## 5. Directors' Emoluments

|                                                              | 2003<br>£'000 | 2002<br>£'000 |
|--------------------------------------------------------------|---------------|---------------|
| Emoluments                                                   | 652           | 768           |
| Company contributions paid to money purchase pension schemes | 8             | 8             |
|                                                              | 2003<br>No.   | 2002<br>No.   |
| Members of money purchase pension scheme                     | 2             | 2             |

The amounts in respect of the highest paid Director were emoluments of £231,000 (2002: £245,000) and Company contributions paid to pension schemes of £4,000 (2002: £4,000). During the period consultancy fees amounting to £nil (2002: £15,873) was paid to Beatzone Limited, a Company in which the former deputy chairman had an interest. Directors' emoluments include bonuses relating to the period in which they accrue, although these may be paid after the year end. The prior year comparative has been restated to this effect as Directors' emoluments were previously shown on a cash basis.

## 6. Staff Costs

|                       | 2003<br>£'000 | 2002<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 13,097        | 11,021        |
| Social security costs | 1,355         | 1,168         |
| Pension costs         | 280           | 233           |
|                       | 14,732        | 12,422        |

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

|                            | 2003<br>No. | 2002<br>No. |
|----------------------------|-------------|-------------|
| Office and management      | 60          | 48          |
| Retailing and distribution | 378         | 322         |
|                            | 438         | 370         |

## 7. Interest Payable

|                                              | 2003<br>£'000 | 2002<br>£'000 |
|----------------------------------------------|---------------|---------------|
| Bank loan and overdrafts                     | 1             | 73            |
| Other interest                               | -             | 3             |
| Finance charges payable under finance leases | -             | 2             |
| Interest re Primback case (VAT)              | -             | (267)         |
|                                              | 1             | (189)         |

All liabilities and interest payable in respect of the Primback VAT case, provided for in prior years, were settled during the previous financial year. £nil interest (2002: £267,000), 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 30 March 2003

### 8. Tax on Profit on Ordinary Activities

|                                                         | 2003<br>£'000 | 2002<br>£'000 |
|---------------------------------------------------------|---------------|---------------|
| <b>UK Corporation Tax</b>                               |               |               |
| Tax on profits in the period                            | 1,215         | 1,554         |
| Tax under/(over) provided in previous years             | 6             | (87)          |
| Total current tax                                       | 1,221         | 1,467         |
| <b>Deferred Tax</b>                                     |               |               |
| Originated and reversal of timing differences (note 14) | 1,131         | 847           |
|                                                         | 2,352         | 2,314         |

The tax effect in the profit and loss account relating to exceptional items recognised below operating profit is a debit of £219,000 (2002: £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:

|                                                                                                                                                | 2003<br>£'000 | 2002<br>£'000 |
|------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Profit on ordinary activities                                                                                                                  | 7,303         | 7,731         |
| Expected tax charge on profit on ordinary activities calculated<br>At the standard rate of tax in the UK of 30% (2002: 30%)                    | 2,191         | 2,319         |
| Effect of:                                                                                                                                     |               |               |
| Disallowed expenses and non-taxable income<br>(Capital allowances in excess of depreciation) /<br>Depreciation in excess of capital allowances | (221)         | (629)         |
| Short term timing differences                                                                                                                  | (1)           | -             |
| Tax under/(over) provided in previous years                                                                                                    | 6             | (87)          |
| Accounting profit on chargeable assets                                                                                                         | 970           | -             |
| Capital gains                                                                                                                                  | (751)         | 42            |
| Group relief                                                                                                                                   | (607)         | (189)         |
| Current tax charge for the period                                                                                                              | 1,221         | 1,467         |

### 9. Dividends

|                                                       | 2003<br>£'000 | 2002<br>£'000 |
|-------------------------------------------------------|---------------|---------------|
| Dividends paid and proposed on equity ordinary shares | -             | 8,207         |
| Dividends paid on non-equity preference shares        | 222           | 222           |
|                                                       | 222           | 8,429         |

## Notes to the Financial Statements

For the year ended 30 March 2003

### 10. Tangible Fixed Assets

|                          | <i>Short<br/>Leasehold<br/>Property<br/>£'000</i> | <i>Fixtures<br/>fittings<br/>equipment<br/>&amp; vehicles<br/>£'000</i> | <i>Total<br/>£'000</i> |
|--------------------------|---------------------------------------------------|-------------------------------------------------------------------------|------------------------|
| <b>Cost:</b>             |                                                   |                                                                         |                        |
| At 1 April 2002          | 18,901                                            | 5,148                                                                   | 24,049                 |
| Additions                | 7,289                                             | 1,632                                                                   | 8,921                  |
| Disposals                | (2,420)                                           | (733)                                                                   | (3,153)                |
| At 30 March 2003         | 23,770                                            | 6,047                                                                   | 29,817                 |
| <b>Depreciation:</b>     |                                                   |                                                                         |                        |
| At 1 April 2002          | 4,237                                             | 2,874                                                                   | 7,111                  |
| Provided during the year | 1,382                                             | 621                                                                     | 2,003                  |
| Disposals                | (996)                                             | (615)                                                                   | (1,611)                |
| At 30 March 2003         | 4,623                                             | 2,880                                                                   | 7,503                  |
| <b>Net Book Value:</b>   |                                                   |                                                                         |                        |
| At 30 March 2003         | 19,147                                            | 3,167                                                                   | 22,314                 |
| At 1 April 2002          | 14,664                                            | 2,274                                                                   | 16,938                 |

The net book value of fixtures, fittings and equipment above includes an amount of £nil (2002: £nil) in respect of assets held under finance leases.

### 11. Stocks

|                  | <i>2003<br/>£'000</i> | <i>2002<br/>£'000</i> |
|------------------|-----------------------|-----------------------|
| Goods for resale | 9,141                 | 7,477                 |

### 12. Debtors

|                                | <i>2003<br/>£'000</i> | <i>2002<br/>£'000</i> |
|--------------------------------|-----------------------|-----------------------|
| Trade debtors                  | 1,197                 | 1,360                 |
| Other debtors                  | 1,922                 | 2,394                 |
| Prepayments and accrued income | 4,335                 | 2,857                 |
|                                | 7,454                 | 6,611                 |

# Notes to the Financial Statements

For the year ended 30 March 2003

## 13. Creditors: amounts falling due after more than one year

|                                       | 2003<br>£'000 | 2002<br>£'000 |
|---------------------------------------|---------------|---------------|
| Deposits on goods not yet delivered   | 6,036         | 5,033         |
| Trade creditors                       | 11,540        | 7,501         |
| Corporation tax                       | 470           | 892           |
| Other taxes and social security costs | 1,899         | 2,368         |
| Other creditors and accruals          | 5,076         | 4,406         |
| Owed to parent company                | 4,565         | 7,377         |
|                                       | <u>29,586</u> | <u>27,577</u> |

## 14. Provisions for Liabilities and Charges

Provision for deferred tax:

|                                      |              |
|--------------------------------------|--------------|
|                                      | £'000        |
| At 1 April 2002                      | 2,459        |
| Provided throughout the current year | 1,118        |
| Prior period underprovision          | 13           |
| At 30 March 2003                     | <u>3,590</u> |

The deferred tax consists of:

|                                | 2003<br>£'000 | 2002<br>£'000 |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | 1,364         | 948           |
| Other timing differences       | (9)           | (9)           |
| Capital gains                  | 2,235         | 1,520         |
| Total deferred tax liability   | <u>3,590</u>  | <u>2,459</u>  |

## 15. Share Capital

|                                                                                         | 2003<br>£'000 | 2002<br>£'000 |
|-----------------------------------------------------------------------------------------|---------------|---------------|
| <b>Authorised:</b>                                                                      |               |               |
| Equity interest                                                                         |               |               |
| "A" Ordinary shares of £1 each                                                          |               |               |
| Number of shares – 150,000 (2002 – 150,000)                                             | 150           | 150           |
| "B" Ordinary shares of £1 each                                                          |               |               |
| Number of shares – 550,000 (2002 – 550,000)                                             | 550           | 550           |
|                                                                                         | <u>700</u>    | <u>700</u>    |
| Non-equity interest                                                                     |               |               |
| Cumulative preference of shares of £1 (on which a total dividend of £96,000 is payable) |               |               |
| Number of shares – 1,400,000 (2002 – 1,400,000)                                         | 1,400         | 1,400         |
| 7.2% Cumulative redeemable preference of shares of £1 each                              |               |               |
| Number of shares – 3,000,000 (2002 – 3,000,000)                                         | 3,000         | 3,000         |
|                                                                                         | <u>5,100</u>  | <u>5,100</u>  |

## Notes to the Financial Statements

For the year ended 30 March 2003

### 15. Share Capital (continued)

|                                                                                         | 2003<br>£'000 | 2002<br>£'000 |
|-----------------------------------------------------------------------------------------|---------------|---------------|
| <b>Allotted, called up and fully paid:</b>                                              |               |               |
| Equity interest                                                                         |               |               |
| “A” Ordinary shares of £1 each                                                          |               |               |
| Number of shares – 150,000 (2002 – 150,000)                                             | 150           | 150           |
| “B” Ordinary shares of £1 each                                                          |               |               |
| Number of shares – 500,340 (2002 – 500,340)                                             | 500           | 500           |
|                                                                                         | <u>650</u>    | <u>650</u>    |
| Non-equity interest                                                                     |               |               |
| Cumulative preference of shares of £1 (on which a total dividend of £96,000 is payable) |               |               |
| Number of shares – 1,400,000 (2002 – 1,400,000)                                         | 1,400         | 1,400         |
| 7.2% Cumulative redeemable preference of shares of £1 each                              |               |               |
| Number of shares – 1,750,000 (2002 – 1,750,000)                                         | 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 due to be redeemed by 31 December 2003. Dividends on preference shares are payable quarterly in arrears.

### 16. Reconciliation of Shareholders Funds and Movements on Reserves

|                              | Share<br>Capital | Share<br>premium | Profit and<br>loss<br>account | Total         |
|------------------------------|------------------|------------------|-------------------------------|---------------|
|                              | £'000            | £'000            | £'000                         | £'000         |
| At 1 April 2002              | 3,800            | 274              | 3,903                         | 7,977         |
| Retained profit for the year | -                | -                | 4,729                         | 4,729         |
| At 30 March 2003             | <u>3,800</u>     | <u>274</u>       | <u>8,632</u>                  | <u>12,706</u> |

### 17. Notes to the Statement of Cash Flows

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

|                                             | 2003<br>£'000 | 2002<br>£'000 |
|---------------------------------------------|---------------|---------------|
| Operating profit                            | 5,301         | 5,259         |
| Depreciation                                | 2,003         | 1,848         |
| (Profit) / Loss on disposal of fixed assets | (17)          | 23            |
| Increase in stocks                          | (1,664)       | (115)         |
| (Increase) / Decrease in debtors            | (843)         | 1,020         |
| Increase in creditors                       | 2,406         | 6,330         |
| Net cash inflow from operating activities   | <u>7,186</u>  | <u>14,365</u> |

# Notes to the Financial Statements

For the year ended 30 March 2003

## 17. Notes to the Statement of Cash Flows (continued)

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

|                                                      | 2003<br>£'000  | 2002<br>£'000  |
|------------------------------------------------------|----------------|----------------|
| Returns on investments and servicing of finance:     |                |                |
| Interest received                                    | 231            | 126            |
| Interest paid                                        | (1)            | 191            |
| Preference dividend paid                             | (222)          | (222)          |
| Interest element on finance lease rental payments    | -              | (2)            |
|                                                      | <u>8</u>       | <u>93</u>      |
| Taxation:                                            |                |                |
| Corporation Tax paid                                 | (1,730)        | (1,599)        |
| Corporation Tax repayment received                   | 87             | -              |
|                                                      | <u>(1,643)</u> | <u>(1,599)</u> |
| Capital expenditure and financial investment:        |                |                |
| Proceeds from disposal of leasehold interests        | 3,250          | 3,250          |
| Proceeds from disposal of other assets               | 131            | -              |
| Payments relating to disposal of leasehold interests | (25)           | -              |
| Payments to acquire tangible fixed assets            | (8,921)        | (2,503)        |
|                                                      | <u>(5,565)</u> | <u>747</u>     |
| Financing:                                           |                |                |
| Issue of shares                                      | -              | -              |
| Repayment of bank loan                               | -              | (2,500)        |
| Issue of bank loan                                   | -              | -              |
| Capital element of finance lease rental payments     | -              | (44)           |
|                                                      | <u>-</u>       | <u>(2,544)</u> |

(c) Analysis of changes in net debt

|                          | At 1 April<br>2002<br>£'000 | Cash<br>flow<br>£'000 | At 30 March<br>2003<br>£'000 |
|--------------------------|-----------------------------|-----------------------|------------------------------|
| Cash at bank and in hand | 6,987                       | (14)                  | 6,973                        |
|                          | <u>6,987</u>                | <u>(14)</u>           | <u>6,973</u>                 |

### Cash flows relating to non-operating exceptionals

Capital expenditure and financial investment cash flows include £3,250,000 (2002 - £3,250,000) from the disposal of leasehold interests.

## Notes to the Financial Statements

For the year ended 30 March 2003

### 18. Capital Commitments

Future capital expenditure not otherwise included in these financial statement

|                                                        | 2003         | 2002         |
|--------------------------------------------------------|--------------|--------------|
|                                                        | £'000        | £'000        |
| Authorised by the Directors and contracted for         | 1,220        | 120          |
| Authorised by the Directors but not yet contracted for | 265          | 1,650        |
|                                                        | <u>1,485</u> | <u>1,770</u> |

### 19. Other Financial Commitments

In respect of leases the following annual commitments existed at 30 March 2003 in respect of non-cancellable operating leases:

|                                | <i>Land and<br/>Buildings</i> | <i>Land and<br/>buildings</i> | <i>Other</i> | <i>Other</i> |
|--------------------------------|-------------------------------|-------------------------------|--------------|--------------|
|                                | 2003                          | 2002                          | 2003         | 2002         |
|                                | £'000                         | £'000                         | £'000        | £'000        |
| Operating leases which expire: |                               |                               |              |              |
| Within one year                | -                             | -                             | 103          | 103          |
| In two to five years           | -                             | -                             | 213          | 271          |
| In over five years             | 11,187                        | 8,857                         | -            | -            |
|                                | <u>11,187</u>                 | <u>8,857</u>                  | <u>316</u>   | <u>374</u>   |

### 20. Related Parties

As part of their employment the Directors and senior employees can purchase goods from the Company at a discount. The amount of goods purchased is not considered to be material either to the Company nor to the individuals. The Company has taken advantage of the exemption allowed under FRS 8: Related party disclosures, from disclosing transactions with related parties that are part of the Furniture Village Group, as the Company is a 100% subsidiary of a Group whose financial statements are publicly available.

### 21. 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 financial statements are prepared by Furniture Village Group Limited and are available from the registered office at 258 Bath Road, Slough, SL1 4DX.