

Furniture Village Limited

Report and Financial Statements

For the 53 weeks ended 4 April 2010

THURSDAY



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Directors

J C Hodkinson (Chairman)
P J Harrison
E G Wynne
E Duggan
M A Walker

Secretary

C E Shiels

Auditors

Ernst & Young LLP
Apex Plaza
Reading
Berkshire RG1 1YE

Bankers

Bank of Scotland (part of Lloyds Banking group)
The Atrium
Davidson House
Forbury Square
Reading
Berkshire RG1 3EU

Registered Office

258 Bath Road
Slough
Berkshire SL1 4DX

Chairman's statement

In the last set of accounts I reported that the management of the business had 'realigned' the operation in order to accommodate the new and more challenging world in which we all find ourselves. Having taken a longer term view in restructuring its trading model the business appeared well placed both to come through tough trading conditions and to benefit when a degree of consumer confidence returned. It is pleasing to report that in the financial year just ended, this confidence proved well placed with increased volumes, margins, profitability and cash performances.

The realisation of the benefit from its renewed foundations prepared in previous years has been rewarding for all concerned, with improvements across the business and in particular in product ranging and choice, training and development, marketing, enhancements to service, efficiency and cash management.

Whilst it would appear that we have continued to grow market share in a profitable way, the trading environment remains somewhat unclear especially as the full implications of spending reductions and tax increases by the new coalition government are yet to be fully understood. What is clear is that it is likely that trading conditions could to a degree tighten again and with that in mind it is reassuring that the business is in good shape and that the management team have a proven track record of handling challenging situations without sacrificing the culture or direction of the business.

Trading review

Turnover for the 53 weeks to the 4th April 2010 was £172.4m, up £10.5m or 6.5% on last year's 52 weeks. Order intake over the same period was up 9% on a like for like basis.

The determination to link trading volumes to solid margin management has continued, with gross margin ahead of last year despite additional promotional activity surrounding our 20th Birthday celebrations in August. The margin has been underpinned by further improvements in buying, improved margin awareness through further training for our sales teams, together with an effective foreign exchange hedging policy.

The increases in profitability in the business have had a positive impact on remuneration related overheads, with everyone in the business rightly experiencing improved bonus and commission in reflection of their contribution to a strong overall performance.

Outside of success or volume related cost increases, overheads were well controlled with benefits resulting from efficiencies identified last year and overall overheads falling as a percent to net sales.

The resultant trading profit before interest and tax was £5.5m, up £3.1m or 129% compared to last year's 52 week year.

Balance sheet

The recent improvements in working capital management are now well established, with stocks remaining tightly controlled and control of cash management at store level improving again. These actions combined with healthy volume growth and solid margins have resulted in a strong cash position during the year, allowing a voluntary additional payment of bank debt ahead of schedule.

Chairman's statement (continued)

People

The business remains convinced that one of its primary differentiators is the quality and attitude of its people and it remains committed to a culture of effective people development and management. In the past year further improvements to all aspects of Human Resources (HR) Management have taken place, from recruitment through to training and benefits management, all facilitated through additional investment in HR professionals and resources.

New stores

The business has continued its long adopted policy of controlled and prudent store expansion which has served it well. This approach has allowed for expansion where the financials, landlord propositions, demographics and trading research clearly indicated a sound business opportunity. In the past year, with the above strict criteria being achieved, new stores were opened at Cheltenham, Farnborough and Kingston - a reflection of the confidence in the overall business model, location demographics, business cash position and quality of landlord proposition.

Outlook

The business has set its targets for the year assuming that trading conditions were likely to remain challenging as a result of slow economic recovery and consequently like for like growth being difficult to achieve. As past improvements come fully to maturity the business is well set for the future, that being said it is under no illusions that market conditions will likely demand further enhancements, and with that in mind the preparation for the next generation of concepts and initiatives is well underway.

J C Hodgkinson

Chairman

Directors' report

The directors present their report and financial statements for the 53 weeks ended 4 April 2010

Strategy overview

The Furniture Village strategy is to position itself at the upper end of the volume furniture retail market in the UK

Our mission

To provide our customers with an unrivalled shopping experience An Awesome Experience

Statement of intent

To continue to grow and develop our business and reputation, on the basis of sustainable competitive advantage through the levels of service we offer, the passion and skill of the people who provide it and the range, quality and value of our products In pursuing these aims we will continue to ensure that our business remains relevant to the changed market in which we find ourselves and fosters a culture of continuous evolution and improvement

Results and dividends

The profit for the year, after taxation but before dividends, amounted to £3,674,000 (2009 – profit of £1,942,000) The directors have not paid an ordinary dividend to Furniture Village Group Limited, the parent company, in 2010 (2009 – £nil) due to sufficient reserves being held at year-end in the parent company Preference dividends of £222,000 (2009 – £222,000) were paid to Furniture Village Group Limited during the year These preference dividends have been classified as interest paid in accordance with FRS 25 - Financial Instruments Disclosure and Presentation

Principal activities and review of the business

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

Turnover has increased in total by 6.5% compared to last year to £172,368,000 (2009 – £161,912,000) with the operating profit increasing to £5,458,000 (2009 – £2,395,000) and the profit before interest and tax increasing to £5,452,000 (2009 – £2,379,000)

We opened two new stores in the year at Cheltenham and Farnborough, with a third opening in Kingston in May 2010 – all three are performing well We continue to look to make decisions in the long term interests of the business whilst remaining responsive to rapidly changing economic and competitive situations

Future developments

The work done to 'realign' the business to the 'new world' in which we find ourselves has enabled us to trade our way to a very solid set of results in the past year, whilst remaining focused on ensuring we are well prepared for any potential contraction in the economy in the future

Financial highlights

Turnover for the 53 weeks to 4 April 2010 was £172.4m, an increase of 6.5% or £10.5m on the previous year (2009 – £161.9m, 9.4% or £16.8m down on the previous year) Order intake over the same period was up 9% on a like for like basis

The business has proactively driven volume and margin growth again in the year, securing a profitable increase in market share In addition, well controlled overheads and cash management have resulted in significantly increased profitability and cash balances

Reported operating profit for the year of £5.5m is up £3.1m on last years £2.4m, generating EBITDA of £8.3m compared to £5.2m last year – a strong year on year growth performance

Directors' report (continued)

People, products and promotions

As we have stated previously people are and will remain central to everything we do. In the year we have further strengthened our Human Resources (HR) function and continue to drive improved recruitment, retention and development practices. Furthermore, we understand that training and communication remains pivotal to the execution of our strategy and this is supported by well established timely reporting tools which enable quick and accurate analysis of business performance. Our 'Academy of Learning and Development' coaches employees from all disciplines within our business and has played a central role in enabling the strong trading results for the year.

Similarly, the meetings and conferences we hold either locally or centrally are crucial in communicating our expectations for performance, together with results of current trading. As importantly, these communication sessions allow for regular feedback of ideas for improvement within the business.

Another key differentiator is our product range, which has further evolved this year creating excitement and value across all price points, exploiting the 'internal brands' we have created such as World of Leather and Classic Sofa Collection.

Year on year improvements in customer service, product choice and quality need to be effectively communicated. In the past twelve months we have improved the quality of our promotions, more effectively targeted spend and increased the overall investment in marketing particularly with regard to our twentieth birthday celebrations.

Risk

The size of our business necessitates a lean management structure, which in turn dictates the amount of resource that can be allocated to managing risk as a unique 'subject'.

Instead we segment risk and manage it accordingly.

- Strategic risk,
- Financial risk,
- Operational risk, and
- Health & Safety risk

Strategic risk

In recent years the economic and competitive landscapes have changed significantly and in order to accommodate these changes the business considered it appropriate to re-examine its strategic direction. Whilst many of the resultant changes to the business started in the previous financial year, the majority of the benefits have come this year. It is important to stress that the changes in the business have been made for the long term and are based upon continuing to serve the upper end of the volume furniture market and reflect a consistency of strategic direction.

Whilst the core strategy has not changed in recent years, the business has restructured much of its operation as outlined earlier, continuing to target a similar demographic which has proven more capable of withstanding the difficult trading times in which we find ourselves.

The healthy profit and cash growth in a market which continues to be challenging, demonstrates the appropriateness of the strategy and stewardship of it.

Directors' report (continued)

Financial risk

As volumes have returned, margins grown and costs remained tightly controlled, profitability has consequently returned to trend levels. When combined with further improvements in cash management, the underlying cash generative nature of the business model is clear to see. In the year the record cash levels have supported the opening of three new stores and voluntary additional debt repayments ahead of schedule.

One of the key areas of focus for financial risk management includes that of exchange rate movements. As an element of our product is sourced in US dollars we attempt to provide a degree of certainty around this area by adopting a hedging strategy which could include forward contracts, options and spot purchases.

Risk (continued)

Financial risk (continued)

Derivatives – Fair value

The fair value at 4 April 2010 of derivatives held by the company was as follows:

Forward foreign exchange contracts £83,416 (unrealised gain) (2009 – £535,960 unrealised gain)

Operational risk

Store managers, supported by regional management who ensure operational standards, manage our stores at a local level. Our concentration on quality stores, systems and infrastructure seek to ensure consistency of performance. Our supplier base is managed in an open, honest and constructive fashion, with quality of service being of huge importance to us.

Health & Safety

The business takes its health and safety responsibilities very seriously. We ensure in all areas that we seek to comply with all relevant legislation and allocate management time to this subject at the highest level on a regular basis. The result of this focus is an exemplary record for a business of this size.

Directors

The directors who served during the year were as follows:

J C Hodgkinson (Chairman)
P J Harrison
E G Wynne
E Duggan
M A Walker

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' liabilities

The company has indemnified the directors of the company against liability in respect of proceedings brought about by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision was in force throughout the year and remains in force as at the date of approving the Directors' report.

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

Charitable contributions

The company's charitable donations for the year were £53,481 (2009 – £37,532), including a one-off donation to the Furniture Trade Benevolent Association (FTBA)

Events subsequent to the balance sheet date

There are no events subsequent to the balance sheet date which require reporting for the company

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of its financial instruments and derivative activities are described in the Directors' report on pages 4 to 7

In the 53 weeks to 4 April 2010 the group has succeeded in a difficult economic and trading environment to grow order intake by 9% on a like for like basis and has furthermore increased operating profit from £1.4m in the previous year to £4.5m in the current year. In addition, through proactive measures taken to enhance the groups' cash position over recent years, the group has ended the year with cash of £15.3m, an increase of £5.4m on the previous year

The shareholding of Furniture Village Holdings Ltd is all held by Directors and senior Employees of the Company, and as such the business is able to respond quickly to changes in the economic and trading environment. The directors therefore believe the group is well placed to manage its business risks successfully despite the current uncertain economic outlook and are confident that the group has adequate resources to continue trading effectively for the foreseeable future. This position is supported by a continued strong and supportive relationship with its bankers HBOS, now part of the Lloyds Banking Group. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Elective resolution and auditors

The company has passed Elective Resolutions to dispense with the laying of the financial statements before the company in General Meeting, the appointment of auditors annually and the holding of the Annual General Meetings, pursuant to section 485 of the Companies Act 2006

By order of the Board



Ed Duggan
Director

Date

2/8/10

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 members of Furniture Village Limited

We have audited the financial statements of Furniture Village Limited for the 53 weeks ended 04 April 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 04 April 2010 and of its profit for the 53 weeks then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Furniture Village Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Debbie O'Hanlon (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP (Statutory Auditor)
Reading

Date *3 August 2010*

Profit and loss account

for the 53 weeks ended 4 April 2010

		53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
	Note		
Turnover	2	172,368	161,912
Cost of sales		(87,462)	(82,667)
Gross profit		84,906	79,245
Distribution costs		(44,694)	(44,116)
Administrative expenses		(34,361)	(32,602)
Profit before cost of new store openings		5,851	2,527
New and re-launched store pre-trading costs		(393)	(132)
Operating profit		5,458	2,395
Loss on disposal of fixed assets and leasehold interests	3	(6)	(16)
Profit before interest and tax	4	5,452	2,379
Interest receivable	7	126	283
Interest payable	8	(246)	(269)
Profit on ordinary activities before taxation		5,332	2,393
Tax on profit on ordinary activities	9	(1,658)	(451)
Profit for the financial year attributable to members		3,674	1,942

All the activity of the company has been generated through continuing operations in both the current and prior year

Statement of total recognised gains and losses

for the 53 weeks ended 4 April 2010

There are no recognised gains and losses other than the profit of £3,674,000 for the 53 weeks ended 4 April 2010 (52 weeks ended 29 March 2009 – profit of £1,942,000)

Balance sheet

at 4 April 2010

		4 April 2010 £000	29 March 2009 £000
	Note		
Fixed assets			
Tangible assets	11	22,641	21,908
Current assets			
Stocks	12	8,122	7,791
Debtors	13	24,458	18,672
Cash at bank and in hand	21(c)	15,324	9,926
		47,904	36,389
Creditors amounts falling due within one year	14	(49,486)	(41,416)
Net current liabilities		(1,582)	(5,027)
Total assets less current liabilities		21,059	16,881
Creditors amounts falling due after one year	15	(3)	(36)
Preference shares	17	(3,150)	(3,150)
Provisions for liabilities	18	(4,132)	(3,595)
		13,774	10,100
Capital and reserves			
Called up share capital	19	650	650
Share premium account	20	274	274
Profit and loss account	20	12,850	9,176
Shareholders' funds	20	13,774	10,100

Approved by the Board

P J Harrison
Director



Ed Duggan
Director



Date

2/8/10

Statement of cash flows

for the 53 weeks ended 4 April 2010

		4 April 2010 £000	29 March 2009 £000
	Note		
Net cash inflow from continuing operating activities	21(a)	9,634	6,334
Returns on investments and servicing of finance	21(b)	(114)	58
Taxation	21(b)	(1,034)	(300)
Capital expenditure and financial investment	21(b)	(3,057)	(2,084)
Equity dividends paid to parent company	21(b)	—	—
Financing	21(b)	(31)	(27)
Increase in cash		<u>5,398</u>	<u>3,981</u>

There was £nil dividend paid to Furniture Village Group Limited for the ordinary shares (2008/09– £nil) due to sufficient reserves being held at year-end in the parent company

Ordinary dividends are paid solely for the funding of the parent company, Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited

Reconciliation of net cash flow to movement in net funds

		4 April 2010 £000	29 March 2009 £000
	Note		
Increase in cash		5,398	3,981
Repayment of capital element of finance lease		31	27
Change in net funds resulting from cash flows		<u>5,429</u>	<u>4,008</u>
Net funds at beginning of financial year	21(c)	9,861	5,853
Net funds at end of financial year	21(c)	<u>15,290</u>	<u>9,861</u>

Notes to the financial statements

for the 53 weeks ended 4 April 2010

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards. Funding is provided within the group through loans held in the ultimate parent company, Furniture Village Holdings Limited.

The accounting policies used in preparing the financial statements are consistent with those of the previous financial year.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, 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

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and comprises the purchase price of the goods and other directly attributable costs incurred in bringing the product to its present location and condition. 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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

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 and re-launched stores pre-trading costs

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

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

1. Accounting policies (continued)

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 lease commencement on a straight-line basis over the period to the next open market rent review.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the value of the consideration received, excluding value added tax. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised on delivery of the goods to the customer,

Delivery service

Revenue from the delivery service provided to our customers is recognised on completion of the delivery of the goods.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the asset's useful life. The capital elements of future obligations under leases and hire purchase contracts 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 hire purchase contracts 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.

2. Turnover

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

3. Loss on disposal of fixed assets and leasehold interests

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
(Loss) on disposal of fixed assets	(6)	(16)
	<u>(6)</u>	<u>(16)</u>

The effect on the taxation charge for the year of the exceptional items recognised below operating profit is disclosed in note 9.

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

4. Profit before interest and tax

This is stated after charging

	<i>53 weeks to 4 April 2010 £000</i>	<i>52 weeks to 29 March 2009 £000</i>
Audit of the financial statements		
– Furniture Village Limited and Group Companies	79	75
Other fees to auditors		
– Corporation tax services	42	18
– VAT services	8	6
– Other services	10	–
Depreciation of owned assets	2,772	2,811
Depreciation of assets held under finance leases and hire purchase contracts	27	27
Operating lease rentals		
– Property	14,541	14,008
– Other	820	936

5. Directors' emoluments

	<i>53 weeks to 4 April 2010 £000</i>	<i>52 weeks to 29 March 2009 £000</i>
Standard emoluments	1,117	821
Emoluments	1,117	821
Company contributions paid to money purchase pension schemes	53	44
	<i>No</i>	<i>No</i>
Members of money purchase pension scheme	4	4

The Directors' emoluments for the 52 weeks to 29 March 2009 only include three months payments in relation to one of the Directors, appointed on 18 December 2008

The amounts in respect of the highest paid director were standard emoluments of £343,000 (2009 – £284,000) and company contributions paid to pension schemes of £17,000 (2009 – £17,000). Directors' emoluments include bonuses relating to the period in which they accrue, although these may be paid after the year end.

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

6. Staff costs

	<i>53 weeks to 4 April 2010 £000</i>	<i>52 weeks to 29 March 2009 £000</i>
Wages and salaries	24,519	23,500
Social security costs	2,649	2,513
Pension costs	719	794
	<u>27,887</u>	<u>26,807</u>

Staff costs for the prior year have been restated to include amounts not classified as 'distribution costs' or 'administration expenses', but instead included within 'gross profit' and 'new and re-launched store pre-trading costs'. The amount related to these activities included above is £850,000 (2009 £728,000)

The average monthly number of employees during the year was as follows

	<i>53 weeks to 4 April 2010 No</i>	<i>52 weeks to 29 March 2009 No</i>
Office and management	74	81
Retailing and distribution	638	642
	<u>712</u>	<u>723</u>

7. Interest receivable

	<i>53 weeks to 4 April 2010 £000</i>	<i>52 weeks to 29 March 2009 £000</i>
Bank interest	104	273
Other interest	22	10
	<u>126</u>	<u>283</u>

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

8. Interest payable

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
Dividends paid on non-equity preference shares to parent company	222	222
Finance charges payable under finance leases and hire purchase contracts	4	6
Other interest	20	41
	<u>246</u>	<u>269</u>

Preference dividends are paid solely to the parent company Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
<i>UK corporation tax</i>		
Tax on profit in the year	1,624	738
Tax over provided in previous years	(63)	(142)
Total current tax	<u>1,561</u>	<u>596</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 18) – current year	100	(102)
– prior year	(3)	(43)
	<u>97</u>	<u>(145)</u>
	<u>1,658</u>	<u>451</u>

In his Budget of 22 June 2010, the Chancellor of the Exchequer announced budget tax changes, which, if enacted in the proposed manner, will have a significant effect on the group's future tax position. As at 4 April 2010, the tax changes announced in the Budget had not been 'substantively enacted' and as such, in accordance with accounting standards, the changes have not been reflected in the group's financial statements as at 4 April 2010.

The budget proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011. Each 1% reduction will be enacted annually. The rate change will both impact the amount of the future cash tax payment to be made by the group and reduce the size of the group's deferred tax assets and liabilities. The effect on the group of the changes to the UK tax system as currently enacted (i.e. the 1% reduction) will be a reduction

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

in the deferred tax liability of £130,441. This will be reflected in the group's results in future years, as appropriate, for the relevant periods.

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

9. Tax (continued)

(b) Factors affecting the tax charge for the period

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

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
Profit on ordinary activities before tax	5,332	2,393
Expected tax charge on profit on ordinary activities calculated at the standard rate of tax in the UK of 28% (2009 – 28%)	1,493	670
<i>Effects of</i>		
Disallowed expenses and non-taxable income	491	475
Capital allowances in excess of depreciation	(123)	51
Short term timing differences	23	51
Tax over provided in previous years	(63)	(142)
Capital gains	–	–
Group relief	(260)	(509)
Current tax charge for the year	1,561	596

10. Ordinary dividends on equity shares to parent company

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
Dividends paid on ordinary shares to parent company	–	–

There was £nil dividend paid to Furniture Village Group Limited for the ordinary shares (2008/09– £nil) due to sufficient reserves being held at year-end in the parent company

Ordinary dividends are paid solely for the funding of the parent company, Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

11. Tangible fixed assets

	Short leasehold property £000	Fixtures fittings equipment and vehicles £000	Total £000
Cost			
At 30 March 2009	31,858	9,619	41,477
Additions	2,706	833	3,539
Disposals	(27)	(144)	(171)
At 4 April 2010	34,537	10,308	44,845
Depreciation			
At 30 March 2009	12,932	6,637	19,569
Provided during the year	2,041	758	2,799
Disposals	(21)	(143)	(164)
At 4 April 2010	14,952	7,252	22,204
Net book value			
At 4 April 2010	19,585	3,056	22,641
At 30 March 2009	18,926	2,982	21,908

The net book value of the company's fixtures, fittings, equipment and vehicles includes £34,000 (2009 – £62,000) in respect of assets held under finance leases and hire purchase contracts

12. Stocks

	4 April 2010 £000	29 March 2009 £000
Goods for resale	8,122	7,791

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

13. Debtors

	<i>4 April 2010 £000</i>	<i>29 March 2009 £000</i>
Trade debtors	967	799
Other debtors	2,274	1,967
Prepayments and accrued income	4,960	5,020
Owed by ultimate parent company – Furniture Village Holdings Limited	16,257	10,886
	<u>24,458</u>	<u>18,672</u>

14. Creditors: amounts falling due within one year

	<i>4 April 2010 £000</i>	<i>29 March 2009 £000</i>
Deposits on goods not yet delivered	9,019	7,125
Obligations under finance leases and hire purchase contracts (see note 16)	31	29
Trade creditors	20,891	16,965
Corporation tax	1,654	1,127
Other taxes and social security costs	2,217	2,092
Other creditors and accruals	8,123	6,749
Owed to parent company – Furniture Village Group Limited	7,551	7,329
	<u>49,486</u>	<u>41,416</u>

15 Creditors' amounts falling due after one year

	<i>4 April 2010 £000</i>	<i>29 March 2009 £000</i>
Obligations under finance leases and hire purchase contracts (see note 16)	3	36

16. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts

	<i>4 April 2010 £000</i>	<i>29 March 2009 £000</i>
Amounts payable		
Within one year	32	33
In two to five years	3	38
	<u>35</u>	<u>71</u>
Less finance charges allocated to future periods	(1)	(6)
	<u>34</u>	<u>65</u>

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

17. Preference shares

	4 April 2010 £000	29 March 2009 £000
<i>Allotted, called up and fully paid</i>		
Cumulative preference shares of £1 (on which a total dividend of £96,000 is payable)		
– Number of shares – 1,400,000 (2009 – 1,400,000)	1,400	1,400
7 2% Cumulative redeemable preference shares of £1 each		
– Number of shares – 1,750,000 (2009 – 1,750,000)	1,750	1,750
	<u>3,150</u>	<u>3,150</u>

The cumulative redeemable preference shares were due to be redeemed by 31 December 2003. However, the parent company has exercised the right to roll this redemption date forward and has not specified a future redemption date. Dividends on preference shares are payable quarterly in arrears to the parent company. Furniture Village Group Limited has the right to redeem these preference shares and they are redeemable at par. Furniture Village Group Limited has stated it will not redeem these preference shares within the next year.

18. Provisions for liabilities and charges

	Provision for dilapidations £000	Deferred tax £000	Total £000
At 30 March 2009	40	3,555	3,595
Provided/(released) during the current year	440	100	540
Prior year under/(over) provision	–	(3)	(3)
At 4 April 2010	<u>480</u>	<u>3,652</u>	<u>4,132</u>

The deferred tax consists of

	4 April 2010 £000	29 March 2009 £000
Accelerated capital allowances	1,605	1,528
Other timing differences	(50)	(70)
Capital gains	2,097	2,097
Total deferred tax liability	<u>3,652</u>	<u>3,555</u>

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

19. Issued share capital

	4 April 2010 £000	29 March 2009 £000
<i>Allotted, called up and fully paid</i>		
Equity interest		
“A” Ordinary shares of £1 each		
– Number of shares - 150 000 (2009 – 150,000)	150	150
“B” Ordinary shares of £1 each		
– Number of shares - 500,340 (2009 – 500,340)	500	500
	<u>650</u>	<u>650</u>

All of the ordinary shares rank pari passu

20. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 30 March 2008	650	274	7,234	8,158
Profit for the financial year	–	–	1,942	1,942
Ordinary dividends paid to parent company	–	–	–	–
At 29 March 2009	<u>650</u>	<u>274</u>	<u>9,176</u>	<u>10,100</u>
Profit for the financial year	–	–	3,674	3,674
Ordinary dividends paid to parent company	–	–	–	–
At 4 April 2010	<u>650</u>	<u>274</u>	<u>12,850</u>	<u>13,774</u>

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

21. Notes to the statement of cash flows

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

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
Operating profit	5,458	2,395
Depreciation	2,799	2,838
(Increase)/Decrease in stocks	(331)	2,533
(Increase)/Decrease in non-intercompany debtors	(421)	1,333
Increase/(Decrease) in non-intercompany creditors	6,838	1,019
Increase/(Decrease) in provisions	440	–
	<u>14,783</u>	<u>10,118</u>
(Increase) in intercompany debtors	(5,371)	(4,006)
Increase/(Decrease) in intercompany creditors	222	222
	<u>9,634</u>	<u>6,334</u>
Net cash inflow from operating activities		

There was £nil dividend paid to Furniture Village Group Limited for the ordinary shares (2008/09– £nil) due to sufficient reserves being held at year-end in the parent company

Ordinary dividends are paid solely for the funding of the parent company, Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited

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

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
Returns on investments and servicing of finance		
Interest received	132	327
Interest paid excluding preference dividends	(20)	(41)
Interest element of finance lease rental payments	(4)	(6)
Intercompany preference dividend paid to parent company	(222)	(222)
	<u>(114)</u>	<u>58</u>

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

21. Notes to the statement of cash flows (continued)

Preference dividends are paid solely to the parent company, Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
Taxation		
Corporation tax paid	(1,034)	(300)
Capital expenditure and financial investment		
Payments relating to disposal of leasehold interests		—
Payments to acquire tangible fixed assets	(3,057)	(2,084)
	(3 057)	(2,084)
Equity dividends paid to parent company		
Intercompany ordinary dividend paid to parent company	—	—

There was £nil dividend paid to Furniture Village Group Limited for the ordinary shares (2008/09— £nil) due to sufficient reserves being held at year-end in the parent company

Ordinary dividends are paid solely for the funding of the parent company, Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited

	53 weeks to 4 April 2010 £000	52 weeks to 29 March 2009 £000
Financing		
Repayments of capital element of finance leases and hire purchase contracts	(31)	(27)

(c) Analysis of changes in net funds

	At 30 March 2009 £000	Cash flow £000	At 4 April 2010 £000
Cash at bank and in hand	9,926	5,398	15,324
Finance leases	(65)	31	(34)
	9,861	5,429	15,290

Notes to the financial statements (continued)

for the 53 weeks ended 4 April 2010

22. Capital commitments

Due to the timing of new store and refurbishment commitments, future capital expenditure not otherwise included in these financial statements is as follows

	<i>4 April 2010 £000</i>	<i>29 March 2009 £000</i>
Authorised by the directors and contracted for	731	–
Authorised by the directors but not yet contracted for	161	–
	<u>892</u>	<u>–</u>

The capital commitments authorised by the directors in 2010 relate to the new store in Kingston

23. Operating lease commitments

In respect of leases, the following annual commitments existed at the year end and in respect of non-cancellable operating leases

	<i>Land and buildings 4 April 2010 £000</i>	<i>Land and buildings 29 March 2009 £000</i>	<i>Other 4 April 2010 £000</i>	<i>Other 29 March 2009 £000</i>
Operating leases which expire				
Within one year	143	–	105	228
In two to five years	1,442	1,316	571	630
In over five years	14,867	13,920	–	–
	<u>16 452</u>	<u>15,236</u>	<u>676</u>	<u>858</u>

24. Related parties

As part of their employment the directors and employees can purchase goods from the company at a discount. The amount of goods purchased by the directors is not considered to be material either to the company or to the individuals. The discounts for the directors are on the same terms as those of all other employees. 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.

25. Pension arrangements

The company operated a defined contribution pension scheme for eligible employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Due solely to the timing of the financial year-end, accrued contributions as at 4th April 2010 amounted to £nil (2009 – £45,000).

26. Ultimate parent undertaking and controlling party

In the directors' opinion, the company's ultimate parent and controlling party is Furniture Village Holdings Limited, registered in England and Wales. Group financial statements are prepared by Furniture Village Holdings Limited and are available from the registered office at 258 Bath Road, Slough, SL1 4DX.