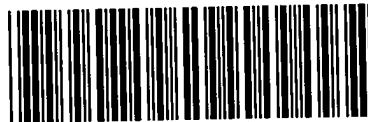


Furniture Village Limited

Report and Financial Statements

For the 52 weeks ended 29 March 2015

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Directors

J C Hodgkinson (Non-executive Chairman)
P J Harrison
E G Wynne
M A Walker
C E Shiels

Non-executive Directors

I A Gray
J M Simon
S McPartland

Secretary

C E Shiels

Auditors

Ernst & Young LLP
Apex Plaza
Reading
Berkshire RG1 1YE

Bankers

Bank of Scotland
33 Old Broad Street
London

Registered Office

258 Bath Road
Slough
Berkshire SL1 4DX

Strategic Report

The Directors present their Strategic Report for the year ended 29 March 2015.

Review of the Business

The principal activity of the group is the sale of quality furniture in the retail market. The Furniture Village strategy is to position itself at the mid to upper end of the volume furniture retail market in the UK.

Over the last couple of years Management has successfully strengthened the foundations of the business and has succeeded in growing volumes, alongside a realignment of the cost base and margins to ensure a leaner and more efficient operation. As such, Management is pleased to report on another strong year of trading, with a significant and sustainable improvement in all the key financial performance indicators. Whilst this not only ensures that the business is better able to withstand future economic volatility, the significant improvement in cash generation over the last couple of years, along with the £6m long term loan by Business Growth Fund in Furniture Village Holdings Limited, has facilitated the commencement of measured yet ambitious growth plans, as we strive to ensure that Furniture Village is the furniture retailer of choice for all discerning customers.

Key Financial Performance Indicators:

	2015	2014	Change
Order Intake (gross of VAT)	£235.5m	£224.0m	£11.5m or 5.1%
Turnover (net of VAT)	£197.0m	£185.7m	£11.3m or 6.1%
Gross Profit %	47.6%	46.9%	+0.7pp
Underlying Trading EBITDA*	£8.5m	£6.2m	£2.3m
EBITDA	£8.3m	£5.6m	£2.7m
Operating profit before new and re-launched stores and restructuring charges	£5.1m	£2.7m	£2.4m
Profit / (loss) after taxation	£3.3m	£1.6m	£1.7m
Net Debt (consolidated group position)	£7.3m	£(0.3)m	£7.6m

* EBITDA before one-off property net proceeds, new and re-launched store costs and restructuring costs

Gross order intake (bookings) for the 52 weeks to the 29 March 2015 was £235.5m, £11.5m higher than the previous year and 6.3% ahead on a like for like basis. This was reflective of both a strong performance across the existing store base, including the first full year at Ipswich, along with a significant uplift in orders placed through our internet site. During the year we closed the bed concession within Selfridges London and it is worth noting that the strong volume growth reported above is after a year on year decrease in Selfridges' orders of £3.2m.

Turnover (deliveries) during the year were £197.0m, £11.3m or 6.1% ahead of the previous year, the result of the previously noted uplift in order intake (bookings), though also benefitting from a strong order book at the start of the year. Furthermore, in tandem with significant growth in volumes, management also secured an uplift in gross profit margins, resulting in a year on year increase in gross profit of 7.6%.

Alongside growth in both volumes and margins, the work that has been undertaken over recent years to reduce the underlying cost base and improve efficiencies has resulted in a significant uplift in underlying trading EBITDA to £8.5m, £2.3m higher than the previous year (52 weeks to the 30 March 2014 – £6.2m).

The underlying business model remains highly cash generative with consolidated net cash inflow from operations increasing to £11.8m (52 weeks to the 30 March 2014 £7.3m) and at the balance sheet date the bank term loan was fully repaid and the net debt positive £7.3m, a £7.6m improvement on the previous year.

Strategic Report (continued)

Outlook

The outlook for the economy is generally favourable and should provide a tailwind to the strategic plans being implemented by Management. Consumer confidence continues to improve, unemployment has fallen and we have seen a return to both higher levels of activity within the housing market and an increase in real wages. Over the last five years, we have continued to invest in our stores, our customers and our people and have not sacrificed long term gain for short term profits. As such, we now have a loyal customer base who subscribe to our values of quality, value and choice. Indeed, as the economy continues to improve, we consider that these attributes will become of increasing importance to today's more exacting consumers who are less solely price focused and understand the inherent and lasting value of high quality, design led furniture. These are the principles on which Furniture Village was founded and they will remain central to our expansion strategy going forward, both in terms of positioning and product, but most importantly, in ensuring that we provide our customers with an exceptional and unrivalled experience at every stage of their journey.

The expansion strategy is now underway and following detailed demographic analysis and insight, we have now identified numerous potential new store locations and have exchanged on both Enfield and Northampton. Terms have been agreed for several other locations and we are on target to open another twenty stores within the next five years. Given the considered and prudent expansion strategy to date, many of these potential new stores are without risk of cannibalisation and rather are able to leverage our already national infrastructure and marketing, with considerable potential upside to current profitability. Furthermore, there exists huge potential from enhancing our current IT and internet systems, and ensuring that we are able to provide our customers with a truly 'omni-channel' experience.

Throughout the year we have further invested in the Furniture Village brand, recognising that our stores need to 'stand out from the rest' and convey the ethos and values that are so important to Furniture Village. As such, we have rebranded and adopted a fresher and more contemporary logo, along with enhancing the 'in-store' facilities in many of our stores, a project which is still underway. In tandem with improving the in-store experience, we recognise that our sales personnel are pivotal to the customer experience and we continue to invest significantly in training to ensure our sales personnel are experts in their field; an important factor in winning the coveted title of 'Bed Retailer of the Year'.

In summary, we have a well maintained property portfolio with stores located on prime retail parks throughout England, with potential still for further significant expansion, alongside a complimentary fully transactional online platform. We also have a stable, experienced and loyal workforce who understand and subscribe to our Furniture Village values, ethics and a desire for shared success. Most importantly though, we have a unique brand position that stands for good quality, excellent service and real value and in ensuring that both existing and potential customers understand our positioning, we believe that we can benefit from significant growth in the future through both increasing our presence online and in stores.

Principal Risks

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

The trading strategy is regularly revisited and reviewed to ensure its appropriateness to today's trading environment and customer. This includes frequent domestic and global economic analysis, in conjunction with a detailed review of other changes potentially impacting the business, whether financial, supply chain or from a consumer and marketing perspective.

Strategic Report (continued)

We therefore remain convinced that the broad strategic direction which has served us so well over many years remains the right one for the market in which we operate, as consumers exercise more scrutiny and place more emphasis on trust, service, quality, choice and value, playing strongly to our existing core strengths. We are also continuing to invest in the internet site and multi-channel, though we are steadfast in the need for both 'bricks and clicks', particularly at the mid to upper end of the furniture market.

Financial risk

The underlying business model is highly cash generative and together with the long term loan of £6m from Business Growth Fund, we are now in a strong position to accelerate our growth plans. New investment opportunities are subject to detailed and vigorous financial appraisal and the inherent cautious approach to risk continues, as demonstrated by the prudent expansion strategy to date. Significant operational cost savings and margin improvements have been identified and implemented over the last few years and we will continue to seek out efficiency improvements wherever possible. To date, this has generated a significant improvement in levels of profitability and cash generation, with the term loan debt now fully repaid.

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.

The unrealised gain of forward foreign exchange contracts amounted to £524k (30 March 2014 - £201k unrealised loss).

Operational risk

Store managers, supported by regional management, ensure operational standards are maintained and 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 manner, with quality of service being of huge importance to us and regular dialogue continues to ensure adherence to our exacting product standards and lead-time requirements. Furthermore, we ensure that key suppliers are able to adapt to unforeseen circumstances and/or fluctuations in demand to minimise any supply chain risk.

Health & Safety risk

The business takes its health and safety responsibilities very seriously and seeks to comply with all relevant legislation. We also engage with external consultants to ensure that current practices, procedures and training methods are effective and robust and in doing so that we protect all stakeholders. We have furthermore now strengthened the team and with the addition of a highly experienced executive will further ensure that appropriate standards, controls and records are maintained, as we expand the business further.

By order of the Board



Claire E Shiels

Director

Date 5/8/15

Directors' Report (Registered No. 02307708)

The directors present their report and financial statements for the 52 weeks ended 29 March 2015.

Dividends

The directors do not recommend the payment of a dividend.

Future Developments

The directors aim to maintain the management policies and strategy which have resulted in the group's growth in profitability in the 52 weeks ended 29 March 2015. They consider that next year will show a further uplift in existing store profitability, with significant longer term profit growth facilitated by the growth strategy outlined in the Strategic Report.

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position and financial risk management objectives are described in the Strategic Review.

In the 52 weeks to 29 March 2015 the Group has increased order intake against the previous financial year and alongside growth in the margin and well controlled costs has generated a significant uplift in profitability. Underlying cash generation remains strong and combined with the £6m long term loan by Business Growth Fund has ensured significant cash balances to support the expansion strategy outline earlier.

The shareholding of the ultimate parent company, 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 and are confident that the group has adequate resources to continue trading effectively for the foreseeable future.

Employee Involvement

Furniture Village is a 'people business' and the culture of development, training, recognition and reward are of the utmost importance to Management. Significant investment in training continued across the business, ensuring that product knowledge is developed and enhanced, along with skills for all customer service, distribution and administrative functions. Lines of communication, facilitated by a relatively flat structure, are open and honest and are endorsed by excellent retention rates and long service to the business. All employees participate directly in the success of the business through the group's bonus and other incentive schemes.

Disabled employees

The group 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 group'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.

Post Balance Sheet Events

Since the balance sheet date contracts have been exchanged on a new store in Northampton.

Directors' report (continued) (Registered No. 02307708)

Directors

The directors who served during the year were as follows:

J C Hodgkinson (Non-executive Chairman)
P J Harrison
E G Wynne
M A Walker
C E Shiels

Non-executive Directors

I A Gray (Resigned 22nd September 2014)
J M Simon (Appointed 20th August 2014)
S McPartland (Appointed 22nd December 2014)

G Suthern was appointed to the Board 7th April 2015.

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors 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.

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.

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



Claire E Shiels
Director

Date 5/8/15

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. 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 adequate 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 auditor's report

to the members of Furniture Village Limited

We have audited the financial statements of Furniture Village Limited for the 52 weeks ended 29 March 2015 which comprise of the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related note 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 29 March 2015 and of its profit for the year 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's 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 *7 August 2015*

Profit and loss account

for the 52 weeks ended 29 March 2015

		52 weeks ended 29 March 2015 £000	52 weeks ended 30 March 2014 £000
	Notes		
Turnover	2	196,979	185,699
Cost of sales		(103,307)	(98,621)
Gross profit		93,672	87,078
Distribution costs		(52,740)	(49,280)
Administrative expenses		(37,254)	(35,683)
Other operating income		1,394	629
Operating profit before cost of new and re-launched stores, and restructuring costs		5,072	2,744
New and re-launched stores		(203)	(500)
Restructuring costs		–	(77)
Operating profit		4,869	2,167
Loss on disposal of fixed assets	3	(308)	(33)
Profit before interest and tax		4,561	2,134
Interest receivable and similar income	7	51	26
Interest payable and similar charges	8	(245)	(251)
Profit on ordinary activities before taxation		4,367	1,909
Tax charge	9	(1,066)	(269)
Profit for the financial period	19	3,301	1,640

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

Statement of total recognised gains and losses

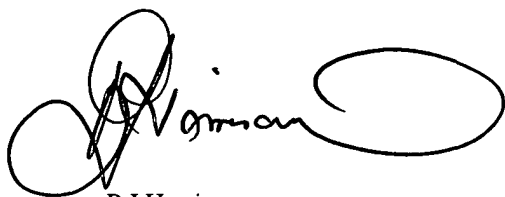
for the 52 weeks ended 29 March 2015

There are no recognised gains and losses other than the profit of £3,301k attributable to the shareholders of the company for the 52 weeks ended 29 March 2015 (52 weeks ended 30 March 2014 – profit of £1,640k).

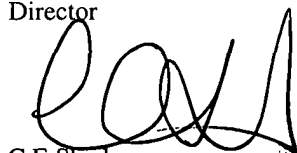
Balance sheet

at 29 March 2015

		29 March 2015 £000	30 March 2014 £000
	Notes		
Fixed assets			
Tangible assets	11	18,995	19,833
Current assets			
Stocks	12	10,540	10,416
Debtors	13	41,748	38,477
Cash at bank and in hand	20(c)	12,845	4,986
		65,133	53,879
Creditors: amounts falling due within one period	14	(63,035)	(54,761)
Net current assets / (liabilities)		2,098	(882)
Total assets less current liabilities		21,093	18,951
Preference shares	16	(3,150)	(3,150)
Provisions for liabilities	17	(1,051)	(1,210)
Net assets		16,892	14,591
Capital and reserves			
Called up share capital	18	650	650
Share premium account	19	274	274
Profit and loss account	19	15,968	13,667
Shareholders' funds	19	16,892	14,591



P J Harrison
Director



C E Shiels
Director

Date 5/8/15.

Statement of cash flows

for the 52 weeks ended 29 March 2015

		52 weeks ended 29 March 2015 £000	52 weeks ended 30 March 2014 £000
	Notes		
Net cash inflow from continuing operating activities	20(a)	12,740	3,592
Returns on investments and servicing of finance	20(b)	(194)	(225)
Taxation	20(b)	(1,100)	(528)
Capital expenditure and financial investment	20(b)	(2,554)	(3,211)
Equity dividends paid to parent company	10	(1,000)	(500)
Financing	20(b)	(33)	(32)
Increase / (decrease) in cash		<u>7,859</u>	<u>(904)</u>

Reconciliation of net cash flow to movement in net funds

		52 weeks ended 29 March 2015 £000	52 weeks ended 30 March 2014 £000
	Notes		
Increase / (decrease) in cash		7,859	(904)
Repayment of capital element of finance lease	20(b)	33	32
Change in net funds resulting from cash flows		<u>7,892</u>	<u>(872)</u>
Net funds at beginning of financial period	20(c)	4,953	5,825
Net funds at end of financial period	20(c)	<u>12,845</u>	<u>4,953</u>

Notes to the financial statements

at 29 March 2015

1. Accounting policies

Basis of preparation

The financial statements are prepared on a going concern basis 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 financial period.

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 and fittings	–	over 10 periods
Equipment	–	over 4 periods

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

Website development costs

Design and content development costs are capitalised within tangible fixed assets in accordance with UITF 29 only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

Depreciation is provided on all capitalised website development costs at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Website development costs	–	over 2 periods
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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 fair 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.

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.

Notes to the financial statements (continued)

at 29 March 2015

1. Accounting policies (continued)

Deferred taxation

Deferred tax 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 a right to pay less or to receive more, tax.

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

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.

Leasing and hire purchase 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, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. 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.

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 period 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 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.

Provisions and liabilities

A provision is recognised when a legal or constructive obligation arises as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to the financial statements (continued)

at 29 March 2015

1. Accounting policies (continued)

Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the company exchanging a fixed amount of cash or other assets for a fixed number of the company's own equity instruments.

When shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the income statement.

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

	<i>52 weeks ended 29 March 2015 £000</i>	<i>52 weeks ended 30 March 2014 £000</i>
Loss on disposal of fixed assets	(308)	(33)

Notes to the financial statements (continued)

at 29 March 2015

4. Profit before interest and tax

This is stated after charging:

	<i>52 weeks ended 29 March 2015 £000</i>	<i>52 weeks ended 30 March 2014 £000</i>
Audit of the financial statements:		
– Furniture Village Limited and Group Companies	94	80
Other fees to auditors:		
– Corporation tax services	20	24
– Other services	139	11
Professional fees associated with refinance of term debt	-	337
Depreciation of owned assets	3,357	3,444
Depreciation of assets held under finance leases and hire purchase contracts	25	25
Operating lease rentals – Property	16,917	16,633
Operating lease rentals – Other	1,305	1,230

5. Directors' remuneration

	<i>52 weeks ended 29 March 2015 £000</i>	<i>52 weeks ended 30 March 2014 £000</i>
Aggregate remuneration	982	823
Company contributions paid to money purchase pension schemes	58	42

	<i>52 weeks ended 29 March 2015 No.</i>	<i>52 weeks ended 30 March 2014 No.</i>
Members of money purchase pension scheme	5	4

The amounts in respect of the highest paid director were aggregate remuneration of £292k (52 weeks ended 30 March 2014 – £246k) and company contributions paid to pension schemes of £25k (52 weeks ended 30 March 2014 – £24k). Directors' remuneration includes bonuses relating to the period in which they accrue, although these may be paid after the period end.

Notes to the financial statements (continued)

at 29 March 2015

6. Staff costs

	<i>52 weeks ended 29 March 2015 £000</i>	<i>52 weeks ended 30 March 2014 £000</i>
Wages and salaries	27,336	24,882
Social security costs	2,677	2,468
Pension costs	753	438
	<u>30,766</u>	<u>27,788</u>

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

	<i>52 weeks ended 29 March 2015 No.</i>	<i>52 weeks ended 30 March 2014 No.</i>
Office and management	103	92
Retailing and distribution	659	654
	<u>762</u>	<u>746</u>

7. Interest receivable and similar income

	<i>52 weeks ended 29 March 2015 £000</i>	<i>52 weeks ended 30 March 2014 £000</i>
Bank interest	50	24
Other interest	1	2
	<u>51</u>	<u>26</u>

Notes to the financial statements (continued)

at 29 March 2015

8. Interest payable and similar charges

	52 weeks ended 29 March 2015 £000	52 weeks ended 30 March 2014 £000
Dividends paid on non-equity preference shares to parent company	222	222
Finance charges payable under finance leases and hire purchase contracts	2	3
Other interest	21	26
	<u>245</u>	<u>251</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 is made up as follows:

	52 weeks ended 29 March 2015 £000	52 weeks ended 30 March 2014 £000
<i>UK corporation tax:</i>		
UK corporation tax on the profit for the period	1,271	929
Tax over provided in previous periods	(46)	(584)
Total current tax (note 9(b))	<u>1,225</u>	<u>345</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences – current period	(239)	(284)
– prior period	69	384
– change of tax rates	11	(176)
Total deferred tax (note 17)	<u>(159)</u>	<u>(76)</u>
Tax charge on profit on ordinary activities	<u>1,066</u>	<u>269</u>

Notes to the financial statements (continued)

at 29 March 2015

9. Tax (continued)

(b) Factors affecting the current tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 21% (52 weeks ended 30 March 2014 – 23%). The differences are explained below:

	52 weeks ended 29 March 2015 £000	52 weeks ended 30 March 2014 £000
Profit on ordinary activities before tax	4,367	1,909
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (52 weeks ended 30 March 2014 – 23%)	917	439
<i>Effects of:</i>		
Disallowed expenses and non-taxable income	307	314
Depreciation in excess of capital allowances	74	192
Short term timing differences	6	(4)
Tax over provided in previous periods	(46)	(584)
Group relief	(192)	(108)
Rollover or holdover gains	159	96
Current tax for the period (note 9(a))	1,225	345

Changes to UK Corporation Tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

The Finance Act 2013 was substantively enacted in July 2013 and included a reduction in the main rate of UK Corporation Tax to 21% from 1 April 2014 and to 20% from 1 April 2015. As these reductions to the rate were substantively enacted at the balance sheet date, the company has recognised deferred tax applying the rate at which it is expected the assets or liabilities will be realised i.e. deferred tax assets have been calculated at a rate of 20%.

The UK government intends to reduce the UK corporate income tax rate further, to 19% by 1 April 2017 and 18% by 1 April 2020, which will be enacted in subsequent Finance Bills. Consequently, the Company will only recognise the impact of the rate change which is substantively enacted at that time in its financial statements. The further reduction in tax rate will affect both the future current and deferred tax charge of the company.

Notes to the financial statements (continued)

at 29 March 2015

10. Ordinary dividends on equity shares to parent company

	<i>52 weeks ended 29 March 2015 £000</i>	<i>52 weeks ended 30 March 2014 £000</i>
Dividends paid on ordinary shares to parent company	1,000	500

In the period £1,000k of equity dividends were paid to Furniture Village Group Limited for the ordinary shares (52 weeks-ended 30 March 2014 – £500k).

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.

11. Tangible fixed assets

	<i>Short leasehold property £000</i>	<i>Fixtures and fittings £000</i>	<i>Equipment and website £000</i>	<i>Total £000</i>
Cost:				
At 30 March 2014	39,874	6,589	6,324	52,787
Additions	1,300	636	916	2,852
Disposals	(484)	(986)	(113)	(1,583)
At 29 March 2015	40,690	6,239	7,127	54,056
Depreciation:				
At 30 March 2014	22,678	5,256	5,020	32,954
Provided during the period	2,175	292	915	3,382
Disposals	(381)	(782)	(112)	(1,275)
At 29 March 2015	24,472	4,766	5,823	35,061
Net book value:				
At 29 March 2015	16,218	1,473	1,304	18,995
At 30 March 2014	17,196	1,333	1,304	19,833

The net book value of the company's fixtures, fittings and equipment at 29 March 2015 includes £43k (30 March 2014 – £68k) in respect of assets held under finance leases and hire purchase contracts.

Notes to the financial statements (continued)

at 29 March 2015

12. Stocks

	<i>29 March</i>	<i>30 March</i>
	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Goods for resale	10,540	10,416

13. Debtors

	<i>29 March</i>	<i>30 March</i>
	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	3,028	1,247
Other debtors	2,904	2,528
Prepayments and accrued income	6,034	5,378
Owed by ultimate parent company – Furniture Village Holdings Limited	29,782	29,324
	<u>41,748</u>	<u>38,477</u>

14. Creditors: amounts falling due within one period

	<i>29 March</i>	<i>30 March</i>
	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Deposits on goods not yet delivered	9,441	9,543
Obligations under finance leases and hire purchase contracts (see note 15)	-	33
Trade creditors	30,272	23,561
Corporation tax	654	529
Other taxes and social security costs	3,623	3,841
Other creditors and accruals	6,889	6,320
Owed to parent company – Furniture Village Group Limited	12,156	10,934
	<u>63,035</u>	<u>54,761</u>

Notes to the financial statements (continued)

at 29 March 2015

15. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts:

	29 March 2015 £000	30 March 2014 £000
Amounts payable:		
Within one period	-	35
In two to five periods	-	-
	-	35
Less: finance charges allocated to future periods	-	(2)
	-	33

16. Preference shares

	29 March 2015 £000	30 March 2014 £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 (2014 – 1,400,000)	1,400	1,400
7.2% Cumulative redeemable preference shares of £1 each		
– Number of shares – 1,750,000 (2014 – 1,750,000)	1,750	1,750
	3,150	3,150

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 period.

Notes to the financial statements (continued)

at 29 March 2015

17. Provisions for liabilities

	<i>Provision for dilapidations £000</i>	<i>Deferred tax £000</i>	<i>Total £000</i>
At 30 March 2014	40	1,170	1,210
Released during the current period	–	(228)	(228)
Prior period under provision	–	69	69
At 29 March 2015	40	1,011	1,051

The provision for dilapidations is to cover estimated costs the Company may incur on the exit of leasehold properties when the leases expire.

The deferred tax consists of:

	<i>29 March 2015 £000</i>	<i>30 March 2014 £000</i>
<i>Deferred tax liability</i>		
Accelerated capital allowances	571	562
Other timing differences	(26)	(9)
Capital gains	466	617
Total deferred tax liability	1,011	1,170

18. Issued equity share capital

		<i>29 March 2015 £000</i>		<i>30 March 2014 £000</i>
<i>Allotted, called up and fully paid</i>	<i>No.</i>		<i>No.</i>	
'A' ordinary shares of £1 each	150,000	150	150,000	150
'B' ordinary shares of £1 each	500,340	500	500,340	500
		650		650

All of the ordinary shares rank pari passu.

Notes to the financial statements (continued)

at 29 March 2015

19. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 31 March 2013	650	274	12,527	13,451
Profit for the period	–	–	1,640	1,640
Ordinary dividends paid to parent undertaking (note 10)	–	–	(500)	(500)
At 30 March 2014	650	274	13,667	14,591
Profit for the period	–	–	3,301	3,301
Ordinary dividends paid to parent undertaking (note 10)	–	–	(1,000)	(1,000)
At 29 March 2015	650	274	15,968	16,892

20. Notes to the statement of cash flows

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

	52 weeks ended 29 March 2015 £000	52 weeks ended 30 March 2014 £000
Operating profit	4,869	2,167
Depreciation	3,382	3,469
(Increase) in stocks	(124)	(530)
(Increase) / decrease in non-intercompany debtors	(2,813)	196
Increase in non-intercompany creditors	6,662	1,919
	11,976	7,221
(Increase) in intercompany debtors	(458)	(4,366)
Increase in intercompany creditors	1,222	737
Net cash inflow from continuing operating activities	12,740	3,592

Notes to the financial statements (continued)

at 29 March 2015

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

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

	<i>52 weeks ended 29 March 2015 £000</i>	<i>52 weeks ended 30 March 2014 £000</i>
Returns on investments and servicing of finance:		
Interest received	51	26
Other interest paid	(21)	(26)
Interest element of finance lease rental payments	(2)	(3)
Intercompany preference dividend paid to parent company	(222)	(222)
	<u>(194)</u>	<u>(225)</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.

	<i>52 weeks ended 29 March 2015 £000</i>	<i>52 weeks ended 30 March 2014 £000</i>
Taxation:		
Corporation tax paid	(1,100)	(528)
Capital expenditure and financial investment:		
Payments to acquire tangible fixed assets	(2,554)	(3,211)
	<u>(2,554)</u>	<u>(3,211)</u>
	<i>52 weeks ended 29 March 2015 £000</i>	<i>52 weeks ended 30 March 2014 £000</i>
Financing:		
Repayments of capital element of finance leases and hire purchase contracts	(33)	(32)
	<u>(33)</u>	<u>(32)</u>

Notes to the financial statements (continued)

at 29 March 2015

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

(c) Analysis of net funds

	<i>30 March 2014 £000</i>	<i>Cash flow £000</i>	<i>29 March 2015 £000</i>
Cash at bank and in hand	4,986	7,859	12,845
Finance leases	(33)	33	-
	<u>4,953</u>	<u>7,892</u>	<u>12,845</u>

21. 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>29 March 2015 £000</i>	<i>30 March 2014 £000</i>
Authorised by the directors and contracted for	-	40
Authorised by the directors but not yet contracted for	804	-
	<u>804</u>	<u>40</u>

The capital commitments relate to the new store in Enfield.

22. Pension arrangements

The company operates 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. Accrued contributions as at 29 March 2015 amounted to £nil (30 March 2014 – £nil).

23. Operating lease commitments

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

	<i>Land and buildings 29 March 2015 £000</i>	<i>Land and buildings 30 March 2014 £000</i>	<i>Other 29 March 2015 £000</i>	<i>Other 30 March 2014 £000</i>
Operating leases which expire:				
Within one period	50	358	178	138
In two to five periods	1,034	421	978	1025
In over five periods	16,061	16,434	-	-
	<u>17,145</u>	<u>17,213</u>	<u>1,156</u>	<u>1,163</u>

Notes to the financial statements (continued)

at 29 March 2015

24. Related party transactions

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 Holdings Limited Group, as the company is a 100% subsidiary of a group whose financial statements are publicly available.

25. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Furniture Village Group Limited, registered in England and Wales.

In the directors' opinion, the company's ultimate parent undertaking 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.

26. Events subsequent to the balance sheet date

Since the balance sheet date contracts have been exchanged on a new store in Northampton.