

Furniture Village Limited

Report and Financial Statements

For the 52 weeks ended 27 March 2016

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Directors

J C Hodgkinson (Non-executive Chairman)
P J Harrison
C E Shiels
G H Suthern

Non-executive Directors

J M Simon
S McPartland MP

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 27 March 2016.

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 UK volume furniture retail market.

Over the last three years Management has successfully implemented and delivered on the first stage of a measured yet ambitious growth plan, resulting in significant and sustained growth in all the key financial performance indicators over that period of time. Indeed, underlying trading EBITDA, based on the consistent application of previous UK GAAP, has risen from £1.8m in 2013 to £9.6m in 2016, driven by strong growth in both volumes and margin, alongside a well-controlled cost base. The plan is still in its relative infancy, with the strong trading in 2016 driving significant cash generation and thereby ensuring a solid platform from which to secure further expansion. As such, significant investment is planned in the coming year to support the internet and stores, and thereby ensure the strong growth trajectory continues.

Key Financial Performance Indicators:	2016	2015	Change
Order Intake (gross of VAT)	£264.7m	£235.5m	£29.2m or 12.4%
Turnover (net of VAT)	£213.9m	£197.0m	£16.9m or 8.6%
Gross Profit %	48.0%	47.7%	+0.3pp
Underlying Trading EBITDA* (Previous UK GAAP)	£9.6m	£8.5m	£1.1m
EBITDA (Previous UK GAAP)	£8.8m	£8.3m	£0.5m
Profit after taxation (Previous UK GAAP)	£3.8m	£3.3m	£0.5m
Underlying Trading EBITDA* (FRS 102)	£8.5m	£8.3m	£0.2m
EBITDA (FRS 102)	£7.6m	£8.1m	£(0.5)m
Profit after taxation (FRS 102)	£3.0m	£3.5m	£(0.5)m
Cash Balance	£20.1m	£12.9m	£7.2m

* EBITDA before new and re-launched store costs

Gross order intake (bookings) for the 52 weeks to the 27 March 2016 was £264.7m, £29.2m or 12.4% higher than the previous year and 10% ahead on a like for like basis. This was reflective of both a strong performance across the existing store base, alongside a significant uplift in orders placed through our internet site. Furthermore, during the year we opened three new stores in Enfield, Northampton and Stevenage, with the three stores trading ahead of expectations.

Turnover (net deliveries) during the year was £213.9m, £16.9m or 8.6% ahead of the previous year, the result of the previously noted uplift in order intake (bookings), though lower growth than the aforementioned bookings run rate, with the order book naturally building in relation to the three new stores. Furthermore, in tandem with significant growth in volumes, management also secured a modest uplift in gross profit margins, resulting in a year on year increase in gross profit of 9.3%.

Alongside growth in both volumes and margins, the work that has been undertaken over recent years to realign the cost base and improve efficiencies has resulted in an uplift in underlying trading EBITDA to £9.6m, £1.1m higher than the previous year (52 weeks to the 29 March 2015 – £8.5m). Note that this is based on the application of previous UK GAAP, with the profit measures reported above under FRS 102, and in the body of the accounts, negatively distorted by the transition to FRS 102.

The underlying business model remains highly cash generative and the closing cash position was £20.1m, an uplift of £7.2m on the previous year (closing cash balance 52 weeks to the 29 March 2015 £12.9m).

Strategic Report (continued)

Outlook

Since the end of the financial year, the political and economic landscape has changed significantly. The ramifications of the UK referendum vote to leave the European Union are unknown, but that of itself is likely to impact business and consumer confidence, with potential to dampen consumer spending. That said, interest rates remain low, employment high and with Government austerity for now seemingly kicked into the long grass, these factors may potentially cushion, at least in the short term, the uncertainty surrounding the implications of 'BREXIT'. In the longer term however, the UK is unlikely to escape unscathed from the decision to leave the European Union and market volatility is likely to persist. Strong management teams and, in particular, the ability to respond to an ever changing retail landscape will be of the utmost importance, this playing to our strengths.

As outlined earlier, we have successfully delivered on the early stages of our growth plans and despite the uncertainty surrounding 'BREXIT', we are resolute in our commitment to continue with those plans. At the end of the March 2016 financial year we had forty three Furniture Village stores open, alongside a successful internet trading platform, and we consider there to be significant potential for further expansion, without risk of material cannibalisation. Our most recent new store opened in Preston at the end of September 2016 and we have exchanged contracts on a further six stores, all expected to open before the end of the new financial year, March 2017. This will bring the total new store openings over the two year period to ten, in line with our strategic plans and ensuring we leverage our marketing, support functions and distribution network, all of which already operate at a national level. We also consider there to be still further significant potential to open new stores without cannibalisation, with specific opportunities identified and terms already agreed.

Whilst we remain steadfast in our commitment to physical stores, with the vast majority of our customers wanting to 'touch and feel' our furniture, our internet site has grown significantly over the last couple of years. Since the end of the financial year we have invested in a new internet platform, with the new site launching in June 2016 and offering a cleaner more contemporary look, an easier customer journey and considerable further development potential as we continue on our journey to provide our customers with a truly 'omni-channel' experience. Alongside this, we have now embarked on a major project to replace our store ERP system, and whilst our current technology has served us well, the new system will ensure an improved customer experience, both in-store and post-sale, along with facilitating improved efficiencies and profitability.

Over the last few years we have invested considerably in product development, both to ensure we are at the forefront of the market for style and choice, but as importantly, to ensure that the quality of our furniture is without compromise and in keeping with our market positioning. Whilst the retail landscape may change over the coming years our commitment to quality will not, underpinning the ethos of the business and a critical factor in ensuring that our customers continue to return to Furniture Village time and time again. We continue to develop our in-store layout and design to ensure that the customer experience in-store is exceptional and, alongside this, have further invested in developing the skill and expertise of our sales personnel - an important factor in winning the coveted title of 'Bed Retailer of the Year' for the second consecutive 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 an enhanced 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.

Strategic Report (continued)

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 competitors, and any other changes potentially impacting the business, whether financial, supply chain or from a consumer and marketing perspective. As such, we 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 place increasingly 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, particularly at the mid to upper end of the furniture market.

Financial risk

The underlying business model is highly cash generative and cash balances have increased considerably over the last couple of years. Notwithstanding this, 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.

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. At the commencement of the FY16 financial year, forward contracts were in place to support c. 70% of the full year purchases.

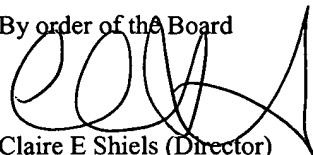
Operational risk

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 our systems with a dedicated health and safety reporting tool, which together with a highly experienced team 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 13 Oct 2016

Directors' Report (Registered No. 02307708)

The directors present their report and financial statements for the 52 weeks ended 27 March 2016.

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 uplift in underlying trading EBITDA. 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 27 March 2016 the Group has increased order intake against the previous financial year and alongside growth in the margin and well controlled costs has generated an uplift in underlying trading EBITDA. Cash generation remains strong and has ensured significant cash balances are available to support the expansion strategy outlined earlier.

The majority shareholding of the ultimate parent company, Furniture Village Holdings Ltd, is 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 the 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

At the balance sheet date contracts had been exchanged on a new store in York and since the balance sheet date contracts have been exchanged on new stores in Aintree, Taunton, Tamworth, Hull and Cheadle. A new store opened at the end of September 2016 in Preston.

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

Directors (continued)

Directors

The directors who served during the year were as follows:

J C Hodkinson	(Non-executive Chairman)
P J Harrison	
G H Suthern	(Appointed 7 th April 2015)
E G Wynne	(Resigned 30 th September 2015)
M A Walker	(Resigned 20 th April 2015)
C E Shiels	

Non-executive Directors

J M Simon
S McPartland MP

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.

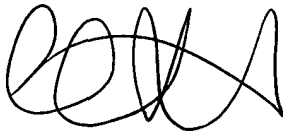
Disclosure of information to the auditors

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 18 Oct 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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 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 year ended 27 March 2016 which comprise of the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related note 1 to 28. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 27 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report

to the members of Furniture Village Limited (continued)

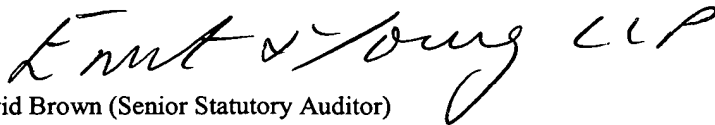
Opinion on other matter prescribed by the Companies Act 2006

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.

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.



David Brown (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

Date 13-10-2016

Income Statement

for the 52 weeks ended 27 March 2016

		52 weeks ended 27 March 2016 £000	52 weeks ended 29 March 2015 £000
	Notes		
Turnover	2	213,912	196,979
Cost of sales		(111,227)	(103,031)
Gross profit		102,685	93,948
Distribution costs		(57,586)	(52,385)
Administrative expenses		(41,419)	(37,704)
Other operating income		1,565	1,394
Operating profit before cost of new and re-launched stores		5,245	5,253
New and re-launched stores		(873)	(203)
Operating profit		4,372	5,050
Loss on disposal of fixed assets	3	(320)	(308)
Profit before interest and tax		4,052	4,742
Interest receivable and similar income	8	61	51
Interest payable and similar charges	9	(249)	(245)
Profit on ordinary activities before taxation		3,864	4,548
Tax charge	10	(884)	(1,071)
Profit for the financial period		2,980	3,477

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

Statement of comprehensive income

for the 52 weeks ended 27 March 2016

	<i>52 weeks ended 27 March 2016 £000</i>	<i>52 weeks ended 29 March 2015 £000</i>
Profit for the financial period	2,980	3,477
(Loss)/gain on cash flow hedges	(1,176)	1,867
Movement on deferred tax relating to cash flow hedge	236	(374)
Total comprehensive income	2,040	4,970

Statement of change in equity

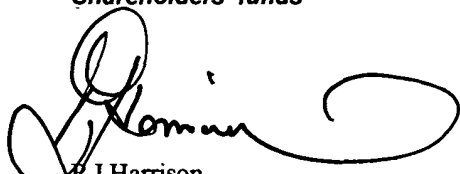
for the 52 weeks ended 27 March 2016

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Hedge Reserves £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 30 March 2014	650	274	(536)	10,848	11,236
Profit for the financial period	–	–	–	3,477	3,477
Other comprehensive income	–	–	1,493	–	1,493
Total comprehensive income	–	–	1,493	3,477	4,970
Ordinary dividends paid to parent undertaking	–	–	–	(1,000)	(1,000)
At 29 March 2015	650	274	957	13,325	15,206
Profit for the financial period	–	–	–	2,980	2,980
Other comprehensive (expense)	–	–	(940)	–	(940)
Total comprehensive income	–	–	(940)	2,980	2,040
Ordinary dividends paid to parent undertaking	–	–	–	(1,000)	(1,000)
At 27 March 2016	650	274	17	15,305	16,246

Statement of financial position

at 27 March 2016

		27 March 2016 £000	29 March 2015 £000
	Notes		
Fixed assets			
Intangible assets	12	2,406	780
Tangible assets	13	24,233	22,102
		<u>26,639</u>	<u>22,882</u>
Current assets			
Stocks	14	12,723	10,314
Debtors	15	43,644	42,431
Cash	21(b)	20,079	12,845
		<u>76,446</u>	<u>65,590</u>
Creditors: amounts falling due within one period	16	(82,225)	(69,920)
Net current liabilities		<u>(5,779)</u>	<u>(4,330)</u>
Total assets less current liabilities		<u>20,860</u>	<u>18,552</u>
Preference shares	17	(3,150)	(3,150)
Provisions for liabilities	18	(1,464)	(196)
Net assets		<u>16,246</u>	<u>15,206</u>
Capital and reserves			
Called up share capital	19	650	650
Share premium account		274	274
Hedge reserve	20	17	957
Profit and loss account		15,305	13,325
Shareholders' funds		<u>16,246</u>	<u>15,206</u>


P J Harrison
Director


C E Shiels
Director

Date 12 Oct 2016

Statement of cash flows

for the 52 weeks ended 27 March 2016

		52 weeks ended 27 March 2016 £000	52 weeks ended 29 March 2015 £000
	Notes		
Net cash inflow from continuing operating activities	21(a)	15,433	11,641
Investing activities			
Interest received		61	51
Payments to acquire tangible fixed assets		(4,476)	(1,939)
Payments to acquire intangible fixed assets		(2,535)	(616)
Net cash flow from investing activities		(6,950)	(2,504)
Financing activities			
Intercompany preference dividend paid to parent company		(222)	(222)
Other interest paid		(27)	(21)
Interest element of finance lease rental payments		–	(2)
Repayments of capital element of finance leases		–	(33)
Equity dividends paid to parent company	11	(1,000)	(1,000)
Net cash flow from financing activities		(1,249)	(1,278)
Change in cash resulting from cash flows		7,234	7,859
Cash at beginning of financial period	21(b)	12,845	4,986
Cash at end of financial period	21(b)	20,079	12,845

Notes to the financial statements

at 27 March 2016

1. Accounting policies

Statement of compliance

Furniture Village Limited is a limited liability company incorporated in the United Kingdom. The registered office is 258 Bath Road, Slough, Berkshire, SL1 4DX. The company's financial statements have been prepared in compliance with FRS 102 for the year ended 27 March 2016. The company transitioned from previously extant UK GAAP to FRS 102 as at 31 March 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 29.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements can require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgement (apart from those involving estimates) has had the most significant effect on amounts recognised in the financial statements:

Operating lease commitments

The company has entered into commercial property leases as a lessor on retail and warehouse units. The classification of such leases as operating or finance leases is required by the company. Based on an evaluation of the terms and conditions of the leases, whether it retains or acquires the significant risk and rewards of ownership and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position, it has been established that these leases meet the classification of operating leases.

Taxation

The company establishes provisions based on reasonable estimates. The amount of such provisions is based on differing interpretations of tax regulations by the taxable entity.

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

Intangible fixed assets

Intangible assets are capitalised at cost. Amortisation is provided on all intangible 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:

Software	–	over 4 periods
Website development costs	–	over 2 periods

Design and content development costs are capitalised within intangible fixed assets in accordance with FRS 102 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 income Statement as incurred.

The carrying values of intangible fixed assets are reviewed for impairment annually if events or changes in circumstances indicate the carrying value may not be recoverable. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Notes to the financial statements (continued)

at 27 March 2016

1. Accounting policies (continued)

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. Such cost includes costs directly attributable to making the asset capable of operating as intended. The expected useful life is stipulated as follows:

Leasehold property	–	over the lease term
Fixtures and fittings	–	over 10 periods or over the lease term
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.

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 VAT and other sales taxes or duty. 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.

Cash

Cash comprise of cash at banks and in hand.

Provisions for liabilities

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

The effect of the time value of money is not material and therefore the provisions are not discounted.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences in relation to both taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the financial statements (continued)

at 27 March 2016

1. Accounting policies (continued)

Holiday accrual

All short-term compensated absences as holiday entitlement earned but not taken at the balance sheet date will be accrued for.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

Hedge accounting

The company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- a) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- b) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; or
- c) Hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement.

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement. If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and are transferred to the income statement. If the related transaction is not expected to occur, the amount is taken to the income statement. The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments.

Notes to the financial statements (continued)

at 27 March 2016

1. Accounting policies (continued)

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 Income Statement as they become payable in accordance with the rules of the scheme.

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 life. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term.

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 and re-gears of existing leases, 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 to the end of the lease term.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in administrative expenses.

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, measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature. The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years. Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Notes to the financial statements (continued)

at 27 March 2016

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 27 March 2016 £000</i>	<i>52 weeks ended 29 March 2015 £000</i>
Loss on disposal of fixed assets	(320)	(308)

4. Profit before interest and tax

This is stated after charging:

	<i>52 weeks ended 27 March 2016 £000</i>	<i>52 weeks ended 29 March 2015 £000</i>
Auditor's and associates remuneration	153	253
Depreciation of owned assets	2,620	2,384
Amortisation of owned assets	645	716
Operating lease rentals – Property	17,735	16,917
Operating lease rentals – Other	1,467	1,305

Notes to the financial statements (continued)

at 27 March 2016

5. Auditor's remuneration

The remuneration of the auditors or its associates is analysed as follows:

	<i>52 weeks ended 27 March 2016 £000</i>	<i>52 weeks ended 29 March 2015 £000</i>
Audit of the financial statements	107	94
Total audit	<u>107</u>	<u>94</u>
Audit related assurance services	15	–
Taxation compliance services	25	20
Tax advisory services	2	2
Other assurance services	4	137
Total non-audit services	<u>46</u>	<u>159</u>
Total auditors and associates remuneration	<u>153</u>	<u>253</u>

6. Directors' remuneration

	<i>52 weeks ended 27 March 2016 £000</i>	<i>52 weeks ended 29 March 2015 £000</i>
Aggregate remuneration in respect of qualifying services	1,003	982
Company contributions paid to money purchase pension schemes	<u>56</u>	<u>58</u>
	<i>52 weeks ended 27 March 2016 No.</i>	<i>52 weeks ended 29 March 2015 No.</i>
Members of money purchase pension scheme	<u>4</u>	<u>5</u>

The amounts in respect of the highest paid director were aggregate remuneration of £305k (52 weeks ended 29 March 2015 – £292k) and company contributions paid to pension schemes of £25k (52 weeks ended 29 March 2015 – £25k). 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 27 March 2016

7. Staff costs

	<i>52 weeks ended 27 March 2016 £000</i>	<i>52 weeks ended 29 March 2015 £000</i>
Wages and salaries	30,305	27,336
Social security costs	2,996	2,677
Pension costs	772	753
	<u>34,073</u>	<u>30,766</u>

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

	<i>52 weeks ended 27 March 2016 No.</i>	<i>52 weeks ended 29 March 2015 No.</i>
Office and management	107	103
Retailing and distribution	686	659
	<u>793</u>	<u>762</u>

8. Interest receivable and similar income

	<i>52 weeks ended 27 March 2016 £000</i>	<i>52 weeks ended 29 March 2015 £000</i>
Bank interest	61	50
Other interest	–	1
	<u>61</u>	<u>51</u>

Notes to the financial statements (continued)

at 27 March 2016

9. Interest payable and similar charges

	52 weeks ended 27 March 2016 £000	52 weeks ended 29 March 2015 £000
Dividends payable on non-equity preference shares to parent company	222	222
Finance charges payable under finance leases and hire purchase contracts	–	2
Other interest	27	21
	<u>249</u>	<u>245</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.

10. Tax

(a) Tax on profit on ordinary activities

The tax is made up as follows:

	52 weeks ended 27 March 2016 £000	52 weeks ended 29 March 2015 £000
<i>Current tax:</i>		
UK corporation tax on the profit for the period	–	1,271
Adjustment in respect of previous periods	37	(46)
Losses carried back (credited) to income statement	(502)	–
Total current tax	<u>(465)</u>	<u>1,225</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences – current period	1,570	(245)
– prior period	(81)	80
– change of tax rates	(140)	11
Total deferred tax	<u>1,349</u>	<u>(154)</u>
Total tax per income statement	<u>884</u>	<u>1,071</u>
Other comprehensive income items		
Deferred tax (credit)/charge	(236)	374
Total other comprehensive income items	<u>(236)</u>	<u>374</u>

Notes to the financial statements (continued)

at 27 March 2016

10. Tax (continued)

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

The charge for the year can be reconciled to the profit per the income statement as follows:

	52 weeks ended 27 March 2016 £000	52 weeks ended 29 March 2015 £000
Profit for the period – continuing operations	3,864	4,548
Tax on profits at standard rate of 20% (52 weeks ended 29 March 2015 – 21%)	773	955
<i>Effects of:</i>		
Disallowed expenses and non-taxable income	319	262
Group relief/other reliefs	–	(192)
Losses carried back	(24)	–
Adjustment from previous periods	(44)	34
Tax rate changes	(140)	12
Tax charge for the period	884	1,071
Income tax expense reported in the income statement	884	1,071

(c) Changes to UK Corporation Tax

The standard rate of Corporation Tax in the UK reduced from 21% to 20% with effect from 1 April 2015. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 20%. The standard rate will fall further to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. These rates were enacted during the current period and deferred tax balances have been stated at a rate of 18%.

The Budget in March 2016 subsequently announced that the standard rate will fall further to 17% with effect from 1 April 2020. As this rate was not substantively enacted by the balance sheet date it has not been reflected in these financial statements.

Notes to the financial statements (continued)

at 27 March 2016

11. Ordinary dividends on equity shares to parent company

	<i>52 weeks ended 27 March 2016 £000</i>	<i>52 weeks ended 29 March 2015 £000</i>
Dividends payable on ordinary shares to parent company	1,000	1,000

In the period £1,000k of equity dividends are payable to Furniture Village Group Limited for the ordinary shares (52 weeks ended 29 March 2015 – £1,000k).

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)

at 27 March 2016

12. Intangible fixed assets

	<i>Software</i> £000	<i>Website</i> £000	<i>Total</i> £000
Cost:			
At 29 March 2015	1,167	2,097	3,264
Additions	2,326	209	2,535
Disposals	–	(2,306)	(2,306)
At 27 March 2016	3,493	–	3,493
Amortisation:			
At 29 March 2015	978	1,506	2,484
Provided during the period	109	536	645
Disposals	–	(2,042)	(2,042)
At 27 March 2016	1,087	–	1,087
Carrying amount at 27 March 2016	2,406	–	2,406
Carrying amount at 29 March 2015	189	591	780

The carrying amount of the company's software at 27 March 2016 includes £18k (29 March 2015 – £43k) in respect of assets held under finance leases and hire purchase contracts.

13. Tangible fixed assets

	<i>leasehold property</i> £000	<i>Fixtures and fittings</i> £000	<i>Equipment</i> £000	<i>Total</i> £000
Cost:				
At 29 March 2015	37,037	3,866	1,163	42,066
Additions	3,820	716	271	4,807
Disposals	(318)	(106)	(20)	(444)
At 27 March 2016	40,539	4,476	1,414	46,429
Depreciation:				
At 29 March 2015	17,387	1,936	641	19,964
Provided during the period	2,078	298	244	2,620
Disposals	(283)	(85)	(20)	(388)
At 27 March 2016	19,182	2,149	865	22,196
Carrying amount at 27 March 2016	21,357	2,327	549	24,233
Carrying amount at 29 March 2015	19,650	1,930	522	22,102

Notes to the financial statements (continued)

at 27 March 2016

14. Stocks

	27 March 2016 £000	29 March 2015 £000
Goods for resale	12,723	10,314

Stocks recognised as an expense in cost of sales for the period were £111,517k (29 March 2015 - £101,690k). The stock impairment provisions included in cost of sales for the 52 weeks ended 27 March 2016 were £532k (52 weeks ended 29 March 2015 - £292k).

15. Debtors

	27 March 2016 £000	29 March 2015 £000
Trade debtors	1,095	3,028
Other debtors	3,538	2,966
Fair value forward contracts	584	1,718
Prepayments and accrued income	5,324	4,938
Corporation tax	1,187	—
Owed by ultimate parent company – Furniture Village Holdings Limited	31,916	29,781
	43,644	42,431

The trade debtors provision included in administrative expenses for the 52 weeks ended 27 March 2016 was £25k (52 weeks ended 29 March 2015 - £25k).

16. Creditors: amounts falling due within one period

	27 March 2016 £000	29 March 2015 £000
Deposits on goods not yet delivered	12,518	9,442
Trade creditors	36,947	30,858
Corporation tax	—	654
Other taxes and social security costs	4,231	3,623
Other creditors and accruals	15,151	13,187
Owed to parent company – Furniture Village Group Limited	13,378	12,156
	82,225	69,920

The intercompany balance owed to Furniture Village Group Limited is repayable on demand.

Notes to the financial statements (continued)

at 27 March 2016

17. Preference shares

	27 March 2016 £000	29 March 2015 £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
	<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 period.

18. Provisions for liabilities

	<i>Provision for dilapidations £000</i>	<i>Deferred tax £000</i>	<i>Total £000</i>
At 29 March 2015	40	156	196
Provided during the current period	155	1,113	1,268
At 27 March 2016	<u>195</u>	<u>1,269</u>	<u>1,464</u>

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

The deferred tax consists of:

	27 March 2016 £000	29 March 2015 £000
<i>Deferred tax liability/(assets)</i>		
Fixed asset timing differences	873	1,002
Short term timing differences	(26)	(1,551)
Non trading timing differences	419	466
Derivatives	3	239
Total deferred tax liability	<u>1,269</u>	<u>156</u>

Notes to the financial statements (continued)

at 27 March 2016

18. Provisions for liabilities (continued)

	27 March 2016 £000	29 March 2015 £000
<i>Deferred tax (assets)</i>		
Recoverable after 12 months	(26)	(1,551)
Total deferred tax asset	(26)	(1,551)
	27 March 2016 £000	29 March 2015 £000
<i>Deferred tax liabilities</i>		
Payable within 12 months	3	–
Payable after 12 months	1,292	1,707
Total deferred tax liability	1,295	1,707

19. Issued equity share capital

	No.	27 March 2016 £000	No.	29 March 2015 £000
<i>Allotted, called up and fully paid</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.

20. Hedge reserves

	27 March 2016 £000	29 March 2015 £000
Fair value hedging instrument net of recycled gain/losses carried forward from prior period	20	1,197
Deferred tax liability	(3)	(240)
	17	957

Notes to the financial statements (continued)

at 27 March 2016

20. Hedge reserves (continued)

The hedge reserve recognises the deferred gain of the fair value forward contracts until the hedged item impacts profit and loss. The amount of any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flow that was recognised in the profit and loss as at 27 March 2016 amounted to £nil (29 March 2015 – £nil).

21. Notes to the statement of cash flows

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

	<i>52 weeks ended 27 March 2016 £000</i>	<i>52 weeks ended 29 March 2015 £000</i>
Operating profit	4,372	5,050
Depreciation	2,620	2,384
Amortisation	645	716
(Increase) in stocks	(2,409)	(185)
Decrease / (Increase) in non-intercompany debtors	2,109	(5,779)
Increase in non-intercompany creditors	11,406	7,923
(Increase) in intercompany debtors	(2,135)	(457)
Increase in intercompany creditors	1,222	1,223
Change in fair value hedged item	(940)	1,493
Corporation tax paid	(1,457)	(727)
Net cash inflow from continuing operating activities	15,433	11,641

(b) Analysis of cash

	<i>29 March 2015 £000</i>	<i>Cash flow £000</i>	<i>27 March 2016 £000</i>
Cash	12,845	7,234	20,079
	12,845	7,234	20,079

22. Capital commitments

Due to the timing of new store and refurbishment commitments, coupled with the implementation of a replacement enterprise resource planning system, future capital expenditure not otherwise included in these financial statements is as follows:

Notes to the financial statements (continued)

at 27 March 2016

22. Capital commitments (continued)

	27 March 2016 £000	29 March 2015 £000
Authorised by the directors and contracted for	200	–
Authorised by the directors but not yet contracted for	3,600	804
	<u>3,800</u>	<u>804</u>

The capital commitments for new stores relate to properties in Aintree, Preston, York and Taunton.

23. 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 27 March 2016 amounted to £nil (29 March 2015 – £nil).

24. Operating leases

Operating lease commitments:

In respect of leases, the following future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and buildings</i> 27 March 2016 £000	<i>Land and buildings</i> 29 March 2015 £000	<i>Other</i> 27 March 2016 £000	<i>Other</i> 29 March 2015 £000
Operating leases which expire:				
Within one period	18,881	17,108	862	1,156
In two to five periods	72,696	66,877	995	1,407
In over five periods	100,680	96,950	–	–
	<u>192,257</u>	<u>180,935</u>	<u>1,857</u>	<u>2,563</u>

Operating lease income:

The following future minimum rentals receivable under non-cancellable operating leases for retail space sublet to a third party retailer are as follows:

	<i>Other Operating Income</i> 27 March 2016 £000	<i>Other Operating Income</i> 29 March 2015 £000
Operating leases which expire:		
Within one period	818	1,500
In two to five periods	87	901
	<u>905</u>	<u>2,401</u>

Notes to the financial statements (continued)

at 27 March 2016

25. Financial instruments

	27 March 2016 £000	29 March 2015 £000
<i>Financial assets at fair value (hedge accounting)</i>		
Forward foreign currency contracts	584	1,718
	<u>584</u>	<u>1,718</u>

The company uses hedge accounting to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through other comprehensive income for the effective portion. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value is recycled through profit and loss as the hedged item impacts profit and loss.

26. 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 102 '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.

27. 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.

28. Events subsequent to the balance sheet date

At the balance sheet date contracts had been exchanged on a new store in York and since the balance sheet date contracts have been exchanged on new stores in Aintree, Taunton, Tamworth, Hull and Cheadle. A new store opened at the end of September 2016 in Preston.

Notes to the financial statements (continued)

at 27 March 2016

29. Transition to FRS 102

The company transitioned to FRS 102 from previous UK GAAP as at 31 March 2014.

The impact to profit and loss from the transition to FRS 102 is as follows:

Reconciliation of cumulative adjustments to profit and loss for the year ended 30 March 2014

	£000
Cumulative profit and reserves at 30 March 2014 under previous UK GAAP	13,667
Capitalised stock	(287)
Holiday pay accrual	(323)
Marketing prepayment	(1,175)
Fixed Asset amended useful life	3,604
Foreign currency creditors revaluation	201
FX options at fair value through profit or loss	(371)
Recycled hedge reserve	(49)
Lease incentives	(5,518)
Taxation	1,099
Total change in cumulative adjustments to profit for the financial period	(2,819)
Profit and reserves as at 30 March 2014 under FRS 102	10,848

Reconciliation of profit and loss for the year ended 29 March 2015

	£000
Profit for the financial period ended 29 March 2015 under previous UK GAAP	3,301
Capitalised stock	61
Holiday pay accrual	(10)
Marketing prepayment	79
Fixed Asset amended useful life	282
Foreign currency creditors revaluation	(725)
FX options at fair value through profit or loss	371
Reversal of recycled hedge reserve	49
Recycled hedge reserve	520
Lease incentives	(446)
Taxation	(5)
Total change in profit for the financial period	176
Profit for the financial period ended 29 March 2015 under FRS 102	3,477

Notes to the financial statements (continued)

at 27 March 2016

29. Transition to FRS 102 (continued)

Reconciliation of profit and loss for the year ended 27 March 2016

	<i>£000</i>
Profit for the financial period ended 27 March 2016 under previous UK GAAP	3,762
Capitalised stock	(61)
Holiday pay accrual	(40)
Marketing prepayment	(367)
Fixed Asset amended useful life	37
Foreign currency creditors revaluation	(44)
Reversal of recycled hedge reserve	(520)
Recycled hedge reserve	564
Lease incentives	(645)
Taxation	294
Total change in profit for the financial period	(782)
Profit for the financial period ended 27 March 2016 under FRS 102	2,980

The following were changes in accounting policies arising from the transition to FRS 102:

Capitalised stock

Indirect storage costs are now expensed as incurred.

Holiday pay accrual

Under FRS 102, the company is now required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position.

Marketing prepayment

Deferred marketing costs are now expensed as incurred.

Fixed asset amended useful life

The useful economic life of all assets held in the business has been reassessed, resulting in a decrease in the value of depreciation charged to the income statement.

Foreign currency creditors revaluation

Creditors denominated in foreign currencies which were translated under previous UK GAAP at the contracted rate, where transactions were covered by forward foreign currency contracts, have been retranslated at the rate of exchange ruling at the statement of financial position date.

FX options at fair value through profit or loss

Foreign currency options are recorded on the balance sheet at fair value and accounted for at fair value through the Income Statement. Under previous UK GAAP, these were recognised at contracted rates.

Notes to the financial statements (continued)

at 27 March 2016

29. Transition to FRS 102 (continued)

Hedge reserve and recycled hedge reserve

The company has adopted hedge accounting to reduce exposure to movements in foreign exchange rates. The amount that has been accumulated in the hedge reserve is recycled to the Income Statement to match future corresponding hedged cash flows.

Lease incentives

The company recognises the aggregate benefit of lease incentives evenly over the term to the end of the lease. Under previous UK GAAP, these were expensed until the next open market rent review.

Taxation

The retrospective application of FRS 102 has resulted in changes to taxation. The amendment to the useful economic life of assets has resulted in a deferred tax liability on fixed assets. Reduction in profit in current and prior years has given rise to current year savings.

The impact to equity from the transition to FRS 102 is as follows:

Reconciliation of equity at 30 March 2014

	<i>£000</i>
Equity Shareholders funds at 30 March 2014 under previous UK GAAP	14,591
Profit and loss impact from transition from UK GAAP to FRS 102	(2,819)
Hedge reserve	(536)
Equity Shareholders funds at 30 March 2014 under FRS 102	<u>11,236</u>

Reconciliation of equity at 29 March 2015

	<i>£000</i>
Equity Shareholders funds at 29 March 2015 under previous UK GAAP	16,892
Profit and loss impact from transition from UK GAAP to FRS 102	176
Hedge reserve	1,493
Cumulative profit and loss impact financial period ending 30 March 2014	(2,819)
Cumulative hedge accounting impact financial period ending 30 March 2014	(536)
Equity Shareholders funds at 29 March 2015 under FRS 102	<u>15,206</u>

Notes to the financial statements (continued)

at 27 March 2016

29. Transition to FRS102 (continued)

Reconciliation of equity at 27 March 2016

	<i>£000</i>
Equity Shareholders funds at 27 March 2016 under previous UK GAAP	19,654
Profit and loss impact from transition from UK GAAP to FRS 102	(782)
Hedge reserve	(940)
Cumulative profit and loss impact financial period ending 29 March 2015	(2,643)
Cumulative hedge accounting impact financial period ending 29 March 2015	957
Equity Shareholders funds at 27 March 2016 under FRS 102	16,246

Transitional relief

On transition to FRS 102 from previous UK GAAP, the company has not taken any transitional relief.