

Furniture Village Limited

Report and Financial Statements

For the 52 weeks ended 01 April 2018

THURSDAY



A7KOLH7N

A22

13/12/2018

#117

COMPANIES HOUSE

CONTENTS	PAGES
Officers and professional advisors	1
Strategic Report	2 – 4
Directors' report	5 – 6
Statement of directors' responsibilities	7
Independent auditor's report to the members	8 – 10
Income statement	11
Statement of comprehensive income	12
Statement of change in equity	13
Statement of financial position	14
Statement of cash flows	15
Notes to the financial statements	16 – 29

Officers and professional advisors

Directors

J C Hodgkinson (Non-executive Chairman)

P J Harrison

C E Shiels

G H Suthern (Resigned 19th July 2017)

Non-executive Directors

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 EC2N 1HW

Registered Office

258 Bath Road

Slough

Berkshire SL1 4DX

Strategic report

The Directors present their Strategic Report for the year ended 01 April 2018.

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 few years, Furniture Village has expanded its store presence significantly, opening 12 stores between August 2015 and December 2017, increasing the number of stores from 40 to 52 and, we believe, bringing the store portfolio to a prudent yet appropriate level for today's retail environment. Alongside this, we have also fully embraced the opportunities online and have invested substantially in a new online platform, with the online 'store' growing rapidly over the last few years.

This combined expansion programme now means that Furniture Village can enjoy a more national profile, this remaining important to our customers who predominantly still wish to 'touch and feel' their furniture before making a purchase, whilst recognising the important role that the online site also plays in communicating our retail proposition to both new and returning customers.

This new store and online expansion programme has driven another year of significant volume growth, with total order intake increasing by 9% this year, on top of a 10% increase the year before, this ensuring that we are able to leverage existing national marketing, support functions and distribution infrastructure. It was additionally pleasing that alongside new store and online growth, we were also able to grow our existing store bookings by 3% like for like, even after an element of new store cannibalisation.

Since the vote to leave the European Union in June 2016, there has been considerable pressure on cost prices, with the devaluation of Sterling a significant factor, alongside other inflationary pressures and increases in raw material prices. In addition, the underlying retail trading environment has tightened, with the ongoing political and economic uncertainty around Brexit, together with interest rate rises and inflation pressures, dampening consumer confidence. Price competition in the sector has thereby intensified, with increased promotional activity deployed to counter this, these factors combined leading to a year on year decrease in the gross profit percentage of 1.3 percentage points.

Key Financial Performance Indicators:	2018	2017	Change
Order Intake (gross of VAT)	£317.6m	£291.9m	£25.7m or 9%
Turnover or Deliveries (net of VAT)	£262.1m	£238.1m	£24.0m or 10%
Gross Profit %	46.8%	48.1%	(1.3)pp
EBITDA	£4.2m	£5.2m	£(1.0)m
(Loss)/Profit after taxation	£(0.7)m	£1.4m	£(2.1)m
Cash Balance	£15.2m	£16.7m	£(1.5)m

Overall, overheads have maintained the same percentage to net sales as in the prior year, with the significant volume increase necessitating in some areas a step change in the infrastructure and allied operating cost base of the business. In addition, with two new stores opening on the cusp of the prior year-end, and a further two in Rugby and Chelmsford opening during the year, fixed costs have been incurred whilst building these new store order books, and this has accounted for a short-term trading loss of £0.5m. In addition, pre-opening costs of £0.3m have also been incurred, these factors suppressing both profit measures above, albeit going forward these new stores are all expected to contribute profitably.

Strategic Report (continued)

In addition, we are investing in a new ERP system, incurring associated pre-live operating expenses, with the reorganisation of key group functions also necessitating further one-off costs, though with benefits from both to clearly accrue in the longer term. These one-off costs amount to £1.1m, which combined with the new store costs above accounts for c.£2m in the year, a substantial drain on profitability in the short term.

EBITDA in the year was £4.2m, suppressed as outlined above by c. £2m one-off costs, with the drop against the prior year of £1m largely due to the previous accounting period being a 53week year, this accounting for c.£0.75m additional profit.

The underlying business model remains highly cash generative and the closing cash position was £15.2m, only £1.4m lower than the previous year, despite investment in fixed assets of £8.5m (closing cash balance 53 weeks to the 02 April 2017 £16.7m).

Outlook

We entered the new financial year expecting the retail trading environment to toughen as the internal and external political negotiations around Brexit intensified, but at the same time had identified specific measures to grow market share and counter any deterioration in consumer confidence. Amongst other initiatives, this included broadening our product range to ensure we remained relevant to a wider demographic, increased focus on cross selling and enhancing the store environment, with a new store concept now successfully rolled out in several locations.

Indeed, we started the year very strongly, with order intake over Easter significantly ahead on a like for like basis, endorsing the changes we had already made at that juncture. This was subsequently followed however by one of the hottest summers on record, the sustained heat-wave having a well-documented impact on customer flow to 'big ticket' retailers, amongst others, albeit we sought to counter this promotionally, with an ensuing positive impact on customer conversion rates.

That said, in order to ensure that we were able to offset both the potential profit and cash related impact of a weather and economic led downturn in trading, we instigated a significant overhead and cost reduction plan in Spring 2018, along with other measures to protect cash. We called this our 'Fight the Climate' plans and together with a continued focus on volume enhancing initiatives, we identified over £10m of cost and overhead reductions, this encompassing all areas of the business, though clearly ensuring volume generating spend was protected wherever possible.

The heat-wave has naturally now come to an end, with an instantaneous rebound in customer flow, but significantly, the measures identified above are both permanent and sustainable, ensuring the benefits continue alongside a substantial uplift in volumes. Many of the initiatives are centred around improving productivity, with IT developments naturally at the heart of these, and an enhanced ERP system to improve the customer experience, along with facilitating improved efficiencies and productivity in the future.

Over the last couple of years, we have invested significantly in the long-term success of the business, with a short-term impact on profitability and substantial allied cash outflow on capital expenditure. We now believe however that we have the appropriate store network in place for the short to medium term, with a cautious approach to any further new stores. Whilst we will naturally seek new IT initiatives wherever possible, capital investment will be materially reduced, with a positive impact on cash generation.

The implications of the decision to leave the European Union are still largely unknown but the current retail pressures are likely to continue for some time and our ability to react to ever changing market conditions will be more important now than ever before. That said, as a result of the current initiatives, we now anticipate increasing profitability and cash significantly in the current year, facilitating a return to historical levels of profitability and, more importantly, ensuring that we are able to withstand potential future volatility in trading conditions and guarantee a more prosperous future.

Strategic Report (continued)

Principal Risks

The principal risks are segmented and managed accordingly:

- Strategic risk;
- Financial risk;
- Operational risk; and
- Health & Safety and other Regulatory Compliance 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 stores and online, particularly at the mid to upper end of the furniture market where customers still want to 'touch and feel' the furniture.

Financial risk

The underlying business model is highly cash generative. 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. We now believe however that we have the appropriate store network in place for the short to medium term, with a cautious approach to any further new stores.

One of the key areas of focus for financial risk management includes that of exchange rate movements. During the prior year however, a move to pay a significant foreign supplier in GBP (previously USD) has reduced the foreign currency exposure and no hedging instruments were in place as at the year end.

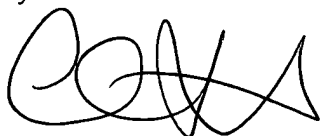
Operational risk

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, with the enhanced ERP system set to further strengthen this. 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 and other Regulatory Compliance risk

The business takes its compliance responsibilities very seriously and seeks to adhere to 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 strengthened the compliance team in the last year, along with further internal reporting modifications, ensuring that appropriate standards, controls and records are maintained.

By order of the Board



C E Shiels

Director

Date 02/10/18

Directors' Report

The directors present their report and financial statements for the 52 weeks ended 01 April 2018.

Dividends

The directors do not recommend the payment of a dividend.

Future Developments

The directors aim to maintain the current management policies and strategy, as outlined further in the Strategic Report, and consider that this will generate an uplift going forward in both underlying EBITDA and cash.

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 01 April 2018 the Group has increased order intake against the previous financial year, albeit total EBITDA is reduced by operating cost investments to support the new store growth and new store trading losses, as outlined in the Strategic Report, as well as other one-off costs. Underlying cash generation after capital investment remains strong and has ensured the availability of significant cash balances.

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 and facilities 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

There are no post balance sheet events to report on.

Directors' Report (continued)

Directors

The directors who served during the year were as follows:

J C Hodgkinson (Non-executive Chairman)
P J Harrison
G H Suthern (Resigned 19th July 2017)
C E Shiels

Non-executive Directors
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.

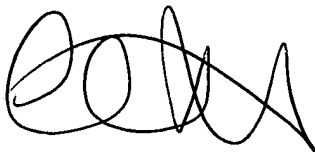
Disclosure of information to the auditors

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



C E Shiels
Director

Date 02/10/18

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

Opinion

We have audited the financial statements of Furniture Village Limited for the year ended 01 April 2018 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 notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 01 April 2018 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report

To the Members of Furniture Village Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

Independent auditor's report

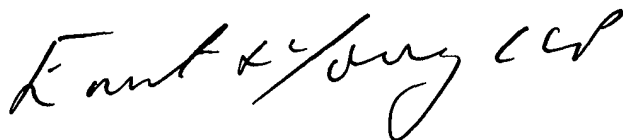
To the Members of Furniture Village Limited (continued)

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



David Brown (Senior Statutory Auditor)

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

Reading

Date 2-10-2018

Income Statement

for the 52 weeks ended 01 April 2018

		52 weeks ended 01 April 2018 £000	53 weeks ended 02 April 2017 £000
	Notes		
Turnover	2	262,060	238,064
Cost of sales		(139,513)	(123,670)
Gross profit		122,547	114,394
Distribution costs		(72,359)	(66,512)
Administrative expenses		(51,674)	(46,123)
Other operating income		1,569	1,559
Operating profit before cost of new and re-launched stores		83	3,318
New and re-launched stores		(314)	(1,453)
Operating (loss)/profit		(231)	1,865
Loss on disposal of fixed assets	3	(11)	(20)
(Loss)/Profit before interest and tax		(242)	1,845
Interest receivable and similar income	8	58	73
Interest payable and similar charges	9	(249)	(243)
(Loss)/Profit on ordinary activities before taxation		(433)	1,675
Tax charge	10	(314)	(316)
(Loss)/Profit for the financial period		(747)	1,359

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 01 April 2018

		<i>52 weeks ended 01 April 2018 £000</i>	<i>53 weeks ended 02 April 2017 £000</i>
	<i>Notes</i>		
(Loss)/Profit for the financial period		(747)	1,359
(Loss) on cash flow hedges		–	(21)
Movement on deferred tax relating to cash flow hedge	10	–	4
<i>Total comprehensive (loss) / income</i>		<i>(747)</i>	<i>1,342</i>

Statement of change in equity

for the 52 weeks ended 01 April 2018

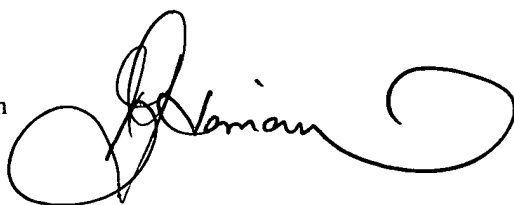
	<i>Share capital</i>	<i>Share premium</i>	<i>Hedge Reserves</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 27 March 2016	650	274	17	15,305	16,246
Profit for the financial period	–	–	–	1,359	1,359
Other comprehensive expense	–	–	(17)	–	(17)
Total comprehensive income	–	–	(17)	1,359	1,342
Ordinary dividends paid to parent undertaking	–	–	–	(1,000)	(1,000)
At 02 April 2017	650	274	–	15,664	16,588
(Loss) for the financial period	–	–	–	(747)	(747)
Total comprehensive loss	–	–	–	(747)	(747)
Ordinary dividends paid to parent undertaking	–	–	–	(500)	(500)
At 01 April 2018	650	274	–	14,417	15,341

Statement of financial position

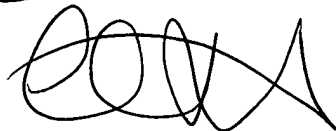
at 01 April 2018

		01 April 2018 £000	02 April 2017 £000
	Notes		
Fixed assets			
Intangible assets	12	3,528	3,136
Tangible assets	13	34,180	30,884
		<u>37,708</u>	<u>34,020</u>
Current assets			
Stocks	14	15,022	14,026
Debtors	15	45,810	44,561
Cash	20(b)	15,245	16,675
		<u>76,077</u>	<u>75,262</u>
Creditors: amounts falling due within one period	16	(92,885)	(88,325)
Net current liabilities		<u>(16,808)</u>	<u>(13,063)</u>
Total assets less current liabilities		<u>20,900</u>	<u>20,957</u>
Preference shares	17	(3,150)	(3,150)
Provisions for liabilities	18	(2,409)	(1,219)
Net assets		<u>15,341</u>	<u>16,588</u>
Capital and reserves			
Called up share capital	19	650	650
Share premium account		274	274
Profit and loss account		14,417	15,664
Shareholders' funds		<u>15,341</u>	<u>16,588</u>

P J Harrison
Director



C E Shiels
Director



Date

02/10/18

Statement of cash flows

for the 52 weeks ended 01 April 2018

		52 weeks ended 01 April 2018 £000	53 weeks ended 02 April 2017 £000
	Notes		
Net cash inflow from continuing operating activities	20(a)	7,864	8,464
Investing activities			
Interest received		58	73
Payments to acquire tangible fixed assets		(8,468)	(9,389)
Payments to acquire intangible fixed assets		(135)	(1,309)
Net cash flow used from investing activities		(8,545)	(10,625)
Financing activities			
Intercompany preference dividend paid to parent company		(222)	(222)
Other interest paid		(27)	(21)
Equity dividends paid to parent company	11	(500)	(1,000)
Net cash flow used from financing activities		(749)	(1,243)
Change in cash resulting from cash flows		(1,430)	(3,404)
Cash at beginning of financial period	20(b)	16,675	20,079
Cash at end of financial period	20(b)	15,245	16,675

Notes to the financial statements

at 01 April 2018

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 01 April 2018.

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 income 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 regulations require an entity to separately disclose the line items that are included in the amounts expected to be recovered or settled within 12 months and more than 12 months after the reporting date.

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.

The Company has taken advantage of the exemption in FRS 102 which allows certain companies to not disclose key personnel remuneration.

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 design and infrastructure costs	–	over 7 periods
Website ongoing 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 01 April 2018

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 comprises 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 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 01 April 2018

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 material exposure to foreign currency risk in forecasted transactions and firm commitments.

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.

Notes to the financial statements (continued)

at 01 April 2018

1. Accounting policies (continued)

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. This predominately includes pre-launch occupancy related cash expense, personnel costs, training cost and marketing launch costs.

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:

- a) 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
- b) 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 01 April 2018

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 01 April 2018 £000</i>	<i>53 weeks ended 02 April 2017 £000</i>
Loss on disposal of fixed assets	(11)	(20)

4. Profit before interest and tax

This is stated after charging:

	<i>52 weeks ended 01 April 2018 £000</i>	<i>53 weeks ended 02 April 2017 £000</i>
Auditor's and associates' remuneration	179	168
Depreciation of owned assets	4,373	3,133
Amortisation of owned assets	79	210
Operating lease rentals – Property	22,113	19,987
Operating lease rentals – Other	1,983	1,674

5. Auditor's remuneration

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

	<i>52 weeks ended 01 April 2018 £000</i>	<i>53 weeks ended 02 April 2017 £000</i>
Audit of the financial statements	110	92
Total audit	110	92
Audit related assurance services	–	23
Taxation compliance services	37	34
Other assurance services	32	19
Total non-audit services	69	76
Total auditors and associates' remuneration	179	168

Notes to the financial statements (continued)

at 01 April 2018

6. Directors' remuneration

	<i>52 weeks ended 01 April 2018 £000</i>	<i>53 weeks ended 02 April 2017 £000</i>
Aggregate remuneration in respect of qualifying services	793	841
Company contributions paid to money purchase pension schemes	34	53
	<i>52 weeks ended 01 April 2018 No.</i>	<i>53 weeks ended 02 April 2017 No.</i>
Members of money purchase pension scheme	3	4

The amounts in respect of the highest paid director were aggregate remuneration of £292k (53 weeks ended 02 April 2017 – £299k) and company contributions paid to pension schemes of £10k (53 weeks ended 02 April 2017 – £26k). Directors' remuneration includes bonuses relating to the period in which they accrue, although these may be paid after the period end.

7. Staff costs

	<i>52 weeks ended 01 April 2018 £000</i>	<i>53 weeks ended 02 April 2017 £000</i>
Wages and salaries	38,194	32,251
Social security costs	3,764	3,359
Pension costs	846	832
	42,804	36,442

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

	<i>52 weeks ended 01 April 2018 No.</i>	<i>53 weeks ended 02 April 2017 No.</i>
Office and management	140	128
Retailing and distribution	853	752
	993	880

Notes to the financial statements (continued)

at 01 April 2018

8. Interest receivable and similar income

	<i>52 weeks ended 01 April 2018 £000</i>	<i>53 weeks ended 02 April 2017 £000</i>
Bank interest	58	73
	<u>58</u>	<u>73</u>

9. Interest payable and similar charges

	<i>52 weeks ended 01 April 2018 £000</i>	<i>53 weeks ended 02 April 2017 £000</i>
Dividends payable on non-equity preference shares to parent company	222	222
Other interest	27	21
	<u>249</u>	<u>243</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:

	<i>52 weeks ended 01 April 2018 £000</i>	<i>53 weeks ended 02 April 2017 £000</i>
<i>Current tax:</i>		
UK corporation tax on the profit for the period	225	444
Adjustment in respect of previous periods	19	74
Total current tax	<u>244</u>	<u>518</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences – current period	34	113
– prior period	39	(241)
– change of tax rates	(3)	(74)
Total deferred tax	<u>(70)</u>	<u>(202)</u>
Total tax per income statement	<u>314</u>	<u>316</u>

Notes to the financial statements (continued)

at 01 April 2018

10. Tax (continued)

Other comprehensive income items

Deferred tax credit	–	(4)
Total other comprehensive income items	–	(4)

(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 01 April 2018 £000	53 weeks ended 02 April 2017 £000
(Loss)/Profit for the period – continuing operations	(433)	1,675
Tax on loss at standard UK tax rate of 19% (53 weeks ended 02 April 2017 – 20%)	(82)	335
<i>Effects of:</i>		
Expenses not deductible	499	364
Non-taxable income	(19)	–
Group relief/other reliefs	(139)	(138)
Adjustment from previous periods	59	(167)
Tax rate changes	(4)	(74)
Hedging	–	(4)
Tax charge for the period	314	316
Income tax expense reported in the income statement	314	316

(c) Changes to UK Corporation Tax

The standard rate of Corporation Tax in the UK is 19% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 19%. The standard rate will fall further to 17% with effect from 1 April 2020. As this change was substantively enacted before the Balance Sheet date, deferred tax balances have been calculated at the appropriate rate when the balance is expected to unwind in these financial statements.

11. Ordinary dividends on equity shares to parent company

	52 weeks ended 01 April 2018 £000	53 weeks ended 02 April 2017 £000
Dividends payable on ordinary shares to parent company	500	1,000

Notes to the financial statements (continued)

at 01 April 2018

11. Ordinary dividends on equity shares to parent company (continued)

In the period £500k of equity dividends are payable to Furniture Village Group Limited for the ordinary shares (53 weeks ended 02 April 2017 – £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.

12. Intangible fixed assets

	<i>Software</i> £000	<i>Website</i> £000	<i>Total</i> £000
Cost:			
At 02 April 2017	3,228	1,205	4,433
Additions	309	163	472
At 01 April 2018	3,537	1,368	4,905
Amortisation:			
At 02 April 2017	1,175	122	1,297
Provided during the period	30	50	79
At 01 April 2018	1,205	172	1,377
Carrying amount at 01 April 2018	2,332	1,196	3,528
Carrying amount at 02 April 2017	2,053	1,083	3,136

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 02 April 2017	47,737	5,197	3,191	56,125
Additions	5,395	462	1,887	7,744
Disposals	(372)	(92)	(2)	(466)
At 01 April 2018	52,760	5,567	5,076	63,403
Depreciation:				
At 02 April 2017	21,579	2,476	1,186	25,241
Provided during the period	3,213	360	800	4,373
Disposals	(312)	(78)	(1)	(391)
At 01 April 2018	24,480	2,758	1,985	29,223
Carrying amount at 01 April 2018	28,280	2,809	3,091	34,180
Carrying amount at 02 April 2017	26,158	2,721	2,005	30,884

Notes to the financial statements (continued)

at 01 April 2018

14. Stocks

	<i>01 April 2018 £000</i>	<i>02 April 2017 £000</i>
Goods for resale	15,022	14,026

Stocks recognised as an expense in cost of sales for the period were £139,135k (53 weeks ended 02 April 2017 - £124,678k). The stock impairment provisions included in cost of sales for the 52 weeks ended 01 April 2018 were £339k (53 weeks ended 02 April 2017 – £297k).

15. Debtors

	<i>01 April 2018 £000</i>	<i>02 April 2017 £000</i>
Trade debtors	1,663	1,048
Other debtors	936	1,151
Prepayments and accrued income	9,698	8,924
Corporation tax	320	1,071
Owed by ultimate parent company – Furniture Village Holdings Limited	33,193	32,367
	<u>45,810</u>	<u>44,561</u>

All the trade debtors' amounts are due to be settled within 12 months.

The trade debtors provision included in administrative expenses for the 52 weeks ended 01 April 2018 was £25k (53 weeks ended 02 April 2017 – £25k).

16. Creditors: amounts falling due within one period

	<i>01 April 2018 £000</i>	<i>02 April 2017 £000</i>
Deposits on goods not yet delivered	16,993	14,900
Trade creditors	36,241	35,051
Corporation tax	-	-
Other taxes and social security costs	5,143	4,507
Other creditors and accruals	19,187	19,267
Owed to parent company – Furniture Village Group Limited	15,321	14,600
	<u>92,885</u>	<u>88,325</u>

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

Notes to the financial statements (continued)

at 01 April 2018

17. Preference shares

	01 April 2018 £000	02 April 2017 £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 (2017 – 1,400,000)	1,400	1,400
7.2% Cumulative redeemable preference shares of £1 each		
– Number of shares – 1,750,000 (2017 – 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 02 April 2017	155	1,064	1,219
Movement during the current period	1,115	75	1,190
At 01 April 2018	<u>1,270</u>	<u>1,139</u>	<u>2,409</u>

Deferred Tax provision is made up of timing differences between fixed assets realized through use.

Dilapidation provision is a provision made under the terms of the lease to restore the premises to the original condition. It was calculated based on expected costs to restore the premises we are leasing to the original condition, on expiry of the lease or should the lease be otherwise terminated by either party. The impact of discounting the dilapidation provision is not material.

The deferred tax consists of:

	01 April 2018 £000	02 April 2017 £000
<i>Deferred tax liability</i>		
Fixed asset timing differences	749	674
Short term timing differences	(6)	(6)
Non-trading timing differences	396	396
Total deferred tax liability	<u>1,139</u>	<u>1,064</u>

Notes to the financial statements (continued)

at 01 April 2018

18. Provisions for liabilities (continued)

	01 April 2018 £000	02 April 2017 £000
<i>Deferred tax assets</i>		
Recoverable after 12 months	(6)	(6)
Total deferred tax asset	(6)	(6)
	01 April 2018 £000	02 April 2017 £000
<i>Deferred tax liabilities</i>		
Payable after 12 months	1,145	1,070
Total deferred tax liability	1,145	1,070

19. Issued equity share capital

		01 April 2018 £000		02 April 2017 £000
<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.

The share premium reserve records the amount above the nominal value received for shares sold, less transactions costs.

Notes to the financial statements (continued)

at 01 April 2018

20. Notes to the statement of cash flows

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

	<i>52 weeks ended 01 April 2018 £000</i>	<i>53 weeks ended 02 April 2017 £000</i>
Operating (loss)/profit	(231)	1,865
Depreciation	4,373	3,133
Amortisation	79	210
(Increase) in stocks	(994)	(1,303)
(Increase) in non-intercompany debtors	(1,174)	(466)
Increase in non-intercompany creditors	4,288	4,832
(Increase) in intercompany debtors	(826)	(451)
Increase in intercompany creditors	722	1,222
Change in fair value hedged item	–	(17)
Corporation tax paid	1,627	(561)
Net cash inflow from continuing operating activities	<u>7,864</u>	<u>8,464</u>

(b) Analysis of cash

	<i>02 April 2017 £000</i>	<i>Cash flow £000</i>	<i>01 April 2018 £000</i>
Cash	16,675	(1,430)	15,245
	<u>16,675</u>	<u>(1,430)</u>	<u>15,245</u>

21. 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:

	<i>01 April 2018 £000</i>	<i>02 April 2017 £000</i>
Authorised by the directors and contracted for	54	1,539
Authorised by the directors but not yet contracted for	–	–
	<u>54</u>	<u>1,539</u>

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 01 April 2018 amounted to £nil (02 April 2017 – £nil).

Notes to the financial statements (continued)

at 01 April 2018

23. 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>	<i>Land and buildings</i>	<i>Other</i>	<i>Other</i>
	<i>01 April 2018</i>	<i>02 April 2017</i>	<i>01 April 2018</i>	<i>02 April 2017</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one period	21,106	21,385	1,584	1,217
In two to five periods	77,474	81,683	3,235	2,217
In over five periods	91,942	111,710	–	–
	<u>190,522</u>	<u>214,778</u>	<u>4,819</u>	<u>3,434</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>	<i>Other Operating Income</i>
	<i>01 April 2018</i>	<i>02 April 2017</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
Within one period	750	750
In two to five periods	–	–
	<u>750</u>	<u>750</u>

24. Related party transactions

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel.

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. Loans comprise of the Business Growth Fund (related party) long term loan.

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.

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, no new contracts have been exchanged.