

Furniture Village Limited

Report and Financial Statements

For the 52 weeks ended 31 March 2019



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Officers and professional advisors

Directors

J C Hodkinson (Non-executive Chairman)
P J Harrison
C E Shiels

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 31 March 2019.

Review of the Business

The principal activity of the company is the sale of quality furniture in the retail market, with Furniture Village positioned at the mid to upper end of the UK volume furniture retail market.

After several years of significant store growth, with twelve new stores opening in the two and a half years to December 2017, the current store portfolio consists of fifty-two stores, with good accessibility across much of the United Kingdom. Whilst we believe that there is still opportunity to open new stores however, without material risk of cannibalisation, further new store expansion was cautiously paused some time ago in anticipation of the impact that the vote to leave the European Union in June 2016 would have on future consumer confidence, the housing market and the wider economy. Indeed, measures of consumer confidence have shown a marked decline since the time of the vote, alongside a weakening housing sector, with the record hot summer last year also having a well-documented impact on customer flow to 'big ticket' retailers, amongst others.

Against the backdrop of these external downward pressures on consumer flow, we were therefore pleased to protect volumes, successfully recouping a weather-related shortfall from the first half of the year and ending with turnover of £265.2m, a modest uplift on the previous year, aided by a significant increase in conversion rates.

Online also continued its impressive run of annual growth, with turnover over 20% ahead of the prior year, the successive years of strong growth ensuring that online is by far our biggest 'store'. That said, whilst the transactional role it plays in today's omni-channel world is clearly important, of greater significance is its role as a 'window to our stores', with the majority of our customers still preferring to touch and feel their furniture ahead of purchasing, a reflection in part of our positioning in the middle to upper end of the volume market.

Since the vote to leave the European Union in June 2016, there has also 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 price competition in the sector 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 0.9 percentage points.

<i>Key Financial Performance Indicators:</i>	<i>2019</i>	<i>2018</i>	<i>Change</i>
Turnover or Deliveries (net of VAT)	£265.2m	£262.1m	£3.1m or 1%
Gross Profit %	45.9%	46.8%	(0.9)pp
EBITDA	£5.6m	£4.2m	£1.4m
Loss after taxation	£(0.1)m	£(0.7)m	£0.6m
Cash Balance	£13.6m	£15.2m	£(1.6)m

Recognising the detrimental impact of the continuing political uncertainty on consumer confidence, and in order to ensure that we were able to offset an allied potential decrease in profits and cash, 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 full year cost and overhead reductions, this encompassing all areas of the business, though ensuring volume generating spend was protected wherever possible, along with the longer-term interests of the business.

Strategic Report (continued)

The part year benefit of this plan has successfully enhanced results for the year ended March 2019, with overheads reducing year on year, even after including full year costs for the Rugby and Chelmsford new stores, increased volume related overheads and other unavoidable fixed cost increases.

In addition, we are investing in a new ERP system, incurring associated pre-live operating expenses, with the 'Fight the Climate' plans also necessitating one-off initial costs in some instances. Whilst benefits will clearly accrue from both initiatives, this has resulted in one-off costs in the year of £0.9m.

EBITDA in the year was £5.6m, suppressed as outlined above by c. £0.9m one-off costs, though notwithstanding this, still £1.4m or over 30% higher than the previous year.

The underlying business model remains cash generative and the closing cash position was £13.6m, only £1.6m lower than the previous year (closing cash balance 52 weeks to the 01 April 2018 £15.2m), largely due to payments made for increased backing stock levels pre year-end. Indeed, in order to protect against a potential hard Brexit at the end of March, we had tactically increased stock levels over the Winter Sale in order to ensure we could maintain lead-times, with this accelerated cash outflow unwinding in the new financial year.

Net cash inflow from continuing operating activities before tax was £2.6m, £3.7m lower than the prior year, in part due to a temporary decrease in non-intercompany creditors relating to the aforementioned increase in backing stock levels, though offset to a large degree by lower levels of capital expenditure given the pause on new store expansion.

Outlook

The ongoing political and Brexit related uncertainty continues, with consumer confidence remaining understandably subdued, particularly in relation to big ticket items/major purchases. That said, we have taken significant steps over the past year to protect the business against these downward pressures and will continue to ensure that we positively influence all those factors within our control going forward.

Order intake to date is 4% ahead of the prior year, in part a reflection of strategic work to increase average order values, with an allied positive impact on distribution efficiencies. In addition, gross margins have also strengthened to date, largely through more tactical discounting, alongside sharing more of the cost of volume driving additional offers with our suppliers.

The overhead base remains well controlled, with further efficiency improvements and cost reduction initiatives identified during the current financial year, all ensuring a stronger base in the short term, but also facilitating a return to higher levels of profitability once the current political impasse is resolved. Indeed, as a result of the ongoing work to bolster profitability, we do anticipate increasing both profitability and cash in the current year, even after assuming a continuation of the current market malaise.

As we celebrate our 30th birthday, we are thankful for the longstanding and mutually supportive relationships that we have with our suppliers, working in harmony with our talented and passionate workforce, both understanding and subscribing to our values, ethics and desire for shared success. We have a unique offering and brand positioning that stands for good quality, excellent service and real value and our many returning customers are testament to the longevity of our brand and its continued relevance in today's ever evolving market.

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 Report (continued)

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.

Brexit Risk

The company sources a significant proportion of goods from outside the UK, either directly or indirectly, and a working group, with input from external advisors, has been established to consider and mitigate the primary risks of the ongoing ramifications of Brexit. This includes the negative impact on consumer confidence, delays and/or additional costs of transporting goods into the UK and the potential impact on the cost of goods and availability of skilled labour, in tandem with legislative and process changes.

Financial risk

The underlying business model is 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 last year, 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.

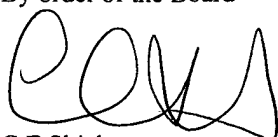
Operational risk

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, with dialogue ongoing with all relevant suppliers to ensure minimal disruption as possible in relation to Brexit, with our own National Distribution Centre also allowing greater flexibility in managing goods inflow.

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, along with enhancing internal recording and reporting modifications, ensuring that appropriate standards, controls and records are maintained.

By order of the Board



C E Shiels

Director

Date 19/12/19

Directors' Report

The directors present their report and financial statements for the 52 weeks ended 31 March 2019.

Dividends

The directors recommend the payment of an intercompany equity dividend of £500k to Furniture Village Group Ltd (52 weeks ended 01 April 2018 £500k). The company also paid an intercompany non-equity preference share dividend of £222k to Furniture Village Group Ltd (52 weeks ended 01 April 2018 £222k).

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 company'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 response to the sustained political and Brexit related uncertainty and impact on consumer confidence, management have pro-actively sought to counter those challenges as set out in the Outlook and Principal risk sections of the Strategic Report. An element of management's response has been to assess the availability of product supply, the impact of foreign exchange volatility and the sufficiency of funds and facilities to operate and protect customer refunds. We have long established trading relationships with our product vendors and took action in prior years to significantly reduce direct foreign currency exposure. We have considered our financial forecasts for FY20 and FY21 and applied a combination of sensitivities to model potential scenarios to reflect differing market conditions and challenges. While these demonstrate cash sufficiency, we have also renegotiated the loan repayment dates to provide further headroom and contingency should that be required to contra the impact of the uncertainties previously referred to.

The directors believe that 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 company 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 company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Post Statement of Financial Position Events

There are no post Statement of Financial Position events to report on.

Directors' Report (continued)

Directors

The directors who served during the year were as follows:

J C Hodkinson (Non-executive Chairman)
P J Harrison
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.

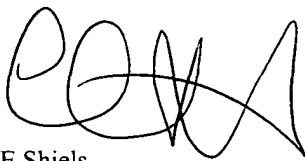
Disclosure of information to the auditors

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 19/12/19

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 31 March 2019 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 31 March 2019 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

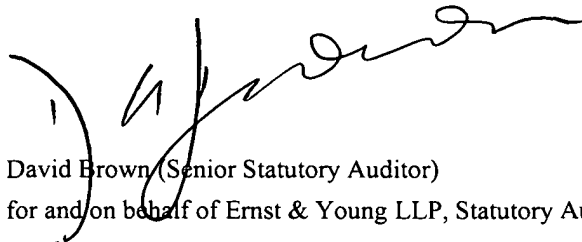
To the Members of Furniture Village Limited (continued)

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 20-12-2019

Income Statement

for the 52 weeks ended 31 March 2019

		52 weeks ended 31 March 2019 £000	52 weeks ended 01 April 2018 £000
	Notes		
Turnover	2	265,176	262,060
Cost of sales		(143,422)	(139,513)
Gross profit		121,754	122,547
Distribution costs		(71,923)	(72,359)
Administrative expenses		(49,994)	(51,674)
Other operating income		1,504	1,569
Operating profit before cost of new and re-launched stores		1,341	83
New and re-launched stores		(93)	(314)
Operating profit/(loss)		1,248	(231)
Loss on disposal of fixed assets	3	(607)	(11)
Profit/(Loss) before interest and tax		641	(242)
Interest receivable and similar income	8	72	58
Interest payable and similar charges	9	(250)	(249)
Profit/(Loss) on ordinary activities before taxation		463	(433)
Tax charge	10	(541)	(314)
Loss for the financial period		(78)	(747)

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 31 March 2019

	52 weeks ended 31 March 2019	52 weeks ended 01 April 2018
Notes	£000	£000
Loss for the financial period	(78)	(747)
Other Comprehensive Income Fair Value Revaluation	2,010	–
Total comprehensive income / (loss)	1,932	(747)

Statement of change in equity

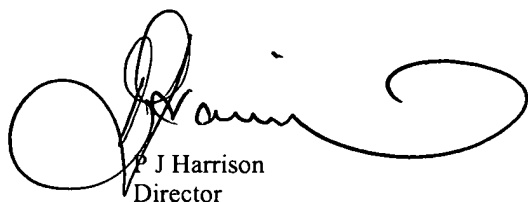
for the 52 weeks ended 31 March 2019

	<i>Share capital</i>	<i>Share premium</i>	<i>Revaluation 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 02 April 2017	650	274	–	15,664	16,588
Loss for the financial period	–	–	–	(747)	(747)
Ordinary dividends paid to parent undertaking	–	–	–	(500)	(500)
At 01 April 2018	650	274	–	14,417	15,341
Loss for the financial period	–	–	–	(78)	(78)
Other Comprehensive Income	–	–	2,010	–	2,010
Total comprehensive income	–	–	2,010	(78)	1,932
Ordinary dividends paid to parent undertaking	–	–	–	(500)	(500)
At 31 March 2019	650	274	2,010	13,839	16,773

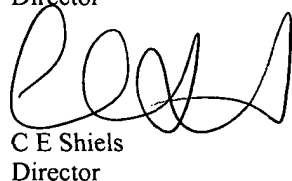
Statement of financial position

at 31 March 2019

		31 March 2019 £000	01 April 2018 £000
	Notes		
Fixed assets			
Intangible assets	12	3,287	3,528
Tangible assets	13	34,151	34,180
		<u>37,438</u>	<u>37,708</u>
Current assets			
Stocks	14	15,907	15,022
Debtors	15	45,163	45,810
Cash	20(b)	13,636	15,245
		<u>74,706</u>	<u>76,077</u>
Creditors: amounts falling due within one period	16	(89,611)	(92,885)
Net current liabilities		<u>(14,905)</u>	<u>(16,808)</u>
Total assets less current liabilities		<u>22,533</u>	<u>20,900</u>
Preference shares	17	(3,150)	(3,150)
Provisions for liabilities	18	(2,610)	(2,409)
Net assets		<u>16,773</u>	<u>15,341</u>
		<u><u>16,773</u></u>	<u><u>15,341</u></u>
Capital and reserves			
Called up share capital	19	650	650
Share premium account		274	274
Asset Revaluation Reserve		2,010	–
Profit and loss account		13,839	14,417
		<u>16,773</u>	<u>15,341</u>
Shareholders' funds		<u><u>16,773</u></u>	<u><u>15,341</u></u>



P J Harrison
Director



C E Shiels
Director

Date 19/12/19

Statement of cash flows

for the 52 weeks ended 31 March 2019

		52 weeks ended 31 March 2019 £000	52 weeks ended 01 April 2018 £000
	Notes		
Net cash inflow from continuing operating activities pre tax	20(a)	2,568	6,237
Corporation Tax Paid		(224)	1,627
Net cash inflow from continuing operating activities post tax		2,344	7,864
Investing activities			
Interest received		72	58
Payments to acquire tangible fixed assets		(2,635)	(8,468)
Payments to acquire intangible fixed assets		(847)	(135)
Proceeds from disposal of tangible fixed assets		207	-
Net cash flow used from investing activities		(3,203)	(8,545)
Financing activities			
Intercompany preference dividend paid to parent company		(222)	(222)
Other interest paid		(28)	(27)
Equity dividends paid to parent company	11	(500)	(500)
Net cash flow used from financing activities		(750)	(749)
Change in cash resulting from cash flows		(1,609)	(1,430)
Cash at beginning of financial period	20(b)	15,245	16,675
Cash at end of financial period	20(b)	13,636	15,245

Notes to the financial statements

at 31 March 2019

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 31 March 2019.

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.

Tangible and Intangible Assets

Estimations on the useful economic life of assets are based on the expected time benefits are generated in the business, or in the case of leasehold assets, the time to the next rent review. On completion of contracts to extend store leases, leasehold property assets are revalued to reflect the fair value based on a replacement cost approach. Depreciation is provided on these assets at the revalued amount, less estimated residual value, of each asset evenly over its expected useful life.

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.

Notes to the financial statements (continued)

at 31 March 2019

1. Accounting policies (continued)

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.

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

On completion of contracts to extend store leases, leasehold property assets are revalued to reflect the fair value based on a replacement cost approach. Depreciation is provided on these assets at the revalued amount, less estimated residual value, of each asset evenly over its expected useful life.

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 company 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 Statement of Financial Position date.

Notes to the financial statements (continued)

at 31 March 2019

1. Accounting policies (continued)

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.

Holiday accrual

All short-term compensated absences as holiday entitlement earned but not taken at the Statement of Financial Position 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.

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 Statement of Financial Position 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 Statement of Financial Position. 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 costs 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

Notes to the financial statements (continued)

at 31 March 2019

1. Accounting policies (continued)

Classification of shares as debt or equity (continued)

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 Statement of Financial Position, 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.

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

	52 weeks ended 31 March 2019 £000	52 weeks ended 01 April 2018 £000
Loss on disposal of fixed assets	(607)	(11)

4. Profit/(loss) before interest and tax

This is stated after charging:

	52 weeks ended 31 March 2019 £000	52 weeks ended 01 April 2018 £000
Auditors' and associates' remuneration	138	179
Depreciation of owned assets	4,469	4,373
Amortisation of owned assets	443	79
Operating lease rentals – Property	22,503	22,113
Operating lease rentals – Other	1,910	1,983

Notes to the financial statements (continued)

at 31 March 2019

5. Auditor's remuneration

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

	<i>52 weeks ended 31 March 2019 £000</i>	<i>52 weeks ended 01 April 2018 £000</i>
Audit of the financial statements	104	110
Total audit	<u>104</u>	<u>110</u>
Taxation compliance services	33	37
Other assurance services	1	32
Total non-audit services	<u>34</u>	<u>69</u>
Total auditors' and associates' remuneration	<u>138</u>	<u>179</u>

6. Directors' remuneration

	<i>52 weeks ended 31 March 2019 £000</i>	<i>52 weeks ended 01 April 2018 £000</i>
Aggregate remuneration in respect of qualifying services	<u>579</u>	<u>793</u>
Company contributions paid to money purchase pension schemes	<u>16</u>	<u>34</u>
	<i>52 weeks ended 31 March 2019 No.</i>	<i>52 weeks ended 01 April 2018 No.</i>
Members of money purchase pension scheme	<u>3</u>	<u>3</u>

The amounts in respect of the highest paid director were aggregate remuneration of £283k (52 weeks ended 01 April 2018 – £292k) and company contributions paid to pension schemes of £8k (52 weeks ended 01 April 2018 – £10k). 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 31 March 2019

7. Staff costs

	<i>52 weeks ended 31 March 2019</i>	<i>52 weeks ended 01 April 2018 Restated £000</i>
Wages and salaries	35,259	34,834
Social security costs	3,755	3,764
Pension costs	839	846
	<u>39,853</u>	<u>39,444</u>

The prior period wages and salaries has been restated at £34,834 (previous £38,194) to exclude casual labour costs.

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

	<i>52 weeks ended 31 March 2019 No.</i>	<i>52 weeks ended 01 April 2018 No.</i>
Office and management	126	140
Retailing and distribution	875	853
	<u>1,001</u>	<u>993</u>

8. Interest receivable and similar income

	<i>52 weeks ended 31 March 2019 £000</i>	<i>52 weeks ended 01 April 2018 £000</i>
Bank Interest	72	58

9. Interest payable and similar charges

	<i>52 weeks ended 31 March 2019 £000</i>	<i>52 weeks ended 01 April 2018 £000</i>
Dividends payable on non-equity preference shares to parent company	222	222
Other interest	28	27
	<u>250</u>	<u>249</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.

Notes to the financial statements (continued)

at 31 March 2019

10. Tax

(a) Tax on loss on ordinary activities

The tax is made up as follows:

	52 weeks ended 31 March 2019 £000	52 weeks ended 01 April 2018 £000
<i>Current tax:</i>		
UK corporation tax	374	225
Adjustment in respect of previous periods	54	19
Total current tax	428	244
<i>Deferred tax:</i>		
Origination and reversal of timing differences – current period	117	34
– prior period	8	39
– change of tax rates	(12)	(3)
Total deferred tax	113	70
Total tax per income statement	541	314
Other comprehensive income items		
Other comprehensive income items	–	–

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

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

	52 weeks ended 31 March 2019 £000	52 weeks ended 01 April 2018 £000
Profit/(Loss) for the period – continuing operations	463	(433)
Tax on profit / (loss) at standard UK tax rate of 19% (52 weeks ended 01 April 2018 – 19%)	87	(82)
<i>Effects of:</i>		
Expenses not deductible	504	499
Non-taxable income	(18)	(19)
Group relief/other reliefs	(145)	(139)
Adjustment from previous periods	63	59
Tax rate changes	(12)	(4)
Property Revaluation	62	–
Tax charge for the period	541	314
Income tax expense reported in the Income Statement	541	314

Notes to the financial statements (continued)

at 31 March 2019

10. Tax (continued)

(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 Statement of Financial Position 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

	<i>52 weeks ended 31 March 2019 £000</i>	<i>52 weeks ended 01 April 2018 £000</i>
Dividends payable on ordinary shares to parent company	500	500

In the period £500k of equity dividends are payable to Furniture Village Group Limited for the ordinary shares (52 weeks ended 01 April 2018 – £500k). Ordinary dividends are paid solely for the funding of the parent company, Furniture Village Group Limited, which holds 100% of the ordinary share capital of Furniture Village Limited.

12. Intangible fixed assets

	<i>Software £000</i>	<i>Website £000</i>	<i>Total £000</i>
Cost:			
At 01 April 2018	3,537	1,368	4,905
Additions	491	385	876
Disposals	(674)	-	(674)
At 31 March 2019	3,354	1,753	5,107
Amortisation:			
At 01 April 2018	1,205	172	1,377
Provided during the period	32	411	443
At 31 March 2019	1,237	583	1,820
Carrying amount at 31 March 2019	2,117	1,170	3,287
Carrying amount at 01 April 2018	2,332	1,196	3,528

Notes to the financial statements (continued)

at 31 March 2019

13. Tangible fixed assets

	<i>Leasehold property £000</i>	<i>Fixtures and fittings £000</i>	<i>Equipment £000</i>	<i>Total £000</i>
Cost or valuation:				
At 01 April 2018	52,760	5,567	5,076	63,403
Additions	1,808	490	271	2,569
Disposals	(360)	(357)	(4)	(721)
Property Revaluation	2,010	–	–	2,010
At 31 March 2019	56,218	5,700	5,343	67,261
Depreciation:				
At 01 April 2018	24,480	2,758	1,985	29,223
Provided during the period	3,494	388	587	4,469
Disposals	(255)	(324)	(3)	(582)
At 31 March 2019	27,719	2,822	2,569	33,110
Carrying amount at 31 March 2019	28,499	2,878	2,774	34,151
Carrying amount at 01 April 2018	28,280	2,809	3,091	34,180

On completion of contracts to extend store leases, leasehold property assets are revalued to reflect the fair value based on a replacement cost approach. This is a change in accounting policy in the year.

14. Stocks

	<i>31 March 2019 £000</i>	<i>01 April 2018 £000</i>
Goods for resale	15,907	15,022

Stocks recognised as an expense in cost of sales for the period were £131,842k (52 weeks ended 01 April 2018 - £126,917k). The stock provision charge included in cost of sales for the 52 weeks ended 31 March 2019 were £386k (52 weeks ended 01 April 2018 – £339k).

15. Debtors

	<i>31 March 2019 £000</i>	<i>01 April 2018 £000</i>
Trade debtors	955	1,663
Other debtors	830	936
Prepayments and accrued income	9,282	9,698
Corporation tax	205	320
Owed by ultimate parent company – Furniture Village Holdings Limited	33,891	33,193
	45,163	45,810

Notes to the financial statements (continued)

at 31 March 2019

15. Debtors (continued)

All the trade debtors' amounts are due to be settled within 12 months. The trade debtors' provision related to bad debt, included in administrative expenses for the 52 weeks ended 31 March 2019 was £25k (52 weeks ended 01 April 2018 – £25k).

16. Creditors: amounts falling due within one period

	31 March 2019 £000	01 April 2018 £000
Deposits on goods not yet delivered	16,901	16,993
Trade creditors	33,340	36,241
Other taxes and social security costs	4,455	5,143
Other creditors and accruals	18,871	19,187
Owed to parent company – Furniture Village Group Limited	16,044	15,321
	<u>89,611</u>	<u>92,885</u>

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

17. Preference shares

	31 March 2019 £000	01 April 2018 £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 (2018 – 1,400,000)	1,400	1,400
7.2% Cumulative redeemable preference shares of £1 each		
– Number of shares – 1,750,000 (2018 – 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

	Provision for dilapidations £000	Deferred tax £000	Total £000
At 01 April 2018	1,270	1,139	2,409
Deferred tax movement	-	113	113
Increase in dilapidation liability	150	-	150
Release of dilapidation provision	(62)	-	(62)
At 31 March 2019	<u>1,358</u>	<u>1,252</u>	<u>2,610</u>

Notes to the financial statements (continued)

at 31 March 2019

18. Provisions for liabilities (continued)

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:

	31 March 2019 £000	01 April 2018 £000
<i>Deferred tax liability</i>		
Fixed asset timing differences	864	749
Short term timing differences	(8)	(6)
Non-trading timing differences	396	396
Total deferred tax liability	1,252	1,139
	31 March 2019 £000	01 April 2018 £000
<i>Deferred tax assets</i>		
Recognition after 12 months	(8)	(6)
Total deferred tax asset	(8)	(6)
	31 March 2019 £000	01 April 2018 £000
<i>Deferred tax liabilities</i>		
Payable within 12 months	92	–
Payable after 12 months	1,168	1,145
Total deferred tax liability	1,260	1,145

19. Issued equity share capital

		31 March 2019 £000		01 April 2018 £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 31 March 2019

20. Notes to the statement of cash flows

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

	<i>52 weeks ended 31 March 2019 £000</i>	<i>52 weeks ended 01 April 2018 £000</i>
Operating profit/(loss)	1,248	(231)
Depreciation	4,469	4,373
Amortisation	443	79
(Increase) in stocks	(885)	(994)
Decrease / (Increase) in non-intercompany debtors	1,230	(1,174)
(Decrease) / Increase in non-intercompany creditors	(3,960)	4,288
(Increase) in intercompany debtors	(699)	(826)
Increase in intercompany creditors	722	722

Net cash inflow from continuing operating activities before tax

2,568 6,237

Corporation tax paid

(224) 1,627

Net cash inflow from continuing operating activities after tax

2,344 7,864

(b) Analysis of cash

	<i>01 April 2018 £000</i>	<i>Cash flow £000</i>	<i>31 March 2019 £000</i>
Cash	15,245	(1,609)	13,636
	15,245	(1,609)	13,636

21. Capital commitments

Future committed capital expenditure, not otherwise included in these financial statements is as follows:

	<i>31 March 2019 £000</i>	<i>01 April 2018 £000</i>
Authorised by the directors and contracted for	43	54
	43	54

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 31 March 2019 amounted to £nil (01 April 2018 – £nil).

Notes to the financial statements (continued)

at 31 March 2019

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>31 March</i>	<i>01 April</i>	<i>31 March</i>	<i>01 April</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one period	22,252	21,106	1,667	1,584
In two to five periods	82,635	77,474	2,470	3,235
In over five periods	90,656	91,942	–	–
	<u>195,543</u>	<u>190,522</u>	<u>4,137</u>	<u>4,819</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>31 March 2019</i>	<i>01 April 2018</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
Within one period	725	750
In two to five periods	–	–
	<u>725</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 Statement of Financial Position date

There are no post Statement of Financial Position events to report on.