

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MAY 26, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-209

BASSETT FURNITURE INDUSTRIES, INCORPORATED  
(Exact name of Registrant as specified in its charter)

Virginia

54-0135270

-----  
(State or other jurisdiction  
of incorporation or organization)-----  
(I.R.S. Employer  
Identification No.)3525 Fairystone Park Highway  
Bassett, Virginia 24055-----  
(Address of principal executive offices)  
(Zip Code)

(540) 629-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes \_\_\_\_\_ No  X 

Form 10-K/A Amendment No. 1 was filed May 26, 2001, subsequent to the March 31, 2001, filing date to include the audited financial statements of the Bassett Industries Alternative Asset Fund, LP (BIAAF), a significant affiliate of the company, which has a fiscal year end of December 31, which is different than the Company's fiscal year end. No other changes were made to the 10-K.

At July 9, 2001, 11,735,098 shares of common stock of the Registrant were outstanding.

PART I - FINANCIAL INFORMATION  
 BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS  
 FOR THE PERIODS ENDED MAY 26, 2001 AND MAY 27, 2000 - UNAUDITED  
 (Dollars in thousands except per share data)

	Six Months Ended		Quarter Ended	
	May 26, 2001	May 27, 2000	May 26, 2001	May 27, 2000
Net sales	\$ 156,318	\$ 187,347	\$ 73,765	\$ 92,366
Cost of sales	130,666	150,876	62,672	74,468
Gross profit	25,652	36,471	11,093	17,898
Selling, general and administrative	26,923	30,356	13,722	15,063
Gain on sale of property and equipment	(3,028)	-	-	-
Restructuring and impaired fixed asset charges	2,666	-	819	-
Operating income (loss)	(909)	6,115	(3,448)	2,835
Other income, net	3,355	7,462	2,677	3,804
Income (loss) before income taxes	2,446	13,577	(771)	6,639
Income taxes	(732)	(4,344)	233	(2,124)
Income (loss) before cumulative effect of accounting change	1,714	9,233	(538)	4,515
Cumulative effect of accounting change (net of income taxes of \$171)	-	(364)	-	-
Net income (loss)	\$ 1,714	\$ 8,869	\$ (538)	\$ 4,515
Retained earnings-beginning of period	185,293	187,973	185,028	188,040
Cash dividends	(4,690)	(4,788)	(2,344)	(2,395)
Purchase and retirement of common stock	(205)	(2,871)	(34)	(977)
Retained earnings-end of period	\$ 182,112	\$ 189,183	\$ 182,112	\$ 189,183
Basic earnings (loss) per share:				
Income (loss) before cumulative effect of accounting change	\$ 0.15	\$ 0.78	\$ (0.05)	\$ 0.38
Cumulative effect of accounting change	-	(0.03)	-	-
Net income (loss) per share	\$ 0.15	\$ 0.75	\$ (0.05)	\$ 0.38
Diluted earnings (loss) per share:				
Income (loss) before cumulative effect of accounting change	\$ 0.15	\$ 0.78	\$ (0.05)	\$ 0.38
Cumulative effect of accounting change	-	(0.03)	-	-
Net income (loss) per share	\$ 0.15	\$ 0.75	\$ (0.05)	\$ 0.38
Dividends per share	\$ 0.40	\$ 0.40	\$ 0.20	\$ 0.20

The accompanying notes to condensed consolidated financial statements are an integral part of the condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION - CONTINUED  
 BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 MAY 26, 2001 AND NOVEMBER 25, 2000  
 (in thousands)

Assets	(Unaudited) May 26, 2001	November 25, 2000
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Current assets		
Cash and cash equivalents	\$ 3,712	\$ 3,259
Trade accounts receivable, net	56,537	70,309
Inventories, net	40,086	50,201
Other current assets	6,419	6,069
Refundable income taxes	580	580
Deferred income taxes	6,457	6,457
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Total current assets	113,791	136,875
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Property & equipment		
Cost	234,112	230,043
Less accumulated depreciation	137,453	136,071
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Total property & equipment	96,659	93,972
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Other long-term assets		
Investment securities	12,713	15,043
Investment in affiliated companies	46,646	69,972
Deferred income taxes	3,726	2,061
Other	32,907	28,757
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Total other long-term assets	95,992	115,833
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Total assets	\$ 306,442	\$ 346,680
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Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 13,633	\$ 20,310
Accrued liabilities	20,438	21,583
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Total current liabilities	34,071	41,893
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Long-term liabilities		
Employee benefits	10,534	10,647
Notes Payable	17,000	45,000
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Total long-term liabilities	27,534	55,647
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Commitments and Contingencies (Notes D and G)		
Stockholders' Equity		
Common stock	58,655	58,824
Additional paid-in capital	-	-
Retained earnings	182,112	185,293
Accumulated other comprehensive income - unrealized holding gains, net of income tax effect	4,379	5,418
Unamortized stock compensation	(309)	(395)
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Total stockholders' equity	244,837	249,140
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Total liabilities and stockholders' equity	\$ 306,442	\$ 346,680
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The accompanying notes to condensed consolidated financial statements are an integral part of the condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION - CONTINUED  
 BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE SIX MONTHS ENDED MAY 26, 2001 AND MAY 27, 2000 - UNAUDITED  
 (in thousands)

	2001	2000
Net income	\$ 1,714	8,869
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,544	5,086
Equity in undistributed income of affiliated companies	(3,214)	(6,785)
Provision for write-down of property and equipment	1,600	-
Provision for deferred income taxes	(1,665)	2,601
Net gain from sales of investment securities	(914)	(464)
Net gain from sales of property and equipment	(3,028)	(175)
Net (gain) loss on financial instrument	(448)	-
Compensation earned under restricted stock plan	86	397
Changes in operating assets and liabilities:		
Trade accounts receivable	10,272	(6,311)
Inventory	10,115	(16,506)
Other current assets	188	(1,819)
Accounts payable and accrued liabilities	(7,374)	(2,543)
Long-term liabilities	(113)	\$ (279)
Net cash provided by (used in) operating activities	\$ 12,763	\$ (17,929)
Investing activities:		
Purchases of property and equipment	(10,527)	(12,725)
Proceeds from sales of property and equipment	3,828	178
Dividends from affiliated companies	26,809	-
Proceeds from sales of investment securities	1,621	2,208
Investments in affiliated companies	-	(4,200)
Other, net	(977)	4,007
Net cash provided by (used in) investing activities	\$ 20,754	\$ (10,532)
Financing activities:		
Borrowings (repayments) under notes payable	(28,000)	32,500
Issuance of common stock	176	104
Repurchase of common stock	(550)	(4,587)
Cash dividends	(4,690)	(4,788)
Net cash provided by (used in) financing activities	(33,064)	23,229
Net change in cash and cash equivalents	453	(5,232)
Cash and cash equivalents, beginning of period	3,259	5,740
Cash and cash equivalents, end of period	\$ 3,712	\$ 508

Noncash transaction:  
 Conversion of accounts receivable to notes receivable of \$3,500  
 from an affiliated company in 2001

The accompanying notes to condensed consolidated financial statements are an integral part of the condensed consolidated financial statements.

BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED  
 MAY 26, 2001 (Dollars in thousands except share and per share data)

Note A. Basis of presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The condensed consolidated financial statements include the accounts of Bassett Furniture Industries, Incorporated (the "Company") and its wholly-owned subsidiaries. The equity method of accounting is used for the Company's investment in affiliated companies in which the Company exercises significant influence but does not maintain control.

Note B. Cumulative Effect of Accounting Change:

In 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-up Activities," which requires start-up costs, as defined, to be expensed as incurred. In accordance with this SOP, any previously capitalized start-up costs are required to be written-off as a cumulative effect of a change in accounting principle. The Company, upon adoption of this SOP in the first quarter of fiscal 2000, wrote off the unamortized balance of such previously capitalized start-up costs as of November 28, 1999, of \$535 (\$364 after tax) or \$.03 per diluted share as a cumulative effect of an accounting change.

Note C. Inventories:

Inventories are carried at last-in, first-out (LIFO) cost, which is not in excess of market. Inventories at May 26, 2001 and November 25, 2000 consisted of the following:

	May 26, 2001	November 25, 2000
	-----	-----
Finished goods	\$ 41,966	\$ 50,563
Work in process	5,519	8,708
Raw materials and supplies	18,201	18,368
	-----	-----
Total inventories on first-in, first-out cost method	65,686	77,639
LIFO adjustment	(25,600)	(27,438)
	-----	-----
Total inventories, net	\$ 40,086	\$ 50,201
	=====	=====

Note D. Investment in affiliated companies and joint venture:

Summarized combined income statement information for the Company's equity method investments for the six months ended May 26, 2001 and May 27, 2000 are as follows:

	2001	2000
	-----	-----
Revenues	\$ 61,315	\$ 47,838
Income from operations	12,330	14,558
Net income	3,376	10,159

LRG Furniture, LLC (LRG), an affiliated company, incurred start-up related losses in fiscal 2000 and although additional losses have been incurred in the first half 2001, operating performance has improved over fiscal 2000. In addition, the Company has outstanding accounts and notes receivable from LRG and has leases and loan guarantees with LRG. The Company has committed to provide financial support to LRG, as needed, over the next two years.

BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED  
 May 26, 2001 (Dollars in thousands except share and per share data)

Note E. Comprehensive income:

For the quarters ended May 26, 2001, and May 27, 2000, total comprehensive income (loss) was (\$983) and \$5,136, respectively. Included in total comprehensive income (loss) are net income (loss) of (\$538) and \$4,515 and unrealized gains (losses), net of tax of (\$445) and \$621. Comprehensive income was \$675 and \$8,671, consisting of net income of \$1,714 and \$8,869 and unrealized holding losses, net of tax of (\$1,039) and (\$198) for the six month periods ended May 26, 2001, and May 27, 2000, respectively.

Note F. Restructuring and Impaired Fixed Asset Charges:

During fiscal year 2000, a decision was made to consolidate wood manufacturing operations at two of the Company's facilities in Bassett, VA. These restructuring activities continued in the first half of 2001 and included moving production from one facility to another. One wood manufacturing facility, which was identified for closure in the first quarter of 2001, was closed in the second quarter of 2001, and all operations were absorbed by one of the remaining facilities. In addition, several corporate office positions were eliminated in the second quarter of 2001. All of these restructuring activities will result in the elimination of approximately 600 positions. The following summarizes first half 2001 restructuring:

	Nov 25, 2000 reserve balance	First quarter charges	Fixed asset write-down	Second quarter charges	FY 2001 reserves utilized	May 26, 2001 reserve balance
Non-cash writedown of property and equipment to net realizable value	\$ -	\$ 1,600	\$ (1,600)	\$ -	\$ -	\$ -
Severance and related employee benefit costs	492	247	-	819	(938)	620
	\$ 492	\$ 1,847	\$ (1,600)	\$ 819	\$ (938)	\$ 620

The fixed asset writedown was entirely related to closing one facility in Bassett, Virginia. Production and many of the employees from this facility were transferred to another manufacturing facility in Bassett, Virginia.

Note G. Contingencies:

Legislation has phased out interest deductions on certain policy loans related to Company owned life insurance (COLI) as of January 1, 1999. The Company has recorded cumulative reductions to income tax expense of approximately \$8,000 as the result of COLI interest deductions through 1998. The Internal Revenue Service, on a national level, has pursued an adverse position regarding the deductibility of COLI policy loan interest for years prior to January 1, 1999. The IRS has received favorable rulings on the non-deductibility of COLI loan interest. Management understands that these rulings and the adverse position taken by the IRS will be subjected to extensive challenges in court. In the event that the IRS prevails, the outcome could result in potential income tax and interest payments which could be material to the Company's future results of operations.

The Company is also involved in various other legal and environmental matters, which arise in the normal course of business. Although the final outcome of these matters cannot be determined, based on the facts presently known, it is management's opinion that the final resolution of these matters will not have a material adverse effect on the Company's financial position or future results of operations.

PART I-FINANCIAL INFORMATION-CONTINUED  
 BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
 May 26, 2001 (Dollars in thousands except share and per share data)

Note H. Financial Instruments:

In 1999, the company entered into an equity collar arrangement in order to reduce its exposure to fluctuations in its investment portfolio. In the first quarter of 2000, the Company terminated this particular financial instrument and recognized a gain of \$1,366, which is included in other income in the accompany consolidated statements of income, and entered into a new financial instrument which more clearly correlates to its equity portfolio. In the second quarter of 2001, the Company terminated this equity collar arrangement, at a cost of approximately \$150.

The Company adopted the provisions of SFAS No. 133, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," in 2001 and has determined that the impact of adopting this statement is immaterial.

Note I. Earnings per share:

The following reconciles basic and diluted earnings per share before cumulative effect of accounting change:

	Net Income (loss)	Weighted Average Shares	Earnings (loss) per share
-----			
For the six months ended May 26, 2001			
-----			
Net income available to common stockholders	\$ 1,714	11,704,023	\$ 0.15
Add effect of dilutive securities:			
Options and restricted stock	-	7,272	-
	-----		
Diluted earnings per share	\$ 1,714	11,711,295	\$ 0.15
=====			
For the quarter ended May 26, 2001			
-----			
Net loss available to common stockholders	\$ (538)	11,698,397	\$ (0.05)
Add effect of dilutive securities:			
Options and restricted stock	-	10,780	-
	-----		
Diluted loss per share	\$ (538)	11,709,177	\$ (0.05)
=====			
For the six months ended May 27, 2000			
-----			
Net income available to common stockholders	\$ 9,233	11,885,470	\$ 0.78
Add effect of dilutive securities:			
Options and restricted stock	-	2,190	-
	-----		
Diluted earnings per share	\$ 9,233	11,887,660	\$ 0.78
=====			
For the quarter ended May 27, 2000			
-----			
Net income available to common stockholders	\$ 4,515	11,798,975	\$ 0.38
Add effect of dilutive securities:			
Options and restricted stock	-	2,014	-
	-----		
Diluted earnings per share	\$ 4,515	11,800,989	\$ 0.38
=====			

Options to purchase 1.7 million shares of common stock were outstanding during the second quarters of both 2001 and 2000 that could potentially dilute basic EPS in the future.

PART I-FINANCIAL INFORMATION-CONTINUED  
 BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
 May 26, 2001  
 (Dollars in thousands except share and per share data)

Note J. Segment Information:

Segment information for the periods ended May 26, 2001 and May 27, 2000 were as follows:

For the six months ended May 26, 2001

	Wood	Imports	Upholstery	Other	Consolidated
Net sales	\$ 90,818	\$ 15,990	\$ 44,269	\$ 5,241	\$ 156,318
Operating income (loss)	8,166	3,587	4,097	(16,759)	(909)
Depreciation and amortization	2,231	-	500	2,813	5,544
Capital expenditures	1,049	-	181	9,297	10,527

For the quarter ended May 26, 2001

	Wood	Imports	Upholstery	Other	Consolidated
Net sales	\$ 42,243	\$ 7,344	\$ 22,027	\$ 2,151	\$ 73,765
Operating income (loss)	2,435	1,629	1,937	(9,449)	(3,448)
Depreciation and amortization	1,140	-	223	1,397	2,760
Capital expenditures	497	-	69	4,617	5,183

For the six months ended May 27, 2000

	Wood	Imports	Upholstery	Other	Consolidated
Net sales	\$ 117,462	\$ 15,340	\$ 47,998	\$ 6,547	\$ 187,347
Operating income (loss)	16,998	3,818	4,109	(18,810)	6,115
Depreciation and amortization	2,511	-	414	2,161	5,086
Capital expenditures	3,527	-	1,687	7,511	12,725

For the quarter ended May 27, 2000

	Wood	Imports	Upholstery	Other	Consolidated
Net sales	\$ 57,598	\$ 7,725	\$ 23,551	\$ 3,492	\$ 92,366
Operating income (loss)	8,323	1,820	2,191	(9,499)	2,835
Depreciation and amortization	1,243	-	177	989	2,409
Capital expenditures	1,835	-	1,511	2,400	5,746

The Company's other businesses consist of a contemporary furniture business (Weiman), showroom, real estate, gain on sale of property and equipment, restructuring and corporate operations, all included to reconcile segment information to the Condensed Consolidated Financial Statements. Corporate operations include overhead spending for accounting, marketing, information technologies, selling and general expenses. Operating income by business segment is defined as sales less direct operating costs and expenses.

Beginning in the first quarter of 2001, the results of the Import Division are reported separately in the segment information. For prior reporting, the results of the Import Division were included in the Wood Division.



PART I-FINANCIAL INFORMATION-CONTINUED  
 BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
 May 26, 2001  
 (Dollars in thousands except share and per share data)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations -Periods ended May 26, 2001 compared with periods ended May 27, 2000

In the second quarter of 2001 the Company reported \$73,765 in net sales, a decline of 20% from the \$92,366 reported for the second quarter of 2000. The decline in sales is primarily the result of a continued soft retail sector and the loss of two major customers to bankruptcy in late 2000. For the first half of 2001, sales have declined by 16% compared to the same period in the prior year. In response to these current business conditions, the Company continues to focus on four key areas which are: expanding the Bassett Furniture Direct (BFD) and @Home with Bassett (@Home) programs, providing better service levels, reducing working capital and reducing its fixed cost structure.

The transition of the Company's distribution channels continued into the second quarter of 2001 as nearly 46% of total Company sales were through proprietary channels compared to only 40% in the first half of 2000. Sales to the BFD and @Home channels increased by 5% in the first half of 2001 compared to the first half of 2000. During the first half of 2001, five BFD stores were opened, bringing the total BFD's open at the end of the quarter to 61. Also in the first half, 18 @Home's were opened or converted from existing galleries, bringing the total @Home's to 176 by the end of the second quarter.

Gross margin; gain on sale of property and equipment; restructuring and impaired asset charges; selling, general and administrative (S,G&A) expenses; and operating income (loss) as a percentage of net sales were as follows for the quarters and six months ended May 26, 2001 and May 27, 2000:

	For the Six Months Ended		For the Quarter Ended	
	May 26, 2001	May 27, 2000	May 26, 2001	May 27, 2000
	-----		-----	
Gross margin	16.4%	19.5%	15.0%	19.4%
Gain on sale of property and equipment	1.9%	-	-	-
Restructuring and impaired fixed asset charges	1.7%	-	1.1%	-
S,G&A	17.2%	16.2%	18.6%	16.3%
Operating income (loss)	(0.6%)	3.3%	(4.7%)	3.1%

The decrease in gross margin compared to the prior year for both the second quarter 2001 and the six month period ended May 26, 2001, was primarily a result of reduced production levels, the costs related to transitioning product from one wood plant to another, and the lower margins resulting from liquidating certain finished goods inventories. In response, the Company continues to aggressively reduce costs across the Company and restructure manufacturing capacities through plant consolidations. The consolidation of the table plant in the Wood Division and the transfer of occasional tables to another facility were completed during the second quarter of 2001.

Included in operating income for the six months ended May 26, 2001 was a one-time gain of \$3,028 on the sale of its former showroom in Thomasville, North Carolina, during the first quarter of 2001.

In late 2000, the Company made a decision to consolidate production in the Wood Division. As a result of this decision, the Company incurred \$247 in related restructuring expenses during the first quarter of 2001 in addition to those charged in fiscal year 2000. Also during the first quarter of 2001, additional restructuring activities, which include further consolidation within the Wood Division, resulted in a charge of \$1,600 related to the writedown of property and equipment. This writedown was entirely related to closing one facility in Bassett, Virginia. Production and many of the employees from this facility were transferred to another manufacturing facility in Bassett, Virginia. The Company incurred additional charges in the second quarter of 2001 as a result of these first quarter consolidations and related reductions in corporate office staffing, of approximately \$819. These charges were primarily severance and other employee benefit costs.

PART I-FINANCIAL INFORMATION-CONTINUED  
 BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
 May 26, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

S,G&A expenses increased as a percentage of sales for the second quarter of fiscal 2000 due to the relative amount of fixed expenses to the reduced sales levels. However, the Company's total SG&A spending decreased from \$15,063 in the second quarter of 2000 to \$13,722 for the second quarter of 2001. For the six month period, SG&A spending is down 11% from the prior year level. The Company continues to closely monitor discretionary spending and adjust to current sales demands with spending reductions in corporate overhead and marketing. Management is committed to reducing costs and has targeted S,G&A spending to approximate 15% of net sales over the next three years.

Other income declined slightly in the second quarter of 2001, \$2,677 compared to \$3,804 for the second quarter 2000 due primarily to reduced earnings from the Company's investment in a limited partnership. For the six month period ended May 26, 2001, other income is well below prior year levels for two key reasons: a large gain on a financial instrument which was recorded in the first quarter of 2000, and lower earnings from the Company's investment in a limited partnership and from affiliated investments in the first half of 2001. The reduced affiliated earnings in 2001 was partially the result of an affiliate's recognition of an extraordinary loss related to the early extinguishment of debt during the first quarter. Included in other income are the Company's regular investment earnings, earnings from its equity in undistributed income of affiliated companies and interest expense. Other income is expected to continue to be an integral component of the Company's future earnings.

The effective tax rate was 30% in the first half of 2001 compared to 31% in the first half of 2000. The effective tax rates are lower than the statutory federal income tax rate due to exclusions for tax exempt income.

For the quarter ended May 26, 2001, the net loss was \$538 or \$.05 per diluted share, compared to net income of \$4,515 or \$.38 per diluted share for the quarter ended May 27, 2000. For the six months ended May 26, 2001, net income was \$1,714 or \$.15 per diluted share, compared to \$8,869 or \$.75 per diluted share for the six months ended May 27, 2000.

Segment Information

The following is a discussion of operating results for each of Bassett's business segments.

Wood Division	For the Six Months Ended		Quarter Ended	
	May 26, 2001	May 27, 2000	May 26, 2001	May 27, 2000
Net sales	\$ 90,818	\$ 117,462	\$ 42,243	\$ 57,598
Contribution to profit and overhead	\$ 8,166	\$ 16,998	\$ 2,435	\$ 8,323

Wood Division net sales decreased in both the second quarter 2001 and for the six months ended May 26, 2001, compared to the second quarter and first half 2000 results, due to import pressures, the loss of two major customers, and the soft retail furniture environment. Sales and production levels were at near breakeven levels after allocating corporate overhead for the first half of 2001. In an effort to improve sales and margins in this segment, the Company is introducing new products, opening more BFD and @Home stores, repositioning the division through cost reduction and continuous improvement initiatives, as well as improving product styling, quality and service.

Contribution to profit and overhead is defined by the Company as gross profit less direct divisional operating expenses, but excluding any allocation of corporate overhead expenses, interest expense, or income taxes. Wood Division contribution to profit and overhead dropped from 14.4% of net sales in the second quarter of 2000 to 5.8% of net sales in the second quarter of 2001, primarily as a result of lower sales and production levels and sales of discontinued inventories at lower margins. These same factors impacted six month results for 2001 compared to 2000. In order to improve performance, the Company has closed one facility and consolidated production of two manufacturing facilities in the Wood Division. These changes will improve labor efficiencies and decrease the overall cost structure of the division

PART I-FINANCIAL INFORMATION-CONTINUED  
 BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
 May 26, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

by approximately \$15 million on an annualized basis. These changes better position the manufacturing capacity of the division with current business demands in addition to providing for future profitability improvement.

Import Division	For the Six Months Ended		Quarter Ended	
	May 26, 2001	May 27, 2000	May 26, 2001	May 27, 2000
Net sales	\$ 15,990	\$ 15,340	\$ 7,344	\$ 7,725
Contribution to profit and overhead	\$ 3,587	\$ 3,818	\$ 1,629	\$ 1,820

Beginning in the first quarter of 2001, the results of the Import Division are reported separately in the segment information. For prior reporting, the results of the Import Division were included in the Wood Division.

Net sales for the Import Division declined somewhat during the second quarter but still have increased 4.2% in the first half of 2001 compared to the first half of 2000. The Company expects the sales of this segment to increase, which should, in turn, increase the Company's overall gross margin. The products of the Import Division will continue to supplement the product offerings of the other divisions, as well as include complete suites of bedroom and dining room furniture.

Import Division contribution to profit and overhead decreased from 24.9% of net sales in the first half of 2000 to 22.4% of net sales in 2001. The decrease was a result of an increase in freight, handling and related overhead costs for the division. The expected sales growth of this segment requires the Company to focus more attention on forecasting and purchasing practices, inventory management, logistics and quality.

Upholstery Division	For the Six Months Ended		Quarter Ended	
	May 26, 2001	May 27, 2000	May 26, 2001	May 27, 2000
Net sales	\$ 44,269	\$ 47,998	\$ 22,027	\$ 23,551
Contribution to profit and overhead	\$ 4,097	\$ 4,109	\$ 1,937	\$ 2,191

Net sales for the Upholstery Division have declined by 7.8% for the first half 2001 compared to the first half 2000, primarily due to the loss of a major customer to bankruptcy in late 2000. Management also decided to exit certain distribution channels, which were incompatible with the Bassett brand image and the Company's current primary channels of distribution. This trend was similar in the second quarter of 2001 and has been somewhat offset by sales increases of upholstery products in the BFD stores. The Company is focusing upholstery distribution on its BFD stores, its @ Home with Bassett galleries, and several of its major customers.

Contribution to profit and overhead increased from 8.6% of net sales for the first half of 2000 to 9.3% of net sales for the first half of 2001. Increases were due to the consolidation of several manufacturing facilities over the last two years, continuation of efforts to control labor and overhead spending, the decision to exit certain distribution channels, introduction of new products and the implementation of several operational initiatives. These include cellular manufacturing and investments in new cutting and sewing equipment. The Company plans additional profit improvements for the Upholstery Division through sales growth of new products at higher margins and the related absorption efficiencies resulting from increased sales and production levels.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
May 26, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Liquidity and Capital Resources

Cash provided by operating activities was \$12,763 for the six months ended May 26, 2001, compared to cash used in operating activities of \$20,754 for the six months ended May 27, 2000. This significant improvement in 2001 was due entirely to the Company's initiatives to lower working capital levels, especially its inventories and receivables. Some of these initiatives include better planning and forecasting, improved purchasing practices, discounting of slow-moving inventories, and more effective collection efforts. The current ratio as of May 26, 2001, and November 25, 2000, respectively, was 3.34 to 1 and 3.27 to 1.

Working capital at May 26, 2001, was \$79,720 compared to \$94,982 at November 25, 2000. The Company's consolidated financial statements are prepared on the basis of historical cost and are not intended to show the impact of inflation or changing prices. Neither inflation nor changing prices have had a material effect on the Company's consolidated financial position and results of operations in recent years.

The Company invested \$10,527 in property and equipment in the first six months of 2001 for manufacturing equipment, retail real estate, the build out of its new leased showroom, and computer related equipment for information systems. During the first quarter of 2001, the Company realized proceeds of \$3,828 on the sale of its former showroom in Thomasville, North Carolina. The Company also received a special dividend from an affiliated company of \$25,059, which was primarily utilized to reduce the Company's overall debt position. A separate dividend was received in the second quarter of \$1,750 from the Company's investment in a limited partnership.

During 2000, the Company entered into a three-year \$70,000 revolving credit facility with a new lender and three other participants. During the first half of 2001, the Company has repaid \$28,000 of this facility, principally by applying the special dividend from an affiliate, bringing the balance at the end of the second quarter to \$17,000. The Company does not expect to substantially increase its level of borrowings in fiscal year 2001, as it expects to continue to lower inventory levels and sell certain nonproductive assets.

The Company purchased and retired 50,500 shares of its Common Stock for \$550 during the first half of 2001. These purchases were part of the Company's stock repurchase program, approved in fiscal 1998, which allows the Company to repurchase up to \$40,000 in Company stock. Also the Company made two dividend payments during the first half of 2001 totaling \$4,690.

PART I-FINANCIAL INFORMATION-CONTINUED  
 BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
 May 26, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Market Risk

The Company is exposed to market risk for changes in market prices of its various types of investments. The Company's investments include equity securities and an investment partnership included in its investments in affiliated companies. The Company does not use these securities for trading purposes and is not party to any leveraged derivatives.

The Company's equity securities portfolio totaled \$12,713 at May 26, 2001. The portfolio is diversified among over twenty different medium to large capitalization interests. Although there are no maturity dates for the Company's equity investments, management has plans to liquidate its current equity portfolio on a scheduled basis over the next four years. The Company terminated a hedge instrument during the second quarter of 2001 and does not currently plan to enter into any new hedge instruments.

The Company's investment in a limited partnership totaled \$59,114 at May 26, 2001. The partnership invests in various other private limited partnerships, which contain contractual commitments with elements of market risk. These contractual commitments, which include fixed-income securities and derivatives, may involve future settlements, which give rise to both market and credit risk. The investment partnership's exposure to market risk is determined by a number of factors, including the size, composition, and diversification of positions held, volatility of interest, market currency rates, and liquidity.

Safe-harbor, forward-looking statements

Certain statements contained in this discussion with respect to the financial condition, results of operations and business of Bassett Furniture Industries, Incorporated, particularly those preceded by, followed by or including the words "will", "should", "targeted", "believes," "expects," "anticipates," "intends," "estimates," or similar expressions, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve certain risks and uncertainties. No assurance can be given that any such matters will be realized. Important factors that could cause actual results to differ materially from those contemplated by such forward-looking statements include:

- - competitive conditions in the home furnishings industry
- - general economic conditions that are less favorable than expected
- - overall consumer demand for home furnishings
- - timing and number of new BFD openings and closings
- - not fully realizing cost reductions through restructurings
- - cost and availability of raw materials and labor
- - information and technology advances
- - effectiveness of marketing and advertising campaigns
- - future tax legislation, or regulatory or judicial positions related to COLI

PART II - OTHER INFORMATION  
BASSETT FURNITURE INDUSTRIES INC. AND SUBSIDIARIES  
May 26, 2001

Item 4. Submission of matters to a vote of security holders

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BASSETT FURNITURE INDUSTRIES, INCORPORATED

/s/ BARRY C. SAFRIT

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Barry C. Safrit, Vice President, Chief Financial Officer

July 10, 2001