

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

FORM 10-K

Page 1 of 27

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

For the fiscal year ended November 30, 1996 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.)

BASSETT, VIRGINIA

24055

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 540/629-6000

Securities registered pursuant to Section 12(g) of the Act:

Title of each class:	Name of each exchange on which registered
Common stock (\$5.00 par value)	NASDAQ

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 at least the past 90 days.

[X] Yes [] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of December 13, 1996.

Common Stock, \$5.00 par value -- \$270,250,000

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Common Stock, \$5.00 par value -- 13,075,595 at the close of the period covered by this report.

DOCUMENTS INCORPORATED BY REFERENCE

- (1) Portions of the Bassett Furniture Industries, Incorporated Annual Report to Stockholders for the year ended November 30, 1996 (the "Annual Report") are incorporated by reference into Parts I and II of this Form 10-K.
- (2) Portions of the Bassett Furniture Industries, Incorporated definitive Proxy Statement for its 1997 Annual Meeting of Stockholders held February 19, 1997, filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Bassett Furniture Industries, Incorporated was incorporated under the laws of the Commonwealth of Virginia in 1930. The executive offices are located in Bassett, Virginia.

In 1996, the Company recorded a one-time, pre-tax charge of approximately \$2.7 million to recognize the effect on costs and expenses related to the consolidation of operations in the Motion Division, a write-down of certain inventories and adjustment in fixed asset carrying values. The charge amounted to an after-tax cost of \$.12 per share. The consolidation of the operations in the Motion Division will have no material effect on net sales in the future and should improve operating margins in that Division.

There have been no material changes in the mode of conducting business in the fiscal year beginning December 1, 1995.

INDUSTRY SEGMENT

In accordance with the instructions for this item, Bassett Furniture Industries, Incorporated and its subsidiaries, all of which are wholly-owned (Company), is deemed to have been engaged in only one business segment, manufacture and sale of furniture, for the three years ended November 30, 1996.

DESCRIPTION OF BUSINESS

The Company manufactures and sells a full line of furniture for the home: bedroom and dining suites and accent pieces; occasional tables, wall and entertainment units; home office systems and computer work stations; upholstered sofas, chairs and love seats (motion and stationary); recliners; and mattresses and box springs. The Company's products are distributed through a large number of retailers, principally in the United States. The retailers selling the Company's products include mass merchandisers, department stores, independent furniture stores, chain furniture stores, decorator showrooms, warehouse showrooms, specialty stores and rent-to-own stores.

Raw materials used by the Company are generally available from numerous sources and are obtained principally from domestic sources. The cost pressures on raw materials continued to be experienced in 1996.

The Company's trademark "Bassett" and the names of its marketing divisions and product collections are significant to the conduct of its business. This importance is due to consumer recognition of the names and identification with the Company's broad range of products. The Company owns certain patents and licenses that are important in the conduct of the Company's business.

The furniture industry is not considered to be a seasonal industry.

There are no special practices in the furniture industry, or applicable to the Company, that would have a significant effect on working capital items.

The Company is not dependent upon a single customer, the loss of which would have a material adverse effect on the Company. Sales to one customer (J. C. Penney Company) amounted to approximately 15% of gross sales in 1996, 14% in 1995 and 13% in 1994.

The Company's backlog of orders believed to be firm was \$48,000,000 at November 30, 1996 and \$56,000,000 at November 30, 1995. It is expected that the November 30, 1996 backlog will be filled within the 1997 fiscal year.

None of the Company's business involves government contracts.

The furniture industry is very competitive as there are a large number of manufacturers both within the United States and offshore who compete in the marketplace on the basis of quality of the product, price, delivery and service. Based on annual sales revenue, the Company is one of the largest furniture manufacturers in the United States. The Company has been successful in this competitive environment because its products represent excellent values combining price and superior quality and styling; prompt delivery; and quality, courteous service. Competition from foreign manufacturers is not any more significant in the marketplace today than competition from domestic manufacturers.

The furniture industry is considered to be a "fashion" industry subject to constant change to meet the changing consumer preferences and tastes. As such, the Company is continuously involved in the development of new designs and products. Due to the nature of these efforts and the close relationship to the manufacturing operations, the costs thereof are considered normal operating costs and are not segregated.

The Company is not involved in "traditional" research and development activities. Neither are there any customer sponsored research and development activities involving the Company.

In management's view, the Company has complied with all federal, state and local standards in the area of safety, health and pollution and environmental controls. Compliance with these standards has not had a material adverse effect on past earnings, capital expenditures or competitive position.

The Company anticipates increased regulation on the furniture industry from federal and state agencies particularly in the areas of emission of fumes from the furniture finishing processes and emission of particulates into the atmosphere (saw dust and boiler ash). It is not possible at this time to estimate the impact of compliance with these new, more stringent standards on the Company's operations or costs.

The Company had approximately 6,900 employees at November 30, 1996.

FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

The Company has no foreign operations, and its export sales are insignificant.

ITEM 2.

PROPERTIES

The Company owns the following operating facilities:

Plant Name -----	Location -----	Construction -----
J. D. Bassett Manufacturing Company	Bassett, VA (2 plants)	Brick, frame and concrete
Bassett Superior Lines	Bassett, VA	Brick, frame, concrete and steel
Bassett Chair Company	Bassett, VA	Brick, frame, concrete and steel
Bassett Table Company	Bassett, VA	Brick and frame
W. M. Bassett Furniture Company	Martinsville, VA	Brick, frame, concrete and steel
Bassett Fiberboard	Bassett, VA	Brick, concrete and steel
Bassett Upholstery Division	Newton, NC (4 plants)	Brick, concrete and steel

	Taylorsville, NC	Brick, concrete and steel
	Dumas, AR	Brick, concrete and steel
Bassett Furniture Industries of North Carolina, Inc.	Statesville, NC	Brick, frame, concrete and steel
Bassett of NC - Dublin	Dublin, GA	Concrete block and steel
Bassett of NC - Macon	Macon, GA	Brick, concrete and steel
Bassett Wood Products	Dumas, AR	Brick, concrete and steel
Burkeville Veneer	Burkeville, VA	Brick and frame
National/Mt. Airy	Mt. Airy, NC	Brick, concrete and steel
Weiman Division	Christiansburg, VA	Metal frame
E. B. Malone Corporation	Lake Wales, FL (2 plants)	Concrete block and frame
	Pottstown, PA	Metal frame
	West Palm Beach, FL	Concrete block and steel
	Walworth, WI	Concrete block and steel
	Fredericksburg, VA	Brick and frame
	Chehalis, WA	Concrete block and metal frame
	Los Angeles, CA	Concrete block and metal frame
	Los Angeles, CA	Brick, concrete and steel
	Tipton, MO	Concrete block and steel
Impact Furniture	Hickory, NC (1 plant and warehouse)	Brick, concrete and steel
Bassett Motion Division	Booneville, MS (2 plants)	Metal frame

The Company also owns its general office building in Bassett, Virginia (brick, concrete and steel), two warehouses in Bassett, Virginia (brick and concrete) and a showroom in High Point, North Carolina (brick, concrete and steel).

In general, these facilities are suitable and are considered to be adequate for the continuing operations involved. All facilities are in regular use.

ITEM 3. LEGAL PROCEEDINGS

Not applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The information contained in the Annual Report under the caption "Other Business Data" - "Market and Dividend Information" with respect to number of stockholders, market prices and dividends paid is incorporated herein by reference thereto.

ITEM 6. SELECTED FINANCIAL DATA

The information for the five years ended November 30, 1996, contained in the "Other Business Data" in the Annual Report is incorporated herein by reference thereto.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in "Other Business Data" in the Annual Report is incorporated herein by reference thereto.

The change in the level of the Company's net sales has historically been principally due to the change in the volume of units sold, as contrasted to changes in unit prices. The Company's net sales have fluctuated in recent years owing to the discretionary spending habits of consumers and the consumer confidence level.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of the registrant and its subsidiaries, together with the independent auditors' report thereon of KPMG Peat Marwick LLP dated December 17, 1996, included in the annual report of the registrant to its stockholders for the year ended November 30, 1996 are incorporated herein by reference thereto:

Consolidated Balance Sheet--November 30, 1996 and 1995

Consolidated Statement of Income--Years Ended November 30, 1996, 1995 and 1994

Consolidated Statement of Stockholders' Equity--Years Ended November 30, 1996, 1995 and 1994

Consolidated Statement of Cash Flows--Years Ended November 30, 1996, 1995 and 1994

Notes to Consolidated Financial Statements

The information contained in "Other Business Data" for "Quarterly Results of Operations" in the Annual Report is incorporated herein by reference thereto.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS OF THE REGISTRANT

The information contained on pages 2 through 6 of the Proxy Statement under the captions "Principal Stockholders and Holdings of Management" and "Election of Directors" is incorporated herein by reference thereto.

ITEM 11. EXECUTIVE COMPENSATION

The information contained on pages 7 through 14 of the Proxy Statement under the captions "Organization, Compensation and Nominating Committee Report", "Stockholder Return Performance Graph", "Executive Compensation", and "Supplemental Retirement Income Plan" is incorporated herein by reference thereto.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained on pages 2 and 3 of the Proxy Statement under the heading "Principal Stockholders and Holdings of Management" is incorporated herein by reference thereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained on page 7 of the Proxy statement under the heading "Organization and Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference thereto.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K

- (a) (1) The response to this portion of Item 14 is submitted as a separate section of this report.
- (2) All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.
- (3) Listing of Exhibits
 - 3. Articles of Incorporation as amended and By Laws are incorporated herein by reference to Form 10-Q for the fiscal quarter ended February 28, 1994.
 - 13. The registrant's Annual Report to Stockholders for the year ended November 30, 1996.*
 - 21. List of subsidiaries of the registrant
 - 23. Consent of experts and counsel
 - 27. Financial Data Schedule (EDGAR filing only)

*With the exception of the information incorporated in this Form 10-K by reference thereto, the Annual Report shall not be deemed "filed" as a part of this Form 10-K.

- (b) No reports on Form 8-K have been filed during the last quarter of the registrant's 1996 fiscal year.
- (c) Exhibits: The response to this portion of Item 14. is submitted as a separate section of this report.
- (d) Financial Statement Schedules: All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

ANNUAL REPORT ON FORM 10-K
ITEM 14(a)(1) AND (c)

LIST OF FINANCIAL STATEMENTS

CERTAIN EXHIBITS

YEAR ENDED NOVEMBER 30, 1996

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

BASSETT, VIRGINIA

ITEM 14(a)(1)

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

The following consolidated financial statements of the registrant and its subsidiaries, included in the annual report of the registrant to its stockholders for the year ended November 30, 1996 are incorporated herein by reference:

Consolidated Balance Sheet--November 30, 1996 and 1995

Consolidated Statement of Income--Years Ended November 30, 1996, 1995 and 1994

Consolidated Statement of Stockholders' Equity--Years Ended November 30, 1996, 1995 and 1994

Consolidated Statement of Cash Flows--Years Ended November 30, 1996, 1995 and 1994

Notes to Consolidated Financial Statements

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 (Registrant)

By: /s/ROBERT H. SPILMAN	Date: February 19, 1997
-----	-----
Robert H. Spilman	
Chairman of the Board of Directors and	
Chief Executive Officer	

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/PETER W. BROWN	Date: February 19, 1997
-----	-----
Peter W. Brown	
Director	

By: /s/THOMAS E. CAPPS	Date: February 19, 1997
-----	-----
Thomas E. Capps	
Director	

By: /s/ALAN T. DICKSON	Date: February 19, 1997
-----	-----
Alan T. Dickson	
Director	

By: /s/PAUL FULTON	Date: February 19, 1997
-----	-----
Paul Fulton	
Director	

By: /s/WILLIAM H. GOODWIN, JR.	Date: February 19, 1997
-----	-----
William H. Goodwin, Jr.	
Director	

By: /s/GLENN A. HUNSUCKER	Date: February 19, 1997
-----	-----
Glenn A. Hunsucker	
President and Chief Operating Officer and	
Director	

By: /s/JAMES W. MCGLOTHLIN	Date: February 19, 1997
-----	-----
James W. McGlothlin	
Director	

SIGNATURES, Continued

By: ----- Date: -----
Thomas W. Moss, Jr.
Director

By: /s/ALBERT F. SLOAN Date: February 19, 1997

Albert F. Sloan
Director

By: /s/JOHN W. SNOW Date: February 19, 1997

John W. Snow
Director

By: /s/PHILIP E. BOOKER Date: February 19, 1997

Philip E. Booker
Vice President and Controller

INDEX TO EXHIBITS

Exhibit No. -----		Page No. -----
3	Articles of Incorporation as amended and Bylaws - incorporated by reference to Form 10-Q for the fiscal quarter ended February 28, 1994	
13	Bassett Furniture Industries, Inc. Annual Report to Stockholders for the year ended November 30, 1996	
21	List of subsidiaries of registrant	
23	Consent of Independent Auditors	
27	Financial Data Schedule (EDGAR filing only)	

CONSOLIDATED BALANCE SHEET

Bassett Furniture Industries, Incorporated and Subsidiaries

ASSETS

	NOVEMBER 30,	
	----- 1996 -----	----- 1995 -----
CURRENT ASSETS		
Cash and cash equivalents	\$ 57,285,005	\$ 51,331,119
Trade accounts receivable, less allowances for doubtful accounts (1996- \$1,355,000; 1995 - \$1,470,000)	65,416,910	68,591,514
Inventories	67,082,490	81,226,607
Prepaid expenses	1,492,506	1,757,658
Prepaid income taxes	844,737	-0-
Deferred income taxes	2,597,000	2,008,000
	-----	-----
	194,718,648	204,914,898
PROPERTY, PLANT AND EQUIPMENT		
Buildings	74,596,633	73,478,686
Machinery and equipment	139,556,776	133,933,234
	-----	-----
	214,153,409	207,411,920
Less allowances for depreciation	162,149,761	158,665,871
	-----	-----
	52,003,648	48,746,049
Land	4,375,016	4,378,297
	-----	-----
	56,378,664	53,124,346
OTHER ASSETS		
Investment in securities	29,625,435	39,055,319
Investment in affiliated companies	45,820,750	40,398,574
Other	8,621,947	9,227,317
	-----	-----
	84,068,132	88,681,210
	-----	-----
	\$335,165,444	\$346,720,454
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 20,541,014	\$ 23,425,858
Accrued compensation	3,716,206	4,778,966
Other accrued liabilities	6,088,381	6,284,441
Income taxes	-0-	902,476
	-----	-----
	30,345,601	35,391,741
DEFERRALS		
Deferred liabilities	10,834,741	10,296,244
Deferred income taxes	2,504,000	2,129,000
	-----	-----
	13,338,741	12,425,244
STOCKHOLDERS' EQUITY		
Common stock, par value \$5 a share, 50,000,000 shares authorized	65,377,975	68,294,765
Retained earnings	222,417,127	225,718,704
Unrealized holding gains, net of tax	3,686,000	4,890,000
	-----	-----
	291,481,102	298,903,469
	-----	-----
	\$335,165,444	\$346,720,454
	=====	=====

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENT OF INCOME

Bassett Furniture Industries, Incorporated and Subsidiaries

	YEAR ENDED NOVEMBER 30,		
	1996	1995	1994
NET SALES.....	\$450,717,494	\$490,816,681	\$510,560,858
COSTS AND EXPENSES			
COST OF SALES.....	379,258,894	407,749,396	419,393,531
SELLING, GENERAL AND ADMINISTRATIVE.....	64,151,836	65,938,061	66,044,399
	443,410,730	473,687,457	485,437,930
	-----	-----	-----
INCOME FROM OPERATIONS	7,306,764	17,129,224	25,122,928
OTHER INCOME, NET.....	14,981,716	12,999,562	9,657,476
	-----	-----	-----
Income before income taxes and cumulative effect of a change in accounting principle	22,288,480	30,128,786	34,780,404
INCOME TAXES			
FEDERAL.....	3,140,000	6,455,000	8,521,000
STATE.....	268,000	879,000	1,361,000
DEFERRED.....	379,000	(108,000)	(78,000)
	3,787,000	7,226,000	9,804,000
	-----	-----	-----
Income before cumulative effect of a change in accounting principle	18,501,480	22,902,786	24,976,404
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE.....	-0-	-0-	(510,200)
	-----	-----	-----
NET INCOME	\$ 18,501,480	\$ 22,902,786	\$ 24,466,204
	=====	=====	=====
EARNINGS PER SHARE:			
Income before cumulative effect of a change in accounting principle	\$1.39	\$1.63	\$1.75
Cumulative effect of a change in accounting principle.....	-0-	-0-	(.04)
	-----	-----	-----
NET INCOME PER SHARE	\$1.39	\$1.63	\$1.71
	=====	=====	=====

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Bassett Furniture Industries, Incorporated and Subsidiaries

	COMMON STOCK		ADDITIONAL CAPITAL	RETAINED EARNINGS	UNREALIZED HOLDING GAINS
	SHARES	AMOUNT			
BALANCE, DECEMBER 1, 1993.....	14,448,201	\$72,241,005	\$422,784	\$216,211,676	\$ -0-
Net income.....	-	-	-	24,466,204	-
Cash dividends.....	-	-	-	(11,411,357)	-
Purchase and retirement of Common Stock.....	(361,386)	(1,806,930)	(422,784)	(7,316,706)	-
Recognition of unrealized holding gains.....	-	-	-	-	2,809,000
	-----	-----	-----	-----	-----
BALANCE, NOVEMBER 30, 1994.....	14,086,815	70,434,075	-0-	221,949,817	2,809,000
Net income.....	-	-	-	22,902,786	-
Cash dividends.....	-	-	-	(11,196,755)	-
Purchase and retirement of Common Stock.....	(429,701)	(2,148,505)	(39,538)	(7,937,144)	-
Issuance of Common Stock to non-employee directors....	1,839	9,195	39,538	-	-
Net change in unrealized holding gains.....	-	-	-	-	2,081,000
	-----	-----	-----	-----	-----
BALANCE, NOVEMBER 30, 1995.....	13,658,953	68,294,765	-0-	225,718,704	4,890,000
Net income.....	-	-	-	18,501,480	-
Cash dividends.....	-	-	-	(10,625,730)	-
Purchase and retirement of Common Stock.....	(584,343)	(2,921,715)	(20,439)	(11,177,327)	-
Issuance of Common Stock to non-employee directors....	985	4,925	20,439	-	-
Net change in unrealized holding gains.....	-	-	-	-	(1,204,000)
	-----	-----	-----	-----	-----
BALANCE, NOVEMBER 30, 1996.....	13,075,595	\$65,377,975	\$ -0-	\$222,417,127	\$3,686,000
	=====	=====	=====	=====	=====

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Bassett Furniture Industries, Incorporated and Subsidiaries

	YEAR ENDED NOVEMBER 30,		
	1996	1995	1994
OPERATING ACTIVITIES			
Net income.....	\$18,501,480	\$22,902,786	\$24,466,204
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	6,311,537	8,606,985	8,799,199
Equity in unremitted income of affiliated companies.....	(5,422,176)	(4,986,109)	(4,463,683)
Provision for losses on trade accounts receivable.....	240,672	606,616	844,483
Net gain from sales of investment securities	(6,720,325)	(4,141,605)	(518,851)
Net gain from sales of property, plant and equipment.....	(29,137)	(815)	(25,683)
Deferred income taxes.....	527,000	(108,000)	432,200
Changes in deferred liabilities.....	538,497	766,460	917,206
Changes in operating assets and liabilities:			
Trade accounts receivable.....	2,933,932	2,738,620	2,184,068
Other receivables.....	127,450	(31,192)	(362,506)
Inventories and prepaid expenses.....	14,409,269	(702,718)	(9,832,105)
Accounts payable, accrued compensation and other accrued liabilities.....	(4,143,664)	(512,289)	2,872,754
Income taxes.....	(1,747,213)	1,177,151	(1,624,711)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,527,322	26,315,890	23,688,575
INVESTING ACTIVITIES			
Purchases of property, plant and equipment.....	(9,627,370)	(7,226,110)	(9,999,040)
Proceeds from sales of property, plant and equipment.....	90,652	49,500	121,011
Purchases of investment securities.....	(6,587,762)	(4,072,445)	(9,893,116)
Proceeds from sales of investment securities.....	20,792,971	16,156,714	7,595,629
Dividends from affiliated company.....	-0-	1,089,505	1,089,505
Additional investment in affiliated company.....	-0-	(1,100,000)	-0-
Change in investment in corporate owned life insurance.....	737,756	(920,260)	(2,598,314)
Other.....	(259,836)	(3,423)	310,928
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	5,146,411	3,973,481	(13,373,397)
FINANCING ACTIVITIES			
Issuance of Common Stock.....	25,364	48,733	-0-
Purchase of Common Stock.....	(14,119,481)	(10,125,187)	(9,546,420)
Cash dividends.....	(10,625,730)	(11,196,755)	(11,411,357)
NET CASH USED IN FINANCING ACTIVITIES	(24,719,847)	(21,273,209)	(20,957,777)
CHANGE IN CASH AND CASH EQUIVALENTS.....	5,953,886	9,016,162	(10,642,599)
CASH AND CASH EQUIVALENTS-beginning of year.....	51,331,119	42,314,957	52,957,556
CASH AND CASH EQUIVALENTS-end of year.....	\$57,285,005	\$51,331,119	\$42,314,957

Income tax payments.....	\$ 5,007,213	\$ 6,156,849	\$11,506,711

Interest payments.....	\$ 5,494,540	\$ 3,135,841	\$ 648,923

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bassett Furniture Industries, Incorporated and Subsidiaries

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany balances and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all temporary, highly liquid investments with a maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short maturity of these investments.

Trade Accounts Receivable

The Company has only one business segment, the manufacture and sale of household furniture. Substantially all of the Company's trade accounts receivable are due from retailers in this market. The Company performs on-going evaluations of its customers' credit worthiness and, generally, requires no collateral.

Inventories

All inventories are valued at last-in, first-out (LIFO) cost which is not in excess of market.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the respective assets utilizing straight-line and accelerated methods.

Investment in Securities

The Company classifies its investment in securities as available-for-sale, which is reported at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from income and are reported as a separate component of stockholders' equity. Realized gains and losses from securities classified as available-for-sale are included in income and are determined using the specific identification method for ascertaining the cost of securities sold.

Investment in Affiliated Companies

The equity method of accounting for investments in common stock is used for the Company's investment in affiliated companies. The carrying amounts approximate the Company's equity in their underlying net assets.

Investment in Corporate Owned Life Insurance

The Company's investment in corporate owned life insurance policies is recorded net of policy loans and is included in other assets. The net life insurance expense, which includes premiums and interest on policy loans, net of increases in cash surrender values and death benefits received, is included in other income.

Revenue Recognition

Revenue from sales is recognized when the goods are shipped to the customer. Sales to one customer, as a percent of gross sales, amounted to 15% in 1996, 14% in 1995 and 13% in 1994.

Income Taxes

Deferred income taxes are determined based on the difference between the financial statement and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Earnings Per Share

Earnings per share is calculated using the weighted average number of shares outstanding.

New Accounting Standards

The Company is required to adopt Statement of Financial Accounting Standards ("SFAS") No. 121, Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of, and SFAS No. 123, Accounting for Stock Based Compensation, no later than its fiscal year ending November 30, 1997. The Company has determined that implementation of SFASNo. 121 will not have a material impact on the Company's consolidated financial statements. The Company expects to disclose the fair value of options granted in a footnote to its consolidated financial statements, as permitted by SFASNo. 123.

B. INVENTORIES (in millions)

	November 30,	
	----- 1996 -----	1995 -----
Finished goods	\$ 42.6	\$ 46.5

Work in process	14.0	16.2
Raw materials and supplies	38.3	45.3
	-----	-----
Total inventories on FIFO cost method	94.9	108.0
LIFO adjustment	27.8	26.8
	-----	-----
	\$ 67.1	\$ 81.2
	=====	=====

C. INVESTMENT IN SECURITIES

Information on investment in securities by major security type: (in millions)

	November 30, 1996			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
	-----	-----	-----	-----
Equity securities	\$15.0	\$6.0	\$0.6	\$20.4
Mutual funds	3.2	0.6	0.1	3.7
Municipal securities	5.5	-0-	-0-	5.5
	-----	-----	-----	-----
	\$23.7	\$6.6	\$0.7	\$29.6
	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Bassett Furniture Industries, Incorporated and Subsidiaries

C. INVESTMENT IN SECURITIES - CONTINUED

	November 30, 1995			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Equity securities	\$21.1	\$8.4	\$1.0	\$28.5
Mutual funds	3.9	0.4	-0-	4.3
Municipal securities	5.1	-0-	-0-	5.1
Other	1.1	0.1	-0-	1.2
	<u>\$31.2</u>	<u>\$8.9</u>	<u>\$1.0</u>	<u>\$39.1</u>

Maturities of the municipal securities are within five years.

D. INVESTMENT IN AFFILIATED COMPANIES

The Company has an equity interest in a company which leases exhibition space to furniture and accessory manufacturers and an equity interest in a manufacturer of particleboard for use principally in the furniture industry. The Company's share of income from operations and net income from these affiliates is as follows: (in millions)

	1996	1995	1994
Income from operations	\$8.7	\$8.3	\$7.3
Net income	5.4	5.0	4.5

E. INCOME TAXES

Effective December 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, and has reported the cumulative effect of the change in the method of accounting for income taxes in the financial statements for 1994, in the amount of \$510,200. The principal cause of this adjustment was due to the basis difference of an acquisition made in prior years which was accounted for as a purchase transaction.

A reconciliation of the statutory federal income tax rate and the effective tax rate, as a percentage of pretax income, is as follows:

	1996	1995	1994
Statutory federal income tax rate	35.0%	35.0%	35.0%
Dividends received exclusion	(1.6)	(1.7)	(1.6)
Tax exempt interest	(3.4)	(2.4)	(1.7)
Unremitted affiliate income	(6.5)	(4.5)	(3.4)
Corporate owned life insurance	(7.0)	(2.7)	(1.3)
State income tax, net of federal benefit	0.9	1.9	2.5
Tax credits	-0-	(0.2)	(0.8)
Other	(0.4)	(1.4)	(0.5)
Effective tax rate	<u>17.0%</u>	<u>24.0%</u>	<u>28.2%</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at November 30, are as follows:(in thousands)

	1996	1995
Deferred tax assets:		
Trade accounts receivable	\$ 515	\$ 596
Inventories	840	-0-
Investment in securities	333	603
Retirement benefits	4,105	3,901
Other liabilities and reserves	1,769	1,809
Total gross deferred tax assets	7,562	6,909
Less valuation allowance	-0-	-0-
Net deferred tax assets	7,562	6,909
Deferred tax liabilities:		
Property, plant and equipment	2,334	1,508

Unremitted affiliate income	2,697	2,243
Prepaid expenses	179	279
Holding gains	2,259	3,000
	-----	-----
Total gross deferred tax liabilities	7,469	7,030
	-----	-----
Net deferred tax asset (liability)	\$ 93	\$ (121)
	=====	=====

Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of the deferred tax assets.

F. RETIREMENT PLANS

The Company has a qualified defined contribution plan (Employee Savings/Retirement Plan) which covers all employees, with over one year service, who elect to participate and have fulfilled the necessary service requirements. Employee contributions to the Plan are matched by the Company at the rate of 115% of the first 2% through 5% of the employee's contribution, based on seniority. The Plan incorporates provisions of Section 401(k) of the Internal Revenue Code. The expense for the Plan for 1996, 1995 and 1994, amounted to approximately \$2,379,000, \$2,395,000 and \$2,444,000, respectively.

The Company has a Supplemental Retirement Income Plan that covers certain senior executives and provides additional retirement and death benefits. Also, the Company has a Deferred Compensation Plan for certain senior executives which provides for voluntary deferral of compensation, otherwise payable. The unfunded future liability of the Company under these Plans is included in deferred liabilities.

G. STOCK OPTION PLANS

Under the 1993 Long Term Incentive Plan, the Company has reserved for issuance 450,000 shares of Common Stock. Options granted under the Plan may be for such terms and exercised at such times as determined at the time of grant by the Organization, Compensation and Nominating Committee of the Board of Directors. No options to purchase shares of Common Stock

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Bassett Furniture Industries, Incorporated and Subsidiaries

G. STOCK OPTION PLANS - Continued

were granted in 1996 or 1995. Options to purchase 68,650 shares of Common Stock were granted in 1994 at \$26.25 per share, the fair market value at date of grant. No options were exercised in 1996, 1995 or 1994. Additionally, the Plan includes provisions for the granting of stock appreciation rights and certain stock awards. No stock appreciation rights or restricted stock awards were granted in 1996, 1995 or 1994.

Under the 1993 Stock Plan for Non-Employee Directors, the Company has reserved for issuance 75,000 shares of Common Stock. Under terms of the Plan, each non-employee director will automatically be granted an option to purchase 500 shares of Common Stock on April 1 of each year. Options to purchase 4,500 shares of Common Stock were granted in 1996, 1995 and 1994 at \$25.75, \$26.50, and \$27.75 per share, respectively, the fair market value at date of grant. No options were exercised in 1996, 1995 or 1994.

Stock option activity during 1994, 1995 and 1996 follows:

	Number of shares -----	Option price per share -----
Outstanding at December 1, 1993	288,217	\$28.00 - \$37.40
Granted in 1994	73,150	\$26.25 - \$27.75
Exercised in 1994	-0-	-
Cancelled in 1994	(16,150)	\$26.25 - \$37.40

Outstanding at November 30, 1994	345,217	\$26.25 - \$37.40
Granted in 1995	4,500	\$26.50
Exercised in 1995	-0-	-
Cancelled in 1995	(17,292)	\$26.25 - \$37.40

Outstanding at November 30, 1995	332,425	\$26.25 - \$37.40
Granted in 1996	4,500	\$25.75
Exercised in 1996	-0-	-
Cancelled in 1996	(15,300)	\$26.25 - \$37.40

Outstanding at November 30, 1996	321,625	\$25.75 - \$37.40
	=====	
Exercisable at November 30, 1996	267,770	\$25.75 - \$37.40
Exercisable at November 30, 1995	251,923	\$26.25 - \$37.40
Exercisable at November 30, 1994	200,128	\$26.25 - \$37.40

H. OTHER INCOME, NET (in millions)

	1996 -----	1995 -----	1994 -----
Dividends	\$ 1.5	\$ 2.2	\$2.3
Interest (principally tax exempt)	2.4	2.4	1.7
Equity in unremitted income of affiliated companies	5.4	5.0	4.5
Net gain from sales of investment securities	6.7	4.1	0.5
Corporate owned life insurance, net of interest expense	(2.1)	(1.7)	(0.2)
Other	1.1	1.0	0.9
	-----	-----	-----
	\$15.0	\$13.0	\$9.7
	=====	=====	=====

Interest expense on corporate owned life insurance policy loans was \$6.4 million in 1996, \$3.9 million in 1995 and \$1.4 million in 1994.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bassett Furniture Industries, Incorporated

We have audited the accompanying consolidated balance sheets of Bassett Furniture Industries, Incorporated and subsidiaries as of November 30, 1996 and 1995, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended November 30, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bassett Furniture Industries, Incorporated and subsidiaries as of November 30, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended November 30, 1996 in conformity with generally accepted accounting principles.

As discussed in note E, the Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, in 1994.

KPMG Peat Marwick LLP

Greensboro, North Carolina
December 17, 1996

OTHER BUSINESS DATA

Bassett Furniture Industries, Incorporated and Subsidiaries

SELECTED FINANCIAL DATA

	1996	1995	1994	1993	1992
Net Sales.....	\$450,717,494	\$490,816,681	\$510,560,858	\$503,770,060	\$473,401,341
Cost of Sales.....	379,258,894	407,749,396	419,393,531	413,055,371	385,294,583
Income Before Income Taxes.....	22,288,480	30,128,786	34,780,404	36,512,830	39,266,698
Income Taxes.....	3,787,000	7,226,000	9,804,000	10,644,000	11,774,000
Net Income.....	18,501,480	22,902,786	24,466,204	25,868,830	27,492,698
Net Income Per Share.....	1.39	1.63	1.71	1.79	1.91
Cash Dividends Declared.....	10,625,730	11,196,755	11,411,357	11,358,213	9,205,978
Cash Dividends Per Share.....	.80	.80	.80	.78	.64
Total Assets.....	335,165,444	346,720,454	340,498,230	330,677,879	318,583,145
Current Ratio.....	6.42 to 1	5.79 to 1	5.67 to 1	6.07 to 1	5.22 to 1
Book Value Per Share.....	22.29	21.88	20.96	19.99	18.99
Weighted Average Number of Shares.....	13,351,585	14,052,794	14,294,803	14,440,341	14,416,534

QUARTERLY RESULTS OF OPERATIONS

	1996			
	FIRST	SECOND	THIRD	FOURTH
Net Sales.....	\$111,951,020	\$111,273,154	\$109,007,706	\$118,485,614
Gross Profit.....	17,767,900	17,715,068	17,782,282	18,193,350
Net Income.....	4,713,961	4,992,209	4,825,731	3,969,579
Per Share.....	.35	.37	.36	.31

	1995			
	FIRST	SECOND	THIRD	FOURTH
Net Sales.....	\$123,550,551	\$119,018,005	\$119,183,765	\$129,064,360
Gross Profit.....	20,621,989	19,321,610	20,711,678	22,412,008
Net Income.....	4,896,346	4,976,750	5,781,291	7,248,399
Per Share.....	.35	.35	.41	.52

MARKET AND DIVIDEND INFORMATION

The Company's Common Stock trades on The Nasdaq Stock Market under the symbol "BSET." The Company had approximately 2,100 registered stockholders at November 30, 1996. The range of high and low market prices and dividends declared for the last two fiscal years are listed below:

QUARTER	MARKET PRICES OF COMMON STOCK				DIVIDENDS DECLARED	
	1996		1995		1996	1995
	High	Low	High	Low		
First	\$25.75	\$22.38	\$30.25	\$27.25	\$.20	\$.20
Second	26.38	24.25	29.25	25.50	.20	.20
Third	27.00	22.00	29.25	24.00	.20	.20
Fourth	24.88	22.13	25.75	20.13	.20	.20

OTHER BUSINESS DATA - CONTINUED

Bassett Furniture Industries, Incorporated and Subsidiaries

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

RESULTS OF OPERATIONS:

NET SALES

Net sales for 1996 compared to prior years:

	1996	1995	1994
	----	----	----
Net sales (in millions)	\$450.7	\$490.8	\$510.6
Percentage change from prior year	(8.2)%	(3.9)%	1.3%

The most significant decline in net sales during the past two years was in the Upholstery Division (stationary and motion) and the Impact Division which together accounted for a total reduction of \$46 million.

Net sales in the Bedding Division in 1996 were flat compared to 1995 while all other Divisions were down. Comparing 1995 to 1994, the increase in net sales in the Bedding Division in 1995 was offset by decreases in the Motion, National/Mt. Airy and Impact Divisions, with all other Divisions reporting no significant change. The majority of the increase from 1993 to 1994 came from the Table Division with all other Divisions reporting no significant change.

COSTS AND EXPENSES

In the fourth quarter of 1996, a one-time pre-tax charge of \$2,675,000 was recorded to recognize the effect on costs and expenses related to the consolidation of the operations in the Motion Division, a write-down of certain inventories and adjustments in fixed asset carrying values.

Excluding the effects of the abovementioned one-time charge, cost of sales increased approximately 50 basis points in 1996 over 1995. This follows an increase of approximately 90 basis points in 1995 over 1994. There was no significant change between 1993 and 1994. The decline in margins in the past two years has occurred in the material cost component, as shown below by a comparison of the cost components comprising cost of sales as a percentage of net sales:

	1996	1995	1994
	-----	-----	-----
Materials	50.14%	49.76%	48.79%
Labor	21.24	21.39	21.48
Overhead	12.17	11.93	11.87
	-----	-----	-----
	83.55%	83.08%	82.14%

The increase in the overhead component percentage in the last two years is a result of decreased sales volume. Total overhead dollar costs decreased \$3.7 million in 1996 from 1995, and \$2.1 million in 1995 from 1994.

The increase in SG&A expenses as a percentage of net sales since 1993 is chiefly the result of the decline in net sales. Total dollars, including variable costs (primarily sales commissions), declined in 1996 and 1995 compared to prior years. The fixed cost elements of the category decreased slightly in 1996 compared to 1995. These fixed costs increased in 1995 from 1994 mainly in marketing and merchandising costs related to the Bassett Direct Plus and Bassett Gallery Programs.

OTHER INCOME, NET

Note H in the Notes to Consolidated Financial Statements discloses the components of other income.

INCOME TAXES

The effective tax rate for 1996 was 17.0%, down from 24.0% and 28.2% in 1995 and 1994, respectively. Note E in the Notes to Consolidated Financial Statements contains complete disclosure of the Company's income tax status.

LIQUIDITY AND CAPITAL RESOURCES:

Cash provided by operating activities has remained level in the last three years (\$25.5 million in 1996, \$26.3 million in 1995 and \$23.7 million in 1994).

Traditionally, the Company has purchased (rather than leased) its capital equipment requirements. During 1996, \$9.6 million was expended for new equipment and facilities. A comparison of purchases of property, plant and equipment and depreciation charges is shown below:

	1996	1995	1994
	----	----	----
Purchases of property, plant and equipment (in millions)	\$9.6	\$7.2	\$10.0
Depreciation charges (in millions)	6.3	8.6	8.8

The Company continued to repurchase its Common Stock in 1996, purchasing 584,343 shares at an average cost of \$24.16 or a total expenditure of \$14.1 million. This follows the repurchase of 791,087 shares in 1995 and 1994 for a total expenditure of \$19.7 million.

The current ratio was 6.42 to 1 and 5.79 to 1 at November 30, 1996 and 1995, respectively. Working capital was \$164 million and \$170 million at November 30, 1996 and 1995, respectively.

Cash provided by operating activities is expected to be adequate for normal future cash requirements.

There were no material commitments for capital expenditures at November 30, 1996. Capital expenditures made in the future for normal expansion are anticipated to be made from funds generated by operating activities.

The Company has never used the debt or equity markets as sources of funds or capital.

The Company's consolidated financial statements are prepared on the basis of historical dollars and are not intended to show the impact of inflation or changing prices. Neither inflation nor changing prices has had a material effect on the Company's consolidated financial position and results of operations in prior years.

EXHIBIT 21 - LIST OF SUBSIDIARIES

- (a) Bassett Furniture Industries of North Carolina Inc. (North Carolina corporation)
- (b) E.B. Malone Corporation (Delaware corporation)

EXHIBIT 23 - CONSENT OF INDEPENDENT AUDITORS

Board of Directors
Bassett Furniture Industries, Incorporated
Bassett, Virginia

We consent to incorporation by reference in the Registration Statements (Nos. 33-52405 and 33-52407) on Form S-8 of Bassett Furniture Industries, Incorporated and subsidiaries of our report dated December 17, 1996, relating to the consolidated balance sheets of Bassett Furniture Industries, Incorporated and subsidiaries as of November 30, 1996 and 1995 and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended November 30, 1996 which report is incorporated by reference in the November 30, 1996 annual report on the Form 10-K of Bassett Furniture Industries, Incorporated and subsidiaries.

As discussed in note E to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes," in 1994.

/s/ KPMG Peat Marwick LLP

KPMG Peat Marwick LLP

Greensboro, North Carolina
February 21, 1997

YEAR

	NOV-30-1996	
	DEC-01-1995	
	NOV-30-1996	57,285
		29,625
		66,772
		1,355
		67,082
	194,719	218,528
		162,150
		335,165
30,345		0
	0	0
		65,378
		226,103
335,165		450,717
	465,699	379,259
		443,411
		0
		241
	6,400	
	22,288	
		3,787
18,501		0
		0
		0
		18,501
		1.39
		0