

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED MAY 31, 1997

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.)

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 X No

At May 31, 1997, 13,017,883 shares of common stock of the Registrant were outstanding.

PART I - FINANCIAL INFORMATION - CONTINUED
 BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS - UNAUDITED

	SIX MONTHS ENDED MAY 31,		THREE MONTHS ENDED MAY 31,	
	1997	1996	1997	1996
Net sales	\$223,004,435	\$223,224,174	\$113,198,157	\$111,273,154
Costs and expenses				
Cost of sales	192,930,860	187,741,206	101,358,067	93,558,086
Selling, general and administrative	41,478,856	31,323,263	25,630,285	15,836,130
Non-recurring charges	13,929,000	-0-	13,929,000	-0-
	248,338,716	219,064,469	140,917,352	109,394,216
(Loss) income from operations	(25,334,281)	4,159,705	(27,719,195)	1,878,938
Other income, net	5,441,365	8,321,465	3,362,814	4,278,271
	(19,892,916)	12,481,170	(24,356,381)	6,157,209
Income taxes	9,301,000	(2,775,000)	10,331,000	(1,165,000)
	(10,591,916)	9,706,170	(14,025,381)	4,992,209
NET (LOSS) INCOME				
Retained earnings - beginning of period	222,417,127	225,718,704	220,620,354	226,287,719
	211,825,211	235,424,874	206,594,973	231,279,928
Cash dividends	(7,833,815)	(5,394,558)	(2,603,577)	(2,678,008)
Purchase and retirement of common stock	(1,005,959)	(6,357,974)	(1,005,959)	(4,929,578)
Retained earnings - end of period	\$202,985,437	\$223,672,342	\$202,985,437	\$223,672,342
NET (LOSS) INCOME PER SHARE	\$ (.81)	\$.72	\$ (1.07)	\$.37
DIVIDENDS PER SHARE	\$.60	\$.40	\$.20	\$.20

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

PART I - FINANCIAL INFORMATION - CONTINUED
 BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

ASSETS -----	MAY 31, 1997 -----	NOVEMBER 30, 1996 -----
Current Assets		
Cash and cash equivalents	\$ 51,620,077	\$ 57,285,005
Trade accounts receivable, less allowances for doubtful accounts	56,178,497	65,416,910
Inventories:		
Finished goods	37,297,060	42,593,966
Work in process	11,505,725	14,008,754
Raw materials and supplies	34,353,182	38,275,770
	-----	-----
Less LIFO adjustment	83,155,967	94,878,490
	23,766,000	27,796,000
	-----	-----
Prepaid expenses	59,389,967	67,082,490
Prepaid income taxes	564,803	1,492,506
Deferred income taxes	638,217	844,737
	9,718,000	2,597,000
	-----	-----
Property, Plant and Equipment	178,109,561	194,718,648
Cost	173,118,683	218,528,425
Less allowances for depreciation	128,712,816	162,149,761
	-----	-----
Other Assets	44,405,867	56,378,664
Investment in securities	31,280,504	29,625,435
Investment in affiliated companies	48,030,731	45,820,750
Assets to be disposed of	5,311,477	-0-
Other	9,464,320	8,621,947
	-----	-----
	94,087,032	84,068,132
	-----	-----
	\$316,602,460	\$335,165,444
	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY -----		
Current Liabilities		
Accounts payable	\$ 16,598,225	\$ 20,541,014
Accrued compensation	4,939,056	3,716,206
Other accrued liabilities	10,951,820	6,088,381
	-----	-----
Deferrals	32,489,101	30,345,601
Deferred liabilities	10,891,507	10,834,741
Deferred income taxes	153,000	2,504,000
	-----	-----
	11,044,507	13,338,741
Stockholders' Equity		
Common stock	65,089,415	65,377,975
Retained earnings	202,985,437	222,417,127
Unrealized holding gains, net of tax	4,994,000	3,686,000
	-----	-----
	273,068,852	291,481,102
	-----	-----
	\$316,602,460	\$335,165,444
	=====	=====

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

PART I - FINANCIAL INFORMATION - CONTINUED
 BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

	SIX MONTHS ENDED MAY 31,	
	1997	1996
	----	----
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 6,368,874	\$ 22,885,290
INVESTING ACTIVITIES		
Net change in cost of investment securities	688,716	11,618,801
Purchases of property, plant and equipment	(5,700,311)	(3,084,172)
Proceeds from sale of property, plant and equipment	1,147,140	76,635
Dividends from affiliated company	544,752	-0-
Other	414,235	218,513
	-----	-----
	(2,905,468)	8,829,777
FINANCING ACTIVITIES		
Issuance of common stock	55,481	25,364
Purchase and retirement of common stock	(1,350,000)	(7,990,413)
Cash dividends	(7,833,815)	(5,394,558)
	-----	-----
	(9,128,334)	(13,359,607)
	-----	-----
CHANGE IN CASH AND CASH EQUIVALENTS	(5,664,928)	18,355,460
CASH AND CASH EQUIVALENTS - beginning of period	57,285,005	51,331,119
	-----	-----
CASH AND CASH EQUIVALENTS - end of period	\$ 51,620,077	\$ 69,686,579
	=====	=====

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

PART I - FINANCIAL INFORMATION - CONTINUED
 BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

Note A. NON-RECURRING AND OTHER CHARGES (thousands)

On May 21, 1997, the Company announced that it would record pre-tax charges totaling \$30,479 (\$18,897 net of taxes, or \$1.45 per share). These charges relate to the elimination of the Impact product line and the closing of the Impact plants, discontinuance of certain National/Mt. Airy products and assimilation of the Mt. Airy plant into the Bassett Casegoods Division, closing of the W.M. Bassett plant and redeployment of products within the other Bassett Casegoods plants, and other related costs.

These charges relate to the Company's recently announced strategy to focus on its core business marketed under the Bassett brand name (Wood Products, Upholstery and Bedding). Further, it enables the Company to rationalize its manufacturing capacity by retaining and utilizing its most efficient facilities.

The components of the pre-tax charges are:

	2nd Quarter 1997 -----	Remainder of 1997 -----	Total -----
Charges included in cost of sales			
- Inventory write-downs	\$ 6,195	\$ -0-	\$ 6,195
Charges included in SG&A			
- Accounts receivable write-downs	2,250	-0-	2,250
Non-recurring charges			
- Impairment of assets	11,180	-0-	11,180
- Restructuring and other charges	2,749	8,105	10,854
	-----	-----	-----
Total	\$22,374 =====	\$8,105 =====	\$30,479 =====

The write-downs of inventories and accounts receivable are related primarily to the elimination of the Impact product line and discontinuance of certain National/Mt. Airy products. The asset impairment losses of \$11,180 consist of the write-downs of operating assets at the W. M. Bassett plant and at both of the Impact Division's plants, and result from the evaluation of the Company's ability to recover asset costs given current market conditions. The restructuring and other charges of \$10,854 consist of additional costs expected to be incurred to redeploy product lines and manufacturing and employee resources.

Note B. SUBSEQUENT EVENT

Subsequent to May 31, (on July 7, 1997) a major customer of the Company filed for protection from creditors under Chapter 11 of the U. S. Bankruptcy Code. As a result of this action, the Company has taken a pre-tax charge as of May 31, 1997 of \$6.0 million, \$3.7 million after-tax (\$.28 per share).

Note C. CONTINGENCY

In June, 1997, the Company announced that it had recently learned that mattresses and box springs that were sold to two major retail customers were of lesser specifications than those originally manufactured for sale by the retailers.

Despite the changes in specifications, the mattresses in questions are of quality equal to nationally sold products. Each of the mattresses and box springs in issue is covered by the original warranty, and the Company continues to stand behind each of the products. Neither of the two affected retailers has experienced increased complaints regarding these products. The Company will offer gift certificates, redeemable at the retailers' stores, to customers who purchased the products in question.

A reasonable estimate of the possible costs or range of costs related to this matter cannot be made at this time.

Note D. EARNINGS PER SHARE

Per share amounts are based on 13,062,736 and 13,519,393 weighted average number of shares outstanding at May 31, 1997 and 1996 respectively.

PART I - FINANCIAL INFORMATION - CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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 generally accepted accounting principles 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.

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

ALL DISCUSSION OF RESULTS OF OPERATIONS THAT FOLLOWS IS PRESENTED EXCLUDING THE AFFECTS OF (i) THE NON-RECURRING AND OTHER CHARGES DISCUSSED IN NOTE A AND (ii) THE SUBSEQUENT EVENT CHARGE DISCUSSED IN NOTE B OF THE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS INCLUDED HEREIN.

RESULTS OF OPERATIONS:

Major components of net income expressed as a percentage of net sales:

	Six Months Ended May 31,			Three Months Ended May 31,		
	1997	1996	1995	1997	1996	1995
Cost of sales	83.74%	84.11%	83.53%	84.07%	84.08%	83.76%
Selling, general and admin.	14.90	14.03	13.40	15.35	14.23	13.86
Income from operations	1.36	1.86	3.07	.58	1.69	2.38
Other income, net	2.44	3.73	2.67	2.97	3.84	3.51
Income before income taxes	3.80	5.59	5.74	3.55	5.53	5.89
Income taxes	.66	1.24	1.67	.40	1.05	1.71
Net income	3.14	4.35	4.07	3.15	4.48	4.18

NET SALES

Net sales for the current two periods compared to prior years:

	Six Months Ended May 31,			Three Months Ended May 31,		
	1997	1996	1995	1997	1996	1995
Net sales (thousands)	\$223,004	\$223,224	\$242,569	\$113,198	\$111,273	\$119,018
% change from prior year	(0.1)%	(8.0)%	(5.4)%	1.7%	(6.5)%	(11.6)%

The changes discussed in Note A are expected to reduce annualized net sales approximately 10%.

COSTS AND EXPENSES

Cost of sales for the second quarter (84.07%) was up 67 basis points from the 1997 first quarter (83.40%), however this was even with the 1996 second quarter. The gross profit margin for the six month period has improved 37 basis points compared to 1996. As shown below the materials and labor components of cost of sales have increased in the second quarter.

	Six Months Ended May 31,			Three Months Ended May 31,		
	1997	1996	1995	1997	1996	1995
Materials	49.04%	49.83%	49.36%	49.58%	49.61%	49.34%
Labor	22.82	21.36	21.57	23.15	21.44	21.59
Overhead	11.88	12.92	12.60	11.34	13.03	12.83
	83.74%	84.11%	83.53%	84.07%	84.08%	83.76%

Selling, general and administrative expenses have increased primarily in categories associated with product promotion, customer service and expansion of the Bassett Furniture Direct ("BFD") and Bassett Gallery Programs.

PART I - FINANCIAL INFORMATION - CONTINUED
 BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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

OTHER INCOME, NET

Components of other income (in thousands):

	Six Months Ended May 31,			Three Months Ended May 31,		
	1997	1996	1995	1997	1996	1995
Equity in unremitted income of affiliated companies	\$2,755	\$2,519	\$2,441	\$1,619	\$1,418	\$1,420
Interest (principally tax exempt)	1,300	1,118	1,123	680	545	573
Dividends	668	901	1,210	316	463	667
Gains from sales of investment securities	234	4,149	1,364	234	2,034	1,394
Gains (loses) from sales of property, plant and equipment	930	(3)	25	714	(47)	(15)
Other	(446)	(363)	336	(200)	(135)	147
	-----	-----	-----	-----	-----	-----
	\$5,441	\$8,321	\$6,499	\$3,363	\$4,278	\$4,186
	=====	=====	=====	=====	=====	=====

INCOME TAXES

The effective income tax rate is less than the statutory rates because of the effect of non-taxable income in each period presented.

OPERATING INCOME

Operating income for the second quarter was up in the core businesses of Casegoods, Tables and Upholstery. However, operating income was down in the Bedding Division, and in the discontinued National/Mt. Airy and Impact Furniture Divisions.

LIQUIDITY AND CAPITAL RESOURCES:

Cash provided by operating activities:

	Six Months Ended May 31,			Three Months Ended May 31,		
	1997	1996	1995	1997	1996	1995
Cash provided by operating activities (thousands)	\$6,369	\$22,885	\$16,921	\$4,484	\$11,653	\$11,046

The current ratio was 5.48 to 1 at May 31, 1997 and 6.42 to 1 at November 30, 1996. Working capital was \$146 million at May 31, 1997, compared to \$164 million at November 30, 1996.

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

There were no material commitments for capital expenditures at May 31, 1997. Capital expenditures that will be made in the future for normal expansion or other operating purposes will be made from funds on hand or those generated from operations.

PART II - OTHER INFORMATION
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits
(27) Financial Data Schedule

b. Reports on Form 8-K:

A report on Form 8-K was filed on May 27, 1997 reporting the events discussed in Note A of the Notes To Condensed Consolidated Financial Statements included in this Form 10-Q for the quarter ended May 31, 1997.

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

Paul Fulton, Chairman of the Board, and Chief Executive Officer

DATE: July 9, 1997

Philip E. Booker, Vice President, Controller (Chief Accounting Officer)

DATE: July 9, 1997

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549FORM 10-Q
QUARTERLY REPORTFor the quarter ended
May 31, 1997Commission File Number
0-209BASSETT FURNITURE INDUSTRIES, INCORPORATED
EXHIBIT INDEX

Exhibit No. -----	Exhibit Description -----	Page No. -----
27	Financial Data Schedule	page 9

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6-MOS

	NOV-30-1997	
	DEC-01-1996	
	MAY-31-1997	
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		59,390
	178,110	
		173,119
	128,713	
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32,489		
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0		
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		65,089
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316,602		
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(10,592)		
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