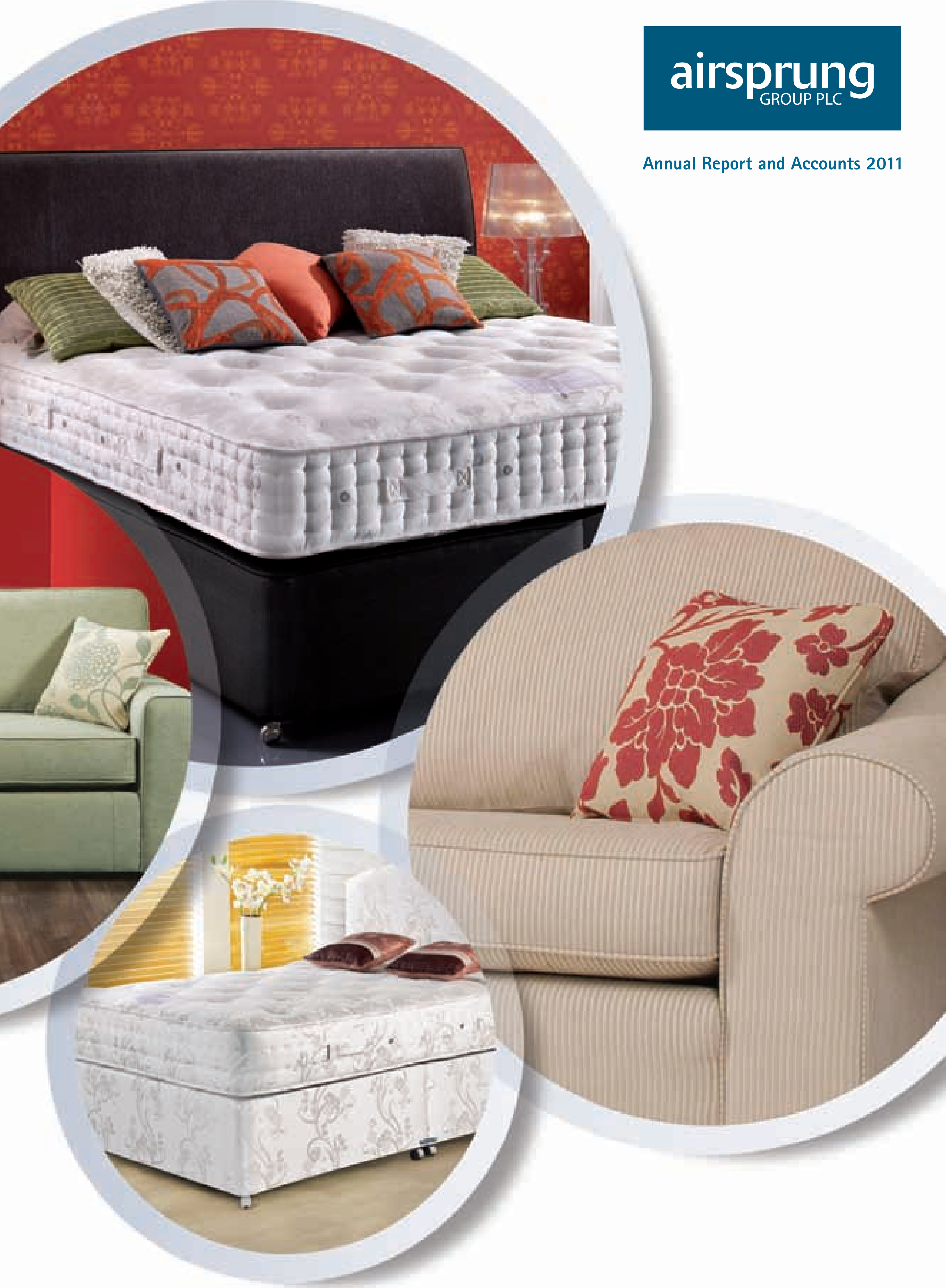
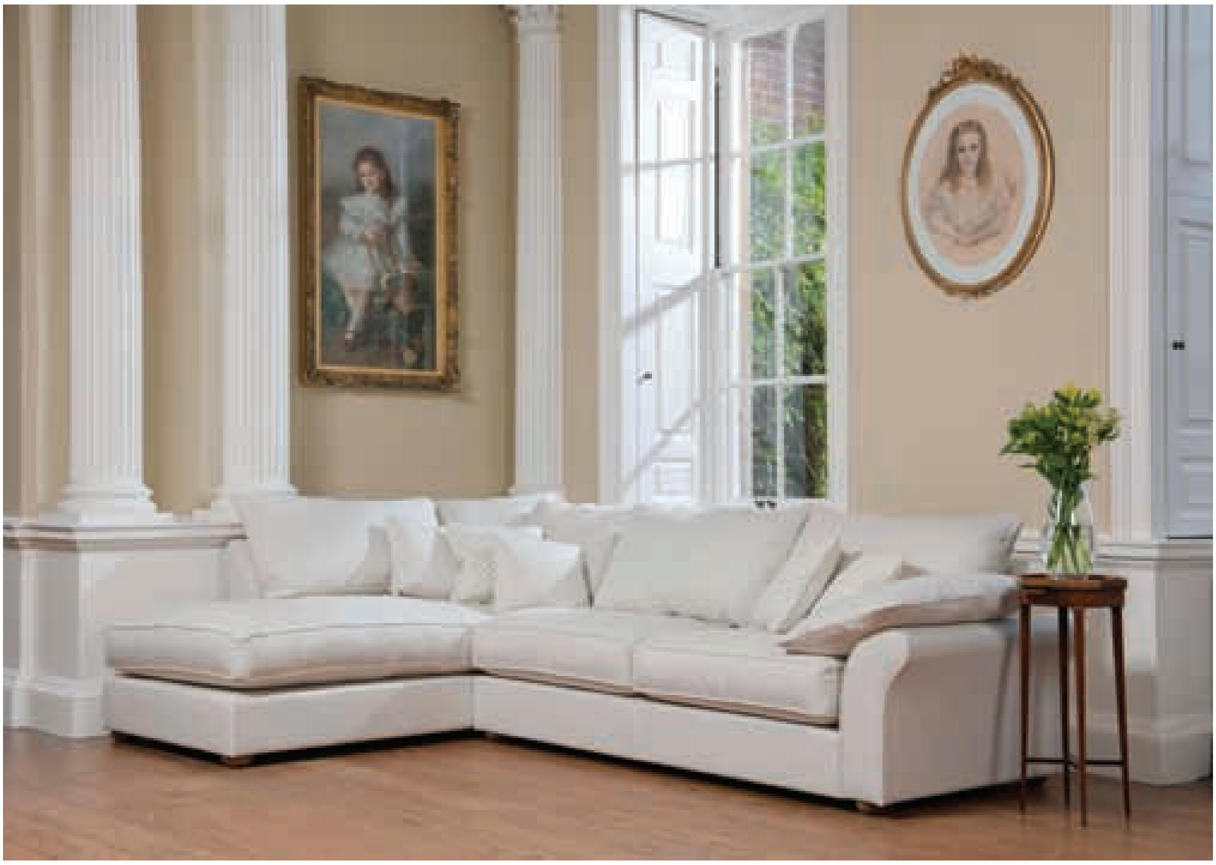
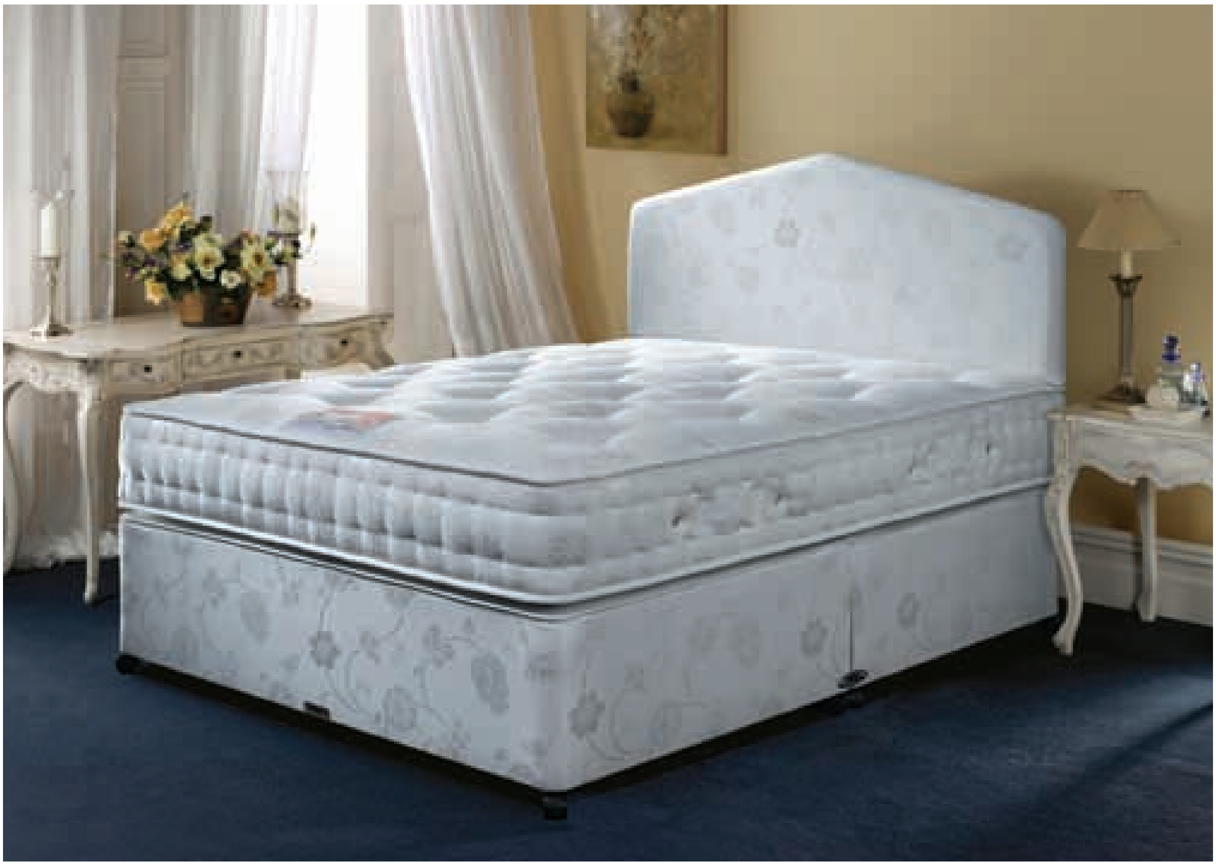
airsprung
GROUP PLC

Annual Report and Accounts 2011





Collins & Hayes — Catalina



Airsprung Beds — Symphony 1000

Contents

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek financial advice from your stockbroker or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares in Airsprung Group PLC, please send this document and the accompanying form of proxy, at once to the purchaser or transferee of those shares or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

This document should be read in full.

Notice of the Annual General Meeting (AGM) which is to be held at 12.30pm on 15 September 2011 at Leigh Park Hotel, Leigh Road West, Bradford on Avon, Wiltshire BA15 2RA is enclosed with this document. Shareholders will also find enclosed a form of proxy for use in connection with the AGM. If they intend to appoint a proxy, shareholders are requested to complete, sign and return it as soon as possible in accordance with the instructions printed on it but, in any event, so as to be received at the offices of the company's registrars at Capita Registrars, PXS The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, or by hand during normal business hours, no later than 12.30pm on 13 September 2011. Completion and return of a proxy form will not preclude shareholders from attending and voting at the AGM in person.

Directors and Advisers

Directors

Stuart Lyons CBE	Chairman
Antonio Lisanti	Chief Executive
Tean Dallaway	Finance Director
John Newman	Non-executive Director
Stephen Yates	Non-executive Director

Secretary
Tean Dallaway

Registered Office
Canal Road
Trowbridge
Wiltshire
BA14 8RQ

Registrars
Capita Registrars Ltd
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Independent Auditor
PricewaterhouseCoopers LLP
31 Great George Street
Bristol
BS1 5QD

Bankers
Svenska Handelsbanken
Upper Borough Court
Upper Borough Walls
Bath
BA1 1RG

Stockbrokers and Nominated Advisers
FinnCap
4 Coleman Street
London
EC2R 5TA

Financial review

	12 months to 31.03.11 £000	12 months to 31.03.10 £000
Revenue	**44,861**	46,532
Operating profit before depreciation, amortisation and exceptional items	**1,377**	1,691
Profit before tax	**484**	978
Cash and cash equivalents	**1,735**	2,405
Recommended dividend per ordinary share	**0.6p**	0.6p
Earnings per share — basic	**1.5p**	3.2p
Earnings per share — diluted	**1.4p**	3.0p

Chairman's statement

Results and dividend

Sales for the year ended 31 March 2011 were £44.9 million, compared with the prior year's £46.5 million, a 4% reduction following the previous year's 9% increase. Underlying profit before tax for the Group fell to £0.9 million compared with £1.0 million in 2010 as a result of the continued challenging trading conditions experienced by the Group as a whole. Reported profit on ordinary activities before taxation was £0.5 million reflecting three factors which are discussed in the course of this statement: market conditions, the restructuring of the Group's upholstered furniture interests and the expenses associated with the acquisition of Collins and Hayes. The directors recommend a maintained dividend of 0.6p per share payable on 19 October 2011 to shareholders on the register at 23 September 2011. The corresponding ex-dividend date is 21 September 2011.

Sector performance

The board considers that the Group operates in two market sectors; beds and other activities, and the accounts show the performance of each sector.

Group sales on a like for like basis fell by nearly 10% in the year and showed a sharp deterioration in trading conditions in the final quarter, with a rise in VAT accompanied by appalling winter weather conditions, and further pressures on disposable incomes which came into focus as the Chancellor's March Budget statement approached. Our sector suffered worse than many, as the purchase of beds and furniture is easily deferred and the squeeze on spending was felt particularly severely by middle and lower income families.

Beds

The economic difficulties hit different sub-sectors in different ways. Our Gainsborough business performed creditably in the middle and upper parts of the bed and sofa-bed markets. Airsprung Beds, however, had a mixed performance; much of its business remained solid and it continued to find new opportunities, but it experienced a very sharp fall in demand from a single major customer, which more than offset its successes.

Management took vigorous action to reduce labour costs in the bed companies in line with demand. The policy of using temporary labour for less skilled work allowed Airsprung Beds to reduce its workforce at little cost. Raw material and fuel prices were relatively stable compared with the prior year, and any increases were offset by the use of substitute materials and price increases to customers. Consequently, Group gross margins were satisfactorily maintained as a percentage of turnover.

Despite the temporary setbacks, Airsprung Beds continued to expand its reach. It won important business from major new entrants into the bed market, which augurs well for the future, and successfully launched a new range of Airsprung branded pillows and duvets in the UK market. The licensing agreement for bed and mattress manufacture and distribution in the USA was renewed by our client for a further three years from September 2011 on satisfactory terms.

Other activities

The Group has four business activities outside the bed sector. These are Airofreem, Arena Design, Collins & Hayes and Cavendish Upholstery.

The same reduction in demand seen by the Beds sector also affected Airofreem, the Group's foam conversion

Chairman's statement
continued

business, which did well to hold up its business overall. Our design group Arena performed well, winning new accounts and increasing its earnings on sales which were appreciably ahead of the previous year.

In December 2010, the Group acquired Collins and Hayes Furniture Limited and its trading brand Collins & Hayes, whose origins go back more than 130 years. This business is a manufacturer and distributor of high-quality upholstered furniture, based in St Leonards on Sea near Hastings in East Sussex. It produces beautifully designed upholstered furniture, and its customers include some of the most respected departmental and multiple stores in the UK.

The directors approved an initial cash payment for the acquisition of £2.1 million, plus a sum of up to £250,000 held in escrow to deal with any post acquisition warranty claims. The consideration has been funded by a new four-year revolving credit facility of £2.5 million at 2.5% over LIBOR. The board is confident that the acquisition will strengthen our presence in the furniture sector and create valuable synergies with other businesses within the Group.

The board has been concerned for some time at the performance of the Group's upholstered furniture business Cavendish, which operates from Chorley in Lancashire. The upholstered furniture sector should in theory provide a natural extension of Airsprung's business and provide a sensible and profitable diversification. The fashion element in upholstery fabrics and the short lines of supply and distribution mean that there should always be a solid position in the UK market for domestic manufacturers. However, Cavendish has underperformed in its traditional independent market and not made profitable headway in its mass-market initiatives.

Following the acquisition of Collins & Hayes, the Group has now embarked on a major restructuring of the Cavendish operations in Lancashire, with a view to reducing its cost base and increasing its efficiency, quality and productivity. Three directors of Cavendish are leaving the business, as well as about 24 staff and operatives from a total of 66. I would like to thank all of them for their past service.

Provided Cavendish is restored as a viable business, its financial administration will be integrated with the Group headquarters in Trowbridge, while operations, sales and marketing will be linked with Collins & Hayes. This programme will be kept under close review, and other business models may be used if necessary.

Financial impacts

From the acquisition date to the March year end, Collins & Hayes achieved sales of £2.9 million. The difficult trading conditions, already referred to, resulted in an operating profit of £15,000 before a bad debt write-off of £20,000 as a result of an unexpected retailer insolvency; these goods were sold under retention of title and recovered after the year end. The costs relating to the acquisition at £200,000 were as budgeted and have been charged to the profit and loss account.

The total costs of the Cavendish restructuring are approximately £200,000 all of which has been expensed in the profit and loss account as operating costs for the year under review.

The impact of these charges on the Group's consolidated accounts has been somewhat softened by a credit of £173,000 as finance income compared with a charge of £76,000 in the previous year. This has arisen as a consequence of the assumptions used by the Group pension scheme actuary which also impact the Group's pension deficit, which fell from £3.6 million to £2.5 million. It is important to remember that this, essentially theoretical, credit reflects a notional assessment of a fluctuating long-term liability.

Chairman's statement
continued

Prior to exceptional costs, the underlying operating profit for the Group was £0.8 million compared with £1.1 million in 2010.

Shareholders will note that the Group's cash position at the end of March was £1.7 million compared with £2.4 million in 2010. This reduction does not arise from the acquisition, but reflects new terms of trading with a major customer. The 2009 comparative was just under £1.5 million.

Directors and staff

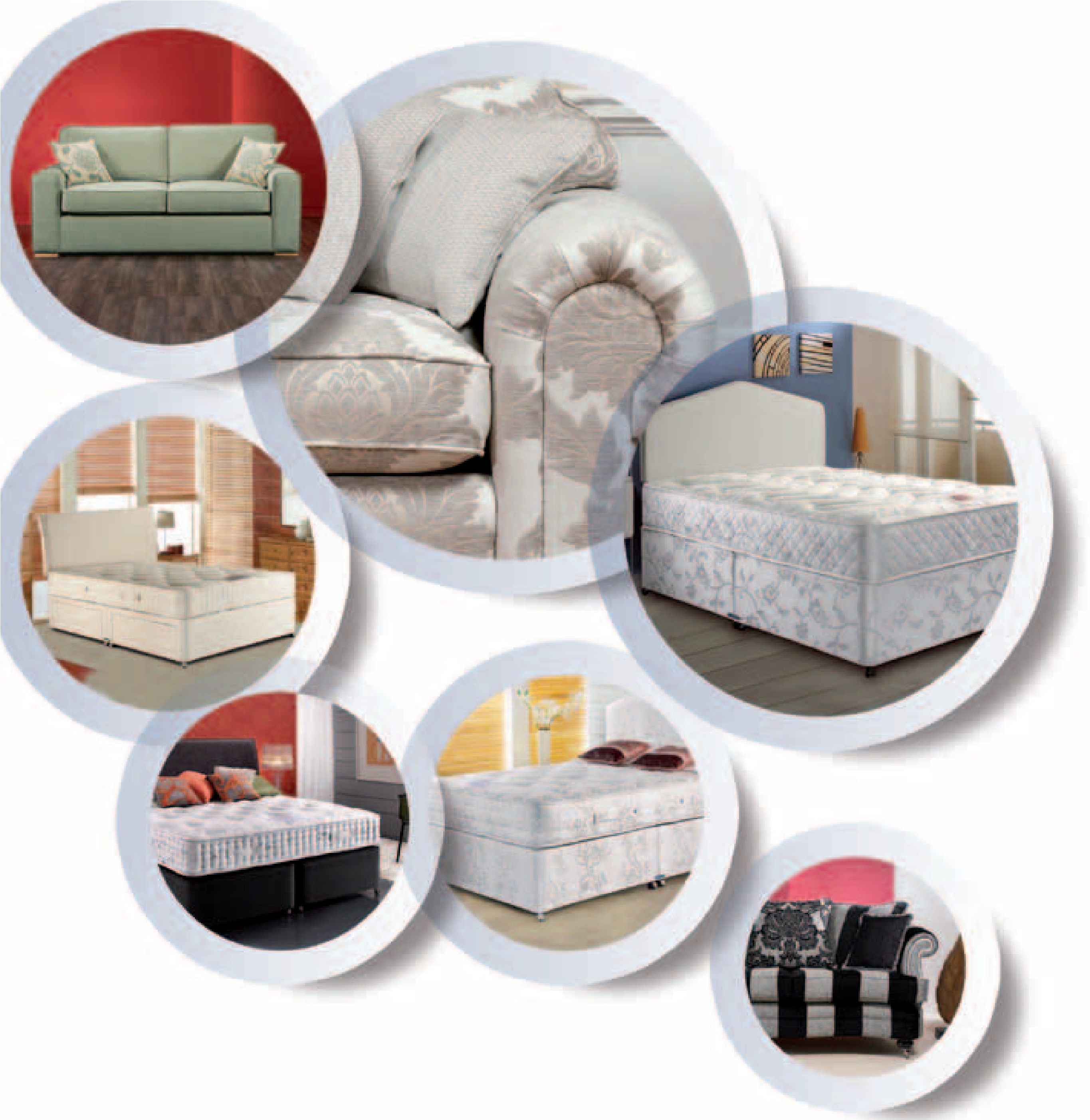
I would like to thank all the Group's employees for their efforts in an exceptionally challenging year and, particularly, to welcome the management, staff and workforce of Collins & Hayes to the Airsprung Group.
I thank our executive board members Tony Lisanti and Tean Dallaway for their considerable efforts on behalf of the shareholders, and our non-executives John Newman and Stephen Yates for their support and counsel.

Outlook

The current year has started slowly with weak consumer spending for the reasons outlined earlier in this statement. Our retail customers have experienced a difficult first quarter which has been followed by further weakness in the second quarter. This has impacted all of the Airsprung Group businesses. Our smaller business units are performing creditably in tough conditions; Airsprung Beds, however, has suffered a further downturn in sales attributable to continued poor trading by a major customer. Against this the Group has benefited from the sales of the newly acquired Collins & Hayes. Consequently, Group sales at the half year are expected to be ahead of the prior year.

Profits to date in the first half year have been level with those of 2010, thanks to vigorous actions taken by management. However, profits for the rest of the first half are likely to fall short, reflecting the deteriorating demand at Airsprung Beds. The outturn for the year as a whole will be dependent on the timing and pace of any economic recovery. In the meantime, management are continuing to take steps to maintain gross margins while reducing costs through operating efficiencies and internal restructuring. The directors regard the current trading challenges as short term and remain confident in the prospects for the Group.

Stuart Lyons CBE



GROUP FINANCIAL STATEMENTS

Directors' report

The directors submit their report together with the audited accounts for the year ended 31 March 2011.

Profits and dividends

The consolidated income statement on page 19 shows a profit before taxation of £484,000 (2010 profit: £978,000).

The directors recommend a final payment of a dividend of 0.6p per ordinary share (2010: 0.6p) payable on 19 October 2011 to shareholders on the register at the close of business on 23 September 2011. £926,000 (2010 deficit: £1,306,000) has been transferred to reserves (see page 22).

Activities

The principal activity of the Group is the manufacture, import and supply of beds, mattresses and upholstery. The directors do not foresee any major change in the level or nature of the Group's business.

On 28 June 2010 the Group changed its name from Airsprung Furniture Group PLC to Airsprung Group PLC.

Business review

A review of the business of the Group during the year is included in the Chairman's statement. The directors consider the key performance indicators for the Group to be gross and net margins and cash generation.

	2011	2010
Gross margin	**29.2%**	28.8%
Net margin	**0.8%**	2.3%
Net cash (used in)/generated from operating activities	**(£709,000)**	£1,616,000

Directors and their interests

The directors of the company at 31 March 2011, all of whom served throughout the year were:

	Ordinary shares of 10p each	
	31 March 2011	1 April 2010
S R Lyons CBE	**1,500,000**	1,500,000
A Lisanti	**3,500,000**	3,500,000
T E Dallaway	**170,700**	170,700
J D Newman	**100,000**	100,000
S G W Yates	**977,658**	977,658

Apart from the interests disclosed above, no directors had interests at any time in the year in the share capital or loan stock of the company or of other Group companies.

There were no commitments or contracts during or at the end of the year in which a director of the company is, or was, materially interested and which are, or were, significant in relation to the company's business.

In accordance with the Articles of Association, A Lisanti and S G W Yates will retire at the Annual General Meeting and being eligible, offer themselves for re-election.

Directors' report
continued

Corporate governance

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and accounting estimates that are reasonable and prudent;

state whether IFRSs as adopted by the European Union and IFRSs issued by IASB and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit:

information of which the Company's auditors are unaware, and each Director has taken all the steps that he/she ought to have taken as a Director to make

himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report
continued

Corporate governance – continued

Board responsibilities

The board of directors meets regularly throughout the year. S R Lyons (Chairman) and J D Newman (non-executive director) are considered by the board to be independent. The board is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. There is a formal schedule of matters specifically reserved to the board's jurisdiction. This sets out the strategic direction of individual trading divisions, their annual budgets, their progress towards achievement of those budgets, their forecasts and their capital expenditure programmes. In furtherance of their duties, there are agreed procedures for the directors to take independent advice, if necessary, at the company's expense.

Each new non-executive director is appointed for a fixed term, being an initial period to the next Annual General Meeting after appointment and subject to re-appointment at the meeting for a further three years. Subsequent re-appointment will be subject to the approval of shareholders.

The board considers the Chairman to be the main point of contact to whom significant concerns of whatever nature may be conveyed. In the event that an individual does not wish to raise a concern with him, the board has identified J D Newman, a non-executive director, as an independent member of the board to whom such concerns may be addressed.

Board Committees

The board has appointed the following committees to deal with specific aspects of the Group's affairs:

- the remuneration committee reviews the terms and conditions of employment of the Group's executive directors and meets at least once a year. It consists of two non-executive directors, S R Lyons and J D Newman. No director takes part in any discussion about his own remuneration;
- the audit committee, consisting of S R Lyons, J D Newman and S G W Yates (non-executive directors), meets at least three times a year. It considers the effectiveness of the Group's internal controls, accounting policies, financial reporting, and external auditors, and provides a forum through which the external auditors report to the directors;
- the nomination committee considers all new board appointments. It consists of two non-executive directors and one executive director: S R Lyons, J D Newman and A Lisanti.

Internal controls — risk management

The board of directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, while management are required to implement board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure of business objectives. In pursuing these objectives, internal controls can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has an established control framework which aims to:

- safeguard Group assets;
- ensure proper accounting records are maintained;
- provide reliable financial information for internal and external use.

Corporate governance - continued

Internal controls — risk management - continued

During the year the board undertook a formal re-assessment of risk management and control arrangements in order to form a view on the overall effectiveness of the system of internal control. The key elements of this system are:

- the audit committee whose activities are described above;
- a comprehensive budgeting system, with annual budgets approved by the Group board;
- detailed monthly reporting, including forecasting to the Group board and comparison of results against budget, with performance monitoring and explanations provided for significant variances;
- a defined procedure for seeking and obtaining approval for major transactions;
- certification of internal control from operational boards.

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance are set out in the review of the business contained in the Chairman's statement on pages 6 to 8. The Group's financial statements show details of its financial position including, in note 26, details of its financial instruments, maturity of financial liabilities and its exposure to currency risk.

The Group's working capital requirements are met by cash generated from operating activities supported by invoice discounting facilities and an overdraft facility of £2.0 million which was undrawn at the balance sheet date. The facility, which is secured on a proportion of the Group's property, is reviewed annually and no matters have been raised by the Group's bankers to suggest that renewal may not be forthcoming on acceptable terms.

During the year a revolving loan of £2.5 million was taken out from Svenska Handelsbanken to purchase Collins and Hayes Furniture Limited. This loan is subject to a number of covenants that are regularly monitored.

The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook and, after making enquiries, have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Shareholder communications

The company communicates regularly with its major institutional shareholders.

Fixed assets

The Group's freehold land and buildings were professionally valued as at 1 April 1997 and this valuation has been incorporated into the consolidated balance sheet. Additions since 1 April 1997 are included at cost. The directors consider the market value of freehold property at 31 March 2011 to be in excess of that shown in the balance sheet.

Employee involvement

The directors recognise the need to keep employees informed about the Group's performance and progress, provide information on matters of concern to them and consult as appropriate. Bonus schemes and other incentives have been developed to enable employees to benefit more directly from their performance.

Directors' and Officers' liability insurance

The Group purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Directors' report
continued

Share option schemes

The following options to subscribe for ordinary shares of the company under the executive share option schemes were outstanding:

	Number of options						
	At 01.04.10	Granted in the year	Cancelled in the year	At 31.03.11	Exercise price	Date from which excercisable	Date options expire
T E Dallaway	10,000	–	–	10,000	15.5p	06.07.08	06.07.12
	50,000	–	–	50,000	26.0p	29.07.08	29.07.12
	100,000	–	–	100,000	38.5p	26.07.10	26.07.14
	100,000	–	–	100,000	13.5p	07.08.11	07.08.15
	100,000	–	–	100,000	23.5p	07.08.12	07.08.16
A Lisanti	400,000	–	–	400,000	15.5p	06.07.08	06.07.12
	600,000	–	–	600,000	26.0p	29.07.08	29.07.12

No other directors have been granted share options in the shares of the company or of other Group companies.

No director exercised share options during the year.

The market price of the company's ordinary shares at the end of the financial year was 24.0p and the range of market prices during the year was between 18.0p and 24.5p.

Creditor payment policy

The Group's current policy concerning the payment of its creditors is to:

- agree the terms of payment with its suppliers;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts;
- pay in accordance with its established contractual and other legal obligations once satisfactory performance of services or receipt of goods is achieved.

The Group's average creditor days figure for the year is 46 days (2010: 53 days).

Disabled employees

The Group's employment policy takes account of the special care necessary to identify aptitudes, abilities and training needs of disabled employees and applicants so they may be effectively utilised to mutual benefit within the Group.

Directors' report
continued

Health, safety and the environment

The directors take seriously their responsibilities for health, safety and the environmental aspects of the business and have developed policies and procedures in order to ensure, as far as is reasonably practicable, compliance with best practice.

Substantial interests

In addition to those of the directors, the company has been notified of the following interests in 3% or more of its allotted ordinary share capital at 12 August 2011:

	Number of ordinary shares	%
Redbird Holdings SA	7,156,000	29.9
Maland Pension Fund	3,029,778	12.7
J P Yates	1,208,262	5.1
High Street Investors LP	1,030,000	4.3

Pensions

The assets of the pension schemes established for the benefit of the Group's employees are held, separately from those of the Group, by Trustees.

Principle risks and uncertainties

The Group's financial risk management objectives are detailed in note 26 of the financial statements. This includes details of the Group's exposure to interest rate and currency risks.

Economic conditions:

The Group sells its products primarily to the retail sector and as such its performance is inevitably linked to the strength of its retail customers who in turn have a high dependence on consumer spending levels. Consumer spending is predominantly driven by the general health of the underlying economic conditions prevailing at any time and either its real impact on consumers or their personal confidence in relation to their ability to purchase what are generally discretionary goods. The Group's strategy of having a portfolio of businesses that operate across the bed and, to a lesser extent, the upholstery market segments assist in de-risking the Group to any one specific socio demographic consumer group. It is unusual that in difficult economic conditions that all sectors of the furniture market suffers in equal proportions, hence the ability to supply different sectors that purchase at very different price levels provides an element of cushioning.

Operating efficiencies:

Operational efficiencies, particularly in the Group's volume businesses, are critical to maintaining margins and hence overall Group profitability. This area of the business is highly dependent on employing experienced and appropriately educated and trained management who bring to the Group significant operational skills. Targeted investment in plant, equipment and logistics are imperative in maintaining high levels of customer service, demanded by all retailers but must provide the Group with acceptable returns on those investments. The opportunity to maximise the tangible and human assets across the Group continues to suggest further profitable benefits in this area.

Directors' report
continued

Key relationships:

Major customers:

The Group recognises that in some of its businesses there is a high level of reliance on relatively few customers that are providing the majority of demand. This situation to a great extent reflects the growth of the national multiple retailers at the expense of the traditional Independent retailer that has been witnessed in many market sectors. The benefits to the Group of being key suppliers to these large retailers are many but include distribution efficiencies, purchasing benefits, manufacturing efficiencies and to date surety of payment. The major retailers enjoy the benefits of working with a smaller number of larger suppliers giving rise to administration benefits and purchasing leverage.

Reliance on key suppliers:

The Group is not over exposed to any one key supplier even though for purchasing leverage purposes there are preferred suppliers who provide the majority of certain materials. In all cases, there are second tier suppliers who at relatively short notice are able to supply materials in the event of a preferred supplier failing to do so.

The Group's businesses take advantage of competitively priced materials from both UK and overseas but retain the ability to manufacture many of the key materials in-house thus balancing risk to financial benefit.

Stock market

The company's ordinary shares are listed on the Alternative Investment Market.

Auditors

A resolution to appoint PricewaterhouseCoopers LLP as auditors for the next year will be proposed at the Annual General Meeting in accordance with section 489 of the Companies Act 2006.

During the year the auditors Grant Thornton LLP resigned and PricewaterhouseCoopers LLP were appointed to fill the casual vacancy.

Trowbridge

12 August 2011

By order of the board

T E Dallaway, Finance Director and Secretary

Independent Auditor's report to the members of Airsprung Group PLC

We have audited the group financial statements of Airsprung Group PLC for the year ended 31 March 2011 which comprise, the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, The Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's statement, Directors and Advisers and the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's report to the members of Airsprung Group PLC continued

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Airsprung Group PLC for the year ended 31 March 2011.

Colin Bates (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

12 August 2011

Consolidated income statement
for the year ended 31 March 2011

	Notes	2010/2011	2009/2010
Revenue	3	**44,861**	46,532
Cost of sales		**(31,778)**	(33,129)
Gross profit		**13,083**	13,403
Operating costs	4	**(12,710)**	(12,329)
Operating profit before financing		**373**	1,074
Operating profit is analysed as:			
Before depreciation, amortisation and exceptional items		**1,377**	1,691
Depreciation and amortisation	5	**(604)**	(617)
Operating profit before exceptional items		**773**	1,074
Exceptional operating items	7	**(400)**	–
Finance income	8	**173**	–
Finance costs	8	**(62)**	(96)
Profit before tax		**484**	978
Income tax	9	**(125)**	(218)
Profit attributable to equity holders of the parent		**359**	760
Basic earnings per share	24	**1.5p**	3.2p
Diluted earnings per share	24	**1.4p**	3.0p

All the above figures relate to continuing operations.

Consolidated statement of comprehensive income
for the year ended 31 March 2011

	Notes	2010/2011 £000	2009/2010 £000
Profit for the period		**359**	760
Other comprehensive income			
Actuarial gain/(loss) on defined benefit pension scheme	17	**709**	(1,946)
Total comprehensive income/(expense) for the period attributable to equity shareholders		**1,068**	(1,186)

All the above figures relate to continuing operations.

Consolidated balance sheet
at 31 March 2011

	Notes	31.03.11 £000	31.03.10 £000
Intangible assets	11	**2,156**	236
Property, plant and equipment	12	**7,943**	7,856
Deferred tax	18	**99**	295
Total non-current assets		**10,198**	8,387
Inventories	13	**4,333**	3,293
Trade and other receivables	14	**9,358**	7,776
Cash and cash equivalents	22	**1,735**	2,405
Total current assets		**15,426**	13,474
Total assets		**25,624**	21,861
Called up share capital	19	**2,389**	2,389
Share premium account	20	**2,348**	2,348
Other reserves	20	**3,066**	3,065
Retained earnings	20	**3,120**	2,195
Total equity		**10,923**	9,997
Borrowings	16	**2,557**	153
Deferred tax liability	18	**380**	-
Pension scheme deficit	17	**2,451**	3,683
Total non-current liabilities		**5,388**	3,836
Trade and other payables	15	**7,693**	7,764
Borrowings	16	**1,620**	264
Total current liabilities		**9,313**	8,028
Total liabilities		**14,701**	11,864
Total equity and liabilities		**25,624**	21,861

Approved by the board on 12 August 2011 and signed on its behalf by:

S R Lyons CBE
A Lisanti } Directors

The accounting policies on pages 23 to 29 and the notes on pages 29 to 48 form part of these accounts.
The independent auditor's report on the financial statements is on pages 17 to 18.

Consolidated cash flow statement
for the year ended 31 March 2011

	Notes	2010/2011 £000	2009/2010 £000
Profit before tax		**484**	978
Adjustments for:			
Depreciation		**543**	583
Amortisation		**61**	34
Interest (income)/expense		**(111)**	96
Contributions to defined benefit pension scheme		**(350)**	(366)
Charge for share based payments		**1**	–
Profit on sale of property, plant and equipment		**(7)**	(23)
Operating cash flows before movements in working capital		**621**	1,302
Decrease/(increase) in inventories		**35**	(136)
Decrease/(increase) in receivables		**202**	(1,040)
(Decrease)/increase in payables		**(1,428)**	1,510
Cash (used in)/generated from operations		**(570)**	1,636
Taxation paid		**(77)**	–
Interest paid		**(62)**	(20)
Net cash (used in)/generated from operating activities		**(709)**	1,616
Investing activities			
Acquisition		**(2,243)**	(113)
Proceeds on disposal of property, plant and equipment		**9**	46
Purchase of property, plant and equipment		**(349)**	(200)
Net cash outflow from investing activities		**(2,583)**	(267)
Financing activities			
Dividends paid		**(143)**	(120)
Increase in borrowing		**3,328**	–
Repayment of loan		**(514)**	(244)
Payment of finance lease liabilities		**(49)**	(49)
Net cash inflow/(outflow) from financing activities		**2,622**	(413)
Net (decrease)/increase in cash and cash equivalents		**(670)**	936
Cash and cash equivalents at beginning of period		**2,405**	1,469
Cash and cash equivalents at end of period	22	**1,735**	2,405

Consolidated statement of changes in equity
for the year ended 31 March 2011

	Notes	Share capital £000	Share premium £000	Share option reserve £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance 1 April 2009		**2,389**	**2,348**	**65**	**3,000**	**3,501**	**11,303**
Dividends		–	–	–	–	(120)	(120)
Transactions with owners		**–**	**–**	**–**	**–**	**(120)**	**(120)**
Profit for the period		–	–	–	–	760	760
Other comprehensive income							
Actuarial loss on defined benefit pension scheme		–	–	–	–	(1,946)	(1,946)
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**(1,186)**	**(1,186)**
Balance 31 March 2010		**2,389**	**2,348**	**65**	**3,000**	**2,195**	**9,997**

	Notes	Share capital £000	Share premium £000	Share option reserve £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance 1 April 2010		**2,389**	**2,348**	**65**	**3,000**	**2,195**	**9,997**
Dividends	20	–	–	–	–	(143)	(143)
Employee benefits	20	–	–	1	–	–	1
Transactions with owners		**–**	**–**	**1**	**–**	**(143)**	**(142)**
Profit for the period		–	–	–	–	359	359
Other comprehensive income							
Actuarial gain on defined benefit pension scheme		–	–	–	–	709	709
Total comprehensive income for the period	20	**–**	**–**	**–**	**–**	**1,068**	**1,068**
Balance 31 March 2011		**2,389**	**2,348**	**66**	**3,000**	**3,120**	**10,923**

Notes to the Group financial statements
31 March 2011

General information

The company is a public limited company incorporated and domiciled in England. The address of its registered office is Canal Road, Trowbridge, Wiltshire BA14 8RQ. The Company is listed on the AIM stock exchange.

1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the fair value of share based payments and financial assets and financial liabilities (including derivative instruments) at fair value through the income statement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.21.

Although these estimates are based on management's best knowledge of the amount, event or actions, the actual results ultimately may differ from those estimates.

A summary of the more important Group accounting policies is set out below.

2 Accounting policies

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Airsprung Group PLC and its subsidiaries.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2 Accounting policies – continued

2.1 Basis of consolidation – continued

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

2.2 Recent accounting developments

The following revised standard and new interpretation, which are mandatory for the first time in the year beginning 1 April 2010, are relevant to the Group:

IFRS 3 'Business combinations' (revised)

The revised standard requires all payments to purchase a business to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. All transactions costs are to be expensed. The Group has accounted for the acquisitions made during the year in accordance with the revised standard. In the year £0.2 million of transaction costs have been expensed that previously would have been considered part of the cost of acquisition.

The following revised standards, amended standards and interpretations, which are mandatory for the first time in the financial year beginning 1 April 2010, are relevant to the Group but have had no material impact:

IFRS 1 'First-time adoption of IFRS' (revised)

IFRS 1 'First-time adoption of IFRS' (amendment)

IFRS 2 'Share-based payment' (amendment)

Improvements to IFRS 2009

IAS 27 'Consolidated and separate financial statements' (revised)

IAS 32 'Financial instruments: presentation' (amendment)

IAS 39 'Financial instruments: recognition and measurement' (amendment)

IFRIC 15 'Agreement for the construction of real estate'

IFRIC 16 'Hedges of a net investment in a foreign operation'

IFRIC 17 'Distribution of non-cash assets to owners'

IFRIC 18 'Transfers of assets from customers'

2.3 Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, allowances and value added tax.

Sales of goods and services are recognised on delivery when the risks and rewards of ownership pass to the customer.

2.4 Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's presentational currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

2 Accounting policies – continued

2.4 Foreign currencies – continued

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

In order to manage its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

2.5 Pension costs

The defined benefit scheme previously operated by the Group closed to future accrual on 31 May 2006. For this scheme the amounts charged to operating profit are gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits.

Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately on the face of the balance sheet.

2.6 Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management evaluates positions taken in the tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and has established provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred corporation tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be suitable taxable profits against which the future reversal of the underlying temporary differences can be deducted. The carrying value of the amount of deferred tax assets is reviewed as at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised. Deferred tax liabilities are recognised in full without discounting.

Deferred corporation tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been substantively enacted at the balance sheet date.

2.7 Property, plant and equipment

Property, plant and equipment are held at cost or deemed cost, net of depreciation less any provision for impairment. Costs include the original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use, including any qualifying finance costs. Depreciation is provided by the straight line method at rates calculated to write off the cost of the assets, other than freehold land, less their estimated residual value over their expected useful lives:

Freehold land	Nil
Freehold buildings	$2^1/_2$ % per annum
Plant and vehicles	10 % to 20 % per annum
Computer equipment	$33^1/_3$ % per annum

2 Accounting policies – continued

2.8 Impairment of non current assets

At each balance sheet date, the Group reviews the carrying amounts of its non current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Other than impairment of goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost on a first-in, first-out basis comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.10 Trade receivables

Trade receivables arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Trade receivables are initially recorded at invoiced value and subsequently remeasured at invoiced value, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

2.11 Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

2 Accounting policies – continued

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.14 Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts to minimise this exposure.

Where material, outstanding derivatives are initially recognised at fair value on the date a derivative contract is entered into and they are subsequently re-measured at their fair value through the income statement.

The fair value of the outstanding forward contracts at 31 March 2011 was not considered material to the accounts. The Group does not use derivative financial instruments for speculative purposes.

2.15 Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based payment'. In accordance with the transitional provisions, IFRS 2 has been applied to grants of equity instruments after 7 November 2002 that were unvested at 1 April 2006.

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed in the income statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. This estimate is reviewed annually. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

2.16 Segmental reporting

An operating segment is defined as a component of the entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to make decisions about the resources to be allocated to the segment and assesses its performance;

Notes to the Group financial statements
31 March 2011 continued

2 Accounting policies – continued

2.16 Segmental reporting – continued

- for which discrete financial information is available.

The board of directors has been identified as the CODM.

The Group's management information system produces reports for the board, grouping financial performance under the following business areas:

- beds
- other activities

2.17 New Standards and interpretations not yet applied

At the date of approval of these financial statements the following new standards, revised standards, amended standards and new interpretations, which have not been applied in these financial statements, were in issue, but not yet effective:

IFRS 1 'First-time adoption of IFRS' (amendment) (hyperinflation exemptions and fixed date for IFRS transition)*

IFRS 1 'First-time adoption of IFRS' (amendment) (limit exemption from IFRS 7 disclosures)

IFRS 7 'Financial instruments: disclosure on derecognition' (amendment) *

IFRS 9 'Financial instruments'*

IFRS 10 'Consolidated financial statements'*

IFRS 11 'Joint arrangements'*

IFRS 12 'Disclosure of interests in other entities'*

IFRS 13 'Fair value measurement'*

Improvements to IFRS 2010

IAS 12 'Income taxes' (amendment)*

IAS 24 'Related party disclosures' (revised)

IAS 27 'Separate financial statements' (revised)*

IAS 28 'Investments in associates and joint ventures' (revised)*

IFRIC 14 'Prepayments of a minimum funding requirement' (amendment)

IFRIC 19 'Extinguishing financial liabilities with equity instruments'

* Denotes not yet endorsed for use in the European Union

The presentational impact of these standards and interpretations is being assessed. The Directors expect that the adoption of these standards and interpretations will have no material impact on the financial statements of the Group.

2.18 Equity instruments

Share capital is determined using the nominal value of shares that have been issued. Equity-settled share-based employee remuneration is credited to the share option reserve until the related share options are exercised.

Dividends are included in current liabilities when the dividends are approved in general meeting prior to the balance sheet date.

2.19 Intangible assets

Intangible assets include brand names and customer lists that qualify for recognition as an intangible asset in a business combination. They are accounted for using the cost model whereby capitalised costs are amortised on

2 Accounting policies – continued

2.19 Intangible assets – continued

a straight line basis over their estimated useful lives as these assets are considered finite. Intangible assets are amortised over a period of up to ten years. Amortisation has been included within the administrative costs in the income statement.

2.20 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

2.21 Judgements and estimates

The key areas that require management to make difficult, subjective or complex judgements and estimates about matters that are inherently uncertain are:

the assumptions used to calculate the defined benefit pension scheme deficit (see note 17);

the recognition of a deferred tax asset (see note 18);

the recognition of goodwill and intangibles (see note 11).

Management bases its estimates on historical experience and other assumptions that it believes reasonable. Actual results could differ from estimates used in employing the critical accounting policies and these could have a material impact on the results.

2.22 Capital maintenance

The Group's objectives when managing capital are:

to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders;

to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

3 Segment reporting

Our management information system produces reports for the Board grouping financial performance under the following business areas:

- beds
- other activities

The business areas have been split into two reportable operating segments, namely beds and other activities.

Included within the beds operating segment are products sold under the trade names Airsprung Beds, Gainsborough, Hush and Hush-a-Bye Beds. Other activities include products sold under the Cavendish Upholstery, Collins & Hayes, Airofreem and Arena Design trade names.

Notes to the Group financial statements
31 March 2011 continued

3 Segment reporting – continued

3.1 Segmental information

Revenue

The following revenue information is based on the products sold to customers:

	2010/2011 £000	2009/2010 £000
Beds	**33,775**	38,109
Other activities	**11,086**	8,423
Revenue per consolidated income statement	**44,861**	46,532

3.2 Adjusted profit before tax

The following profit information is based on products sold to customers and their associated costs:

	2010/2011 £000	2009/2010 £000
Beds	**1,255**	1,500
Other activities	**(218)**	378
	1,037	1,878

Reconciliation of adjusted profit before tax from the segmented reporting provided above to profit before tax in the consolidated statement of comprehensive income:

	2010/2011 £000	2009/2010 £000
Adjusted profit before tax per reportable segments	**1,037**	1,878
Central charges	**(553)**	(900)
IFRS adjustments	**–**	–
Profit before tax per consolidated income statement	**484**	978

3.3 Segment assets and liabilities

The entity reports total assets to its chief operating decision maker. The entities' total assets and liabilities are not split between those allocated to beds and those allocated to other activities. As such, information regarding these total assets has already been disclosed in the financial statements.

3.4 Major customers

During the year there were 2 customers (2010: 2) who comprised 10% or more of revenue:

	2010/2011 £000	2009/2010 £000
Major customer 1	**15,360**	21,816
Major customer 2	**5,850**	5,527
	21,210	27,343

Notes to the Group financial statements
31 March 2011 continued

3 Segment reporting — continued

3.5 Geographical information

The following table provides an analysis of the Group's revenue by geographical market.

	2010/2011 £000	2009/2010 £000
United Kingdom	**44,358**	45,969
Rest of the world	**503**	563
	44,861	46,532

All assets are located within the United Kingdom.

4 Operating costs

Net operating costs are made up as follows:

	2010/2011 £000	2009/2010 £000
Distribution costs	**7,023**	6,443
Administration costs	**5,775**	5,944
Other income	**(88)**	(58)
	12,710	12,329

5 Operating profit

	2010/2011 £000	2009/2010 £000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration for:		
Fees payable to the company's auditors for the audit of the parent company and consolidated financial statements	**16**	16
Fees payable to the company's auditors for other services: the audit of the company's subsidiaries	**35**	21
Fees payable to the company's auditors in respect of the Airsprung retirement and Death benefits scheme	**7**	7
Fees payable to the company's auditors for taxation services	**32**	–
Fees payable to the company's auditors for due diligence services	**22**	–
Depreciation of owned assets	**504**	549
Depreciation of leased assets	**39**	34
Amortisation of acquired intangibles	**61**	34
Rental income	**(38)**	(27)
Directors' emoluments excluding pension contributions	**450**	495
Operating lease rentals:		
Vehicles	**469**	319

Notes to the Group financial statements
31 March 2011 continued

		2010/2011 Number	2009/2010 Number
6	**Employee information**		
a)	**The average number of employees, including executive directors, was:**		
	Production	**440**	437
	Distribution	**44**	49
	Administration	**95**	88
		579	574
b)	**Employment costs, including executive directors:**	**£000**	£000
	Gross wages and salaries	**11,238**	11,090
	Social security costs	**983**	1,008
	Other pension costs	**372**	366
		12,593	12,464
c)	**Directors' remuneration and compensation**	**£000**	£000
	S R Lyons	**76**	85
	A Lisanti	**221**	242
	T E Dallaway	**115**	125
	J D Newman	**20**	20
	S G W Yates	**18**	23
		450	495
	Company pension contribution to defined contribution pension scheme	**22**	–

Details of share options are included in the Directors' Report (see page 14).

The highest paid director received remuneration (including salary and benefits in kind) of £221,000 (2010: £242,000) and a company pension contribution to a defined contribution pension scheme of £15,000 (2010: nil). A pension of £ 4,000 (2010: £4,000) is paid by the company to a past director.

7 Exceptional operating items

Exceptional items consist of £200,000 of professional fees relating to the acquisition of Collins and Hayes Furniture Limited and £200,000 of reorganisation costs.

8 Finance income and finance costs

	2010/2011 £000	2009/2010 £000
Finance income		
Interest receivable	**–**	–
Interest credit on pension scheme liability	**173**	–
Finance income	**173**	–

8 Finance income and finance costs – continued

	2010/2011 £000	2009/2010 £000
Finance costs		
Interest charge on pension scheme liability	–	(76)
Finance costs	(50)	(7)
Other interest charges	(12)	(13)
Finance costs	(62)	(96)

9 Tax

a) Analysis of charge in the year:

	2010/2011 £000	2009/2010 £000
The charge is made up as follows:		
Current tax		
UK corporation tax at 28% (2010: 28%)	32	25
Total current tax charge	32	25
Deferred tax		
Current year	93	193
Total deferred tax charge	93	193
Tax charge on profit on ordinary activities	125	218

b) Factors affecting tax charge for the year:

The rate of current tax charge on loss on ordinary activities varied from the standard rate of corporation tax in the UK due to the following factors:

UK standard corporation tax rate	28%	28%

	2010/2011 £000	2009/2010 £000
Profit before taxation	484	978
Tax at the standard UK rate	136	274
Expenses not deductible for tax purposes	110	30
Effect of reduction in tax rates	27	-
Marginal rate relief	(9)	(8)
Utilisation of previously unrecognised deferred tax	(142)	(78)
Prior year adjustment	3	–
Total taxation (continuing operations)	125	218

9 Tax — continued

c) Factors that may affect future tax charges:

As a result of the change in the UK main corporation tax rate from 28% to 26% that was substantively enacted on 29 March 2011 and that is effective from 1 April 2011, the relevant deferred tax balances have been re-measured.

Further reductions to the UK corporation tax rate were announced in the March 2011 budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in the financial statements.

The deferred tax impact is included in note 18.

10 Acquisition

Collins and Hayes Furniture Limited

On 13 December 2010 the company purchased the entire share capital of Collins and Hayes Furniture Limited for a consideration of £2,321,000. The acquisition contributed revenues of £2.9 million and a loss before tax of £87,000 for the period from 13 December 2010 to 31 March 2011.

If the acquisition had occurred on the 1 April 2010 the contribution to the Group revenue would have been £10.4 million. The allocation of the purchase price of the assets of Collins and Hayes Furniture Limited at the date of acquisition is:

	Book value £000	Adjustment £000	Fair value £000
Intangible assets	–	1,409	1,409
Property, plant and equipment	283	–	283
	283	1,409	1,692
Stock	989	86	1,075
Debtors	1,784	–	1,784
Bank	78	–	78
Total current assets	2,851	86	2,937
Total assets	3,134	1,495	4,629
Trade and other payables	1,402	–	1,402
Deferred tax liability	103	380	483
Financial liabilities	995	–	995
Total liabilities	2,500	380	2,880
Total Net assets	634	1,115	1,749
Goodwill			572
Total consideration			2,321
Satisfied by:			
Cash paid			2,321
			2,321
Net cash outflow arising on acquisition:			
Cash paid			2,321
Less cash acquired			(78)
Net cash outflow			2,243

10 Acquisition – continued

At the date of acquisition the fair value of the identifiable assets and liabilities are recorded including intangible assets, custom and connection of the business and the proprietary rights of the Collins & Hayes brand name, which have been grouped together as permitted by IAS 38. The excess consideration over the fair value of the assets identified has been classed as goodwill. These fair values are considered to be provisional. £250,000 of the consideration is currently held in escrow.

Acquisition costs of £200,00 have been expensed within administrative expenses in the year ended 31 March 2011. These are identified as exceptional items see note 7.

11 Intangible assets

	Goodwill £000	Intangible assets £000	Total £000
Cost at 1 April 2010	100	170	270
Additions on acquisition	572	1,409	1,981
Cost at 31 March 2011	672	1,579	2,251
Amortisation at 1 April 2010	–	34	34
Charge for the year	–	61	61
Amortisation at 31 March 2011	**–**	**95**	**95**
Net book value			
at 31 March 2011	**672**	**1,484**	**2,156**
at 31 March 2010	100	136	236
at 31 March 2009	-	-	-

12 Property, plant and equipment

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost at 1 April 2009	8,436	12,188	20,624
Additions	–	200	200
Additions on acquisition	–	30	30
Disposals	–	(236)	(236)
Cost at 1 April 2010	**8,436**	**12,182**	**20,618**
Additions	–	349	349
Additions on acquisition	18	265	283
Disposals	–	(232)	(232)
Cost at 31 March 2011	**8,454**	**12,564**	**21,018**

12 Property, plant and equipment – continued

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Depreciation at 1 April 2009	1,713	10,679	12,392
Charge for the year	157	426	583
Disposals	–	(213)	(213)
Depreciation at 1 April 2010	**1,870**	**10,892**	**12,762**
Charge for the year	158	385	543
Disposals	–	(230)	(230)
Depreciation at 31 March 2011	**2,028**	**11,047**	**13,075**
Net book value			
at 31 March 2011	**6,426**	**1,517**	**7,943**
at 31 March 2010	6,566	1,290	7,856
at 31 March 2009	6,723	1,509	8,232

At 31 March 2011 the net book value of plant and equipment includes £151,000 (2010: £158,000) in respect of assets held under finance leases and similar hire purchase contracts.

Cost or valuation of freehold land and buildings includes £4,945,000 in respect of properties which were professionally valued on an open market existing use basis as at 1 April 1997. The valuation was undertaken by Alder King in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The valuation was deemed to be cost on conversion of the financial statements to IFRS.

13 Inventories

	31.03.11 £000	31.03.10 £000
Raw materials	**2,717**	2,065
Work—in—progress	**603**	463
Finished goods	**1,013**	765
	4,333	3,293

The cost of inventory which has been taken to the income statement is £24,440,000 (2010: £25,167,000). A provision of £870,000 (2010:£480,000) has been made against obsolete and slow moving stock.

14 Trade and other receivables

	31.03.11 £000	31.03.10 £000
Trade receivables	**8,344**	6,709
Less provisions for impairment	**(135)**	(116)
Trade receivables – net	**8,209**	6,593
Prepayments and accrued income	**1,149**	1,183
	9,358	7,776

Notes to the Group financial statements
31 March 2011 continued

14 Trade and other receivables – continued

14.1 Ageing of receivables

The Group regularly reviews the ageing profile of trade receivables and actively seeks to collect any amounts that have fallen outside the defined credit terms. The Group provides, in full, for any debts it believes have become non-recoverable.

The ageing of trade receivables at 31 March 2011 is detailed below:

	31.03.11 £000	31.03.10 £000
Current	7,119	5,863
Up to 90 days overdue	924	506
Past 91 days overdue	166	224
	8,209	6,593

All provided debt are past 91 days over due.

15 Trade and other payables — current

	31.03.11 £000	31.03.10 £000
Trade payables	4,300	4,234
Other tax and social security	1,025	977
Accruals and deferred income	2,350	2,528
Corporation tax	18	25
	7,693	7,764

16 Borrowings

	31.03.11 £000	31.03.10 £000
Current		
Bank loan	–	225
Invoice discounting	1,559	—
Obligations under finance leases	61	39
	1,620	264
Non-current		
Bank loan	2,500	93
Obligations under finance leases	57	60
	2,557	153

Notes to the Group financial statements
31 March 2011 continued

16 Borrowings – continued

a) Bank loans

The group has a floating rate bank loan facility of £2.5m which is drawn in full and is committed until December 2014 and Interest was charged on the loans at GBP LIBOR plus 2.5%. Bank loans are secured by the assets of the group. The facility is subject to various financial covenants measured six monthly.

b) Invoice discounting facilities

Collins and Hayes Furniture Limited uses uncommitted Invoice discounting facilities. The first facility is available based on 85% of qualifying debtors to fund the working capital needs of the business. Interest is charged based on the bank base rate plus 2.5%. At the 31 March 2011 the group had drawn down £731,000 compared to an available facility of £848,000.

Airsprung Furniture Limited uses uncommitted Invoice discounting facilities. The first facility is available based on 90% of qualifying debtors to fund the working capital needs of the business. Interest is charged based on the GBP 3 month LIBOR plus 1%. At the 31 March 2011 the group had drawn down £828,000 compared to an available facility of £2,550,000.

c) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

17 Pensions

The Group operates a funded group pension scheme, established under trust, providing defined benefits based on final salary. The scheme was closed to all future accrual on 31 May 2006. The assets of the scheme are held separately from those of the Group. BlackRock Investment Management (UK) Limited acts as investment manager to the Trustees of the scheme. The latest actuarial valuation of the scheme was carried out as at 1 April 2008. The independent scheme Actuary valued the scheme using the projected unit method.

A market-consistent approach for valuing assets and liabilities was adopted. The principal assumptions used in the valuation were:

Pre-retirement discount rate	7.10%
Post-retirement discount rate	5.35%
Pension increases	3.40%

The value of the liabilities of £24.2 million exceeds the market value of the assets of £20.3 million, which on an ongoing basis means that the funding level is 84.0%.

The employer contributions for the year to 31 March 2011 was £350,000 (2010: £366,000).

The next actuarial valuation is due as at 1 April 2011.

To produce these statements, the full valuation of the Airsprung Retirement and Death Benefits Plan as at 1 April 2008 was updated to 31 March 2011 by the Actuary.

17 Pensions – continued

The major assumptions used by the Actuary were:

	At 31 March 2011 %	At 31 March 2010 %
Rate of increase in pensions in payment	**3.15**	3.15
Discount rate	**5.65**	5.80
Inflation RPI	**3.25**	3.25
Inflation CPI	**2.50**	–

Life expectancy assumptions in line with PA92 (YOB) medium cohort have been used.

The assets of the scheme and the expected rate of total return were:

	Long term rate of return expected at 31.03.11 %	Value at 31.03.11 £m	Long term rate of return expected at 31.03.10 %	Value at 31.03.10 £m
Target return fund assets	**7.4**	**21.9**	7.6	21.0
Annuity policy	**5.6**	**0.4**	5.8	0.4
		22.3		21.4

The following amounts were measured in accordance with the requirements of IAS 19:

	At 31 March 2011 £000	At 31 March 2010 £000
Total market value of assets	**22,289**	21,366
Present value of scheme liabilities	**(24,740)**	(25,049)
Deficit in scheme	**(2,451)**	(3,683)

Total funds as a result of recognition in the financial statements were:

	2011 £000	2010 £000
Net assets		
Total funds excluding pension deficit	**13,374**	13,680
Pension deficit	**(2,451)**	(3,683)
Total funds including pension deficit	**10,923**	9,997
Reserves		
Profit and loss reserve excluding pension deficit	**5,571**	5,878
Pension deficit	**(2,451)**	(3,683)
Profit and loss reserve including pension deficit	**3,120**	2,195

17 Pensions – continued

Charge to the financial statements:

	2011 £000	2010 £000
Operating charge:		
Current service cost	–	–
Gains and losses on any settlements or curtailments	–	–
	–	–
Pension finance costs:		
Expected return on pension scheme assets	1,605	1,234
Interest on pension scheme liabilities	(1,432)	(1,310)
Total charge:	173	(76)

Gains/(losses) for the year ended 31 March 2011

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Difference between the expected and actual return on scheme assets:					
Amount	173	(2,740)	(3,914)	(1,438)	141
Percentage of scheme assets	0.8%	(12.8%)	(21.9%)	(6.9%)	0.7%
Experience gains/(losses) on scheme liabilities					
Amount	4	–	279	(371)	–
Percentage of the present value of the scheme liabilities	–	–	1.4%	(1.6%)	–
Effect of change in assumptions underlying the present value of scheme liabilities					
Amount	532	794	3,997	4,623	508
Percentage of the present value of the scheme liabilities	2.2%	3.2%	20.1%	19.6%	1.9%
Total amount recognised in the consolidated statement of comprehensive income	709	(1,946)	362	2,814	649
Percentage of scheme liabilities	2.9%	7.8%	1.8%	11.9%	2.4%

17 Pensions — continued

Change in present value of:

	At 31 March 2011 £000	At 31 March 2010 £000	At 31 March 2009 £000
Obligations			
at 1 April	**25,049**	19,892	23,630
Interest cost on pension scheme liabilities	**1,432**	1,310	1,495
Benefits paid	**(859)**	(839)	(957)
Actuarial (gain)/loss on obligation	**(882)**	4,686	(4,276)
at 31 March	**24,740**	25,049	19,892
Plan assets			
at 1 April	**21,366**	17,865	20,703
Expected return on assets	**1,605**	1,234	1,683
Employer Contributions	**350**	366	350
Benefits paid	**(859)**	(839)	(957)
Actuarial (loss)/gain on plan assets	**(173)**	2,740	(3,914)
at 31 March	**22,289**	21,366	17,865
Movements in deficit			
at 1 April	**(3,683)**	(2,027)	(2,927)
Employer Contributions	**350**	366	350
Other financial costs	**173**	(76)	188
Actuarial gain/(loss)	**709**	(1,946)	362
at 31 March	**(2,451)**	(3,683)	(2,027)

18 Deferred tax

	At 31 March 2011	At 31 March 2010
Property, plant and equipment temporary differences	**1,043**	1,065
Losses	**(1,016)**	(1,096)
Other temporary differences	**(126)**	(264)
	(99)	(295)
Acquired intangible	**380**	-
Total deferred tax liability	**380**	-
Net deferred tax	**281**	(295)
at 1 April	**(295)**	(488)
Transfer to income statement	**93**	193
Deferred tax on acquisition	**483**	-
at 31 March	**281**	(295)

The Group expects to continue to utilise trading losses, given the return to profitability and future trading prospects; hence it anticipates that deferred tax recognised will be recovered.

The temporary difference of £637,000 (2010: £1,031,000) in respect of the IAS 19 pension deficit is unrecognised.

If the published Government proposals to reduce the rate of corporation tax by a further by 1% for each financial year until 2014/15 to 23% had been enacted at the balance sheet date the total impact would have been a further reduction of the deferred tax asset of £20,000 and a reduction in the deferred tax liability of £42,000. The impact on the unrecognised IAS 19 deferred tax asset would be to reduce the unrecognised deferred tax asset by £74,000 (see note 17).

19 Called up share capital

	Allotted and fully paid	
	Number	£000
Ordinary shares of 10p each at 31 March 2010 and 31 March 2011	**23,888,698**	**2,389**

The market value of shares in issue at 31 March 2011 was £5.7 million

20 Share premium account and reserves

	Share premium account £000	Share option reserve £000	Capital redemption reserve £000	Profit and loss account £000
at 1 April 2010	2,348	65	3,000	2,195
Total comprehensive income	–	–	–	**1,068**
Dividends	–	–	–	**(143)**
Transfer to share option reserve	–	1	–	–
at 31 March 2011	**2,348**	**66**	**3,000**	**3,120**

21 Share-based payments

Equity-settled share-based payments

The company has a share option scheme for directors and senior executives within the Group. Options are exercisable at a price equal to the average market price of the company's shares on the date of grant. The vesting period is usually three years. The exercise of options is also dependent on eligible executives meeting performance criteria. The options are settled in equity once exercised.

If the options remain unexercised after a period of four years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	WAEP	31.03.2011 Number	WAEP	31.03.2010 Number
Number of share options				
Outstanding at the beginning of the year	**22.7p**	**1,610,000**	22.6p	1,660,000
Granted during the year	**–**	**–**	23.5p	100,000
Forfeited during the year	**–**	**–**	22.5p	(150,000)
Exercised during the year	**–**	**–**	–	–
Outstanding at the end of the year	**22.7p**	**1,610,000**	22.7p	1,610,000
Exercisable at the end of the year		**1,410,000**		1,310,000

The share options which have not yet reached their exercise date at the end of the year have a weighted average remaining contractual life of 0.75 years (2010: 1.75 years) and have the following exercise prices:

	Exercise price
6 July 2008	15.5p
29 July 2008	26.0p
26 July 2010	38.5p
7 August 2011	13.5p
7 August 2012	23.5p

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous year. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The company recognised total expenses of £1,000 (2010: £nil) related to equity-settled share-based payment transactions during the year.

In the year ended 31 March 2011 options were granted on 7 August 2010.

The estimated fair value of the options granted on 7 August 2010 was £2,400. The fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2010
Weighted average share price	23.5p
Weighted average exercise price	23.5p
Expected volatility	20%
Expected life	3.0 years
Risk free rate	5.0%

Notes to the Group financial statements
31 March 2011 continued

22 Cash and cash equivalents

	31.03.11 £000	31.03.10 £000
Cash at bank and in hand	**1,735**	2,405

Bank balances and cash comprise cash held by the Group and the carrying value of these assets approximates to their fair value.

23 Commitments under operating leases

	2011 £000	2010 £000
The Group had minimum future lease payments under vehicle operating leases as follows:		
expiring within 1 year	**90**	246
expiring in years 2 to 5	**389**	230
	479	476

Commitments under finance leases

	2011 £000	2010 £000
The Group had minimum future lease payments under vehicle finace leases as follows:		
expiring within 1 year	**1**	-
expiring in years 2 to 5	**117**	97
	118	97

24 Earnings per share

	2011 £000	2010 £000
Profit per ordinary share has been calculated on the following basis:		
Profit for the financial year	**359**	760
	Number '000	Number '000
Weighted average of ordinary shares in issue during the year	**23,889**	23,889
Weighted average of diluted potential ordinary shares during the year	**1,610**	1,586
Weighted average of ordinary shares in issue during the year adjusted to assume conversion of all diluted potential ordinary shares	**25,499**	25,475

25 Capital commitments

	2011 £000	2010 £000
Expenditure contracted but not provided for	–	–

26 Financial instruments

The Group's financial instruments comprise borrowings, cash and various items that arise directly from its operations. The Group's operations are funded by cash generated from operating activities. The risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk.

The interest rate on all borrowings is variable. As the Group predominantly trades in sterling, exposure to foreign currency risk is minimal. Foreign currency transactions are settled at the daily spot rate where no forward contracts are in place. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

a) Cash at bank and in hand

	2011 £000	2010 £000
Cash at bank and in hand	1,735	2,405

Cash at bank and in hand is held in sterling and earns interest at 0.5% (2010: 0.5%) below the bank base rate.

b) Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than short-term payables such as trade payables and accruals at 31 March was as follows:

	Debt £000	Finance leases £000	2011 Total £000	Debt £000	Finance leases £000	2010 Total £000
Within one year, or on demand	1,559	61	1,620	225	39	264
Between 1 and 2 years	–	57	57	93	39	132
Between 2 and 5 years	2,500	–	2,500	–	21	21
	4,059	118	4,177	318	99	417

The Group has an undrawn overdraft facility available at 31 March 2011 of £2.0 million, secured on certain elements of the Group's property. The security is of a floating nature and is reviewed annually in December.

The banking facilities of the company and its subsidiaries are cross guaranteed.

26 Financial instruments – continued

c) Fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments.

Secured loans

As the loans are floating rate borrowings, amortised cost is deemed to reflect fair value.

Trade and other receivables/payables

As the majority of receivables/payables have a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Derivatives

Where material forward exchange contracts are held they are valued at year end spot rates, adjusted for the forward points to the contract's value date, and gains and losses taken to the consolidated statement of comprehensive income. No contract's value date is greater than one year from the year end. This is the Level 2 method of determining fair value as defined by IFRS 7.

There were no outstanding forward contracts at 31 March 2011.

The fair value of current and non-current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.35%

d) Currency risk

The Group is exposed to transaction and translation foreign risk, in relation to the euro and US dollar.

Approximately 1% (2010: 1%) of the sales of the Group's businesses for the period to 31 March 2011 were to customers in foreign markets. These sales are priced in sterling but are invoiced in the currencies of the customers involved. Foreign exchange differences on the conversion of these balances are taken to the income statement of the Group companies and the Group.

Approximately 19% (2010: 23%) of the purchases made by the Group during the period to 31 March 2011 were from overseas suppliers. Foreign exchange differences on the conversion of these balances are taken to the income statement of the Group companies and the Group.

At 31 March 2011 the Group companies had monetary assets in euros and US dollars of £188,000 (2010: £870,000). Exchange differences on retranslation of these assets are taken to the income statement of the Group companies and the Group.

A 5% change in the euro and US dollar exchange rates would impact the income statement by approximately £132,000 (2010: £81,000).

e) Credit risk

The Group monitors credit risk closely and considers its current policies of credit checks meet its objectives of managing exposure to credit risk.

26 Financial instruments – continued

f) Interest rate risk

The Group does not undertake any hedging activity in this area. The group's interest rate risk primarily arises from its invoice discounting facilities and long-term borrowings.

The borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2011 and 2010, the group's borrowings at variable rate were denominated in UK pounds. The group monitors its exposure to interest rate risk to ensure that it is reasonable.

The at the year end the Group is exposed to interest rate fluctuations and with net debt of £2.3 million a 1% movement in interest rates would impact the interest costs by £23,000.

g) Liquidity risk

Cash flow forecasting is performed in the operating entities of the group in and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its available invoice discounting facilities (note 16) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans and covenant compliance.

Surplus cash held by the operating entities over and above balance required for working capital management are utilised to reduce the level of the utilised invoice discounting facility.

27 Financial assets and liabilities

Classification of the Group's financial instruments is as below:

	Loans and receivables £000	Non financial assets £000	Total £000
Financial assets at 31 March 2011			
Cash and cash equivalents	1,735	–	1,735
Trade and other receivables	8,209	1,149	9,358
Total	9,944	1,149	11,093

Notes to the Group financial statements
31 March 2011 continued

27 Financial assets and liabilities – continued

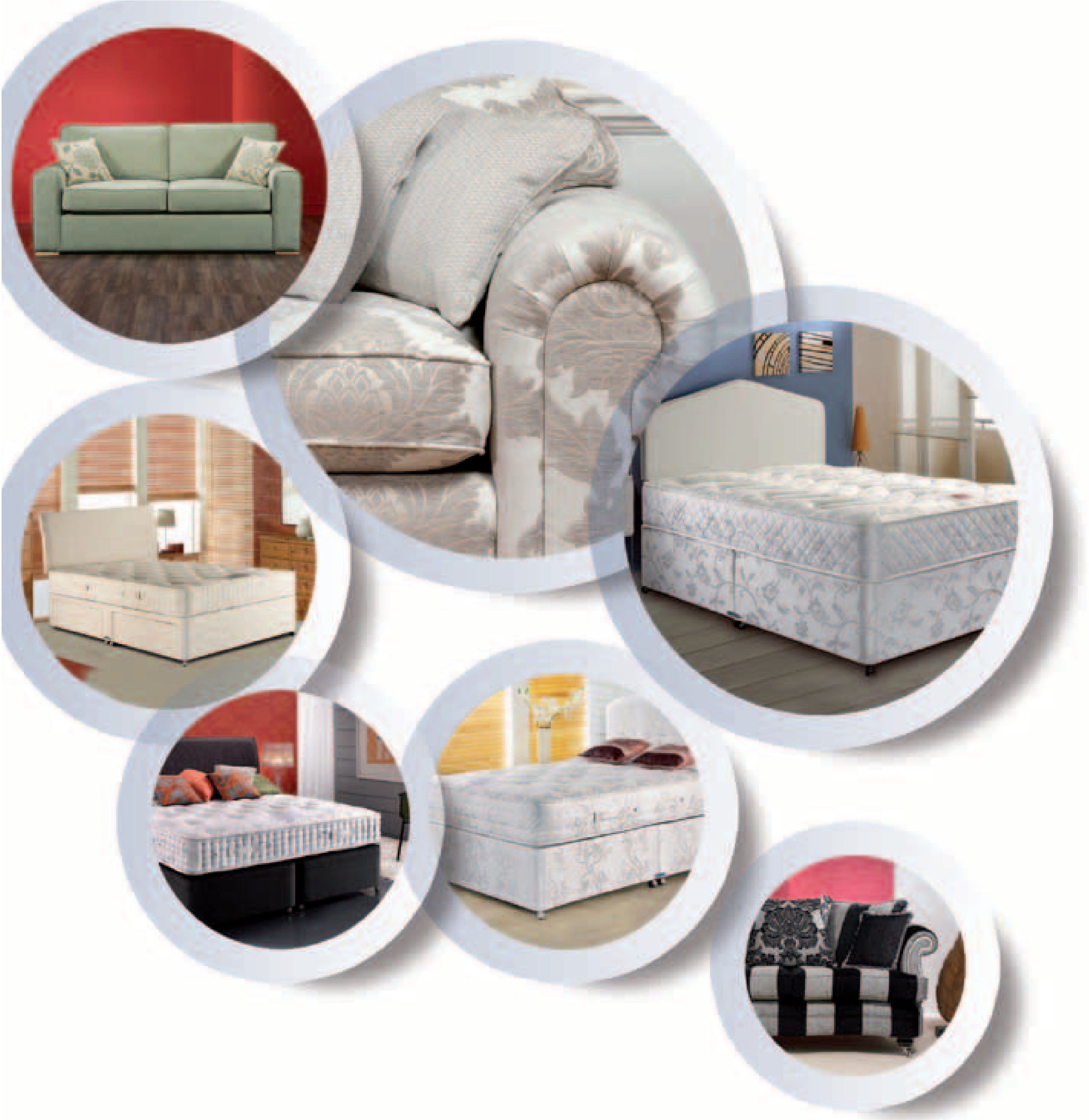
	Financial liabilities at amortised cost £000	Liabilities not within scope of IAS 39 £000	Total £000
Financial liabilities at 31 March 2011			
Trade and other payables	**4,300**	**2,350**	**6,650**
Long term borrowings — current	**1,559**	**—**	**1,559**
Finance lease liability — current	**—**	**61**	**61**
Long term borrowings — non current	**2,500**	**—**	**2,500**
Finance lease liability — non current	**—**	**57**	**57**
Taxes payable	**—**	**1,043**	**1,043**
Total	**8,359**	**3,511**	**11,870**

	Loans and receivables £000	Non financial assets £000	Total £000
Financial assets at 31 March 2010			
Cash and cash equivalents	2,405	—	2,405
Trade and other receivables	6,593	1,183	7,776
Total	8,998	1,183	10,181

	Financial liabilities at amortised cost £000	Liabilities not within scope of IAS 39 £000	Total £000
Financial liabilities at 31 March 2010			
Trade and other payables	4,234	2,528	6,762
Long term borrowings — current	225	—	225
Finance lease liability — current	—	39	39
Long term borrowings — non current	93	—	93
Finance lease liability — non current	—	60	60
Taxes payable	—	1,002	1,002
Total	4,552	3,629	8,181

28 Related party disclosures

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.



COMPANY FINANCIAL STATEMENTS

Independent Auditor's report to the members of Airsprung Group PLC

We have audited the parent company financial statements of Airsprung Group PLC for the year ended 31 March 2011 which comprise the Company Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's statement, Directors and Advisers and the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's report to the members of Airsprung Group PLC continued

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Airsprung Group PLC for the year ended 31 March 2011.

Colin Bates (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

12 August 2011

Company Balance Sheet
at 31 March 2011

Assets employed	Notes	31.03.11 £000	31.03.10 £000
Fixed assets			
Tangible assets	3	**13**	15
Investments	4	**14,261**	12,041
		14,274	12,056
Current assets			
Debtors	5	**584**	387
Cash at bank and in hand		**66**	516
		650	903
Creditors: amounts falling due within one year	6	**580**	768
Net current assets		**70**	135
Total assets less current liabilities		**14,344**	12,191

Financed by			
Creditors: amounts falling due after one year	7	**2,500**	92
Pension liability	8	**2,451**	3,683
		4,951	3,775
Capital and reserves			
Called up share capital	10	**2,389**	2,389
Share premium account	11	**2,348**	2,348
Capital redemption reserve	11	**3,000**	3,000
Share option reserve	11	**66**	65
Profit and loss account	11	**1,590**	614
Total shareholders' funds		**9,393**	8,416
		14,344	12,191

Approved by the board on 12 August 2011 and signed on its behalf by:

S R Lyons CBE
A Lisanti } Directors

The accounting policies on pages 53 to 54 and the notes on pages 55 to 57 form part of these accounts.
Company registered number 1277785

Notes to the company financial statements
31 March 2011

1 Accounting policies

1.1 Accounting convention

The accounts have been prepared on a going concern basis and in accordance with the Companies Act 2006, as amended and with all applicable accounting standards in the United Kingdom (UK GAAP) under the historical cost convention.

As a consolidated statement of comprehensive income is published, a profit and loss statement for the parent company is omitted from the Company accounts by virtue of section 408 of the Companies Act 2006.

The Company is exempt under the terms of FRS1 (Revised 1996) "Cash Flow Statements" from the requirement to publish its own cash-flow statement, as its cash-flows are included within the consolidated cash-flow statement of the Group.

1.2 Turnover

Turnover is the amount derived from the sale of goods falling within the Group's ordinary activities after deduction of trade discounts, allowances and value added tax. Turnover is recognised on delivery when the risks and rewards of ownership pass to the customer.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost. Depreciation is calculated to write off the cost or amount of the valuation of fixed assets less the estimated residual value by equal instalments over the estimated useful lives of the assets at the following principal annual rates:

Plant and equipment	10% to 20%
Computer equipment	33 1/3 %

1.4 Leases

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Instalments paid are apportioned between finance charges, charged to the profit and loss account as interest, and capital deducted from obligations. All other leases are treated as operating leases and are charged to the profit and loss account on a straight line basis.

1.5 Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and/or from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1 Accounting policies – continued

1.6 Pensions

For the defined benefit scheme the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

1.7 Share-based payments

The company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed to the profit and loss account on a straight-line basis over the vesting period, together with a corresponding increase in equity (via a credit to the share option reserve), based upon the company's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate to share premium.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

1.8 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Notes to the company financial statements

31 March 2011 continued

2 Profit attributable to members of the parent company

The profit attributable to members of the parent company is £410,000 (2010: £432,000).

3 Tangible fixed assets

	Plant and equipment £000
Cost or valuation	
at 1 April 2010	234
Additions	8
at 31 March 2011	**242**
Depreciation	
at 1 April 2010	219
Provision for year	10
at 31 March 2011	**229**
Net book value	
at 31 March 2011	**13**
at 31 March 2010	15

4 Investments

	2011 £000	2010 £000
Shares in Group companies at 1 April	**978**	978
Loans to Group companies	**27**	27
Intercompany balances	**17,142**	14,922
Provision	**(3,886)**	(3,886)
	14,261	12,041

The principal trading subsidiary is Airsprung Furniture Limited.

The company holds 100% of the issued ordinary share capital of Airsprung Furniture Limited.

Airsprung Furniture Limited is incorporated in Great Britain and is engaged in the manufacture and sale of furniture.

Notes to the company financial statements
31 March 2011 continued

5 Debtors

	2011 £000	2010 £000
Trade debtors	**46**	24
Prepayments and accrued income	**538**	363
	584	387

6 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Bank loan	**–**	225
Corporation tax	**58**	17
Other tax and social security	**88**	102
Accruals and deferred income	**434**	424
	580	768

7 Creditors: amounts falling due after one year

	2011 £000	2010 £000
Bank loan	**2,500**	92
	2,500	92

8 Pensions

See note 17 on pages 38 to 41

9 Provisions for liabilities – deferred tax

	2010/11 £000	2009/10 £000
Fixed asset timing differences	**–**	–
Other	**–**	–
	–	–
at 1 April	**–**	–
Transfer to profit and loss account	**–**	–
at 31 March	**–**	–

The temporary difference of £637,000 (2010: £1,031,000) in respect of the FRS 17 pension deficit is unrecognised.

Notes to the company financial statements
31 March 2011 continued

10 Called up share capital

	Allotted and fully paid	
	Number	£000
Ordinary shares of 10p each at 31 March 2010 and 31 March 2011	**23,888,698**	**2,389**

The market value of shares in issue at 31 March 2011 was £5.7 million

11 Share premium account and reserves

	Share premium account £000	Share option reserve £000	Capital redemption reserve £000	Profit and loss account £000
at 1 April 2010	2,348	65	3,000	614
Profit for the year	–	–	–	**410**
Dividend	-	-	-	**(143)**
Actuarial gain	-	-	-	**709**
Transfer to share option reserve	–	**1**	–	–
at 31 March 2011	**2,348**	**66**	**3,000**	**1,590**

12 Share-based payments

Equity-settled share-based payments

See note 21 on page 43

13 Commitments under operating leases

The Group had annual commitments under vehicle operating leases as follows:

	2011 £000	2010 £000
Expiring within 1 year	**3**	2
Expiring in years 2 to 5	**37**	12
	40	14

14 Related party disclosures

In accordance with the exemptions available under FRS 8 'Related party disclosures', there is no disclosure in these financial statements of transactions between entities that are part of the Group. The Group held 100% of the issued share capital of all related parties.

Trading activities

Activity	Trading name
Beds and mattresses	Airsprung Beds
	Gainsborough
	Hush-a-Bye Beds
	The Hush Sleep Collection
Upholstery	Cavendish Upholstery
	Collins & Hayes
Foam conversion	Airofreem
Design services	Arena Design

Three year summary

	2011 £000	2010 £000	2009 £000
Consolidated income statement			
Revenue	**44,861**	46,532	42,812
Profit/(loss) before tax	**484**	978	(417)
Income tax	**(125)**	(218)	(90)
Profit/(loss) attributable to equity holders of the parent	**359**	760	(507)
EBITDA*	**1,377**	1,691	106
Profit/(loss) per ordinary share	**1.5p**	3.2p	(2.1p)
Dividend per ordinary share	**0.6p**	0.6p	0.5p

* Earnings before interest, tax, depreciation, amortisation and exceptionals.

Notice of meeting

This notice is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares in Airsprung Group PLC, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice is hereby given that the Annual General Meeting of Airsprung Group PLC (Company) will be held at the Leigh Park Hotel, Leigh Road West, Bradford on Avon, Wiltshire, BA15 2RA on Thursday 15 September 2011 at 12:30pm at which the following resolutions will be proposed, resolutions 1 - 5 and 7 as Ordinary Resolutions and resolutions 6 and 8 as Special Resolutions.

Ordinary Business

1 To receive the report of the directors together with the accounts for the year ended 31 March 2011 and the report of the auditor thereon.

2 To re-elect A Lisanti a director.

3 To re-elect SGW Yates a director.

4 To appoint PricewaterhouseCoopers LLP as auditor for the ensuing year in accordance with section 489 of the Companies Act 2006 and to authorise the directors to agree the auditor's remuneration.

5 To declare a final dividend of 0.6 pence per ordinary share, payable to the members appearing on the register of members as at 6:00pm on 23 September 2011.

Special Business

6 That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006 (2006 Act)) of ordinary shares of £0.10 each provided that:

6.1 the maximum aggregate number of ordinary shares that may be purchased is 2,388,800;

6.2 the minimum price (excluding expenses) which may be paid for each ordinary share is £0.10;

6.3 the maximum price (excluding expenses) which may be paid for each ordinary share is the higher of:

6.3.1 105 percent of the average market value of an ordinary share in the Company for the five business days prior to the day the purchase is made; and

6.3.2 the value of an ordinary share calculated on the basis of the higher of the price quoted for:

(a) the last independent trade of; and

(b) the highest current independent bid for;

any number of the Company's ordinary shares on the trading venue where the purchase is carried out;

The authority conferred by this resolution shall expire on the date which is 15 months from the date this resolution is passed or, if earlier, at the conclusion of the Company's next annual general meeting save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority.

7 That the board of directors of the Company (Directors) be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution) up to an aggregate nominal amount of £796,289. The power granted by this resolution will expire on the date which is 15 months from the date this resolution is passed or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power granted by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of Relevant Securities made or agreed to be made pursuant to such authorities.

8 That, subject to the passing of resolution 7 above, the Directors be given the general power to allot equity securities (as defined by section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by resolution 7 or by way of a sale of treasury shares, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

8.1 the allotment of equity securities in connection with an offer of equity securities:

8.1.1 to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

8.1.2 to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary;

but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

8.2 the allotment (other than pursuant to resolution 8.1 above) of equity securities up to an aggregate nominal amount of £119,443.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 56(1) of the 2006 Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

By order of the board

T E Dallaway, Secretary

12 August 2011

Canal Road
Trowbridge
Wiltshire
BA14 8RQ
Registered No. 1277785

Notice of meeting
continued

Notes

Entitlement to attend and vote

1 Only those members registered on the Company's register of members at:
- 6.00pm on Tuesday 13 September 2011; or
- if this meeting is adjourned, at 6.00pm on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the meeting.

Appointment of proxies

2 If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3 A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, contact the Company's registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

5 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

Appointment of proxy using hard copy proxy form

6 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:
- completed and signed;
- sent or delivered to Capita Registrars at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- received by Capita Registrars no later than 12:30pm on Tuesday 13 September 2011.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

7 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

8 To change your proxy instructions simply submit a new proxy appointment using the method set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

9 Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

10 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

11 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Registrars no later than 12:30pm on Tuesday 13 September 2011.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

12 A corporation which is a member can appoint one or more corporate representatives who may exercised, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share. Corporate representatives attending the meeting in person should ensure they bring a letter from their appointor confirming their appointment.

Issued shares and total voting rights

13 As at 12 noon on 12 August 2011, the Company's issued share capital comprised 23,888,698 ordinary shares of £0.10 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 12 noon on 12 August 2011 is 23,888,698.

Communication

14 Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):
- calling our shareholder helpline on 0871 664 0300. Lines are open between 8.30am and 5.30pm, Monday to Friday, calls cost

10p per minute plus network extras; or
- email via ssd@capitaregistrars.com.

You may not use any electronic address provided either:
- in this notice of annual general meeting; or
- any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

Inspection of documents

15 The following documents are available for inspection by members at the Company's registered office during normal business hours prior to and during the Meeting and the meeting venue and at the meeting itself for at least 15 minutes prior to the meeting until the meeting itself:
- Register of directors' shareholdings; and
- Contracts of service of the executive directors and letters of appointment of the non-executive directors.

Biography of directors to be re-elected

16 Tony Lisanti, Chief Executive Officer, joined the Group in May 2002. Having trained and later graduated as a manufacturing engineer, he held posts with Mars Ltd and various subsidiaries of RTZ Industries. Previously he was Group Managing Director of Spear & Jackson plc.

17 Stephen Yates joined the Airsprung Group in 1977 and has held various managerial positions in Sales and Marketing. He joined the Group board in 1987 and was appointed to his current position in 2007.
He has been Chairman of the Sleep Council, the bed industry's promotional body set up to raise awareness of the benefits of sleep. From 2004-2006 he was President of the National Bed Federation, the bed industry's trade organisation.
Stephen is a graduate of Bath University.
He is a member of the Group's audit committee.

Explanatory notes to proposed resolutions

Resolution 1: The directors will present the directors' report and the audited financial statements of the Company for the year ended 31 March 2011 to shareholders.

Resolution 2: This resolution seeks to re-elect A Lisanti as a director, following his retirement by rotation at the meeting. A short biography is set out at note 16 above.

Resolution 3: This resolution seeks to re-elect SGW Yates as a director, following his retirement by rotation at the meeting. A short biography is set out at note 17 above.

Resolution 4: The directors will seek approval for the appointment of PricewaterhouseCooper LLP as the Company's auditor.

Resolution 5: The directors have proposed that a dividend of 0.6 pence per ordinary share be declared. This resolution seeks shareholder approval for such dividend in accordance with the articles.

Resolution 6: This resolution seeks authority for the Company to make market purchases of its own ordinary shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 2,388,800 of its ordinary shares, representing just under 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 12 August 2011.
The resolution specifies the minimum price (and the way in which the maximum price will be calculated) which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of the date which is 15 months from the resolution being passed and the Company's 2012 annual general meeting.
The directors do not currently have any intention of exercising the authority granted by this resolution. The directors will only exercise the authority to purchase ordinary shares where they consider that such purchases will be in the best interests of shareholders generally and will result in an increase in earnings per ordinary share.
The Company may either cancel any shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them).
On 12 August 2011, the total number of ordinary shares over which options to subscribe have been granted in the Company amount to 1,610,000. This represented 6.74 per cent of the Company's issued ordinary share capital (excluding treasury shares) on that date. If this authority to purchase shares was exercised in full the options would represent 7.49 per cent of the issued ordinary share capital (excluding treasury shares) as at 12 August 2011.

Resolution 7: This resolution deals with the Directors' authority to allot Relevant Securities in accordance with section 551 of the 2006 Act. The authority granted at the Company's last annual general meeting expires at the conclusion of the annual general meeting called by this notice.
This resolution complies with guidance issued by the Association of British Insurers (ABI) in December 2008 and will, if passed, authorise the Directors to allot Relevant Securities up to a maximum nominal amount of £796,289 which represents approximately 33.33% of the Company's issued ordinary shares (excluding treasury shares) as at 12 August 2011.
As at close of business on 12 August 2011, the Company did not hold any treasury shares.
The authority granted by this resolution will expire on the date which is 15 months from the date this resolution is passed or, if earlier, the date of the next annual general meeting of the company.
The Directors have no present intention to exercise this authority.
In resolution 7 the expression Relevant Securities means:
- Shares in the Company other than shares allotted pursuant to:
  - an employee share scheme (as defined by section 1166 of the 2006 Act);
  - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
  - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.
- Any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted

pursuant to an employee share scheme (as defined by section 1166 of the 2006 Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.

Resolution 8: This resolution will, if passed, give the Directors power, pursuant to the authority to allot granted by resolution 7, to allot equity securities (as defined by section 560 of the 2006 Act) or sell treasury shares for cash without first offering them existing shareholders in proportion to their existing holdings:

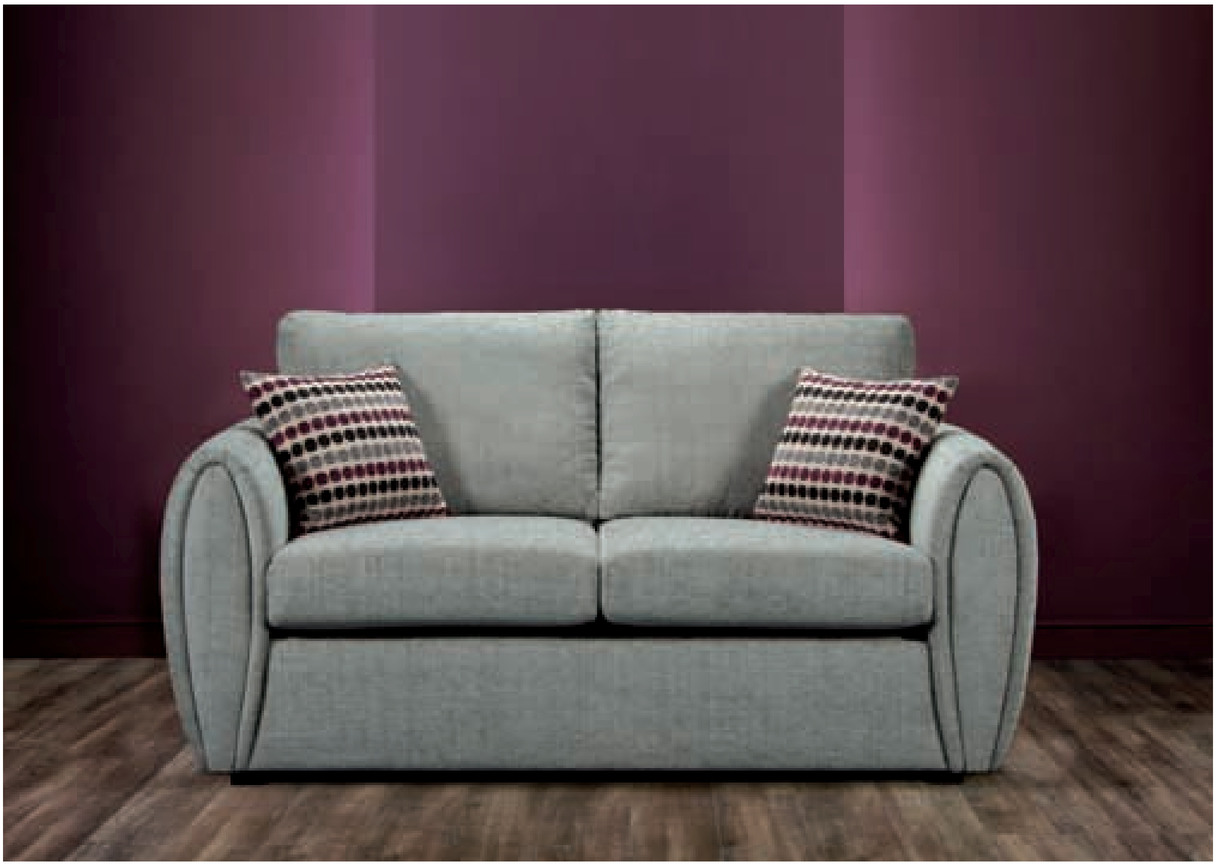
- in relation to pre-emptive offers and offers to holders of other equity securities if required by the rights of those securities or as the Directors otherwise consider necessary, up to a maximum nominal amount of £796,289 which represents approximately 33.33% of the Company's issued ordinary shares (excluding treasury shares) as at 12 August 2011;
- in any other case, up to a maximum nominal amount of £119,443 which represents approximately 5% of the Company's issued ordinary shares (excluding treasury shares) as at 12 August 2011. In compliance with the guidelines issued by the Pre-emption Group, the Directors will ensure that, other than in relation to a rights issue, no more than 7.5% of the issued ordinary shares (excluding treasury shares) will be allotted for cash on a non pre-emptive basis over a rolling three year period unless shareholders have been notified and consulted in advance.

The power granted at the last annual general meeting expires at the conclusion of the annual general meeting called by this notice.

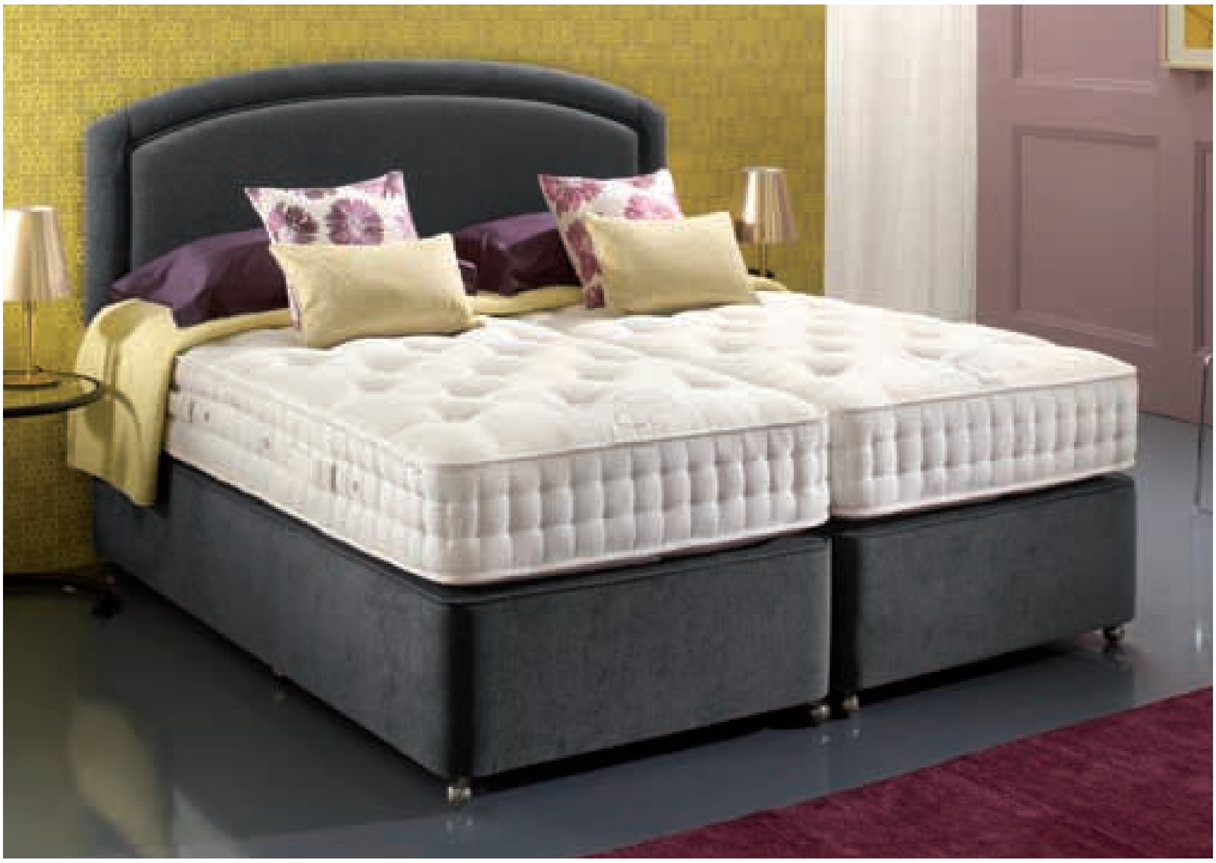
This resolution complies with relevant guidance issued by the Pre-emption Group and guidance issued by the ABI.

The power granted by this resolution will expire on the date which is 15 months from the date the resolution is passed or, if earlier, the date of the next annual general meeting of the company.

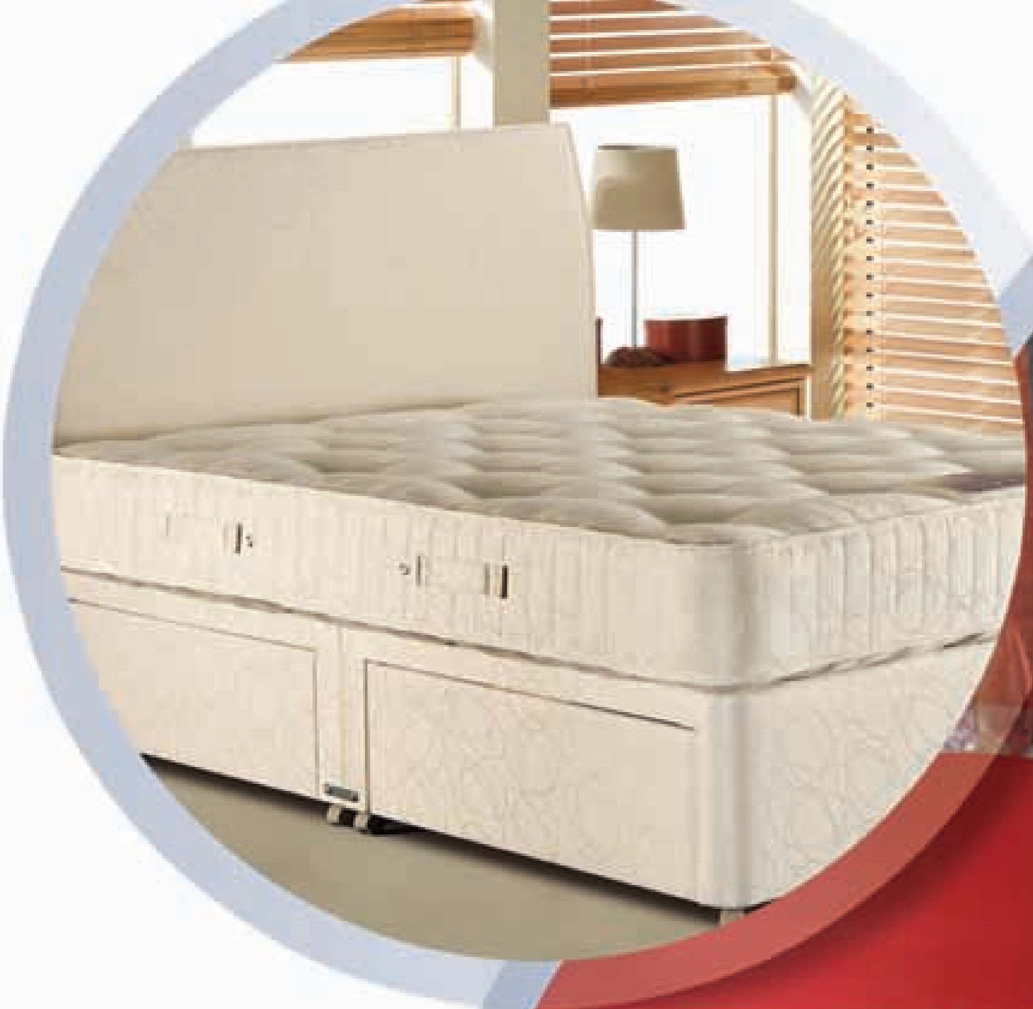
The Directors have no present intention to exercise this authority.

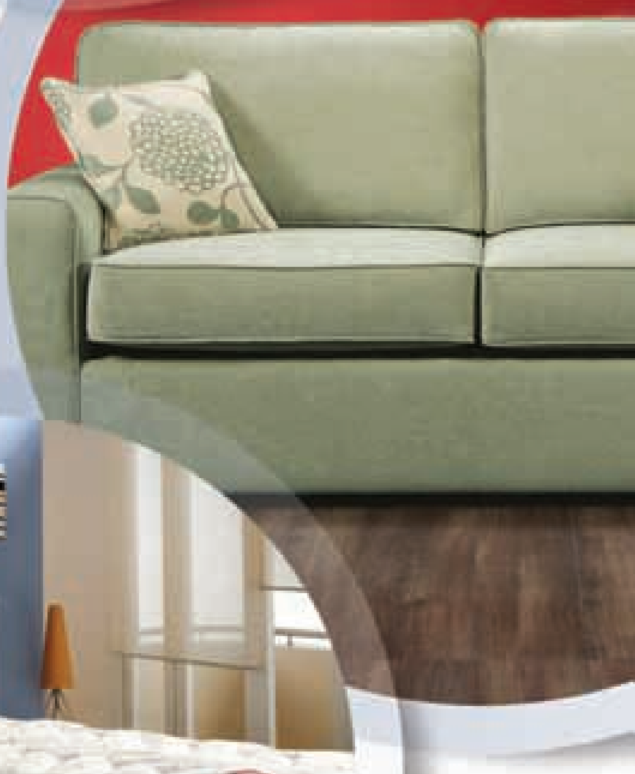


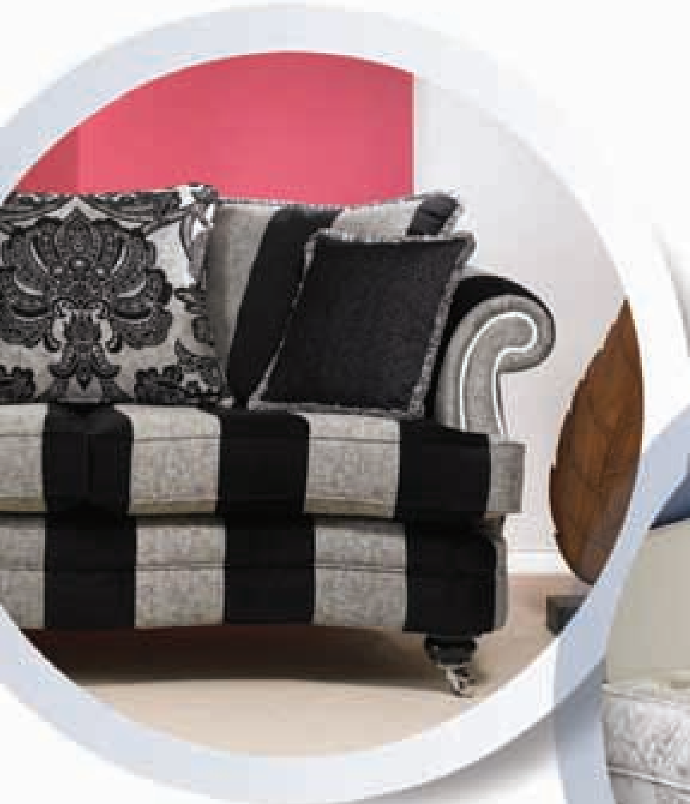
Gainsborough Sofa Beds — Renata

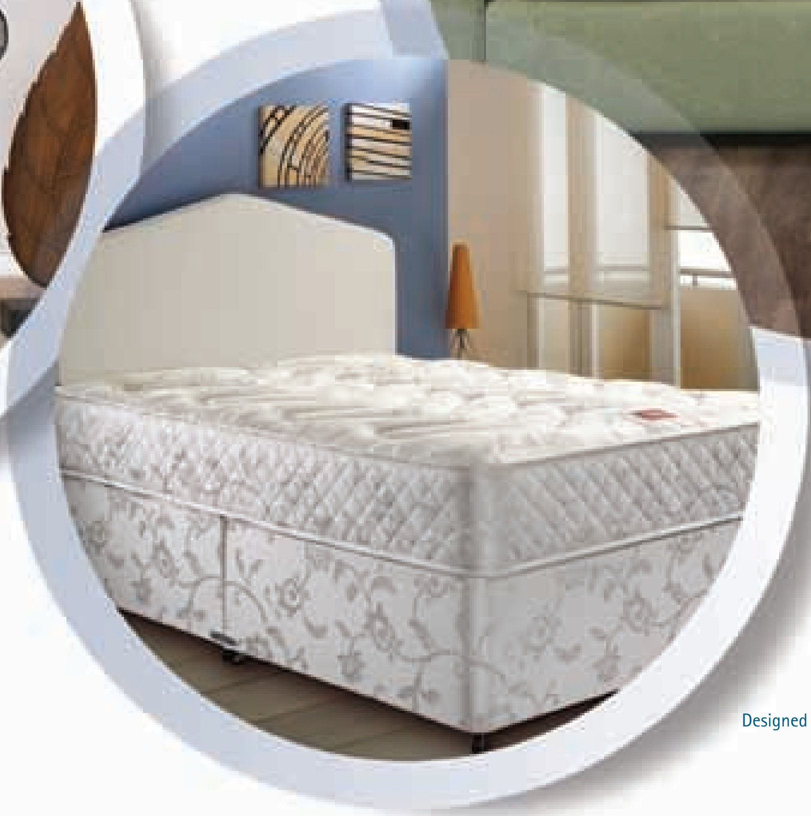


Gainsborough Beds — Doyle









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