

Airsprung Furniture Group PLC



Report and Accounts **2001**



Cavendish Upholstery – Cadogan suite



Airsprung Beds – Tempest



Enchanted House – Boston



Bymacks – St Lucia sofa

Group profile

Airsprung Furniture Group, a long established United Kingdom based company, whose core business is the manufacture of beds and upholstery, is celebrating its 130th year.

The bed businesses produce a comprehensive range of divan beds, mattresses, sofa beds, wood, iron and brass bedsteads by Airsprung Beds, Airsprung Scotland, Gainsborough, Sprung Slumber and Enchanted House. Airsprung Beds now occupies one of the largest single site bed factories in Europe.

The upholstery businesses manufacture and distribute modern, transitional and traditional upholstery under the Bymacks, Cavendish and Gimson Slater brands.

Airofreem and Fitex supply combustion modified foam, and felt and fibre fillings for use by fellow subsidiaries and external customers.

Products from all the main subsidiary companies are displayed in the Group's 16,000 sq ft exhibition centre in Trowbridge.

The Group's subsidiaries are located throughout the United Kingdom in Wiltshire, Cornwall, Devon, Gloucestershire, Lancashire and Glasgow.



Gainsborough – Concerto Supreme



Sprung Slumber – Silver Shield



Airsprung Beds – Tranquil

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Chairman's statement

Operating profits from continuing businesses were £2.7 million before exceptional items, reflecting a difficult trading environment and certain one-off factors during the course of the year which impacted Group sales. As announced at the interim stage, the disposal of Duckers resulted in exceptional costs of £2.4 million. The loss before taxation was £0.2 million.

In the year we were adversely affected by the fuel blockade, last winter's floods and labour shortages at our key manufacturing site. Airsprung Beds also suffered a significant fall in sales to one major customer. We have taken further action to improve the sales performance of our operating companies and I am confident that the Group is now in a much improved position. We have invested some £2.1 million in our manufacturing and sales facilities and made widespread changes in the management structure.

The board is recommending the payment of a maintained final dividend of 5.9p per ordinary share, payable on 27 July 2001 to shareholders on the register at 6 July 2001. Together with the interim dividend of 2.1p this makes a total dividend for the year of 8.0p (2000 8.0p).

The sale of our Rotherham property, where receipts of £2.4 million were expected, did not complete and we have therefore placed the property back on the market. We have a number of expressions of interest.

It is with great sadness that I must record the death of Michael Carter CBE in February this year. Michael was appointed a non-executive director of the company in 1990. His counsel and insight are much missed by all members of the board, and I would like to express our sympathy and support to Michael's family from everyone at Airsprung Furniture Group.

On behalf of the board I wish to record our thanks to all the Group's employees for their efforts during the year.

This has been a difficult year, with market conditions impacting sales and margins. However, we have identified and acquired new customers both in the UK and, more recently, overseas, and I am confident that the current year will see a return to growth in sales and profitability.



Philip Bradshaw
Chairman



Sprung Slumber – Sovereign Shield



Enchanted House – Cambridge

Chief Executive's report

Group operating profits from continuing businesses of £2.7 million result from a reduced contribution across all subsidiary companies. It became clear early in the year that market conditions would not improve and that certain factors, such as the higher quantity of imported pine beds, would continue to affect our performance. As a result, we took the decision to dispose of Duckers, to seek new markets for our products and revitalise our management team. At the same time, we have continued to invest where we see clear benefit or opportunity and I am confident that the changes made will have a beneficial effect on sales and margins.

We have appointed a new managing director and strengthened the sales management at Airsprung Beds. New equipment has been installed to increase efficiency and lessen the effects of local labour shortages and we have also instituted an overhead reduction programme. At the NEC Furniture Show in January 2001 we launched a new range of products which has been well received by our customers. At Airsprung Scotland we now have a new managing director with wide experience of the bed manufacturing industry.

Sprung Slumber produced resilient results. We have refocused the product range at Enchanted House towards the higher priced segment and sought new, overseas markets, having already enjoyed a satisfactory level of exports for Gainsborough.

Cavendish has clearly benefited from the move to new premises. We have expanded the customer base and made further improvements to the product range. New management has been installed at Bymacks and new products have enjoyed initial success.

I am confident that we have taken the right actions across the Group. We will continue our attrition on the cost base, and invest where necessary to improve production efficiency and quality of product.



Peter Ziemniak
Chief Executive



Gainsborough – Virtuoso



Airsprung Beds – Royal Emperor

Financial review

Turnover and operating results

At £2.67 million the operating profit represents a margin of 3.9% from continuing businesses. Interest payable of £141,000 includes £38,000 in respect of continuing businesses, the balance of £103,000 being attributable to Duckers for the period to 29 September 2000.

Capital expenditure

Capital expenditure totalling £2.1 million includes £500,000 for the relocation of Cavendish Upholstery into freehold premises, £1.0 million on plant and equipment for the bed division, and £400,000 for the completion of the Group exhibition centre project which commenced in 1999/00.

Tax

The tax charge which relates entirely to continuing operations represents an effective rate of 26.2% on those operations.

Balance sheet and cash flow

Net current assets of £6.1 million include £357,000 bank and cash balances, plus the Rotherham property at £2.4 million which has been reclassified as an investment as it is being marketed. Net cash inflow from operating activities was £4.2 million. Outflows include £2.0 million in respect of equity and non-equity dividends, £1.5 million corporation tax and a further £2.1 million on fixed assets.

Shareholders' return

Equity shareholders' funds stand at £22.8 million and equate to a value of 95.5p per share. The proposed total dividend of 8.0p per ordinary share is covered once by earnings from continuing businesses.



Andrew Alsop
Financial Director



Cavendish – Bloomsbury sofa and chair

Directors at the end of the year

Philip Bradshaw* (66)

Chairman, joined the board in 1986. He is non-executive chairman of a number of private companies and was formerly non-executive deputy chairman of Lumination PLC.

Peter Ziemniak (48)

Chief Executive, joined the Group in 1978. Following various managerial positions, he was appointed managing director of Airsprung Beds and to the Group board in 1993, chairman of the bed division in 1994, and to his present position in 1997.

Andrew Alsop (44)

Financial Director, joined the Group in 1975. He has held several general and financial managerial positions and was appointed to his present position in 1995.

Stephen Harrington (40)

Managing Director of Airsprung Beds, joined the Group in 1987. After holding several managerial positions within the upholstery division, he was appointed managing director of Bymacks in 1996. In 1997 he joined the Group board and was also appointed Chairman of the upholstery division. In November 2000 he was appointed Managing Director of Airsprung Beds.

Stephen Yates (46)

Group Marketing Director. He joined the 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 1992.

Jeremy Yates (41)

Managing Director of Gainsborough, joined the Group in 1982. He has held a variety of positions at Gainsborough and was appointed Managing Director in 1993. He was appointed to the Group board in July 2000.

Patrick Howe* (63)

Lead non-executive director, appointed to the Group board in 1992, he was previously a senior partner in the Bristol office of Coopers & Lybrand.

Antony Chambers* (57)

Appointed in 1999. He was formerly a director of Robert Fleming Holdings Ltd, and a director of Save & Prosper Group Ltd. He is currently Chairman of Gartmore High Income Trust Plc and Renaissance Films Ltd; and a director of Ivory and Sime ISIS Trust Plc and Euro Sales Finance Plc.

* Non-executive director



Gainsborough – Manilla sofa bed



Gainsborough – Tang sofa bed

Directors' report

The directors submit their report together with the audited accounts for the year ended 31 March 2001.

Profits and dividends

The consolidated profit and loss account on page 16 shows a loss before taxation of £207,000 (2000 profit £5.9 million) after an exceptional charge of £2.4 million arising from the sale of discontinued operations.

Preference dividends have been paid to 6 January 2001.

An interim dividend in respect of the year of 2.1p per ordinary share (2000 2.1p) was paid on 26 January 2001.

The directors recommend a final dividend of 5.9p per ordinary share (2000 5.9p) payable on 27 July 2001 to shareholders on the register at the close of business on 6 July 2001.

A loss of £2.9 million (2000 retained profit £1.6 million) has been deducted from reserves.

Activities

The principal activity of the Group is the manufacture of furniture. The directors do not foresee any major change in the level or nature of the Group's business.

Directors

The directors of the company at 31 March 2001, all of whom served throughout the year or from the date of their appointment, were:

P G Bradshaw	S G W Yates
P R Ziemniak	J P Yates – appointed 13 July 2000
A J Alsop	D P L Howe
S T Harrington	A C Chambers

M J F Carter was a director at 1 April 2000 and up until his death, on 19 February 2001.

The beneficial interests of the directors in the shares of the company are shown on page 14.

There were no commitments or contracts subsisting 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 J Alsop and D P L Howe retire at the Annual General Meeting, and being eligible, offer themselves for re-election. J P Yates, having been appointed a director in the year, offers himself for election. A J Alsop and J P Yates have service contracts with the company, details of which are disclosed in the report of the remuneration committee.



Airsprung Beds – Sabina



Airsprung Beds – Keilder bunk bed

Directors' report continued

Corporate governance

Directors' responsibilities statement

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed;

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

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the company and which enables them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Compliance

The board supports the recommendations of "The Combined Code - Principles of Good Governance and Code of Best Practice" ("The Combined Code") which was appended to the London Stock Exchange Listing Rules in 1998. The directors report that, based upon the information below and that included within the report of the remuneration committee on pages 11 to 14, the company has complied throughout the period with the provisions set out in Section 1 of The Combined Code, with the exception that P R Ziemniak and A J Alsop each have a rolling two year service contract to serve as executive director, with termination being no later than their respective 65th birthday.

Board responsibilities

The board of directors, which includes three non-executive directors, meets regularly throughout the year. P G Bradshaw, D P L Howe and A C Chambers are independent non-executive directors. The board is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of individual trading subsidiaries, 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.

Trading companies are managed by separate boards of directors, whose regular meetings are normally attended by a Group director.

In accordance with The Combined Code, 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 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 D P L Howe, the lead non-executive director, as an independent member of the board to whom such concerns may be addressed.

Directors' report continued

Corporate governance

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 company's executive directors and meets at least once a year. It consists of three non-executive directors, namely, P G Bradshaw, D P L Howe and A C Chambers. No director takes part in any discussion about his own remuneration;

the **audit committee**, consisting of D P L Howe, P G Bradshaw and A C Chambers (non-executive directors), meets at least three times a year. It considers the effectiveness of the Group's internal controls, accounting policies and financial reporting, and provides a forum through which the external auditors report to the directors;

the **special purposes committee** comprising P G Bradshaw, A J Alsop and P R Ziemniak operates as a salary review and appointments committee for the directors of subsidiary companies and all middle management;

the **nomination committee** considers all new board appointments. It consists of three non-executive directors and one executive director: P G Bradshaw, D P L Howe, A C Chambers and P R Ziemniak.

Internal controls – risk management

The company, as required by the London Stock Exchange, has complied with The Combined Code provisions on internal control, having established the procedures necessary to implement the guidance issued in September 1999 (the Turnbull Committee Report) and by reporting in accordance with that guidance.

The board of directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, whilst the role of management is 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.

The board undertook a formal assessment of risk management and control arrangements on 24 May 2001 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 an annual budget 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;
- input of the internal audit function;
- certification on internal control from subsidiary boards.

Directors' report continued

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

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 2001 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 and to provide information on matters of concern to them. Bonus schemes and other incentives have been developed to enable employees to benefit more directly from their performance.

Share option scheme

Details of outstanding options at the date of this report are shown on page 13.

Creditor payment policy

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

- settle the terms of payment with those 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 contractual and other legal obligations.

The Group's creditor days figure calculated in accordance with the Companies Act 1985 is 51 days (2000 63 days).

Disabled employees

Our 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.

Donations

Charitable donations during the year amounted to £2,200 (2000 £3,300).

Directors' report continued

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 25 May 2001:

	Number of ordinary shares	%
J G Yates	5,400,466	22.6
Redbird Holdings SA	2,806,833	11.7
Schroder Investment Management Limited	1,700,000	7.1
Fidelity Management Research Company	975,000	4.1
Prudential Portfolio Managers Limited	800,000	3.3

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.

The principal scheme is a defined benefits scheme, with two trustees nominated by the members and the remaining trustees appointed by the company. The current trustees are Philip Bradshaw and Andrew Alsop, Group directors; Christopher Preston, a former director of Airsprung Beds now retired; Anne Friedlander, Personnel Manager at Airsprung Beds; and Peter Berrelly and Andrew Lewis, both being member nominated trustees. Asset management is delegated to a specialist independent company. The scheme's accounts are audited annually by PricewaterhouseCoopers. Members of the scheme receive an annual statement of their accrued benefits.

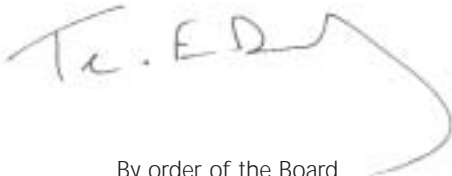
Stock Market

The company's ordinary shares are listed on the London Stock Exchange.

Auditors

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the Annual General Meeting.

Trowbridge
25 May 2001


By order of the Board
T E Dallaway, Secretary

Report of the remuneration committee

The members of the committee are given in the Directors' report on page 8.

Remuneration policy for executive directors

The main components of the remuneration of the executive directors are as follows:

Annual salary

Annual salaries are determined with regard to the directors' experience and the nature and complexity of their work, in order to pay a competitive salary that attracts and retains management of the highest quality.

Annual bonus

The bonus scheme for executive directors is based on financial targets from the annual Group budgeting process. Superior performance is encouraged by providing challenging goals, which must be achieved before any bonus is payable.

Share options

Share options dependent on attaining certain earnings per share growth targets, are awarded to executive directors to strengthen the link between their personal interests and those of the shareholders. Accordingly, an executive share option scheme is in operation. Details of outstanding share options are given on page 13.

Pensions

All the executive directors are currently members of the Group's defined benefit scheme. Subject to Inland Revenue limits, members are eligible upon retirement at the age of 65 for a pension of up to two thirds of salary excluding all bonuses and benefits in kind, provided that the minimum service requirement of 40 years has been met.

Other benefits

All the executive directors participate in the Group's car scheme or have opted for a cash alternative, and receive healthcare benefits.

Contracts of service

P R Ziemniak and A J Alsop each have a rolling two year agreement to serve as an executive director, with termination being no later than their respective 65th birthday. There are no current plans to reduce the notice period as the existing contracts are regarded as reasonable. No other executive director has any existing or proposed contract for more than one year.

Report of the remuneration committee continued

Remuneration of non-executive directors

The remuneration for non-executive directors consists of fees for their services in connection with board and board committee meetings and, where relevant, for additional services such as chairing the board or a board committee or devoting additional time and expertise for the benefit of the Group. They do not have contracts of service, are not eligible for pension scheme membership and do not participate in any of the Group's bonus, share option or other incentive schemes.

Their fees are fixed by a committee consisting of executive directors.

Appointment of directors

All directors are appointed on the basis of retirement by rotation, in accordance with the company's Articles of Association.

Directors' emoluments

The emoluments of the directors who served during the year were as follows:

	Salary & fees	Benefits	Annual bonus	2001 Total	2000 Total
	£000	£000	£000	£000	£000
P G Bradshaw	44	–	–	44	39
P R Ziemniak	158	8	–	166	155
A J Alsop	83	12	–	95	86
S T Harrington	86	10	–	96	86
S G W Yates	52	7	–	59	60
J P Yates	52	6	–	58	–
M J F Carter	10	–	–	10	10
D P L Howe	16	–	–	16	14
A C Chambers	13	–	–	13	9
J S Anderson	–	–	–	–	149
J G W Yates*	–	–	–	–	6
M L Coppel*≠	–	–	–	–	42
Total	514	43	–	557	656

* Included within the salary and fees shown above, J G W Yates received a pension from the company of £6,000 in 2000 and M L Coppel received a pension from the company of £2,000 in 2000.

≠ Salary and fees for M L Coppel in 2000 also included consultancy fees of £13,000.

J G W Yates, former director, who remains President of the company, receives an annual pension of £20,000 (2000 £14,000). A further pension of £7,000 is paid to a past director (2000 £5,000).

Report of the remuneration committee continued

Directors' pension entitlements

	Age at year end	Director's contribution in the year £	Increase in accrued pension during the year £	Accumulated total accrued pension at 31 March 2001 £
P R Ziemniak	48	7,613	6,097	48,630
A J Alsop	44	4,125	3,444	23,671
S T Harrington	40	4,056	1,220	17,566
S G W Yates	46	2,575	1,015	16,484
J P Yates	41	3,300	2,341	16,471

The pension entitlement shown is the amount that would be paid each year at normal retirement age based on service to the end of the current year.

The increase in accrued pension during the year excludes any increase for inflation.

Directors' contributions are the contributions paid in the year by the directors under the terms of the pension scheme. Members of the pension scheme have the option of paying Additional Voluntary Contributions. Neither the Additional Voluntary Contributions nor the resulting benefits are included in the above table.

The following is additional information relating to directors' pensions:

Normal retirement age is 65;

On death before normal retirement age of the director, the pension scheme provides a pension of up to 50% to a surviving spouse or dependant as defined in the pension scheme rules, plus return of contributions. On death in retirement, the pension scheme provides a 50% pension to a surviving spouse or dependant;

The pension scheme provides increases on the post 5 April 1988 element of Guaranteed Minimum Pension together with statutory Limited Price Indexation on post 5 April 1997 accrued pension.

Share options

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

	Number of options				Exercise price	Date from which exercisable	Date options expire
	At 1 April 2000	Granted in the year	Cancelled in the year	At 31 March 2001			
P R Ziemniak	60,000	–	(60,000)	–	161p	–	–
	100,000	–	–	100,000	108.5p	22.6.02	22.6.06
	–	100,000	–	100,000	112.5p	19.6.03	19.6.07
A J Alsop	20,000	–	(20,000)	–	161p	–	–
	50,000	–	–	50,000	108.5p	22.6.02	22.6.06
	–	50,000	–	50,000	112.5p	19.6.03	19.6.07
S T Harrington	20,000	–	(20,000)	–	161p	–	–
	20,000	–	–	20,000	108.5p	22.6.02	22.6.06
	–	50,000	–	50,000	112.5p	19.6.03	19.6.07

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.

Report of the remuneration committee continued

Share options continued

The market price of the company's ordinary shares at the end of the financial year was 75p and the range of market prices during the year was between 69.5p and 114.5p.

Interests in shares

The beneficial interests of the directors and their families in the shares of the company were:

	31 March 2001	1 April 2000
Ordinary shares of 10p each		
P G Bradshaw	25,000	25,000
P R Ziemniak	742	200,742
A J Alsop	–	–
S T Harrington	6,022	6,022
S G W Yates	2,300,158	2,300,158
J P Yates	2,315,762	2,315,762
D P L Howe	8,000	8,000
A C Chambers	105,000	10,000

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 has been no change in the interests set out above between 31 March 2001 and 25 May 2001.

P G Bradshaw
Chairman of the Remuneration Committee



Cavendish – Alexa sofa and chair

Auditors' report

Auditors' report to the members of Airsprung Furniture Group PLC

We have audited the financial statements on pages 16 to 30.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 7, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 7 reflects the company's compliance with the seven provisions of The Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group at 31 March 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Bristol
25 May 2001

Notes:

- (a) The maintenance and integrity of the Airsprung Furniture Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated profit and loss account

for the year ended 31 March 2001

	<i>Note</i>	2000/01 £000	1999/00 £000
Turnover			
Continuing operations		69,043	73,489
Discontinued operations		2,319	6,681
		<u>71,362</u>	<u>80,170</u>
Cost of sales			
Continuing operations		50,091	51,073
Discontinued operations		2,075	5,473
		<u>52,166</u>	<u>56,546</u>
Gross profit		19,196	23,624
Net operating expenses	1	16,819	17,779
Operating profit/(loss)			
Continuing operations		2,665	6,882
Discontinued operations		(288)	(1,037)
Total operating profit	2	2,377	5,845
Loss on sale of discontinued operations	16	(2,443)	–
(Loss)/profit on ordinary activities before interest		(66)	5,845
Net interest (payable)/receivable	4	(141)	7
(Loss)/profit on ordinary activities before taxation		(207)	5,852
Tax on ordinary activities	5	(689)	(1,721)
(Loss)/profit for the financial year (including the company £3,413,000; 2000 £6,358,000)		(896)	4,131
Equity dividends	6	1,911	1,911
Non-equity dividends	6	66	129
Premium on redemption of non-equity shares	6	–	511
(Loss)/retained profit for the financial year		<u>(2,873)</u>	<u>1,580</u>
(Loss)/earnings per ordinary share	23	<u>(4.0p)</u>	<u>14.6p</u>
Earnings per ordinary share on continuing activities	23	<u>7.8p</u>	<u>19.5p</u>

The Group has no recognised gains and losses, other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2001

	2000/01 £000	1999/00 £000
(Loss)/profit for the financial year	(896)	4,131
Dividends and appropriations	(1,977)	(2,551)
	(2,873)	1,580
Nominal value of preference shares redeemed	–	(2,345)
Goodwill reinstated on sale of business	296	–
Net movement in shareholders' funds	(2,577)	(765)
Opening shareholders' funds	26,051	26,816
Closing shareholders' funds	23,474	26,051

Note of historical cost profits and losses

for the year ended 31 March 2001

	2000/01 £000	1999/00 £000
(Loss)/profit on ordinary activities before taxation	(207)	5,852
Impairment of revalued tangible fixed assets	249	–
Historical cost profit on ordinary activities before taxation	42	5,852
Historical cost (loss)/retained profit after taxation and dividends	(2,624)	1,580

Balance sheets at 31 March 2001

	Note	Group		Company	
		2001 £000	2000 £000	2001 £000	2000 £000
Assets employed					
Fixed assets					
Intangible assets	8	317	342	-	-
Tangible assets	7	17,509	20,331	807	515
Investments	20	-	-	7,622	8,727
		17,826	20,673	8,429	9,242
Current assets					
Stocks	9	5,522	6,989	-	-
Debtors	10	10,167	12,167	9,764	4,941
Investments	11	2,400	-	-	-
Bank and cash balances		357	1,836	41	52
		18,446	20,992	9,805	4,993
Creditors: amounts falling due within one year	12	12,352	15,132	5,156	2,593
Net current assets		6,094	5,860	4,649	2,400
Total assets less current liabilities		23,920	26,533	13,078	11,642
Financed by					
Creditors: amounts falling due after more than one year	13	-	36	-	-
Provisions for liabilities and charges	22	446	446	-	-
		446	482	-	-
Capital and reserves					
Called up share capital	14	3,044	3,044	3,044	3,044
Share premium account	15	2,348	2,348	2,348	2,348
Capital redemption reserve	15	2,345	2,345	2,345	2,345
Revaluation reserve	15	1,617	1,866	-	-
Profit and loss account	15	14,120	16,448	5,341	3,905
		23,474	26,051	13,078	11,642
Equity shareholders' funds		22,819	25,396	12,423	10,987
Non-equity shareholders' funds		655	655	655	655
Total shareholders' funds		23,474	26,051	13,078	11,642
		23,920	26,533	13,078	11,642

Approved by the board on 25 May 2001 and signed on its behalf by:

P G Bradshaw }
P R Ziemniak } Directors

The accounting policies on pages 20-21 and the notes on pages 22-30 form part of these accounts.
The report of the auditors on the financial statements is on page 15.

Consolidated cash flow statement

for the year ended 31 March 2001

	Note	2000/01		1999/00	
		£000	£000	£000	£000
Net cash inflow from operating activities	17		4,224		4,837
Returns on investments and servicing of finance					
Interest received		4		66	
Interest paid		(135)		(45)	
Interest paid on finance leases and similar hire purchase contracts		(10)		(14)	
Non-equity dividends and appropriations paid		(66)		(694)	
Net cash outflow from returns on investments and servicing of finance			(207)		(687)
Taxation					
UK corporation tax and advance corporation tax paid			(1,487)		(1,524)
Capital expenditure and financial investment					
Receipts from sales of assets		44		1,082	
Tangible fixed assets purchased		(2,052)		(3,271)	
			(2,008)		(2,189)
Acquisitions and disposals					
Purchase of business assets and goodwill		(8)		(471)	
Disposal of subsidiary business	16	283		-	
			275		(471)
Equity dividends paid			(1,911)		(1,793)
Net cash outflow before financing			(1,114)		(1,827)
Financing					
Redemption of preference shares		-		(2,345)	
Repayment of loan stock		(300)		(300)	
Capital element of finance lease rental payments		(65)		(63)	
Net cash outflow from financing			(365)		(2,708)
Decrease in cash			(1,479)		(4,535)
			2001	2000	Change in year
			£000	£000	£000
Analysis of cash balances					
Cash at bank and in hand	19		357	1,836	(1,479)

Principal accounting policies

Accounting convention

The accounts have been prepared in accordance with accounting standards applicable in the United Kingdom under the historical cost convention as modified by the revaluation of land and buildings. The principal accounting policies, which have been consistently applied are set out below.

Basis of consolidation

The consolidated accounts include the accounts of Airsprung Furniture Group PLC and all its subsidiaries made up to the end of the financial year. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only. The results of newly acquired companies are consolidated from date of acquisition. The holding company is exempt from publishing its own profit and loss account by virtue of Section 230 Companies Act 1985.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries is capitalised and amortised over the shorter of the directors' assessment of its estimated useful life and 20 years. Goodwill which arose prior to 1 April 1998 has been eliminated against reserves, and is charged in the profit and loss account on disposal of the business to which it relates.

Turnover

Turnover represents the invoiced value of sales within the United Kingdom of goods, after deducting trade discounts, allowances and value added tax.

Stocks and work-in-progress

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost on a first-in first-out basis includes all direct expenditure and, where appropriate, related production overheads. Net realisable value allows for the costs of realisation.

Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost, with the exception of some land and buildings, which are carried at valuation. Following the introduction of FRS15 "Tangible Fixed Assets", the Group has opted not to update the valuation of land and buildings going forward. Depreciation is calculated to write off the cost or amount of the valuation of fixed assets by equal instalments over the estimated useful lives of the assets at the following principal annual rates:

Freehold land	Nil
Freehold buildings	2 $\frac{1}{2}$ %
Plant and equipment	10 - 20%
Computer equipment	33 $\frac{1}{3}$ %

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.

Principal accounting policies continued

Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Deferred tax

Provision for deferred tax is made, using the liability method, except in respect of any timing differences which are expected to continue for the foreseeable future. The provision is calculated at the rate expected to apply when the liability arises.

Pensions

The Group operates a number of pension schemes. Contributions to these schemes are charged to the profit and loss account by spreading the cost of the benefits over the expected remaining working lives of the members.



Bymacks – Claudette sofa

Notes to the accounts

31 March 2001

Note	2000/01 £000	1999/00 £000
1 Net operating expenses		
Net operating expenses are made up as follows:		
Distribution expenses	9,587	9,846
Administration expenses	7,392	7,666
Restructuring costs	–	303
Other income	(160)	(36)
	<u>16,819</u>	<u>17,779</u>
<p>The total figures for the year include the following amounts relating to discontinued operations; distribution expenses £308,000 (2000 £1,346,000) and administration expenses £224,000 (2000 £899,000). Restructuring costs in the prior year are expenses relating to redundancies.</p>		
2 Operating profit/(loss)		
Operating profit/(loss) is stated after charging:		
Auditors' remuneration for:		
Audit (company £22,800; 2000 £20,000)	89	84
Other services to the company and its subsidiaries	34	50
Depreciation of owned assets	1,440	1,003
Depreciation of leased assets	32	24
(Loss)/profit on disposal of fixed assets	(41)	30
Directors' emoluments excluding pension contributions	557	656
Operating lease rentals:		
Land and buildings	86	53
Vehicles	1,242	1,360
	<u>1,449</u>	<u>1,659</u>
3 Employee information	Number	Number
a) The average number of employees, including executive directors, was:		
Production	1,115	1,290
Distribution	191	207
Administration	143	162
	<u>1,449</u>	<u>1,659</u>
	£000	£000
b) Employment costs, including executive directors:		
Gross wages and salaries	24,250	25,992
Social security costs	1,791	1,942
Other pension costs	933	857
	<u>26,974</u>	<u>28,791</u>
c) The emoluments of directors disclosed in accordance with Schedule 6 of the Companies Act 1985 are shown in the report of the remuneration committee on pages 11 to 14.		
4 Net interest		
Payable:		
Bank overdrafts and loans	(135)	(45)
Finance charges on leases	(10)	(14)
Receivable:		
Short-term deposits	4	66
Net interest (payable)/receivable	<u>(141)</u>	<u>7</u>
In the year discontinued operations paid interest of £103,000 (2000 £130,000).		
5 Tax		
The charge is made up as follows:		
On the taxable profit for the year:		
UK corporation tax at 30% (2000 30%)	726	1,722
Deferred tax	–	116
Prior year adjustments	(37)	(117)
	<u>689</u>	<u>1,721</u>

Notes to the accounts

31 March 2001 continued

Note		2000/01 £000	1999/00 £000
6	Dividends and appropriations		
	Preference: dividend	66	129
	premium paid on the redemption of preference shares	-	511
	Ordinary: interim paid 2.1p per share (2000 2.1p)	502	501
	final proposed 5.9p per share (2000 5.9p)	1,409	1,410
		1,977	2,551

	Group			Company			
	Freehold land and buildings £000	Plant and equipment £000	Total £000	Buildings £000	Plant and equipment £000	Total £000	
7	Tangible fixed assets						
	Cost or valuation (note (a))						
	at 1 April 2000	13,060	17,997	31,057	481	85	566
	additions	661	1,391	2,052	235	153	388
	transfer to current assets (note (b))	(2,836)	-	(2,836)	-	-	-
	disposals	-	(3,443)	(3,443)	-	(84)	(84)
	reclassification (note (c))	357	(357)	-	-	-	-
	at 31 March 2001	11,242	15,588	26,830	716	154	870
	Depreciation						
	at 1 April 2000	792	9,934	10,726	-	51	51
	provision for year	483	989	1,472	15	35	50
	transfer to current assets (note (b))	(436)	-	(436)	-	-	-
	relating to disposals	-	(2,441)	(2,441)	-	(38)	(38)
	reclassification (note (c))	27	(27)	-	-	-	-
	at 31 March 2001	866	8,455	9,321	15	48	63
	Net book value						
	at 31 March 2001	10,376	7,133	17,509	701	106	807
	at 31 March 2000	12,268	8,063	20,331	481	34	515

Note (a)

At 31 March 2001 the net book value of plant and equipment includes £180,000 (2000 £212,000) in respect of assets held under finance leases and similar hire purchase contracts. Cost or valuation of freehold land and buildings includes £6,016,000 in respect of properties which were professionally valued on an open market existing use basis as at 1 April 1997. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors by Alder King. Had freehold property not been revalued, historic cost would have been £10,959,000 (2000 £12,945,000) and aggregate depreciation based on historic cost would have been £2,200,000 (2000 £2,543,000). Additions since 1 April 1997 are included at cost. Freehold land at a valuation of £1,895,000 is not depreciated.

	2001 £000	2000 £000
Analysis of land and buildings at cost and valuation		
at cost	5,226	4,244
at valuation	6,016	8,816
	11,242	13,060

The Group has adopted the transitional provisions of FRS15; accordingly the results of the 1 April 1997 valuation have not been updated.

- (b) Following the sale of a subsidiary company, the property which has been retained by the Group has been placed on the market. As the property is no longer used for the purpose of the Group's trading operations and the sale of the property is expected in the foreseeable future, the property has been reclassified as "fixed assets for resale" and is included in current asset investments (see note 11).
- (c) Certain items within plant and equipment intrinsic to buildings were reclassified during the year, following a review of fixed assets.

Notes to the accounts

31 March 2001 continued

Note	Goodwill £000
8 Intangible fixed assets	
Cost	
at 1 April 2000	350
adjustment to goodwill	(8)
at 31 March 2001	342
Aggregate amortisation	
at 1 April 2000	8
charge for the year	17
at 31 March 2001	25
Net book value	
at 31 March 2001	317
at 31 March 2000	342

	2001 £000	2000 £000
9 Stocks		
Raw materials	3,527	3,949
Work-in-progress	948	1,414
Finished goods	1,047	1,626
	5,522	6,989

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
10 Debtors				
Trade debtors	9,218	11,187	16	5
Amounts due from Group companies Corporation and advance corporation taxes recoverable	-	-	9,658	4,922
Other debtors	2	16	-	-
Prepayments and accrued income	19	48	-	-
	928	916	90	14
	10,167	12,167	9,764	4,941
11 Investments	2,400	-	-	-

Current asset investments are fixed assets purchased from the discontinued operation prior to disposal which are being held for resale (see note 16).

12 Creditors: amounts falling due within one year				
Bank loans and overdraft	-	-	3,216	-
Amounts due to Group companies	-	-	-	392
Unsecured loan stock	-	300	-	300
Obligations under finance leases	36	65	-	-
Trade creditors	6,777	7,800	-	-
Value added tax and social security	1,644	2,014	63	138
Corporation and advance corporation taxes	408	1,220	19	2
Accruals and deferred income	2,062	2,308	433	336
Dividends	1,425	1,425	1,425	1,425
	12,352	15,132	5,156	2,593

Notes to the accounts

31 March 2001 continued

Note	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000

13 Creditors: amounts falling due after more than one year

Obligations under finance leases:
due: between 1 and 2 years

	-	36	-	-
--	---	----	---	---

	Authorised		Allotted and fully paid	
	Number	£000	Number	£000
14 Called up share capital				
Ordinary shares of 10p each at 1 April 2000 and 31 March 2001	30,000,000	3,000	23,888,698	2,389
10% preference shares of £1 each (redeemable at par in 2008) at 1 April 2000 and 31 March 2001	654,599	655	654,599	655
	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit & loss account £000

15 Share premium account and reserves

Group

at 1 April 2000	2,348	2,345	1,866	16,448
goodwill reinstated on sale of business (see note 16)	-	-	-	296
transfer from revaluation reserve to profit and loss account	-	-	(249)	249
loss for the year	-	-	-	(2,873)
at 31 March 2001	2,348	2,345	1,617	14,120

Company

at 1 April 2000	2,348	2,345	-	3,905
profit for the year	-	-	-	1,436
at 31 March 2001	2,348	2,345	-	5,341

The cumulative amount of goodwill written off to the profit and loss account is £5,137,000 (2000 £5,433,000).

16 Discontinued operation

On 29 September 2000 the Group sold Duckers Furniture Limited, a wholly owned subsidiary for £1 in cash.

Prior to and as a result of the disposal, the freehold property was transferred to the Group for resale (see note 11).

	£000
Tangible fixed assets	736
Stocks	1,127
Debtors	690
Creditors	(416)
Goodwill previously written off to reserves	296
	<u>2,433</u>
Overdraft transferred from the Group with the disposal	(283)
	<u>2,150</u>
Loss on disposal of subsidiary company	250
Impairment of the property transferred to Group	43
	<u>2,443</u>

Notes to the accounts

31 March 2001 continued

Note	2000/01 £000	1999/00 £000
17 Reconciliation of operating profit to net cash inflow from operating activities		
Continuing activities		
Operating profit	2,665	6,882
Depreciation of tangible fixed assets	1,402	809
Loss/(profit) on sales of tangible fixed assets	41	(30)
Decrease/(increase) in stocks	223	(425)
Decrease/(increase) in debtors	958	(1,158)
Decrease in creditors	(1,023)	(186)
Goodwill amortisation	17	8
Net cash inflow from continuing activities	4,283	5,900
Discontinued activities		
Operating loss	(288)	(1,037)
Depreciation of tangible fixed assets	31	218
Decrease in stock	117	178
Decrease in debtors	338	7
Decrease in creditors	(257)	(429)
Net cash outflow from discontinued activities	(59)	(1,063)
Net cash inflow from operating activities	4,224	4,837

18 Reconciliation of net cash flow to movement in net funds

Decrease in cash in the year	(1,479)	(4,535)
Cash outflow from decrease in debt	365	363
Change in net funds resulting from cash flows	(1,114)	(4,172)
Net funds at 1 April	1,435	5,607
Net funds at 31 March	321	1,435

	At 1 April 2000 £000	Cash flow £000	At 31 March 2001 £000
19 Analysis of net funds			
Cash	1,836	(1,479)	357
Debt due within one year	(300)	300	-
Finance leases	(101)	65	(36)
	1,435	(1,114)	321

Notes to the accounts

31 March 2001 continued

<i>Note</i>	2001 £000	2000 £000
20 Investments		
Shares in Group companies at 1 April	9,424	9,424
Discontinued operations	(1,105)	–
Shares in Group companies at 31 March	8,319	9,424
Provision	(724)	(724)
Loans to Group companies	27	27
	7,622	8,727

The company had the following principal trading subsidiaries:

Name	Percentage of issued ordinary shares held
1 Airsprung Beds Ltd	100
2 Airsprung Scotland Ltd	100
3 Gainsborough Ltd	100
4 Sprung Slumber Ltd	100
5 Bymacks Ltd	100
6 Cavendish Upholstery Ltd	100
7 Airsprung Ltd	100

All of the above companies are incorporated in Great Britain. Companies numbered 1 to 6 are engaged in the manufacture and sale of furniture. Airsprung Ltd manufactures fillings for use mainly by the other Group companies.

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
21 Commitments under operating leases				
The Group had annual commitments under operating leases as follows:				
property:				
expiring within 1 year	11	42	–	–
expiring in years 2 to 5	11	13	–	–
	22	55	–	–
vehicles:				
expiring within 1 year	127	176	1	24
expiring in years 2 to 5	633	789	12	8
expiring after 5 years	178	130	–	–
	938	1,095	13	32

Notes to the accounts

31 March 2001 continued

Note	Group		Group	
	2001 Amount unprovided £000	2001 Amount provided £000	2000 Amount unprovided £000	2000 Amount provided £000
22 Provisions for liabilities and charges – deferred tax				
Fixed asset timing differences	1,229	446	1,250	446
Other	(72)	–	(65)	–
	<u>1,157</u>	<u>446</u>	<u>1,185</u>	<u>446</u>
		2000/01 £000		1999/00 £000
at 1 April		446		330
transfer to profit and loss account		–		116
		<u>446</u>		<u>446</u>
at 31 March				
		2000/01 £000		1999/00 £000

The company has no potential deferred tax liability (2000 nil).

23 Earnings per share

(Loss)/earnings per ordinary share have been calculated on the following basis:

(Loss)/profit for the financial year	(896)	4,131
Preference dividends	(66)	(129)
Premium paid on redemption of preference shares	–	(511)
	<u>(962)</u>	<u>3,491</u>

Earnings per ordinary share on continuing activities have been calculated on the following basis:

(Loss)/profit for the financial year	(896)	4,131
Operating loss on discontinued operations	288	1,037
Exceptional items on disposal of discontinued operations	2,443	–
Interest payable on discontinued operations	103	130
Preference dividends	(66)	(129)
Premium paid on redemption of preference shares	–	(511)
	<u>1,872</u>	<u>4,658</u>
	Number 000's	Number 000's
Weighted average of ordinary shares in issue during the year	<u>23,889</u>	<u>23,889</u>

Dilution of earnings per share to take account of the outstanding exercisable share options has not been calculated as none of the options over the shares of the company had a dilutive effect on earnings per share for either of the years above.

	2001 £000	2000 £000
24 Capital commitments		
Expenditure contracted but not provided for	<u>319</u>	<u>419</u>

Notes to the accounts

31 March 2001 continued

Note

25 Financial instruments

The Group's financial instruments comprise borrowings, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The Group's operations are funded by cash generated from operating activities. There is no gearing at the year end.

The potential risks arising from the Group's financial instruments are interest rate risk and foreign currency risk.

The interest rate on all borrowings is fixed. As the Group predominantly trades in sterling, exposure to foreign currency risk is minimal. Foreign currency transactions are settled at the daily spot rate.

Short-term debtors and creditors have been excluded from the following disclosures.

	2001	2000
a) Cash at bank and in hand	£000	£000
Cash at bank	<u>357</u>	<u>1,836</u>

Cash at bank and in hand is held in sterling and earns interest at 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 creditors such as trade creditors and accruals at 31 March was as follows:

	Debt £000	Finance leases £000	2001 Total £000	Debt £000	Finance leases £000	2000 Total £000
Within one year, or on demand	–	36	36	300	65	365
Between 1 and 2 years	–	–	–	–	36	36
Over 5 years	655	–	655	655	–	655
	<u>655</u>	<u>36</u>	<u>691</u>	<u>955</u>	<u>101</u>	<u>1,056</u>

Debt due after five years represents £655,000 (2000 £655,000) in respect of the company's preference shares. The Group has an undrawn uncommitted overdraft facility available at 31 March 2001 of £5.0 million which is reviewed annually.

Notes to the accounts

31 March 2001 continued

Note

25 Financial instruments continued

b) Maturity of financial liabilities continued

The interest profile is given below:

	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Total £000
Fixed rate liabilities			
Financial liabilities	11.6	0.5	36
Preference shares	10	7.4	655
At 31 March 2001		<u>7.0</u>	<u>691</u>
Financial liabilities	9.1	0.6	401
Preference shares	10	8.4	655
At 31 March 2000		<u>5.4</u>	<u>1,056</u>

c) Fair values

The fair values of cash at bank and in hand and borrowings at 31 March 2001 were equal to the book value at that date. The fair value of the preference shares at 31 March 2001 is £779,000 (2000 £783,000). The book value of the preference shares is £655,000. The preference shares fair value has been calculated by discounting expected cash flows at the prevailing interest rate.

26 Pensions

The Group operates a pension scheme providing benefits based on final pensionable salary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Group benefits from the employees' services. The assets of the scheme are held separately from those of the Group in an independent trustee administered fund. Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 April 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 6.7% per annum, that salary increases would average 3.6% per annum and allowance was made for future pensions commencing after 5 April 1988 to increase in course of payment at the rate of 3.0% per annum (or in line with the Retail Price Index if less) in respect of that part of the pension which represents Guaranteed Minimum Pension accruing from 5 April 1988 as a result of being contracted out of the State Scheme.

The most recent actuarial valuation showed that the market value of the scheme's assets was £11.0 million and that the actuarial value of those assets represented 119% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension charge for the year to 31 March 2001 was £911,000 (2000 £830,000).

The Group also operated a defined contribution pension scheme during the year. The assets of this scheme are held separately from those of the Group in an independently managed fund. The pension charge represents contributions payable by the Group to the fund for the year, amounting to £22,000 (2000 £27,000).

27 Related party transactions

From 29 September 2000 up until the year end Duckers Furniture Limited leased a property from Airsprung Beds Limited. Total net income received during this period was £150,000.

Five year summary

	2001 £000	2000 £000	1999 £000	1998 £000	1997 £000
Consolidated profit and loss account					
Turnover	71,362	80,170	82,938	92,077	88,642
Profit before exceptionals and taxation	2,236	5,852	6,289	6,918	7,274
Exceptional items	(2,443)	–	(8,086)	–	(414)
(Loss)/profit before taxation	(207)	5,852	(1,797)	6,918	6,860
Taxation	689	1,721	1,491	2,039	2,411
Dividends	1,977	2,040	2,058	2,058	1,829
Premium paid on redemption of preference shares	–	511	–	–	–
	(2,873)	1,580	(5,346)	2,821	2,620
Earnings before interest, depreciation, exceptional items and taxation (EBITDA before exceptional items)	3,849	6,872	7,765	8,669	8,559
(Loss)/earnings per ordinary share	(4.0p)	14.6p	(15.0p)	19.2p	17.4p
Earnings per ordinary share on continuing activities	7.8p	19.5p	18.9p	20.5p	14.9p
Dividend per ordinary share	8.0p	8.0p	7.36p	7.36p	6.4p
	2001 £000	2000 £000	1999 £000	1998 £000	1997 £000
Group balance sheets					
Fixed assets	17,826	20,673	17,713	20,382	17,708
Net current assets	6,094	5,860	9,826	8,032	8,698
Long term liabilities	–	(36)	(393)	(766)	(1,082)
Deferred tax provision	(446)	(446)	(330)	(150)	–
Capital and reserves	23,474	26,051	26,816	27,498	25,324
Net assets per ordinary share	96p	106p	100p	103p	93p

Trading divisions & corporate information

Trading operations

Division	Operation	Location
Beds	Airsprung Beds	Trowbridge
	Airsprung Scotland	Glasgow
	Gainsborough	Trowbridge
	Sprung Slumber	Okehampton
	Enchanted House	St Austell
Upholstery	Bymacks	Dursley
	Cavendish Upholstery	Chorley
	Gimson & Slater	Dursley
Fillings	Airofreem	Trowbridge
	Fitex Products	Trowbridge
Design	Arena Design Associates	Trowbridge



Gainsborough – Milton sofa bed



Sprung Slumber – Diamond Shield



Airsprung Beds – Dansk

Corporate information

Secretary and Registered Office

Tean E Dallaway ACA
Canal Road, Trowbridge, Wiltshire BA14 8RQ

Registrars

Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA

Registered Auditors

PricewaterhouseCoopers, 31 Great George Street, Bristol BS1 5QD

Bankers

Fortis Bank sa-nv, 23 Camomile Street, London EC3A 7PP

Solicitors

Osborne Clarke, 50 Queen Charlotte Street, Bristol BS1 4HE

Stockbrokers

Beeson Gregory, The Registry, Royal Mint Court, London EC3N 4EY

Financial calendar

Record date	6 July 2001
Annual General Meeting	19 July 2001
Dividend payable	27 July 2001
Half year results announced	November 2001



Enchanted House – Westminster



Airsprung Beds Contracts – Shakespeare



Cavendish Upholstery – Kimberley sofa



Airsprung Furniture Group PLC

Canal Road
Trowbridge
Wiltshire
BA14 8RQ
England

Registered No. 1277785

Telephone: 01225 754411

Facsimile: 01225 777423

e-mail: group@airsprung-furniture.co.uk

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