

Consolidated profit and loss account

for the year ended 31 March 2002

	Note	Before exceptional items £000	Exceptional items £000	2001/2 Total £000	2000/1 Total £000
(As restated)					
Turnover					
Continuing operations		70,705	–	70,705	69,043
Acquisitions		3,302	–	3,302	–
Discontinued operations		–	–	–	2,319
	1	74,007	–	74,007	71,362
Cost of sales					
Continuing operations		51,993	–	51,993	50,091
Acquisitions		2,380	–	2,380	–
Discontinued operations		–	–	–	2,075
		54,373	–	54,373	52,166
Gross profit		19,634	–	19,634	19,196
Net operating expenses	2	18,267	821	19,088	16,819
Operating profit/(loss)					
Continuing operations		1,351	(738)	613	2,665
Acquisitions		16	(83)	(67)	–
Discontinued operations		–	–	–	(288)
Total operating profit/(loss)	3	1,367	(821)	546	2,377
Profit/(loss) on sale of discontinued operations	3			127	(2,443)
Profit/(loss) on ordinary activities before interest				673	(66)
Net interest payable	5			(168)	(141)
Profit/(loss) on ordinary activities before taxation				505	(207)
Tax on ordinary activities	6			103	(661)
Profit/(loss) for the financial year (including the company £12,054,000; 2001 £3,411,000)				608	(868)
Equity dividends	7			(716)	(1,911)
Non-equity dividends	7			(66)	(66)
Loss for the financial year				(174)	(2,845)
Earnings/(loss) per ordinary share	24			2.3p	(3.9p)

Statement of total recognised gains and losses

for the year ended 31 March 2002

	2001/2 £000	2000/1 £000
		(As restated)
Profit/(loss) for financial year	608	(868)
Prior year adjustment - deferred tax	(1,157)	–
Total losses recognised since last annual report	(549)	(868)

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2002

	2001/2 £000	2000/1 £000
		(As restated)
Profit/(loss) for the financial year	608	(868)
Dividends and appropriations	(782)	(1,977)
	(174)	(2,845)
Goodwill reinstated on sale of business	–	296
Net movement in shareholders' funds	(174)	(2,549)
Opening shareholders' funds*	22,317	24,866
Closing shareholders' funds	22,143	22,317

* Restated for change in accounting policy for deferred tax. Original shareholders' funds were £23,474,000 at 31 March 2001 before deducting prior year adjustment of £1,157,000 (1 April 2000: £26,051,000 before deducting prior year adjustment of £1,185,000).

Note of historical cost profits and losses

for the year ended 31 March 2002

	2001/2 £000	2000/1 £000
		(As restated)
Profit/(loss) on ordinary activities before taxation	505	(207)
Impairment of revalued tangible fixed assets	–	249
Historical cost profit on ordinary activities before taxation	505	42
Historical cost loss after taxation and dividends**	(174)	(2,596)

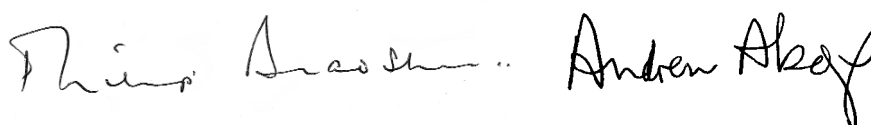
** Restated for change in accounting policy for deferred tax. Original historical cost loss after taxation and dividends was £2,624,000 at 31 March 2001 before adding prior year adjustment of £28,000.

Balance sheets at 31 March 2002

	Note	Group		Company	
		2002 £000	2001 £000	2002 £000	2001 £000
			(As restated)		(As restated)
Assets employed					
Fixed assets					
Intangible assets	8	956	317	–	–
Tangible assets	9	16,942	17,509	81	807
Investments	10	–	–	1,070	7,622
		17,898	17,826	1,151	8,429
Current assets					
Stocks	11	5,677	5,522	–	–
Debtors	12	11,341	10,167	26,169	9,764
Investments	13	–	2,400	–	–
Cash at bank and in hand		1,611	357	–	41
		18,629	18,446	26,169	9,805
Creditors: amounts falling due within one year	14	12,941	12,352	2,972	5,156
Net current assets		5,688	6,094	23,197	4,649
Total assets less current liabilities		23,586	23,920	24,348	13,078
Financed by					
Creditors: amounts falling due after more than one year	15	2	–	–	–
Provisions for liabilities and charges	16	1,441	1,603	–	2
		1,443	1,603	–	2
Capital and reserves					
Called up share capital	17	3,044	3,044	3,044	3,044
Share premium account	18	2,348	2,348	2,348	2,348
Capital redemption reserve	18	2,345	2,345	2,345	2,345
Revaluation reserve	18	1,617	1,617	–	–
Profit and loss account	18	12,789	12,963	16,611	5,339
		22,143	22,317	24,348	13,076
Equity shareholders' funds		21,488	21,662	23,693	12,421
Non-equity shareholders' funds		655	655	655	655
Total shareholders' funds		22,143	22,317	24,348	13,076
		23,586	23,920	24,348	13,078

Approved by the board on 30 May 2002 and signed on its behalf by:

P G Bradshaw }
A J Alsop } Directors



The accounting policies on pages 22-23 and the notes on pages 24-37 form part of these accounts. The independent auditors' report on the financial statements is on page 17.

Consolidated cash flow statement

for the year ended 31 March 2002

	Note	2001/2		2000/1	
		£000	£000	£000	£000
Net cash inflow from operating activities	19		2,556		4,224
Returns on investments and servicing of finance					
Interest received		8		4	
Interest paid		(173)		(135)	
Interest paid on finance leases and similar hire purchase contracts		(3)		(10)	
Non-equity dividends and appropriations paid		(66)		(66)	
Net cash outflow from returns on investments and servicing of finance			(234)		(207)
Taxation					
UK corporation tax			(251)		(1,487)
Capital expenditure and financial investment					
Receipts from sales of assets		3,123		44	
Tangible fixed assets purchased		(1,283)		(2,052)	
			1,840		(2,008)
Acquisitions and disposals					
Purchase of business assets and goodwill	22	(64)		(8)	
Disposal of subsidiary business		127		283	
Net overdraft acquired with subsidiary business	22	(233)		–	
			(170)		275
Equity dividends paid			(1,648)		(1,911)
Net cash inflow/(outflow) before financing			2,093		(1,114)
Financing					
Repayment of loan acquired with subsidiary business		(775)		–	
Repayment of loan stock		–		(300)	
Capital element of finance lease rental payments		(64)		(65)	
Net cash outflow from financing			(839)		(365)
Increase/(decrease) in cash			1,254		(1,479)
Analysis of cash balances			2002	2001	Change in year
			£000	£000	£000
Cash at bank and in hand	21		1,611	357	1,254

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.

Changes in presentation of financial information

During the year Financial Reporting Standards (FRS) 17 "Retirement benefits", FRS18 "Accounting policies" and FRS19 "Deferred tax" became effective. These standards have been reflected in these financial statements to the extent considered appropriate. In accordance with the transitional arrangements contained in FRS17, disclosure in respect of the closing balance sheet only (without comparatives for the previous period) has been made. The adoption of FRS18 has not resulted in the change of any accounting policy. The Group has adopted FRS19, changing its accounting policy and restating the prior year's results.

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 the date that control passed. 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 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 less the estimated residual value by equal instalments over the estimated useful lives of the assets at the following principal annual rates:

Freehold land	Nil
Freehold buildings	2½%
Plant and equipment	10 - 20%
Computer equipment	33⅓%

Principal accounting policies continued

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.

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

FRS19 'Deferred tax' has been adopted with effect from 1 April 2001. Provision is made for deferred tax on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

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.



Peter Guild – Mortimer



The Windsor Bed Company – Backcare Supreme

Notes to the accounts

31 March 2002

Note

1 Segmental analysis

Total turnover includes turnover generated in the United Kingdom of £71.7 million (2001 £69.4 million) and export sales of £2.3 million (2001 £2.0 million). All profit is generated from activities located in the United Kingdom.

	2001/2 £000	2000/1 £000
2 Net operating expenses		
Net operating expenses are made up as follows:		
Distribution expenses	10,375	9,587
Administration expenses	7,905	7,392
Exceptional items - Restructuring costs	821	–
Other income	(13)	(160)
	19,088	16,819

Restructuring costs are expenses relating to redundancies and the closure of a fillings production facility. The total figures for the year include the following amounts relating to acquisitions: distribution expenses £487,000, administration expenses £419,000 and restructuring costs £83,000.

The total figures for the prior year include the following amounts relating to discontinued operations: distribution expenses £308,000 and administration expenses £224,000.

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

Auditors' remuneration for:

Audit (company £20,500; 2001 £22,800)	74	89
Other services to the company and its subsidiaries	86	34
Depreciation of owned assets	1,303	1,440
Depreciation of leased assets	26	32
Goodwill amortisation	42	17
Loss on disposal of fixed assets	15	41
Directors' emoluments excluding pension contributions	801	557
Operating lease rentals:		
Land and buildings	80	86
Vehicles	1,200	1,242

On 29 September 2000 the Group sold Duckers Furniture Ltd, a wholly owned subsidiary. The losses on the sale were reflected in the results of the prior year. The ultimate realisation on the sale was £127,000 higher than anticipated and this has been reflected as a profit in the current year.

4 Employee information

a) The average number of employees, including executive directors, was:

	Number	Number
Production	1,141	1,115
Distribution	202	191
Administration	152	143
	1,495	1,449
	£000	£000

b) Employment costs, including executive directors:

Gross wages and salaries	25,267	24,250
Social security costs	1,848	1,791
Other pension costs	982	933
	28,097	26,974

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 13 to 16.

Notes to the accounts

31 March 2002 continued

Note	2001/2 £000	2000/1 £000
5 Net interest		
Payable:		
Bank overdrafts and loans	(173)	(135)
Finance charges on leases	(3)	(10)
Receivable:		
Short-term deposits	8	4
Net interest payable	(168)	(141)

In the year the acquisitions paid interest of £8,000 on bank overdrafts and loans and £2,000 on finance charges on leases. In the previous year, discontinued operations paid interest of £103,000 on bank overdrafts and loans.

6 Tax

a) Analysis of charge in the year:

The (credit)/charge is made up as follows:

Current tax

UK corporation tax at 30% (2001 30%)	338	726
Adjustments in respect of previous periods	(279)	(37)
Total current tax charge	59	689

Deferred tax

Current year	(162)	(28)
Total deferred tax credit	(162)	(28)
Tax (credit)/charge on profit on ordinary activities	(103)	661

b) Factors affecting tax charge for the year:

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

	%	%
UK corporation tax rate	30	30
	£000	£000
Profit/(loss) before taxation	505	(207)
Tax at 30%	152	(62)
Adjustment to tax charge in respect of previous periods	(279)	(37)
Expenses not deductible for tax purposes	33	760
Depreciation for period in excess of capital allowances	116	21
Utilisation of tax losses	6	–
Other timing differences	40	7
Corporation tax rate differences	(9)	–
Total current tax charge	59	689

Notes to the accounts

31 March 2002 continued

Note

6 Tax (continued)

b) Factors affecting tax charge for the year (continued)

Financial Reporting Standard (FRS) 19 "Deferred tax" issued on 7 December 2000 requires full provision to be made for deferred tax assets and liabilities, subject to certain exceptions. Previously deferred tax was provided for in respect of timing differences to the extent that it was probable that a liability would crystallise in the foreseeable future. FRS19 has been applied in preparing the 31 March 2002 financial statements and comparative figures have been restated in the consolidated profit and loss account, the balance sheet and notes. The effect on the Group's previously reported results and net assets is as follows:

	2001/2 £000	2000/1 £000
Profit retained		
As previously reported	(174)	(2,873)
Effect of implementing new accounting policy	–	28
As restated	(174)	(2,845)
Net assets		
As previously reported		23,474
Effect of implementing new accounting policy		(1,157)
As restated		22,317

The acquisition of Peter Guild Holdings Ltd and its subsidiary had no material impact in the current year.

As a result of the change in accounting policy, the profit for the year ended 31 March 2001 has been increased by £28,000. The effect of the change in accounting policy on profit retained for the year ended 31 March 2002 has been to decrease the charge for deferred tax by £162,000.

c) Factors that may affect future tax charges:

Based on current capital investment plans, the Group expects to be able to claim capital allowances in excess of depreciation in future years. The Group also expects the reversal of short term timing differences and the utilisation of tax losses to further reduce the current tax charge, at least for 2002/3.

	2001/2 £000	2000/1 £000
7 Dividends and appropriations		
Preference: dividend	66	66
Ordinary: interim paid 1.0p per share (2001 2.1p)	239	502
final proposed 2.0p per share (2001 5.9p)	477	1,409
	782	1,977

Notes to the accounts

31 March 2002 continued

Goodwill
£000

Note

8 Intangible fixed assets

Cost	
at 1 April 2001	342
additions (see note 22)	681
at 31 March 2002	1,023
Aggregate amortisation	
at 1 April 2001	25
charge for the year	42
at 31 March 2002	67
Net book value	
at 31 March 2002	956
at 31 March 2001	317

The addition to goodwill represents the goodwill arising on the acquisition of Peter Guild Holdings Ltd and its subsidiary and is being amortised over the directors' estimate of its useful economic life of 20 years (see note 22).

	Group			Company		
	Freehold land and buildings £000	Plant and equipment £000	Total £000	Buildings £000	Plant and equipment £000	Total £000
9 Tangible fixed assets						
Cost or valuation (note (a))						
at 1 April 2001	11,242	15,588	26,830	716	154	870
additions	449	834	1,283	–	4	4
on acquisition	–	217	217	–	–	–
disposals	(507)	(1,095)	(1,602)	–	–	–
transfer to subsidiary	–	–	–	(716)	–	(716)
at 31 March 2002	11,184	15,544	26,728	–	158	158
Depreciation						
at 1 April 2001	866	8,455	9,321	15	48	63
provision for year	216	1,113	1,329	18	29	47
relating to disposals	(13)	(851)	(864)	–	–	–
transfer to subsidiary	–	–	–	(33)	–	(33)
at 31 March 2002	1,069	8,717	9,786	–	77	77
Net book value						
at 31 March 2002	10,115	6,827	16,942	–	81	81
at 31 March 2001	10,376	7,133	17,509	701	106	807

Notes to the accounts

31 March 2002 continued

Note

9 Tangible fixed assets (continued)

- (a) At 31 March 2002 the net book value of plant and equipment includes £176,000 (2001 £180,000) 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, the total historic cost would have been £10,901,000 (2001 £10,959,000) and aggregate depreciation based on historic cost would have been £2,403,000 (2001 £2,200,000). Additions since 1 April 1997 are included at cost. Freehold land at a valuation of £1,895,000 is not depreciated.

	2002 £000	2001 £000
Analysis of land and buildings at cost and valuation		
at cost	5,168	5,226
at valuation	6,016	6,016
	11,184	11,242

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

10 Investments

Shares in Group companies at 1 April	8,319	9,424
Discontinued operations	–	(1,105)
Acquisitions	64	–
Pre acquisition dividends*	(7,340)	–
Shares in Group companies at 31 March	1,043	8,319
Provision	–	(724)
Loans to Group companies	27	27
	1,070	7,622

* At the year end the Group has been reorganised with the properties and operations being transferred from separate companies to Airsprung Property Ltd and Airsprung Furniture Ltd respectively. Following the transfer the subsidiary companies other than Airsprung Property Ltd and Airsprung Furniture Ltd became dormant and their reserves were paid as dividends to Airsprung Furniture Group PLC. The cost of the investments in the subsidiaries have been written down to their underlying net asset value.

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 Peter Guild Ltd	100
8 Airsprung Ltd	100

All of the above companies are incorporated in Great Britain. Companies numbered 1 to 7 are engaged in the manufacture and sale of furniture. Airsprung Ltd manufactures fillings for use mainly by the other Group companies.

Notes to the accounts

31 March 2002 continued

Note

Group

2002
£000

2001
£000

16	Provisions for liabilities and charges – deferred tax			(As restated)
	Fixed asset timing differences	1,544		1,675
	Other	(103)		(72)
		<u>1,441</u>		<u>1,603</u>

	Group		Company	
	2001/2 £000	2000/1 £000	2001/2 £000	2000/1 £000
at 1 April - as previously reported	446	446	–	–
prior year adjustment	1,157	1,185	2	–
as restated	<u>1,603</u>	<u>1,631</u>	<u>2</u>	<u>–</u>
transfer to profit and loss account	(162)	(28)	(19)	2
at 31 March	<u>1,441</u>	<u>1,603</u>	<u>(17)</u>	<u>2</u>

The acquisition in the year has not had a material impact on the deferred tax liability reflected in the financial statements.

	Authorised		Allotted and fully paid	
	Number	£000	Number	£000
17 Called up share capital				
Ordinary shares of 10p each at 1 April 2001 and 31 March 2002	<u>30,000,000</u>	<u>3,000</u>	<u>23,888,698</u>	<u>2,389</u>
10% preference shares of £1 each (redeemable at par in 2008) at 1 April 2001 and 31 March 2002	<u>654,599</u>	<u>655</u>	<u>654,599</u>	<u>655</u>

The holders of the preference shares are entitled to receive notice of and to attend all general meetings of the company but they carry no voting rights unless the company has not paid the preference dividend on a due date for payment or has failed to make payment of the redemption monies due on redemption of the preference shares. In the event of the winding up of the company, preference shares rank ahead of the ordinary shares and preference shareholders will be entitled to the amounts paid up thereon and any dividend arrears.

Notes to the accounts

31 March 2002 continued

Note

18 Share premium account and reserves

Group

	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit & loss account £000
at 1 April 2001 - as previously reported	2,348	2,345	1,617	14,120
prior year adjustment - deferred tax	-	-	-	(1,157)
as restated	2,348	2,345	1,617	12,963
loss for the year	-	-	-	(174)
at 31 March 2002	2,348	2,345	1,617	12,789

Company

at 1 April 2001 - as previously reported	2,348	2,345	-	5,341
prior year adjustment - deferred tax	-	-	-	(2)
as restated	2,348	2,345	-	5,339
profit for the year	-	-	-	11,272
at 31 March 2002	2,348	2,345	-	16,611

The company's profit for the year includes £19.1 million of dividends from subsidiary companies less £7.3 million written off the carrying value of the investments.

The cumulative amount of goodwill written off to the profit and loss account is £5,137,000 (2001 £5,137,000).

	2001/2 £000	2000/1 £000
19 Reconciliation of operating profit to net cash inflow from operating activities		
Continuing activities		
Operating profit	546	2,665
Depreciation of tangible fixed assets	1,329	1,402
Loss on sales of tangible fixed assets	15	41
Decrease in stocks	329	223
(Increase)/decrease in debtors	(551)	958
Increase/(decrease) in creditors	1,096	(1,023)
Goodwill amortisation	42	17
Net cash inflow from continuing activities	2,806	4,283
Discontinued activities		
Operating loss	-	(288)
Depreciation of tangible fixed assets	-	31
Decrease in stocks	-	117
Decrease in debtors	-	338
Decrease in creditors	(250)	(257)
Net cash outflow from discontinued activities	(250)	(59)
Net cash inflow from operating activities	2,556	4,224

Notes to the accounts

31 March 2002 continued

	2001/2	2000/1
	£000	£000

Note

19 Reconciliation of operating profit to net cash inflow from operating activities (continued)

Cash flow from operating activities

Net cash inflow before exceptional items	3,521	4,283
Net cash outflow from discontinued activities	(250)	(59)
Outflow related to exceptional items	(715)	–
	2,556	4,224

The impact that Peter Guild Holdings Ltd and its subsidiary had on the consolidated cashflow statement is set out in note 22.

20 Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the year	1,254	(1,479)
Cash outflow from decrease in debt	839	365
Change in net funds resulting from cash flows	2,093	(1,114)
Loans and finance leases acquired with acquisition	(811)	–
Movement in net funds in year	1,282	(1,114)
Net funds at 1 April	321	1,435
Net funds at 31 March	1,603	321

	At 1 April 2001 £000	Acquisitions (excluding cash) £000	Cash flow £000	At 31 March 2002 £000
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21 Analysis of net funds

Cash	357	–	1,254	1,611
Loan	–	(775)	775	–
Finance leases	(36)	(36)	64	(8)
	321	(811)	2,093	1,603

22 Acquisitions

On 15 June 2001 the company acquired the whole of the issued share capital of Peter Guild Holdings Ltd and its wholly owned subsidiary Peter Guild Ltd for a consideration including expenses of £64,000. The acquisition expenses amounted to £13,000. Acquisition accounting has been used to account for the purchase.

The summarised combined profit and loss account for the companies for the period from 1 January 2001 to the date of the acquisition is as follows:

	Period ended 14 June 2001 £000
Turnover	2,238
Operating loss	(86)
Loss on ordinary activities before taxation	(70)

The companies made a combined loss before tax of £3,283,000 after exceptional items for their financial year to 31 December 2001. The assets and liabilities of the acquired companies are set out overleaf:

Notes to the accounts

31 March 2002 continued

Note	Book value £000	Fair value adjustment £000	Accounting policy adjustment £000	Fair value £000
22 Acquisitions (continued)				
Tangible fixed assets	192	–	25	217
Current assets				
Stock	484	–	–	484
Debtors	563	–	–	563
Total assets	1,239	–	25	1,264
Bank overdraft	(233)	–	–	(233)
Other creditors	(873)	–	–	(873)
Bank loan	(1,447)	672	–	(775)
	(2,553)	672	–	(1,881)
Net liabilities	(1,314)	672	25	(617)
Goodwill (note 8)				681
Satisfied by cash				64
Add overdraft				233
Net outflow of cash				297

On acquisition, the useful economic lives over which Peter Guild Holdings Ltd and its subsidiary's fixed assets were written off were changed to be consistent with Group policy. The fair value adjustment represents a loan waived by Peter Guild Holdings Ltd's bank on acquisition.

Subsequent to acquisition the companies' net cash outflow from operating activities was £265,000; £10,000 was paid in respect of net cash outflow on investments and servicing of finance, £80,000 received in respect of taxation, £8,000 net receipts from capital expenditure and financial investments, and financing of £803,000 repaid which has been financed by a parent company loan of £775,000.

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
23 Commitments under operating leases				
The Group had annual commitments under operating leases as follows:				
property:				
expiring within 1 year	13	11	–	–
expiring in years 2 to 5	11	11	–	–
expiring after 5 years	75	–	–	–
	99	22	–	–
vehicles:				
expiring within 1 year	64	127	–	1
expiring in years 2 to 5	821	633	16	12
expiring after 5 years	140	178	–	–
	1,025	938	16	13

Notes to the accounts

31 March 2002 continued

Note	2001/2 £000	2000/1 £000
		(As restated)
24 Earnings per share		
Earnings/(loss) per ordinary share have been calculated on the following basis:		
Profit/(loss) for the financial year	608	(868)
Preference dividends	(66)	(66)
	542	(934)
	Number 000's	Number 000's
Weighted average of ordinary shares in issue during the year	23,889	23,889

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.

	2002 £000	2001 £000
25 Capital commitments		
Expenditure contracted but not provided for	76	319

26 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.

a) Cash at bank and in hand	2002 £000	2001 £000
Cash at bank and in hand	1,611	357

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

Notes to the accounts

31 March 2002 continued

Note

26 Financial instruments (continued)

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	2002 Total £000	Debt £000	Finance leases £000	2001 Total £000
Within one year, or on demand	–	6	6	–	36	36
Between 1 and 2 years	–	2	2	–	–	–
Over 5 years	655	–	655	655	–	655
	655	8	663	655	36	691

Debt due after five years represents £655,000 (2001 £655,000) in respect of the company's preference shares. The Group has an undrawn uncommitted overdraft facility available at 31 March 2002 of £5.0 million which is reviewed annually.

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	12.7	1.3	8
Preference shares	10.0	6.4	655
At 31 March 2002		6.3	663
Financial liabilities	11.6	0.5	36
Preference shares	10.0	7.4	655
At 31 March 2001		7.0	691

c) Fair values

The fair values of cash at bank and in hand and borrowings at 31 March 2002 are approximate to the book value at that date. The fair value of the preference shares at 31 March 2002 is £777,000 (2001 £779,000). 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.

Notes to the accounts

31 March 2002 continued

Note

27 Pensions

The Group operates a funded group pension scheme, established under trust, providing defined benefits based on final salary, which is open to all regular employees. The assets of the scheme are held separately from those of the Group. Merrill Lynch Investment Managers 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 1999. The scheme Actuary valued the scheme using the projected unit method. A market-consistent approach for valuing assets and liabilities was adopted for the first time. The principal assumptions used in the valuation were:

	%
Investment returns	6.7
Average salary growth	3.6
Pension increases	2.7

The market value of the assets of £10.8 million exceeded the value of the liabilities of £9.1 million, which on an ongoing basis means that the funding level is 119%. A valuation performed on the Minimum Funding Requirement basis prescribed in the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 shows a funding level of 103%.

The pension charge for the year to 31 March 2002 was £928,000 (2001 £911,000). Employer contribution rates vary from 4.5% to 12.5%.

The next actuarial valuation is due as at 1 April 2002.

Additional disclosure required by FRS17 - "Retirement benefits"

The full valuation of the Airsprung Retirement and Death Benefits Plan referred to above was updated to 31 March 2002 by the Actuary. The major assumptions used by the Actuary were:

	%
Rate of increase in salaries	3.8
Rate of increase in pensions in payment	2.7
Discount rate	6.0
Inflation assumption	2.8

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

	£000	%
Equities	10,400	7.5
Gilts (includes property)	1,700	6.0
Cash	500	3.5
Total	<u>12,600</u>	<u>7.4</u>

The following amounts at 31 March 2002 were measured in accordance with the requirements of FRS17.

	£000
Total market value of assets	12,590
Present value of scheme liabilities	14,871
Deficit in the scheme	<u>(2,281)</u>

If the above amounts had been recognised in the financial statements, the Group's total shareholders' funds at 31 March 2002 would have been as follows:

	£000
Total shareholders' funds excluding pension deficit	22,143
Pension deficit	(2,281)
Related deferred tax asset	684
Total shareholders' funds including pension deficit	<u>20,546</u>

Notes to the accounts

31 March 2002 continued

Note

27 Pensions (continued)

The Group also operates two defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently managed funds. The pension charge represents contributions payable by the Group to the funds for the year, amounting to £54,000 (2001 £22,000).

28 Related party transactions

From 29 September 2000 to 31 March 2001 Duckers Furniture Ltd leased a property from Airsprung Beds Ltd. Total net income received during this period was £150,000.

In accordance with the exemptions available under FRS8 "Related party transactions", there is no disclosure in these financial statements of transactions between entities that are part of the Group.



Airsprung Beds – Royal Standard



Bymacks – Monarch

Five year summary

	2002 £000	2001 £000	2000 £000	1999 £000	1998 £000
		(As restated)	(As restated)	(As restated)	(As restated)
Consolidated profit and loss account					
Turnover	74,007	71,362	80,170	82,938	92,077
Profit before exceptionals and taxation	1,199	2,236	5,852	6,289	6,918
Exceptional items	(694)	(2,443)	–	(8,086)	–
Profit/(loss) before taxation	505	(207)	5,852	(1,797)	6,918
Taxation credit/(charge)	103	(661)	(1,841)	(1,066)	(2,130)
Dividends	(782)	(1,977)	(2,040)	(2,058)	(2,058)
Premium paid on redemption of preference shares	–	–	(511)	–	–
	(174)	(2,845)	1,460	(4,921)	2,730
EBITDA*	2,696	3,849	6,872	7,765	8,669
Earnings/(loss) per ordinary share	2.3p	(3.9p)	14.1p	(13.2p)	18.8p
Dividend per ordinary share	3.0p	8.0p	8.0p	7.36p	7.36p
	2002 £000	2001 £000	2000 £000	1999 £000	1998 £000
		(As restated)	(As restated)	(As restated)	(As restated)
Group balance sheets					
Fixed assets	17,898	17,826	20,673	17,713	20,382
Net current assets	5,688	6,094	5,860	9,826	8,032
Long term liabilities	(2)	–	(36)	(393)	(766)
Deferred tax provision	(1,441)	(1,603)	(1,631)	(1,395)	(1,640)
Capital and reserves	22,143	22,317	24,866	25,751	26,008
Net assets per ordinary share	90p	91p	101p	95p	96p

*Earnings before interest, tax, depreciation, amortisation, exceptionals and profit/(loss) on sale of discontinued operations