

Chairman's statement

Pre-tax profit for the year was £505,000 (2001 £207,000 loss) on sales of £74.0 million (2001 £71.4 million). This was a disappointing result; however, tight control of cash enabled the company to be free of bank debt at the year end, helped by the sale of our Rotherham property at its book value of £2.4 million completed on 15 March 2002. This enabled us to show a bank balance of £1.6 million (2001 £357,000) at the year end. These figures include a release from the accrual made in a previous year in respect of discontinued operations and exceptional costs amounting to £821,000, relating predominantly to restructuring.

The board is recommending the payment of a final dividend of 2.0p per ordinary share, payable on 26 July 2002 to shareholders on the register at 5 July 2002. Together with the interim dividend of 1.0p, this makes a total dividend for the year of 3.0p (2001 8.0p). Although the dividend is uncovered, it was decided to pay a final dividend reflecting confidence in the future and a strong balance sheet.

This year has been difficult mainly because of production problems due to shortage of labour at our main subsidiary Airsprung Beds. Also, price competition was severe in the volume sector of the market. In the second half of the year, we have been engaged in a restructuring programme at Airsprung Beds with expected annualised cost savings of over £1.0 million. The efforts made to overcome the production difficulties are bearing fruit.

Our subsidiary Airsprung Scotland showed an operating loss for the year of £416,000 before exceptional costs. However, a strategic review of this operation is nearing completion and the actions being taken will reduce the cost-base. The outlook is more encouraging provided the recent improvement in demand continues.

Cavendish Upholstery and Sprung Slumber both had good results and, while our acquisition Peter Guild, a manufacturer of high quality upholstery, made only a small profit before restructuring costs, changes have been made to strengthen the company's performance.

At Bymacks, our upholstery company at the highly competitive, volume end of the market, a strategy has been implemented to produce a higher value product to enhance margins and improve profitability. We have reviewed the property requirement for this business and it is the intention to relocate to more efficient, dedicated premises. The sale of our current premises for redevelopment is at an advanced stage, with realisation expected to be above book value.

The Group board is continuing its review of the strategy of all Group companies and further reductions in the cost-base are being implemented. A programme of moving some of our products to a higher margin sector by improving specification should lead to improved profitability.

The Group's former Chief Executive, Peter Ziemniak, following his decision to seek early retirement, left by mutual consent on 31 August 2001 and I would thank him for his commitment to the Group for a period of more than 25 years.

I welcome the Group's new Chief Executive, Tony Lisanti, who joined the Group on 29 April 2002. He was previously Group Managing Director of Spear & Jackson plc. We have taken the opportunity to strengthen the board by appointing a Chief Executive who brings an excellent knowledge of modern management skills in the manufacturing sector.

On behalf of the Group I wish to record our thanks to the Group's employees for their splendid efforts in a difficult year. In addition, I would like to thank Andrew Alsop for his invaluable contribution as Chief Operating Officer during the period the company was without a Chief Executive.

The board looks forward to the future with cautious optimism. The changes that have been implemented and the focus being given by the new management team are expected to show benefits in the coming year.



Philip Bradshaw
Chairman