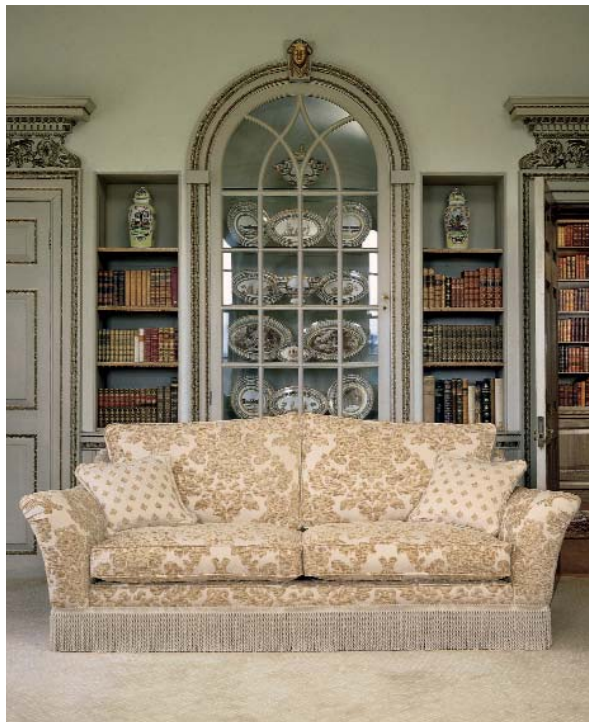


airsprung furniture
GROUP PLC



INTERIM REPORT September 2002



Peter Guild - Burlington

Chairman's Statement

The unaudited results for the six months to 30 September 2002 show an operating profit of £261,000. This is before restructuring costs of £1,815,000 and before a profit of £1,252,000 on property disposals. The net effect is a loss on ordinary activities before taxation of £321,000 compared with a loss of £485,000 in the previous year.

The board has declared an interim dividend of 1.0p per ordinary share (2001 1.0p) which will be paid on 31 January 2003, the ex-dividend date being 8 January 2003 and the record date 10 January 2003.

On 15 November 2002, Airsprung Furniture Group announced that an approach had been received that may or may not lead to an offer being made for the company.

The first six months of this financial year have seen the Group commence a radical and far reaching restructuring and market repositioning programme. The management, under its new Chief Executive Tony Lisanti, has carried out a fundamental review of each of the operating units and has developed and initiated strategies that are planned, given an appropriate time scale, to either improve further the performance of the profitable trading businesses, turn around under-performing businesses, or remove non-profitable units completely.

Salient changes around the Group in the first half year are summarised below.

In my statement of last year, I mentioned that a strategic review was being carried out at Airsprung Scotland and it was felt, following this review, that the correct financial option was to close this operation thus stemming even larger losses. This process has now been completed and accounted for £1.1 million of the separately identified losses of £1.8 million on businesses subject to major restructuring.

Performance in the upholstery division at Bymacks had weakened significantly from the turn of the calendar year. This business traditionally operated at the most price competitive points in the industry and recently has been adversely affected by low cost competition principally from Eastern Europe and the Far East. The strategy adopted at Bymacks, which has resulted in a major overhaul

continued

Chairman's Statement continued

of the business, has been one of repositioning the products into higher sales value market segments where higher gross margins are available. In addition, the cost base has been significantly reduced resulting in a reduction in the workforce of around 40%. This exercise was completed in September 2002 and accounts for £700,000, being the balance of the £1.8 million losses on businesses subject to major restructuring. I am delighted to report that in October 2002 Bymacks returned to a small profit. In addition to the restructure of Bymacks, on 22 July 2002 we announced that contracts had been exchanged on the sale of the current site at Dursley for £2.25 million against a book value of £950,000. The intention is that the Bymacks business will now move to a more appropriate and efficient site.

An element of the Group's strategy is to focus on its core activities and in this context I am pleased to announce that in August 2002 we disposed of certain assets used to manufacture fillings for mattress production at their full book value. Following this disposal the Group has entered into a long term supply arrangement with a UK leader in furniture fillings manufacture, and this will now allow us to improve both the fillings materials used and the efficiency of manufacture of the finished product.

At Airsprung Beds we have previously reported labour supply problems at Trowbridge, and although efforts have been made to improve labour recruitment and retention, the business continues to suffer from this very significant problem. A new management structure coupled to better local job marketing and changes in terms and conditions of employment are designed to reduce this problem over the coming months. However, our inability to achieve output in our busiest periods at Airsprung Beds will once again restrict profits for this financial year.

The assimilation of the Peter Guild upholstery business into the Group is now complete. This involved the introduction of new product designs and a restructured management. The benefits of this action should be felt in the next financial year.

continued

Chairman's Statement continued

The Gainsborough beds business is recovering from the loss of a major US customer in the previous year. We are now experiencing a stronger retail acceptance of the new Windsor Bed Company brand and a better order book.

Trading at our upholstery, beds and fillings businesses Cavendish, Sprung Slumber and Airofreem respectively, remains strong and profitable.

Overall the management has addressed the challenges within the businesses with innovative and aggressive strategies. A culture of new product development, reduction of overheads and focusing on profitable and cash generating business is being encouraged.

This has continued to be a difficult period although good progress has been made on the repositioning of the business to move it forward to enjoy a profitable future.

Despite the labour difficulties in Trowbridge and uncertainties in the general economy, we expect a stronger performance at operating profit level in the second half. We would not expect any further material restructuring costs this year. As previously announced we expect the balance sheet to be strengthened at the year end by the receipt of £2.0 million from the disposal of the Dursley site.



Philip G Bradshaw
29 November 2002

Registered Office: Canal Road, Trowbridge, Wiltshire BA14 8RQ

Consolidated Profit and Loss Account

	6 months to 30.9.02			6 months to 30.9.01 £000	Year to 31.3.02 £000
	Excluding businesses subject to restructuring £000	Businesses subject to restructuring £000	Total £000		
Turnover					
Continuing operations (Note 1)	27,404	4,156	31,560	34,259	74,007
Operating profit/(loss)					
Continuing operations (Note 1)	261	(1,815)	(1,554)	(540)	546
Profit on sale of fixed assets			1,252	-	-
Profit on sale of discontinued operations			-	143	127
(Loss)/profit on ordinary activities before interest			(302)	(397)	673
Interest payable			(19)	(88)	(168)
(Loss)/profit on ordinary activities before taxation			(321)	(485)	505
UK corporation tax			212	146	(59)
Deferred tax			82	25	162
(Loss)/profit on ordinary activities after taxation			(27)	(314)	608
Dividends					
Equity dividends			239	239	716
Non-equity dividends			33	33	66
Loss			(299)	(586)	(174)
Dividend per ordinary share			1.0p	1.0p	3.0p
(Loss)/earnings per ordinary share			(0.3p)	(1.5p)	2.3p

Reconciliation of Movements in Shareholders' Funds

	6 months to 30.9.02 £000	6 months to 30.9.01 £000	Year to 31.3.02 £000
(Loss)/profit for the period	(27)	(314)	608
Dividends and appropriations	(272)	(272)	(782)
Net movement in shareholders' funds	(299)	(586)	(174)
Opening shareholders' funds	22,143	22,317	22,317
Closing shareholders' funds	21,844	21,731	22,143

Consolidated Balance Sheet

	30.9.02 £000	30.9.01 £000	31.3.02 £000
Assets employed			
Fixed assets			
Intangible assets	929	978	956
Tangible assets	15,008	17,909	16,942
	15,937	18,887	17,898
Current assets			
Stocks	4,857	5,736	5,677
Debtors	13,623	11,005	11,341
Investments	-	2,400	-
Bank and cash balances	-	47	1,611
	18,480	19,188	18,629
Creditors: amounts falling due within one year	11,212	14,766	12,941
Net current assets	7,268	4,422	5,688
Total assets less current liabilities	23,205	23,309	23,586
Financed by			
Creditors: amounts falling due after more than one year	2	-	2
Provisions for liabilities and charges			
Deferred tax	1,359	1,578	1,441
	1,361	1,578	1,443
Capital and reserves			
Called up share capital	3,044	3,044	3,044
Share premium account	2,348	2,348	2,348
Capital redemption reserve	2,345	2,345	2,345
Revaluation reserve	1,617	1,617	1,617
Profit and loss account	12,490	12,377	12,789
	21,844	21,731	22,143
Equity shareholders' funds	21,189	21,076	21,488
Non-equity shareholders' funds	655	655	655
Total shareholders' funds	21,844	21,731	22,143
	23,205	23,309	23,586

Consolidated Cash Flow Statement

	6 months to 30.9.02 £000	6 months to 30.9.01 £000	Year to 31.3.02 £000
Net cash (outflow)/inflow from operating activities	(2,119)	(435)	2,556
Returns on investments and servicing of finance			
Interest received	1	4	8
Interest paid	(20)	(90)	(173)
Interest paid on finance leases and similar hire purchase contracts	-	(2)	(3)
Non-equity dividends paid	(33)	(33)	(66)
Net cash outflow from returns on investments and servicing of finance	(52)	(121)	(234)
Taxation			
UK corporation tax and advance corporation tax (paid)/refunded	(40)	2	(251)
Capital expenditure and financial investment			
Receipts from sales of assets	268	127	3,123
Tangible fixed assets purchased	(488)	(975)	(1,283)
	(220)	(848)	1,840
Acquisitions and disposals			
Purchase of business assets and goodwill	-	(64)	(64)
Disposal of subsidiary business	-	-	127
Net overdraft acquired with subsidiary business	-	(233)	(233)
	-	(297)	(170)
Equity dividends paid	(478)	(1,410)	(1,648)
Net cash (outflow)/inflow before financing	(2,909)	(3,109)	2,093
Financing			
Repayment of loan acquired with subsidiary business	-	(775)	(775)
Capital element of finance lease rental payments	(3)	(30)	(64)
Net cash outflow from financing	(3)	(805)	(839)
(Decrease)/increase in cash	(2,912)	(3,914)	1,254

Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

	6 months to 30.9.02 £000	6 months to 30.9.01 £000	Year to 31.3.02 £000
Continuing activities			
Operating (loss)/profit	(1,554)	(540)	546
Depreciation of tangible fixed assets	665	667	1,329
(Profit)/loss on sales of tangible fixed assets	-	(2)	15
Decrease in stocks	820	270	329
Decrease/(increase) in debtors	648	(6)	(551)
(Decrease)/increase in creditors	(2,725)	(784)	1,096
Goodwill amortisation	27	17	42
Cash (outflow)/inflow from continuing operations	(2,119)	(378)	2,806
Cash outflow from discontinued operations	-	(57)	(250)
Net cash (outflow)/inflow from operating activities	(2,119)	(435)	2,556

Reconciliation of Net Cash Flow to Movement in Net (Debt)/Funds

	6 months to 30.9.02 £000	6 months to 30.9.01 £000	Year to 31.3.02 £000
(Decrease)/increase in cash in the period	(2,912)	(3,914)	1,254
Cash outflow from decrease in debt	3	805	839
Change in net (debt)/funds resulting from cash flows	(2,909)	(3,109)	2,093
Loans and finance leases acquired with acquisition	-	(811)	(811)
Movement in net funds in the period	(2,909)	(3,920)	1,282
Net opening funds	1,603	321	321
Net closing (debt)/funds	(1,306)	(3,599)	1,603

Analysis of Net (Debt)/Funds

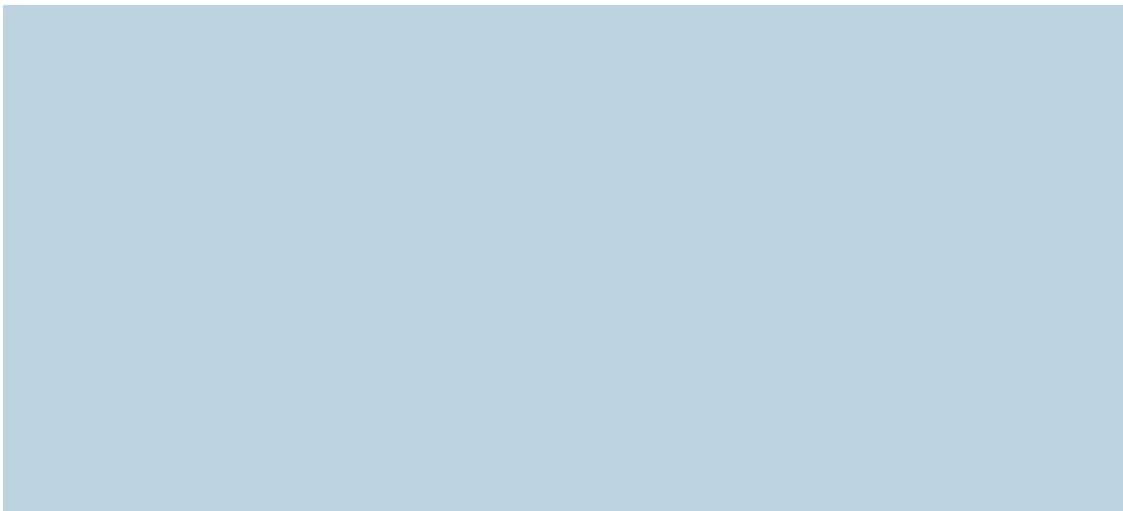
	At 1.4.02	Cash flow	At 30.9.02
	£000	£000	£000
Cash	1,611	(2,912)	(1,301)
Finance leases	(8)	3	(5)
	<u>1,603</u>	<u>(2,909)</u>	<u>(1,306)</u>

Notes

1. The combined turnover and operating loss for Bymacks and Airsprung Scotland have been shown separately from the results for the rest of the Group. Both businesses have undergone significant restructuring in the period under review.
2. For the purpose of Section 240 of the Companies Act 1985 the interim results represent unaudited abridged accounts. No review of the interim results has been carried out by the company's Auditors. Full accounts for the year to 31 March 2002, upon which Auditors have given an unqualified report, have been delivered to the Registrar of Companies.
3. The earnings per ordinary share have been calculated on 23,888,698 ordinary shares (2001 - 23,888,698), being the weighted average number of shares in issue during the period.
4. The interim report is being circulated to all shareholders and further copies are available at the company's Registered Office.

Corporate Information

Secretary and Registered Office	Tea Dalloway 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
Principal Bankers	Fortis Bank sa-nv, 23 Camomile Street, London EC3A 7PP
Solicitors	Osborne Clarke, 2 Temple Back East, Temple Quay, Bristol BS1 6EG
Stockbrokers	Rowan Dartington & Co Ltd, Colston Tower, Colston Street, Bristol BS1 4RD



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