

Consolidated profit and loss account

for the year ended 31 March 2003

	Note	Before exceptional items £000	Exceptional items (Note 3) £000	2002/3 Total £000	2001/2 Total £000
Turnover					
Continuing operations	1	66,453	–	66,453	74,007
Cost of sales					
Continuing operations		48,060	1,582	49,642	54,373
Gross profit		18,393	(1,582)	16,811	19,634
Net operating expenses					
Before exceptional operating expenses		18,171	–	18,171	18,267
Exceptional operating expenses		–	353	353	821
Net operating expenses	2	18,171	353	18,524	19,088
Total operating (loss)/profit	4	222	(1,935)	(1,713)	546
Profit on sale of discontinued operations				–	127
Profit on sale of fixed assets	5			1,299	–
(Loss)/profit on ordinary activities before interest				(414)	673
Net interest payable	7			(57)	(168)
(Loss)/profit on ordinary activities before taxation				(471)	505
Tax on ordinary activities	8			281	103
(Loss)/profit for the financial year (including the company £1,245,000; 2002 £12,054,000)				(190)	608
Equity dividends	9			(1,910)	(716)
Non-equity dividends	9			(66)	(66)
Loss for the financial year				(2,166)	(174)
(Loss)/earnings per ordinary share	24			(1.1p)	2.3p

There is no material difference between the (loss)/profit on ordinary activities before taxation and the loss for the financial year and their historical cost equivalent for the periods stated above.

Statement of total recognised gains and losses

for the year ended 31 March 2003

	2002/3 £000	2001/2 £000
(Loss)/profit for financial year	(190)	608
Prior year adjustment - deferred tax	—	(1,157)
Total losses recognised since last annual report	<u>(190)</u>	<u>(549)</u>

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2003

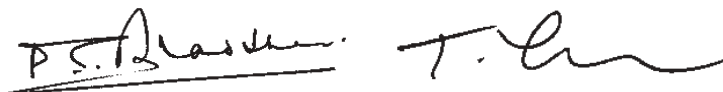
	2002/3 £000	2001/2 £000
(Loss)/profit for the financial year	(190)	608
Dividends and appropriations	<u>(1,976)</u>	<u>(782)</u>
Net movement in shareholders' funds	<u>(2,166)</u>	<u>(174)</u>
Opening shareholders' funds	22,143	22,317
Closing shareholders' funds	<u>19,977</u>	<u>22,143</u>

Balance sheets at 31 March 2003

	Note	Group		Company	
		2003 £000	2002 £000	2003 £000	2002 £000
Assets employed					
Fixed assets					
Intangible assets	10	904	956	–	–
Tangible assets	11	14,303	16,942	58	81
Investments	12	–	–	1,070	1,070
		15,207	17,898	1,128	1,151
Current assets					
Stocks	13	4,677	5,677	–	–
Debtors (2003 Group: including £2,412,000 relating to amounts recoverable from fixed asset sales; 2002 Group: nil)	14	13,069	11,341	25,467	26,169
Cash at bank and in hand		1,343	1,611	–	–
		19,089	18,629	25,467	26,169
Creditors: amounts falling due within one year	15	13,127	12,941	2,978	2,972
Net current assets		5,962	5,688	22,489	23,197
Total assets less current liabilities		21,169	23,586	23,617	24,348
Financed by					
Creditors: amounts falling due after more than one year	16	–	2	–	–
Provisions for liabilities and charges	17	1,192	1,441	–	–
		1,192	1,443	–	–
Capital and reserves					
Called up share capital	18	3,044	3,044	3,044	3,044
Share premium account	19	2,348	2,348	2,348	2,348
Capital redemption reserve	19	2,345	2,345	2,345	2,345
Revaluation reserve	19	1,617	1,617	–	–
Profit and loss account	19	10,623	12,789	15,880	16,611
		19,977	22,143	23,617	24,348
Equity shareholders' funds		19,322	21,488	22,962	23,693
Non-equity shareholders' funds		655	655	655	655
Total shareholders' funds		19,977	22,143	23,617	24,348
		21,169	23,586	23,617	24,348

Approved by the board on 30 May 2003 and signed on its behalf by:

P G Bradshaw } Directors
A Lisanti }



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 pages 16 and 17.

Consolidated cash flow statement

for the year ended 31 March 2003

	Note	2002/3		2001/2	
		£000	£000	£000	£000
Net cash inflow from operating activities	20		659		2,556
Returns on investments and servicing of finance					
Interest received		8		8	
Interest paid		(64)		(173)	
Interest paid on finance leases and similar hire purchase contracts		(1)		(3)	
Non-equity dividends and appropriations paid		(66)		(66)	
Net cash outflow from returns on investments and servicing of finance			(123)		(234)
Taxation					
UK corporation tax			(308)		(251)
Capital expenditure and financial investment					
Receipts from sales of assets		1,203		3,123	
Tangible fixed assets purchased		(977)		(1,283)	
			226		1,840
Acquisitions and disposals					
Purchase of business assets and goodwill		–		(64)	
Disposal of subsidiary business		–		127	
Net overdraft acquired with subsidiary business		–		(233)	
			–		(170)
Equity dividends paid			(716)		(1,648)
Net cash (outflow)/inflow before financing			(262)		2,093
Financing					
Repayment of loan acquired with subsidiary business		–		(775)	
Capital element of finance lease rental payments		(6)		(64)	
Net cash outflow from financing			(6)		(839)
(Decrease)/increase in cash			(268)		1,254
Analysis of cash balances					
			2003	2002	Change in year
			£000	£000	£000
Cash at bank and in hand	22		1,343	1,611	(268)

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 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

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

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

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

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.



Cavendish Upholstery – Devonshire



Airsprung Beds – Alpha

Notes to the accounts

31 March 2003

Note

1 Segmental analysis

Total turnover includes turnover generated in the United Kingdom of £65.0 million (2002 £71.7 million) and export sales of £1.5 million (2002 £2.3 million). All profit is generated from activities located in the United Kingdom.

	2002/3 £000	2001/2 £000
2 Net operating expenses		
Net operating expenses are made up as follows:		
Distribution expenses	10,341	10,375
Administration expenses	8,207	8,726
Other income	(24)	(13)
	18,524	19,088

3 Exceptional operating expenses

Restructuring costs of £1,935,000 before tax (£1,355,000 after tax) are expenses relating to redundancies, the closure of Airsprung Scotland and the cost of relocating an upholstery factory to new premises. Exceptional items of £821,000 incurred in the previous year relate to redundancies and the closure of a fillings production facility.

4 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

Auditors' remuneration for:

Audit (company £17,000; 2002 £20,500)	70	74
Other services to the company and its subsidiaries	68	86
Depreciation of owned assets	1,266	1,303
Depreciation of leased assets	36	26
Goodwill amortisation	52	42
(Profit)/loss on disposal of fixed assets	(2)	15
Rental income	(21)	–
Directors' emoluments excluding pension contributions	725	801
Operating lease rentals:		
Land and buildings	158	80
Vehicles	1,113	1,200

5 Profit on sale of fixed assets

The profit on sale of fixed assets of £1,299,000 before tax (£1,117,000 after tax) has arisen from the sale of two surplus properties located in Dursley, Gloucestershire and Trowbridge, Wiltshire.

6 Employee information

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

	Number	Number
Production	962	1,141
Distribution	176	202
Administration	135	152
	1,273	1,495
	£000	£000

b) Employment costs, including executive directors:

Gross wages and salaries	22,391	25,267
Social security costs	1,579	1,848
Other pension costs	871	982
	24,841	28,097

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 12 to 15.

Notes to the accounts

31 March 2003 continued

Note	2002/3 £000	2001/2 £000
7 Net interest		
Payable:		
Bank overdrafts and loans	(64)	(173)
Finance charges on leases	(1)	(3)
Receivable:		
Short-term deposits	8	8
Net interest payable	<u>(57)</u>	<u>(168)</u>
8 Tax		
a) Analysis of credit in the year:		
The credit is made up as follows:		
Current tax		
UK corporation tax at 30% (2002 30%)	–	338
Adjustments in respect of previous periods	(32)	(279)
Total current tax (credit)/charge	<u>(32)</u>	59
Deferred tax		
Current year	(225)	(162)
Prior year	(24)	–
Total deferred tax credit	<u>(249)</u>	<u>(162)</u>
Tax credit on profit on ordinary activities	<u>(281)</u>	<u>(103)</u>
b) Factors affecting tax (credit)/charge for the year:		
The rate of current tax (credit)/charge on (loss)/profit on ordinary activities varied from the standard rate of corporation tax in the UK due to the following factors:		
	%	%
UK corporation tax rate	<u>30</u>	<u>30</u>
	£000	£000
(Loss)/profit before taxation	<u>(471)</u>	<u>505</u>
Tax at 30%	(141)	152
Adjustment to tax charge in respect of previous periods	(32)	(279)
Expenses not deductible for tax purposes	125	33
Capital allowances in excess of depreciation	(27)	–
Depreciation for period in excess of capital allowances	–	116
Carry forward of tax losses	284	6
Other timing differences	(33)	40
Corporation tax rate differences	–	(9)
Capital gains relief on property disposals	(208)	–
Total current tax (credit)/charge	<u>(32)</u>	59

Notes to the accounts

31 March 2003 continued

Note

8 **Tax (continued)**
c) **Factors that may affect future tax charges:**

The Group expects the reversal of short term timing differences and the utilisation of tax losses to further reduce the current tax charge, at least for 2003/4.

	2002/3 £000	2001/2 £000
9 Dividends and appropriations		
Preference: dividend	66	66
Ordinary: interim paid 1.0p per share (2002 1.0p)	239	239
final proposed 7.0p per share (2002 2.0p)	1,671	477
	<u>1,976</u>	<u>782</u>

Goodwill
£000

10 **Intangible fixed assets**

Cost	
at 1 April 2002 and 31 March 2003	<u>1,023</u>
Aggregate amortisation	
at 1 April 2002	67
charge for the year	52
at 31 March 2003	<u>119</u>
Net book value	
at 31 March 2003	<u>904</u>
at 31 March 2002	<u>956</u>

Notes to the accounts

31 March 2003 continued

Note

11 Tangible fixed assets

	Group			Company
	Freehold land and buildings £000	Plant and equipment £000	Total £000	Plant and equipment £000
Cost or valuation (note (a))				
at 1 April 2002	11,184	15,544	26,728	158
additions	31	946	977	4
disposals	(1,896)	(1,858)	(3,754)	–
at 31 March 2003	9,319	14,632	23,951	162
Depreciation				
at 1 April 2002	1,069	8,717	9,786	77
provision for year relating to disposals	172	1,130	1,302	27
	(390)	(1,050)	(1,440)	–
at 31 March 2003	851	8,797	9,648	104
Net book value				
at 31 March 2003	8,468	5,835	14,303	58
at 31 March 2002	10,115	6,827	16,942	81

- (a) At 31 March 2003 the net book value of plant and equipment includes £140,000 (2002 £176,000) in respect of assets held under finance leases and similar hire purchase contracts. Cost or valuation of freehold land and buildings includes £5,425,000 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 £9,042,000 (2002 £10,901,000) and aggregate depreciation based on historic cost would have been £2,191,000 (2002 £2,403,000). Additions since 1 April 1997 are included at cost. Freehold land at a valuation of £2,535,000 is not depreciated.

	2003 £000	2002 £000
Analysis of land and buildings at cost and valuation		
at cost	3,894	5,168
at valuation	5,425	6,016
	9,319	11,184

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

Notes to the accounts

31 March 2003 continued

Note

2003
£000

2002
£000

12 Investments

Shares in Group companies at 1 April	1,043	8,319
Acquisitions	–	64
Pre acquisition dividends*	–	(7,340)
Shares in Group companies at 31 March	1,043	1,043
Loans to Group companies	27	27
	1,070	1,070

* As at 31 March 2002 the Group was 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, Airsprung Furniture Ltd and Peter Guild Ltd became dormant and their reserves were paid as dividends to Airsprung Furniture Group PLC. The cost of the investments in the subsidiaries has been written down to their underlying net asset value.

During the year the company had the following principal trading subsidiaries:		Percentage of issued ordinary shares held
Name		
1 Airsprung Furniture Ltd		100
2 Peter Guild Ltd		100
3 Airsprung Property Ltd		100

All of the above companies are incorporated in Great Britain. Companies numbered 1 and 2 are engaged in the manufacture and sale of furniture. Airsprung Property Ltd manages the company's property portfolio.

2003
£000

2002
£000

13 Stocks

Raw materials	3,122	3,671
Work-in-progress	695	919
Finished goods	860	1,087
	4,677	5,677

Notes to the accounts

31 March 2003 continued

Note

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
14 Debtors				
Trade debtors	9,144	10,157	5	–
Amounts due from Group companies	–	–	25,351	26,112
Corporation tax recoverable	191	62	–	–
Other debtors	2,412	31	–	–
Prepayments and accrued income	1,322	1,091	108	40
Deferred tax asset	–	–	3	17
	13,069	11,341	25,467	26,169

Other debtors at 31 March 2003 comprise land and buildings sold subject to completion of contract and the outstanding consideration arising from the sale of the fillings production facility. £317,000 of other debtors is due after more than one year.

15 Creditors: amounts falling due within one year

Bank loans and overdraft	–	–	581	2,092
Obligations under finance leases	2	6	–	–
Trade creditors	7,326	7,984	–	–
Other tax and social security	1,749	2,383	71	61
Corporation tax	–	211	–	–
Accruals and deferred income	2,363	1,864	639	326
Dividends	1,687	493	1,687	493
	13,127	12,941	2,978	2,972

16 Creditors: amounts falling due after more than one year

Obligations under finance leases: due: between 1 and 2 years	–	2	–	–
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Notes to the accounts

31 March 2003 continued

Note

Group

2003
£000

2002
£000

17 Provisions for liabilities and charges – deferred tax

Fixed asset timing differences		1,545	1,544
Other		(353)	(103)
		<u>1,192</u>	<u>1,441</u>

Group

Company

	2002/3 £000	2001/2 £000	2002/3 £000	2001/2 £000
at 1 April	1,441	1,603	(17)	2
transfer to profit and loss account	(249)	(162)	14	(19)
at 31 March	<u>1,192</u>	<u>1,441</u>	<u>(3)</u>	<u>(17)</u>

Authorised
Number £000

Allotted and fully paid
Number £000

18 Called up share capital

Ordinary shares of 10p each at 1 April 2002 and 31 March 2003	<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 2002 and 31 March 2003	<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 2003 continued

Note

19 Share premium account and reserves

Group

	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit & loss account £000
at 1 April 2002	2,348	2,345	1,617	12,789
loss for the year	–	–	–	(2,166)
at 31 March 2003	2,348	2,345	1,617	10,623

Company

at 1 April 2002	2,348	2,345	–	16,611
loss for the year	–	–	–	(731)
at 31 March 2003	2,348	2,345	–	15,880

The cumulative amount of goodwill written off to the profit and loss account is £5,137,000 (2002 £5,137,000).

	2002/3 £000	2001/2 £000
20 Reconciliation of operating (loss)/profit to net cash inflow from operating activities		
Continuing activities		
Operating (loss)/profit	(1,713)	546
Depreciation of tangible fixed assets	1,302	1,329
(Profit)/loss on sales of tangible fixed assets	(2)	15
Decrease in stocks	1,000	329
Decrease/(increase) in debtors	813	(551)
(Decrease)/increase in creditors	(793)	1,096
Goodwill amortisation	52	42
Net cash inflow from continuing activities	659	2,806
Discontinued activities		
Decrease in creditors	–	(250)
Net cash outflow from discontinued activities	–	(250)
Net cash inflow from operating activities	659	2,556

Notes to the accounts

31 March 2003 continued

Note	2002/3 £000	2001/2 £000
20 Reconciliation of operating (loss)/profit to net cash inflow from operating activities (continued)		
Cash flow from operating activities		
Net cash inflow before exceptional items	1,610	3,521
Net cash outflow from discontinued activities	–	(250)
Outflow related to exceptional items	(951)	(715)
	<u>659</u>	<u>2,556</u>

21 Reconciliation of net cash flow to movement in net funds

(Decrease)/increase in cash in the year	(268)	1,254
Cash outflow from decrease in debt	6	839
Change in net funds resulting from cash flows	(262)	2,093
Loans and finance leases acquired with acquisition	–	(811)
Movement in net funds in year	(262)	1,282
Net funds at 1 April	1,603	321
Net funds at 31 March	<u>1,341</u>	<u>1,603</u>

	At 1 April 2002 £000	Cash flow £000	At 31 March 2003 £000
22 Analysis of net funds			
Cash	1,611	(268)	1,343
Finance leases	(8)	6	(2)
	<u>1,603</u>	<u>(262)</u>	<u>1,341</u>

Notes to the accounts

31 March 2003 continued

Note	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
23 Commitments under operating leases				
The Group had annual commitments under operating leases as follows:				
property:				
expiring within 1 year	20	13	–	–
expiring in years 2 to 5	63	11	–	–
expiring after 5 years	75	75	–	–
	<u>158</u>	<u>99</u>	<u>–</u>	<u>–</u>
vehicles:				
expiring within 1 year	70	64	–	–
expiring in years 2 to 5	865	821	25	16
expiring after 5 years	–	140	–	–
	<u>935</u>	<u>1,025</u>	<u>25</u>	<u>16</u>

	2002/3 £000	2001/2 £000
24 (Loss)/earnings per share		
(Loss)/earnings per ordinary share have been calculated on the following basis:		
(Loss)/profit for the financial year	(190)	608
Preference dividends	(66)	(66)
	<u>(256)</u>	<u>542</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.

Notes to the accounts

31 March 2003 continued

Note	2003 £000	2002 £000
25 Capital commitments		
Expenditure contracted but not provided for	—	76

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 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.

	2003 £000	2002 £000
a) Cash at bank and in hand		
Cash at bank and in hand	<u>1,343</u>	<u>1,611</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	2003 Total £000	Debt £000	Finance leases £000	2002 Total £000
Within one year, or on demand	—	2	2	—	6	6
Between 1 and 2 years	—	—	—	—	2	2
Over 5 years	655	—	655	655	—	655
	<u>655</u>	<u>2</u>	<u>657</u>	<u>655</u>	<u>8</u>	<u>663</u>

Debt due after five years represents £655,000 (2002 £655,000) in respect of the company's preference shares. The Group has an undrawn uncommitted overdraft facility available at 31 March 2003 of £5.0 million which is reviewed annually in January.

Notes to the accounts

31 March 2003 continued

Note

26 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	12.7	0.3	2
Preference shares	10.0	5.4	655
At 31 March 2003		<u>5.4</u>	<u>657</u>
Financial liabilities	12.7	1.3	8
Preference shares	10.0	6.4	655
At 31 March 2002		<u>6.3</u>	<u>663</u>

c) Fair values

The fair values of cash at bank and in hand and borrowings at 31 March 2003 are approximate to the book value at that date. The fair value of the preference shares at 31 March 2003 is £865,000 (2002 £889,000). 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.

27 Pensions

The Group operates a funded group pension scheme, established under trust, providing defined benefits based on final salary, which is open to most 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 2002. 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 value of the liabilities of £14.3 million exceeds the market value of the assets of £12.8 million, which on an ongoing basis means that the funding level is 90%. 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 99%.

Following the valuation the company decided to reduce the future accrual for salaried staff to 80ths.

The pension charge for the year to 31 March 2003 was £809,000 (2002 £928,000). Employer contribution rates vary from 4.5% to 12.5%.

The next actuarial valuation is due as at 1 April 2005.

Notes to the accounts

31 March 2003 continued

Note

27 Pensions (continued)

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities of the pension scheme as at the company's year end and the items that would appear in the Statement of Financial Activities if the full requirements of FRS17 were in place. To produce these statements, the full valuation of the Airsprung Retirement Benefits Plan as at 1 April 2002 was updated to 31 March 2003 by the Actuary.

The major assumptions used by the Actuary were:

		At 31 March 2003 %	At 31 March 2002 %
Rate of increase in pensionable salaries	(Salaried staff)	3.60	3.80
	(Hourly paid members)	3.10	3.30
Rate of increase in pensions in payment		2.50	2.70
Discount rate		5.50	6.00
Inflation		2.60	2.80

The assets of the scheme and the expected rate of return were:	Long term rate of return expected at 31.03.03 %	Value at 31.03.03 £m	Long term rate of return expected at 31.03.02 %	Value at 31.03.02 £m
Equities	7.5	8.1	7.5	10.8
Gilts	4.5	1.4	6.0	1.4
Cash	3.5	0.6	3.5	0.4
	<u>6.9</u>	<u>10.1</u>	<u>7.4</u>	<u>12.6</u>

The following amounts were measured in accordance with the requirements of FRS17:

	At 31 March 2003 £000	At 31 March 2002 £000
Total market value of assets	10,076	12,590
Present value of scheme liabilities	(19,984)	(14,871)
Deficit in scheme	<u>(9,908)</u>	<u>(2,281)</u>

If the amount were recognised in the financial statements, Airsprung Furniture Group PLC's total funds would be:

	2003 £000	2002 £000
Net assets		
Total funds excluding pension deficit	19,977	22,143
Pension deficit	(9,908)	(2,281)
Related deferred tax asset	2,972	684
Total funds including pension deficit	<u>13,041</u>	<u>20,546</u>
Reserves		
Profit and loss reserve excluding pension deficit	10,623	12,789
Pension deficit	(9,908)	(2,281)
Related deferred tax asset	2,972	684
Profit and loss reserve including pension deficit	<u>3,687</u>	<u>11,192</u>

Notes to the accounts

31 March 2003 continued

2003
£000

Note

27 Pensions (continued)

Illustrative charge to the Statement of Financial Activities over the financial year:

Operating charge:	
Current service cost	(929)
Past service cost	–
Previously unrecognised surplus deducted from the past service cost	–
Gains and losses on any settlements or curtailments	223
Previously unrecognised surplus deducted from the settlement of curtailment losses	–
	<hr/>
	(706)
Pension finance costs:	
Expected return on pension scheme assets	932
Interest on pension scheme liabilities	(918)
	<hr/>
Total charge to incoming resources:	14

Illustrative gains and losses for the year ended 31 March 2003

Difference between the the expected and actual return on scheme assets	
Amount	(4,212)
Percentage of scheme assets	(41.8%)
Experience gains and losses on scheme liabilities	
Amount	(1,950)
Percentage of the present value of the scheme liabilities	(9.8%)
Effect of change in assumptions underlying the present value of scheme liabilities	
Amount	(1,582)
Percentage of the present value of the scheme liabilities	(7.9%)
	<hr/>
Total amount recognised in the statement of total recognised gains and losses	(7,744)
	<hr/>
Percentage of scheme assets	(76.9%)

Movements in the actuarial deficit during the year

Deficit in the scheme at the beginning of the year	(2,281)
Movements in the year	
Current service costs	(706)
Contributions	809
Other financial costs	14
Actuarial loss	(7,744)
	<hr/>
	(9,908)

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 £62,000 (2002 £54,000).

28 Related party transactions

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.

Five year summary

	2003 £000	2002 £000	2001 £000 (As restated)	2000 £000 (As restated)	1999 £000 (As restated)
Consolidated profit and loss account					
Turnover	66,453	74,007	71,362	80,170	82,938
Profit before exceptionals and taxation	165	1,199	2,236	5,852	6,289
Exceptional items	(636)	(694)	(2,443)	–	(8,086)
(Loss)/profit before taxation	(471)	505	(207)	5,852	(1,797)
Taxation credit/(charge)	281	103	(661)	(1,841)	(1,066)
Dividends	(1,976)	(782)	(1,977)	(2,040)	(2,058)
Premium paid on redemption of preference shares	–	–	–	(511)	–
	(2,166)	(174)	(2,845)	1,460	(4,921)
EBITDA*	1,576	2,738	3,866	6,880	7,765
(Loss)/earnings per ordinary share	(1.1p)	2.3p	(3.9p)	14.1p	(13.2p)
Dividend per ordinary share	8.0p	3.0p	8.0p	8.0p	7.36p
	2003 £000	2002 £000	2001 £000 (As restated)	2000 £000 (As restated)	1999 £000 (As restated)
Group balance sheets					
Fixed assets	15,207	17,898	17,826	20,673	17,713
Net current assets	5,962	5,688	6,094	5,860	9,826
Long term liabilities	–	(2)	–	(36)	(393)
Deferred tax provision	(1,192)	(1,441)	(1,603)	(1,631)	(1,395)
Capital and reserves	19,977	22,143	22,317	24,866	25,751
Net assets per ordinary share	81p	90p	91p	101p	95p

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