

Chairman's statement

The Group recorded a pre-tax loss of £471,000 after exceptional items (2002 £505,000 profit) on sales of £66.5 million (2002 £74.0 million). These disappointing results were due in the main to a worse than expected performance from Bymacks which operates at the entry point level in the upholstery market, major strategic changes at Airsprung Beds and difficult trading conditions, all of which are explained more fully within the Chief Executive's report.

The results were below expectations due to actions taken to accelerate changes originally planned for 2003/04 at Airsprung Beds together with their costs into the current year, which included redundancy and termination costs relating to a significant reduction in headcount. We also made a provision of £250,000 to cover a fuel oil contamination problem at the Dursley site that has now been sold, and took a more stringent policy on slow moving stock. These actions should minimise the risk of unexpected profit hits in the coming year. Profitability did however show an improvement in the second half with a profit before tax and exceptional items of £640,000 compared with a loss in the first half.

The Group was free of bank debt at the year end, the bank balance being £1.3 million. This was despite a delay on completion of the sale of our Dursley site, originally due on 28 March 2003, but the £1.8 million not being received until 2 May 2003.

As with many other pension funds the Group's pension scheme has experienced a worsening performance, and reports an FRS 17 valuation deficit of £6.9 million net of deferred tax as at 31 March 2003. Action has been taken to address the situation limiting the increase in the Group's contributions to £100,000 per annum with effect from 1 April 2003.

The board is recommending a final dividend of 2.0p per ordinary share; in addition the board will be recommending a special dividend of 5.0p per ordinary share as we feel it appropriate to return to shareholders the profit on the sale of the Dursley property bearing in mind the strength of the balance sheet. The final dividend of 2.0p and the special dividend of 5.0p per ordinary share is payable on 25 July 2003 to shareholders on the register on 4 July 2003. The ex-dividend date is 2 July 2003. Together with the interim dividend of 1.0p, this makes the total dividend for the year 8.0p per ordinary share (2002 3.0p).

During the course of the year discussions concerning a possible offer for the company took place, however these were discontinued on 18 March 2003.

We are now in the process of recruiting further non-executive directors as Mr D P L Howe retired during the year. Also Mr S Harrington left the Group, and I would like to thank both him and Mr Howe for their valued contributions.

The current developments and public debate on corporate governance are being studied by the directors, and consideration is being given to these issues in the imminent selection of new non-executive directors. The board remains committed to best practice in corporate governance as reflected in how the board and its committees function.

On behalf of the board I thank all the Group's employees for their commitment and co-operation during a year of considerable change.

The board has decided that it intends to transfer its listing from the Official List to the Alternative Investment Market ("AIM") of the London Stock Exchange. The board considers that AIM is a more appropriate market for Airsprung given its size and nature.

The company will apply shortly for its entire issued ordinary share capital to be admitted to trading on AIM. It is expected that dealing in Airsprung shares on AIM will commence on 1 August 2003, when the company's listing on the Official List will be cancelled.

The board is delighted with the changes effected by Tony Lisanti in his first year as Chief Executive and it is felt that all the Group's companies are now in a position to move forward positively, being far more focused than previously with an added professionalism to the management structure. No further major structural changes likely to have a detrimental effect on the company's performance are anticipated. It is expected that the coming year should see an improved performance; however, much will depend on a general improvement in the very difficult trading conditions we have experienced in this past year in upholstery in particular and in the furniture industry as a whole since January 2003.



Philip Bradshaw
Chairman