

airsprung furniture  
GROUP PLC





**Gimson Slater** – Sandown



**The Windsor Bed Company** – Backcare supreme



**Airsprung Beds** – Rancher



**Gainsborough** – Java

# Group profile

Airsprung Furniture Group, a long established United Kingdom based company, whose core business is the manufacture of beds and upholstery, is celebrating its 132nd year.

The Bed division produces a comprehensive range of divan beds, mattresses, sofa beds, wood, iron and brass bedsteads by Airsprung Beds, Gainsborough, Sprung Slumber and Enchanted House. Airsprung Beds occupies one of the largest single site bed factories in Europe.

The upholstery businesses manufacture modern, transitional and traditional upholstery under the Bymacks, Cavendish, Peter Guild and Gimson Slater brands.

Airofreem supplies combustion modified foam for use by fellow divisions and external customers.

Products from all the main divisions are displayed in the Group's exhibition centre in Trowbridge.

The Group's divisions are located throughout the United Kingdom in Wiltshire, Bedfordshire, Cornwall, Devon, Gloucestershire and Lancashire.

## Contents

Group profile	1
Chairman's statement	2
Chief Executive's report	3-4
Financial review	5
Directors	6
Directors' report	7-11
Report of the remuneration committee	12-15
Independent Auditors' report	16-17
Consolidated profit and loss account	18
Statement of total recognised gains and losses	19
Reconciliation of movements in shareholders' funds	19
Balance sheets	20
Consolidated cash flow statement	21
Principal accounting policies	22-23
Notes to the accounts	24-37
Five year summary	38
Trading divisions and corporate information	39
Notice of meeting	40

## 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

# Chief Executive's report

During the past financial year, the directors have undertaken a fundamental review regarding the viability in the medium and long term of all of the Group's divisions. Business activities that would have required unacceptable levels of investment in management resource and/or assets in order to provide a reasonable expectation of continuing profits have ceased operations as, for example, is the case with the Airsprung Beds factory in Scotland. Non-core activities such as the fillings business of Fitex have been sold at full book value to a specialist fillings supplier that is now providing the Group with both contemporary and financially advantageous products. In the cases of Airsprung Beds at Trowbridge, Peter Guild and Bymacks Upholstery, the review of these businesses has indicated that given an injection of both time and management expertise to provide clear focus to its activities, profitable and sustainable businesses may be developed. During the past year, within the Group there have been a number of successful and profitable businesses, unfortunately counter balanced by several challenging businesses that have significantly undermined overall profitability. The restructuring that has taken place over the last 12 months which has involved a substantial reduction in employee numbers should, however, provide a platform for all Group companies to improve performance going forward.

The result for the year is below our previous expectations. This has been caused primarily by two factors. First, the bringing forward of reorganisation plans at Airsprung Beds in Trowbridge, which was completed in May 2003; and secondly the fall-off in demand that commenced in January 2003, mainly in our upholstery businesses and which did not recover to expected levels in the last quarter of 2002/03.

With all of the planned major restructuring now complete, the strategy of the Group is clearly focused on beds and upholstery manufacture and supply, predominantly on the UK market. Each of the businesses will operate in discrete market segments, thus duplication of activity between companies will be insignificant.

The areas of the Group that have given rise to the profit shortfalls in the year are addressed below.

## Airsprung Beds, Trowbridge

This division's inability to match capacity with demand continued to be the major factor in depressing profitability. During Quarter 4 of the financial year the management structure was fundamentally overhauled, both at director as well as at middle management level. The existing expertise in the company was bolstered by introducing individuals with significant experience in global manufacturing, logistics, and sales and marketing. This exercise has resulted in a very capable, focused and results orientated management team being established within Airsprung Beds. The outcome of this reorganisation has seen the manufacturing processes virtually completely re-engineered at Trowbridge, coupled with fundamental changes in working practices.

Many of the operational problems that have adversely affected Airsprung Beds in recent years are now either resolved or are markedly improved. The results in financial terms are expected to become apparent in the latter half of the new financial year. Although the recovery will be gradual at Airsprung Beds, I am confident that it is now firmly under way.

## Bymacks

Bymacks has operated traditionally at the entry point level in the upholstery market place. Bymacks has, along with its competitors, been subjected to large scale competition from low priced upholstery imports, principally from Eastern Europe, Italy and the Far East. A major review of this subsidiary took place in mid 2002, resulting in the strategy to move its market position into higher specification, higher added value products. Coupled with this market repositioning has been the restructuring of the operations, effectively halving the numbers employed. In April 2003 the business moved to a dedicated facility which is expected to bring operational efficiencies.

The challenges faced by Bymacks remain considerable and recovery to an acceptable profit is not likely to be seen within the new financial year, but its repositioning during 2002/03 will provide it with an opportunity to generate profits in the future.

## Peter Guild

Peter Guild, our upper end upholstery business acquired in June 2001, has consistently failed to meet the expectations upon which it was acquired. The review of this particular business resulted in the appointment of a new managing director and finance director. The cost base of Peter Guild has now been thoroughly addressed and this, coupled with its high emphasis on new product development, has provided Peter Guild with a firm platform for growth. Here again, however, the new financial year is not likely to see a significant profit generated. A return to an acceptable profit is not expected until 2004/05.

## Overview

Many of the businesses within the Group have faced significant challenges during the year, not only from difficult market conditions but also from disruption caused by fundamental remodelling of internal operations. A great deal has been achieved by the local management and our employees, for which the board is grateful. In what is clearly an increasingly competitive industry, the drive for improvements in base costs, new product development and operating efficiencies will remain paramount in our strategic thinking.

## Chief Executive's report continued

The Group, therefore, now consists of discrete manufacturing units (three bed companies, three upholstery companies and a mattress/upholstery foam processing company) operating on increasingly common information technology and accounting systems. The businesses that have been under performing for some years have either ceased operation or have now been fundamentally restructured in order to provide a sound platform to provide profits for the Group. No further major restructuring is envisaged, but should it become necessary to do so, action will now be timely.

Considerable efforts across the whole of the Group are being expended on the development of new and more profitable products. All of the companies are now leaner and their management highly incentivised on profit and cash generation. My expectations are that providing background market conditions return at least to pre-December 2002 levels, the new financial year will see a marked improvement in the Group's performance.

### Properties

During the year we have disposed of two properties, both showing a premium compared with book value. The Dursley site, previously housing Bymacks, was sold for redevelopment, generating a profit of £1.3 million. Due to a relatively minor fuel oil contamination problem that requires remediation, a retainer of £250,000 has been placed in independent control in order to cover the decontamination, but there will be no requirement to provide a further indemnity to the purchaser of the Dursley site.

Upon closure of the Airsprung Beds facility in Glasgow, the vacant property was placed on the market. The Group received a formal offer for the site in excess of its book value which was accepted in March 2003. Subsequently, this offer was reduced by the prospective purchaser and the decision has been taken to re-market the property.

During January 2003 a warehouse in Trowbridge surplus to requirements was disposed of, realising £800,000 against a net book value of £550,000.

The sale of the Fitex assets to a major supplier now realises an additional income from rent as the purchaser is operating the assets on the existing Trowbridge site.

The feasibility study regarding a potential move to a purpose built facility for our highly successful Sprung Slumber business continues into the new financial year. Sprung Slumber, based in Okehampton, Devon, is in need of increased physical space in order to accommodate its growing business.

In conclusion, upon the sale of the Glasgow facility, Airsprung Furniture Group will have no further surplus properties. Furthermore, all planned rationalisation of operations in terms of sites will have taken place.

### Markets

Market conditions in 2002/03 were highly challenging, especially at the entry point upholstery level. Very high levels of competition, mainly from imports from low cost sources in the Far East and Eastern Europe, created significant price pressure. This situation shows no sign of changing, and the actions of many of our competitors in either moving manufacturing overseas or closing operations altogether, unfortunately provide a backdrop to the state of this market for these types of product. Demand for beds, however, remained reasonably strong for the first nine months, with both Gainsborough and Sprung Slumber posting acceptable profits for the year. Since the turn of the calendar year, however, depressed retail sales for furniture in total have led to a marked reduction in demand. At May 2003 there are early signs that, following the uncertainty caused by the war in Iraq, increases in National Insurance contributions and general fears over domestic property deflation, demand is picking up.

Price pressure from several major retailers has become fierce, with suppliers increasingly subjected to requests for previously unnegotiated discounts or rebates. Airsprung's efforts in developing exciting and profitable new products for the market place will, however, stand it in good stead as and when market conditions improve.



Tony Lisanti  
Chief Executive

# Financial review

## Turnover and operating results

On sales of £66.5 million the Group posted an operating profit of £222,000 before exceptional items of £1.9 million. The exceptional items figure includes £1.0 million in respect of the closure of Airsprung Scotland, £500,000 for the restructure and relocation of Bymacks, and a further £400,000 for redundancy and termination costs at Airsprung Beds, Trowbridge.

## Tax

The tax credit of £281,000 includes £32,000 corporation tax credit and £249,000 deferred tax movements, relating primarily to tax losses. As a result of the reorganisation of the statutory entities into trading divisions on 31 March 2002, the tax losses occurred predominantly within the newly organised Airsprung Furniture Limited and are therefore not available for offset against prior year tax payments and thus are carried forward against future taxable profits. As a consequence of the tax loss performance it is anticipated that there will be no corporation tax payments on account in the new financial year.

## Balance sheet and cash flow

Capital expenditure in the year amounted to £1.0 million relating mainly to plant and equipment at Airsprung Beds and Sprung Slumber. Proceeds from asset disposals totalling £1.2 million relate primarily to surplus property at Trowbridge and the deposit on the sale of the former Bymacks factory at Dursley. The contract for this latter item completed on 2 May 2003 with receipts of £1.8 million. At £1.3 million, depreciation remains at a similar level to that reported in 2002.

Within working capital stocks fell by £1.0 million, and a reduction of £800,000 in creditors was offset by a similar reduction in the level of debtors. Consequently, despite the £1.7 million operating loss, a cash inflow of £659,000 from operating activities is reported and as at 31 March 2003 the Group held net funds of £1.3 million.

## Pension fund

In line with the general trend of deteriorating pension fund performance, the FRS 17 valuation of the Group's pension fund revealed a deficit of £9.9 million as at 31 March 2003. This had been reduced by in excess of £500,000 by 30 April 2003 as a result of changes in the capital markets. The last actuarial valuation for purposes of determining the level of future contributions to be made to the fund showed a deficit of £1.5 million as at 1 April 2002. In the light of falling stock market returns an interim review was commissioned as at November 2002 which revealed that the deficit had increased to £5.0 million. Consequently, the company decided to reduce the future accrual rate for salaried staff from 60ths to 80ths with effect from 1 April 2003. It was also decided to increase employee and employer contributions as recommended by the Scheme Actuary. The net effect of these two steps, excluding the impact of reducing employee numbers, is to increase pension contribution costs to the Group by £100,000 per annum from 1 April 2003.

We believe the actions taken will remove the current deficit in the pension fund over the future contribution period.

## Shareholders' funds

Equity shareholders' funds stand at £19.3 million, resulting in a net asset value per share of 81p.



Andrew Alsop  
Financial Director

# Directors

## Andrew Alsop (46)

Financial Director, joined the Group in 1975. He has held several general and financial managerial positions and was appointed to his present position in 1995. From September 2001 to April 2002 he was the Group's Chief Operating Officer in the absence of a Chief Executive Officer.

## Philip Bradshaw\* (68)

Appointed Chairman in 1999, joined the board in 1986. He is non-executive chairman of a private company and was formerly non-executive deputy chairman of Lumination PLC.

## Antony Chambers\* (59)

Appointed in 1999. He was formerly a director of Robert Fleming Holdings Ltd, and a director of Save & Prosper Group Ltd. He is currently Chairman of Gartmore High Income Trust PLC; and a director of Ivory and Sime ISIS Trust PLC.

## Tony Lisanti (45)

Chief Executive, joined the Group and the board in April 2002. Previously he was Group Managing Director of Spear & Jackson plc.

## Jeremy Yates (43)

Managing Director of Gainsborough and Peter Guild, joined the Group in 1982. He has held a variety of positions at Gainsborough and was appointed Managing Director in 1993. He was appointed to the Group board in 2000 and became Managing Director of Peter Guild in 2002.

## Stephen Yates (48)

Group Marketing Director. He joined the Group in 1977 and has held various managerial positions in sales and marketing. He joined the Group board in 1987 and was appointed to his current position in 1992.

\* Non-executive director



Airsprung Beds – Ortho Supreme



Bymacks – Maryland

## Directors' report

The directors submit their report together with the audited accounts for the year ended 31 March 2003.

### Profits and dividends

The consolidated profit and loss account on page 18 shows a loss before taxation of £471,000 (2002 £505,000 profit).

Preference dividends have been paid to 6 January 2003.

An interim dividend in respect of the year of 1.0p per ordinary share (2002 1.0p) was paid on 31 January 2003.

The directors recommend a final dividend of 7.0p per ordinary share (2002 2.0p) payable on 25 July 2003 to shareholders on the register at the close of business on 4 July 2003.

A loss of £2,166,000 (2002 £174,000 loss) has been deducted from reserves.

### Activities

The principal activity of the Group is the manufacture of furniture. The directors do not foresee any major change in the level or nature of the Group's business.

### Directors

The directors of the company at 31 March 2003, all of whom served throughout the year or from the date of their appointment were:

A J Alsop  
P G Bradshaw  
A C Chambers

A Lisanti - appointed 29 April 2002  
J P Yates  
S G W Yates

D P L Howe who was a director at 1 April 2002 retired on 31 July 2002. S T Harrington who was a director at 1 April 2002 resigned on 28 February 2003.

The beneficial interests of the directors in the shares of the company are shown on page 15.

There were no commitments or contracts subsisting during or at the end of the year in which a director of the company is, or was, materially interested and which are, or were, significant in relation to the company's business.

In accordance with the Articles of Association, P G Bradshaw and A C Chambers retire at the Annual General Meeting, and being eligible, offer themselves for re-election.



**Gainsborough** – Guinevere



**Sprung Slumber** – Diplomat

# Directors' report continued

## Corporate governance

### Directors' responsibilities statement

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.

The directors confirm that the most suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2003. The directors also confirm that applicable accounting standards have been followed and that it is appropriate for the financial statements to be prepared on the going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The company intends to make a copy of this document available on its corporate website ([www.airsprung-furniture.co.uk](http://www.airsprung-furniture.co.uk)). In respect of any copy which appears on our website the following should be noted:

- a) The maintenance and integrity of the Airsprung Furniture Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website; and
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Compliance

The board supports the recommendations of "The Combined Code - Principles of Good Governance and Code of Best Practice" ("The Combined Code") appended to the Listing Rules of the Financial Services Authority. The directors report that, based upon the information below and that included within the report of the remuneration committee on pages 12 to 15, the company has complied throughout the period with the provisions set out in Section 1 of The Combined Code, with the exception that A J Alsop and A Lisanti each have a rolling one year service contract to serve as an executive director which for the first year after a change in control of the company is extended to two years but subsequently reverts to one year. Both contracts will terminate no later than the director's 65th birthday.

Subsequent to the retirement of D P L Howe the board has been in the process of recruiting an additional non-executive director.

### Board responsibilities

The board of directors, which includes two non-executive directors, meets regularly throughout the year. P G Bradshaw and A C Chambers are independent non-executive directors. The board is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. There is a formal schedule of matters specifically reserved to the board's jurisdiction. It reviews the strategic direction of individual trading divisions, their annual budgets, their progress towards achievement of those budgets, their forecasts and their capital expenditure programmes. In furtherance of their duties, there are agreed procedures for the directors to take independent advice, if necessary, at the company's expense.

During the year trading operations were managed by separate boards, whose regular meetings were normally attended by a Group director.

In accordance with The Combined Code, each new non-executive director is appointed for a fixed term, being an initial period to the next Annual General Meeting after appointment and, subject to re-appointment at the meeting for a further three years. Subsequent re-appointment will be subject to the approval of shareholders.

The board considers the Chairman to be the main point of contact to whom concerns of whatever nature may be conveyed. In the event that an individual does not wish to raise a concern with him, the board has identified A C Chambers, the lead non-executive director, as an independent member of the board to whom such concerns may be addressed.

# Directors' report continued

## Corporate governance

The board has appointed the following committees to deal with specific aspects of the Group's affairs:

the **remuneration committee** reviews the terms and conditions of employment of the Group's executive directors and meets at least once a year. It consists of two non-executive directors, namely, P G Bradshaw and A C Chambers. No director takes part in any discussion about his own remuneration;

the **audit committee**, consisting of P G Bradshaw and A C Chambers (non-executive directors), meets at least three times a year. It considers the effectiveness of the Group's internal controls, accounting policies and financial reporting, and provides a forum through which the external auditors report to the directors;

the **special purposes committee** comprising A J Alsop, P G Bradshaw and A Lisanti operates as a salary review and appointments committee for the directors of subsidiary companies and all middle management;

the **nomination committee** considers all new board appointments. It consists of two non-executive directors and one executive director: P G Bradshaw, A C Chambers and A Lisanti.

## Internal controls – risk management

The Group, as required by the Financial Services Authority, has complied with The Combined Code provisions on internal control, having established the procedures necessary to implement the guidance issued in September 1999 (the Turnbull Committee Report) and by reporting in accordance with that guidance.

The board of directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, whilst the role of management is to implement board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure of business objectives. In pursuing these objectives, internal controls can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has an established control framework which aims to:

safeguard Group assets;

ensure proper accounting records are maintained;

provide reliable financial information for internal and external use.

During the year the board undertook a formal re-assessment of risk management and control arrangements in order to form a view on the overall effectiveness of the system of internal control. The key elements of this system are:

the audit committee whose activities are described above;

a comprehensive budgeting system, with an annual budget approved by the Group board;

detailed monthly reporting, including forecasting to the Group board and comparison of results against budget, with performance monitoring and explanations provided for significant variances;

a defined procedure for seeking and obtaining approval for major transactions;

independent peer review by management of other operations;

certification on internal control from operational boards.

# Directors' report continued

## Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

## Shareholder communications

The company communicates regularly with its major institutional shareholders.

## Fixed assets

The Group's freehold land and buildings were professionally valued as at 1 April 1997 and this valuation has been incorporated into the consolidated balance sheet. Additions since 1 April 1997 are included at cost. The directors consider the market value of freehold property at 31 March 2003 to be in excess of that shown in the balance sheet.

## Employee involvement

The directors recognise the need to keep employees informed about the Group's performance and progress, provide information on matters of concern to them, and to consult as appropriate. Bonus schemes and other incentives have been developed to enable employees to benefit more directly from their performance.

## Share option scheme

Details of outstanding options at the date of this report are shown on page 14.

## Creditor payment policy

The Group's current policy concerning the payment of its creditors is to:

- settle the terms of payment with its suppliers;

- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts;

- pay in accordance with its established contractual and other legal obligations once satisfactory performance of services or receipt of goods is achieved.

The Group's creditor days figure calculated in accordance with the Companies Act 1985 is 66 days (2002 56 days).

## Disabled employees

The Group's employment policy takes account of the special care necessary to identify aptitudes, abilities and training needs of disabled employees and applicants so they may be effectively utilised to mutual benefit within the Group.

## Health, safety and the environment

The directors take seriously their responsibilities for the health, safety and environmental aspects of the business and have developed policies and procedures in order to ensure as far as is reasonably practicable compliance with best practice.

## Directors' report continued

### Donations

Donations to UK charities during the year amounted to £2,400 (2002 £3,700).

### Substantial interests

In addition to those of the directors, the company has been notified of the following interests in 3% or more of its allotted ordinary share capital at 29 May 2003:

	Number of ordinary shares	%
J G Yates	5,400,466	22.6
Redbird Holdings SA	4,549,408	19.0
Schroder Investment Management Limited	1,734,752	7.3
Fidelity Management Research Company	950,000	4.0

### Pensions

The assets of the pension schemes established for the benefit of the Group's employees are held, separately from those of the Group, by trustees.

The principal scheme is a defined benefits scheme, with two trustees nominated by the members and the remaining trustees appointed by the company. The current trustees are Andrew Alsop and Philip Bradshaw, Group directors; Anne Friedlander, personnel manager at Airsprung Beds; Derek Wills, finance director at Bymacks and Peter Berrelly a member-nominated trustee. A second member-nominated trustee is currently being elected. Asset management is delegated to a specialist independent company, Merrill Lynch Investment Managers Limited. The scheme's accounts are audited annually by PricewaterhouseCoopers LLP. Members of the scheme receive an annual statement of their accrued benefits.

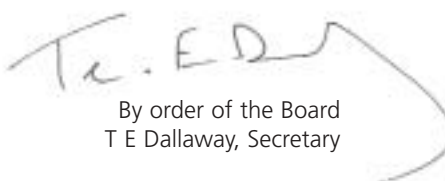
### Stock Market

The company's ordinary shares are listed on the London Stock Exchange.

### Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

Trowbridge  
30 May 2003

  
By order of the Board  
T E Dallaway, Secretary

# Report of the remuneration committee

The members of the committee are given in the Directors' report on page 9.

## Remuneration policy for executive directors

The main components of the remuneration of the executive directors for the current and subsequent years are as follows:

### Annual salary

Annual salaries are determined with regard to the directors' experience and the nature and complexity of their work, in order to pay a competitive salary that attracts and retains management of the highest quality.

### Annual bonus

The bonus scheme for executive directors is based on financial targets from the annual Group budgeting process. Superior performance is encouraged by providing challenging goals, which must be achieved before any bonus is payable.

### Share options

Share options are granted at the discretion of the remuneration committee and are awarded to executive directors to strengthen the link between their personal interests and those of the shareholders.

The shares awarded can only be exercised by the directors after a period of at least three years and are dependent on the following performance criterion being achieved. The percentage growth in the earnings per share of the company over the period from the date of grant of the option to the third anniversary of that date must be equal to or greater than the percentage increase over that period in the Retail Price Index plus 3% per annum compound. If this test is not satisfied on the third anniversary of the date of grant it will be applied again every six months until the seventh anniversary of the date of grant at which point if still unexercised, the option will lapse.

The Remuneration Committee will review the performance conditions at intervals to ensure they remain appropriate and in exceptional circumstances may vary the conditions so that they achieve their original purpose. Details of outstanding share options are given on page 14.

### Pensions

All the executive directors are currently members of the Group's defined benefit scheme. Subject to Inland Revenue limits, members are eligible upon retirement at the age of 65 for a pension of up to two thirds of salary excluding all bonuses and benefits in kind, provided that the minimum service requirement of 40 years has been met.

### Other benefits

All the executive directors participate in the Group's car scheme or have opted for a cash alternative, and receive healthcare benefits. The targeted composition of each director's remuneration is as follows:

	Salary and benefits	Targeted bonus
	%	%
A J Alsop	68	32
P G Bradshaw*	100	–
A C Chambers*	100	–
A Lisanti	68	32
J P Yates	72	28
S G W Yates	67	33

\*Non executive directors

# Report of the remuneration committee continued

## Contracts of service

	Contract date	Unexpired term	Notice period	Contracted termination payments
A J Alsop	4.03.97 <sup>c</sup>	1 yr	1 yr <sup>ab</sup>	Current year's salary <sup>b</sup>
P G Bradshaw	14.09.90	N/A	N/A	N/A
A C Chambers	15.07.99	N/A	N/A	N/A
S T Harrington	1.12.97	N/A	1 yr <sup>a</sup>	Current year's salary
D P L Howe	3.11.92	N/A	N/A	N/A
A Lisanti	29.05.03	1 yr	1 yr <sup>ab</sup>	Current year's salary <sup>b</sup>
J P Yates	1.05.99	1 yr	1 yr <sup>a</sup>	Current year's salary
S G W Yates	1.05.99	1 yr	1 yr <sup>a</sup>	Current year's salary

<sup>a</sup> Rolling contract.

<sup>b</sup> In the event of a change in control of the company for the first year after the change in control, the notice period will be extended to two years after which it reverts to one year. If two years' notice is required then the contracted termination payment will become two times current year's salary.

<sup>c</sup> Amended 29 May 2003.

## Remuneration of non-executive directors

The remuneration for non-executive directors consists of fees for their services in connection with board and board committee meetings and, where relevant, for additional services such as chairing the board or a board committee or devoting additional time and expertise for the benefit of the Group. They do not have contracts of service, are not eligible for pension scheme membership and do not participate in any of the Group's bonus, share option or other incentive schemes.

Their fees are fixed by a committee consisting of executive directors.

## Appointment of directors

All directors are appointed on the basis of retirement by rotation, in accordance with the company's Articles of Association.

## Directors' emoluments

The emoluments of the directors who served during the year were as follows:

	Salary & fees £000	Benefits £000	Annual bonus £000	Compensation for loss of office £000	2003 Total £000	2002 Total £000
A J Alsop	91	6	–	–	97	110
P G Bradshaw	34	–	–	–	34	56
A C Chambers	17	–	–	–	17	15
S T Harrington	105	9	–	83	197	118
D P L Howe	10	–	–	–	10	18
A Lisanti	167 <sup>d</sup>	36	–	–	203	–
J P Yates	89	10	–	–	99	86
S G W Yates	67	1	–	–	68	65
P R Ziemniak	–	–	–	–	–	333
Total	580	62	–	83	725	801

J G W Yates, former director, who remains President of the company, receives a fee of £20,000 (2002 £20,000). A pension of £8,000 is paid by the company to another past director (2002 £8,000).

<sup>d</sup> Includes a guaranteed bonus of £20,000 for year ended 31 March 2003.

# Report of the remuneration committee continued

## Directors' pension entitlements

	Age at year end	Director's contribution in the year £	Increase in accrued pension during the year £	Accumulated total accrued pension at 31.03.03 £	Increase in transfer value during the year £	Accumulated total transfer value at 31.03.03 £
A J Alsop	46	6,083	2,732	31,024	15,419	161,526
S T Harrington*	42	6,825	3,019	24,345	14,234	113,554
A Lisanti	45	10,402	1,485	1,485	7,977	7,977
J P Yates	43	5,343	2,413	21,900	12,509	109,278
S G W Yates	48	3,798	1,279	20,642	8,176	123,957

\* S T Harrington's accumulated total accrued pension is shown as at 28 February 2003, the date he resigned as a director of the Group.

The pension entitlement shown is the amount that would be paid each year at normal retirement age based on service to the end of the current year or on date of resignation.

The increase in accrued pension during the year excludes any increase for inflation.

Directors' contributions are the contributions paid in the year by the directors under the terms of the pension scheme. Members of the pension scheme have the option of paying Additional Voluntary Contributions. Neither the Additional Voluntary Contributions nor the resulting benefits are included in the above table.

The following is additional information relating to directors' pensions:

Normal retirement age is 65;

On death before normal retirement age of the director, the pension scheme provides a pension of up to 50% to a surviving spouse or dependant as defined in the pension scheme rules, plus return of contributions.

On death in retirement, the pension scheme provides a 50% pension to a surviving spouse or dependant;

The pension scheme provides increases on the post 5 April 1988 element of Guaranteed Minimum Pension together with statutory Limited Price Indexation on post 5 April 1997 accrued pension.

## Share options

The following options to subscribe for ordinary shares of the company under the executive share option schemes were outstanding:

	Number of options						
	At 1 April 2002	Cancelled in the year	Granted in year	At 31 March 2003	Exercise price	Date from which exercisable	Date options expire
A J Alsop	50,000	–	–	50,000	108.5p	22.6.02	22.6.06
	50,000	–	–	50,000	112.5p	19.6.03	19.6.07
	–	–	50,000	50,000	74.0p	7.6.05	7.6.09
S T Harrington**	20,000	–	–	20,000	108.5p	22.6.02	28.8.03
	50,000	–	–	50,000	112.5p	19.6.03	28.8.03
	–	–	50,000	50,000	74.0p	7.6.05	28.8.03
A Lisanti	–	–	200,000	200,000	74.0p	7.6.05	7.6.09

No other directors have been granted share options in the shares of the company or of other Group companies. No director exercised share options during the year.

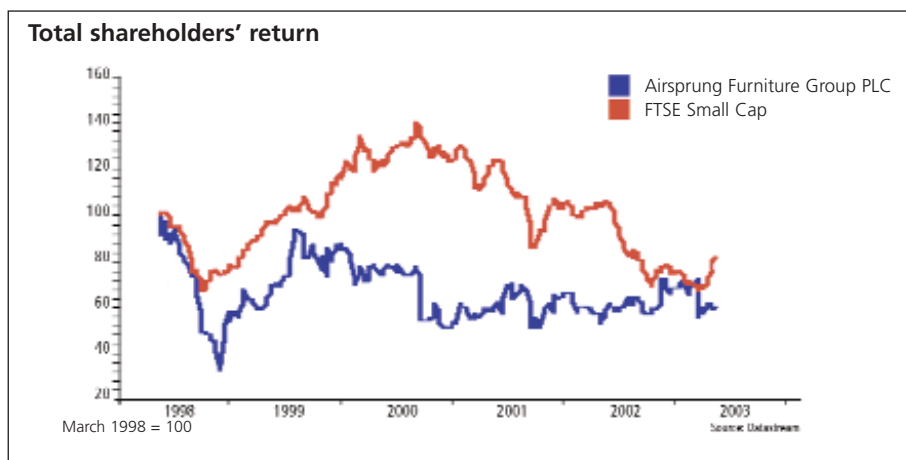
\*\*S T Harrington resigned as a director on 28 February 2003. In accordance with the terms of the share option scheme, Mr Harrington may exercise any outstanding exercisable options on or before 28 August 2003.

## Report of the remuneration committee continued

### Share options (continued)

The market price of the company's ordinary shares at the end of the financial year was 69.5p and the range of market prices during the year was between 64.5p and 84.5p.

### Performance Graph



Over the last five years, Airsprung Furniture Group PLC initially performed poorly but has for the last year performed in line with the FTSE small cap index. In the opinion of the directors the FTSE small cap index is the most appropriate index against which the total shareholders' return of Airsprung Furniture Group PLC should be measured because it is an index comprising similar sized companies to Airsprung Furniture Group PLC.

### Interests in shares

The beneficial interests of the directors and their families in the shares of the company were:

	<b>31 March 2003</b>	1 April 2002
<b>Ordinary shares of 10p each</b>		
<b>A J Alsop</b>	–	–
<b>P G Bradshaw</b>	<b>30,000</b>	30,000
<b>A C Chambers</b>	<b>210,000</b>	210,000
<b>A Lisanti</b>	–	–
<b>J P Yates</b>	<b>2,315,762</b>	2,315,762
<b>S G W Yates</b>	<b>2,300,158</b>	2,300,158

Apart from the interests disclosed above, no directors had interests at any time in the year in the share capital or loan stock of the company or of other Group companies.

There has been no change in the interests set out above between 31 March 2003 and 30 May 2003.

Philip Bradshaw  
Chairman of the Remuneration Committee

# Independent Auditors' report to the members of Airsprung Furniture Group PLC

We have audited the financial statements on pages 18 to 37. We have also audited the disclosures required by Part 3 of Schedule 7A of the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with the applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 8. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the chief executive's report, the financial review and the corporate governance statement.

We review whether the corporate governance statement on pages 8 and 9 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or Group's corporate governance procedures or its risk and control procedures.

# Independent Auditors' report to the members of Airsprung Furniture Group PLC continued

## Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the Group at 31 March 2003 and of the loss and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors

Bristol  
30 May 2003

# 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

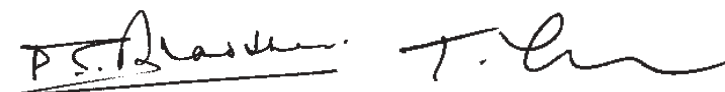
	2002/3 £000	2001/2 £000
(Loss)/profit for the financial year	(190)	608
Dividends and appropriations	(1,976)	(782)
Net movement in shareholders' funds	<u>(2,166)</u>	<u>(174)</u>
Opening shareholders' funds	22,143	22,317
Closing shareholders' funds	<u>19,977</u>	<u>22,143</u>

## Balance sheets at 31 March 2003

	Note	Group		Company	
		2003 £000	2002 £000	2003 £000	2002 £000
<b>Assets employed</b>					
Fixed assets					
Intangible assets	10	904	956	–	–
Tangible assets	11	14,303	16,942	58	81
Investments	12	–	–	1,070	1,070
		<b>15,207</b>	17,898	<b>1,128</b>	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	–	–
		<b>19,089</b>	18,629	<b>25,467</b>	26,169
Creditors: amounts falling due within one year	15	13,127	12,941	2,978	2,972
Net current assets		<b>5,962</b>	5,688	<b>22,489</b>	23,197
Total assets less current liabilities		<b>21,169</b>	23,586	<b>23,617</b>	24,348
<b>Financed by</b>					
Creditors: amounts falling due after more than one year	16	–	2	–	–
Provisions for liabilities and charges	17	1,192	1,441	–	–
		<b>1,192</b>	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
		<b>19,977</b>	22,143	<b>23,617</b>	24,348
Equity shareholders' funds		<b>19,322</b>	21,488	<b>22,962</b>	23,693
Non-equity shareholders' funds		<b>655</b>	655	<b>655</b>	655
Total shareholders' funds		<b>19,977</b>	22,143	<b>23,617</b>	24,348
		<b>21,169</b>	23,586	<b>23,617</b>	24,348

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

P G Bradshaw }  
A Lisanti } 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 pages 16 and 17.

# Consolidated cash flow statement

for the year ended 31 March 2003

	Note	2002/3		2001/2	
		£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>	20		659		2,556
<b>Returns on investments and servicing of finance</b>					
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)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(123)		(234)
<b>Taxation</b>					
UK corporation tax			(308)		(251)
<b>Capital expenditure and financial investment</b>					
Receipts from sales of assets		1,203		3,123	
Tangible fixed assets purchased		(977)		(1,283)	
			226		1,840
<b>Acquisitions and disposals</b>					
Purchase of business assets and goodwill		–		(64)	
Disposal of subsidiary business		–		127	
Net overdraft acquired with subsidiary business		–		(233)	
			–		(170)
<b>Equity dividends paid</b>			(716)		(1,648)
<b>Net cash (outflow)/inflow before financing</b>			(262)		2,093
<b>Financing</b>					
Repayment of loan acquired with subsidiary business		–		(775)	
Capital element of finance lease rental payments		(6)		(64)	
<b>Net cash outflow from financing</b>			(6)		(839)
<b>(Decrease)/increase in cash</b>			(268)		1,254
<b>Analysis of cash balances</b>					
			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
<b>2 Net operating expenses</b>		
Net operating expenses are made up as follows:		
Distribution expenses	10,341	10,375
Administration expenses	8,207	8,726
Other income	(24)	(13)
	<b>18,524</b>	<b>19,088</b>

## 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
	<b>1,113</b>	<b>1,200</b>

## 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
	<b>1,273</b>	<b>1,495</b>
	<b>£000</b>	<b>£000</b>

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
	<b>24,841</b>	<b>28,097</b>

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
<b>7 Net interest</b>		
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>
<b>8 Tax</b>		
<b>a) Analysis of credit in the year:</b>		
The credit is made up as follows:		
<b>Current tax</b>		
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
<b>Deferred tax</b>		
Current year	(225)	(162)
Prior year	(24)	–
Total deferred tax credit	<u>(249)</u>	<u>(162)</u>
<b>Tax credit on profit on ordinary activities</b>	<u>(281)</u>	<u>(103)</u>
<b>b) Factors affecting tax (credit)/charge for the year:</b>		
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>	<u>59</u>

# 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 <b>Dividends and appropriations</b>		
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
<b>at 31 March 2003</b>	<u>119</u>
Net book value	
<b>at 31 March 2003</b>	<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)	–
<b>at 31 March 2003</b>	<b>9,319</b>	<b>14,632</b>	<b>23,951</b>	<b>162</b>
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)	–
<b>at 31 March 2003</b>	<b>851</b>	<b>8,797</b>	<b>9,648</b>	<b>104</b>
Net book value				
<b>at 31 March 2003</b>	<b>8,468</b>	<b>5,835</b>	<b>14,303</b>	<b>58</b>
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
	<b>9,319</b>	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
	<b>1,070</b>	<b>1,070</b>

\* 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
	<b>4,677</b>	<b>5,677</b>

# Notes to the accounts

31 March 2003 continued

Note

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
<b>14 Debtors</b>				
Trade debtors	<b>9,144</b>	10,157	<b>5</b>	–
Amounts due from Group companies	–	–	<b>25,351</b>	26,112
Corporation tax recoverable	<b>191</b>	62	–	–
Other debtors	<b>2,412</b>	31	–	–
Prepayments and accrued income	<b>1,322</b>	1,091	<b>108</b>	40
Deferred tax asset	–	–	<b>3</b>	17
	<b>13,069</b>	11,341	<b>25,467</b>	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	–	–	<b>581</b>	2,092
Obligations under finance leases	<b>2</b>	6	–	–
Trade creditors	<b>7,326</b>	7,984	–	–
Other tax and social security	<b>1,749</b>	2,383	<b>71</b>	61
Corporation tax	–	211	–	–
Accruals and deferred income	<b>2,363</b>	1,864	<b>639</b>	326
Dividends	<b>1,687</b>	493	<b>1,687</b>	493
	<b>13,127</b>	12,941	<b>2,978</b>	2,972

## 16 Creditors: amounts falling due after more than one year

Obligations under finance leases: due: between 1 and 2 years	–	2	–	–
---	---	---	---	---

# 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)
<b>at 31 March 2003</b>	<b>2,348</b>	<b>2,345</b>	<b>1,617</b>	<b>10,623</b>

### Company

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

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
<b>20 Reconciliation of operating (loss)/profit to net cash inflow from operating activities</b>		
<b>Continuing activities</b>		
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
<b>Net cash inflow from continuing activities</b>	<b>659</b>	<b>2,806</b>
<b>Discontinued activities</b>		
Decrease in creditors	–	(250)
<b>Net cash outflow from discontinued activities</b>	<b>–</b>	<b>(250)</b>
<b>Net cash inflow from operating activities</b>	<b>659</b>	<b>2,556</b>

# Notes to the accounts

31 March 2003 continued

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

## 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	1,341	1,603

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

# Notes to the accounts

31 March 2003 continued

Note	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
<b>23 Commitments under operating leases</b>				
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  
Preference dividends

(190)	608
(66)	(66)
<u>(256)</u>	<u>542</u>

Weighted average of ordinary shares in issue during the year

Number 000's	Number 000's
<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
<b>25 Capital commitments</b>		
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.

a) <b>Cash at bank and in hand</b>	2003 £000	2002 £000
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
<b>Fixed rate liabilities</b>			
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
<b>Net assets</b>		
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>
<b>Reserves</b>		
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:

<b>Operating charge:</b>	
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)
<b>Pension finance costs:</b>	
Expected return on pension scheme assets	932
Interest on pension scheme liabilities	(918)
	<hr/>
<b>Total charge to incoming resources:</b>	14

### Illustrative gains and losses for the year ended 31 March 2003

<b>Difference between the the expected and actual return on scheme assets</b>	
Amount	(4,212)
Percentage of scheme assets	(41.8%)
<b>Experience gains and losses on scheme liabilities</b>	
Amount	(1,950)
Percentage of the present value of the scheme liabilities	(9.8%)
<b>Effect of change in assumptions underlying the present value of scheme liabilities</b>	
Amount	(1,582)
Percentage of the present value of the scheme liabilities	(7.9%)
	<hr/>
<b>Total amount recognised in the statement of total recognised gains and losses</b>	(7,744)
	<hr/>
Percentage of scheme assets	(76.9%)
	<hr/>
<b>Movements in the actuarial deficit during the year</b>	
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)
<b>Consolidated profit and loss account</b>					
Turnover	<b>66,453</b>	74,007	71,362	80,170	82,938
Profit before exceptionals and taxation	<b>165</b>	1,199	2,236	5,852	6,289
Exceptional items	<b>(636)</b>	(694)	(2,443)	–	(8,086)
(Loss)/profit before taxation	<b>(471)</b>	505	(207)	5,852	(1,797)
Taxation credit/(charge)	<b>281</b>	103	(661)	(1,841)	(1,066)
Dividends	<b>(1,976)</b>	(782)	(1,977)	(2,040)	(2,058)
Premium paid on redemption of preference shares	–	–	–	(511)	–
	<b>(2,166)</b>	(174)	(2,845)	1,460	(4,921)
EBITDA*	<b>1,576</b>	2,738	3,866	6,880	7,765
(Loss)/earnings per ordinary share	<b>(1.1p)</b>	2.3p	(3.9p)	14.1p	(13.2p)
Dividend per ordinary share	<b>8.0p</b>	3.0p	8.0p	8.0p	7.36p
	<b>2003 £000</b>	2002 £000	2001 £000 (As restated)	2000 £000 (As restated)	1999 £000 (As restated)
<b>Group balance sheets</b>					
Fixed assets	<b>15,207</b>	17,898	17,826	20,673	17,713
Net current assets	<b>5,962</b>	5,688	6,094	5,860	9,826
Long term liabilities	–	(2)	–	(36)	(393)
Deferred tax provision	<b>(1,192)</b>	(1,441)	(1,603)	(1,631)	(1,395)
Capital and reserves	<b>19,977</b>	22,143	22,317	24,866	25,751
Net assets per ordinary share	<b>81p</b>	90p	91p	101p	95p

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

# Trading divisions and corporate information

## Trading divisions

Division	Operation	Location
<b>Beds</b>	Airsprung Beds	Trowbridge
	Gainsborough	Trowbridge
	Sprung Slumber	Okehampton
	Enchanted House	St Austell
<b>Upholstery</b>	Bymacks	Stroud
	Cavendish Upholstery	Chorley
	Gimson Slater	Stroud
	Peter Guild	Bedford
<b>Fillings</b>	Airofreem	Trowbridge
<b>Design</b>	Arena Design Associates	Trowbridge



**Cavendish Upholstery** – Casino



**Sprung Slumber** – Amethyst Shield

## Corporate information

### Secretary and Registered Office

Tean E Dallaway ACA  
Canal Road, Trowbridge, Wiltshire BA14 8RQ

### Registrars

Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA

### Registered Auditors

PricewaterhouseCoopers LLP, 31 Great George Street, Bristol BS1 5QD

### Bankers

Fortis Bank sa-nv, 23 Camomile Street, London EC3A 7PP

### Solicitors

Osborne Clarke, 50 Queen Charlotte Street, Bristol BS1 4HE

Burges Salmon, Narrow Quay House, Narrow Quay, Bristol BS1 4AH

### Stockbrokers

Rowan Dartington & Co Ltd, Colston Tower, Colston Street, Bristol BS1 4RD

## Financial calendar

<b>Record date</b>	4 July 2003
<b>Annual General Meeting</b>	18 July 2003
<b>Dividend payable</b>	25 July 2003
<b>Half year results announced</b>	November 2003

# Notice of meeting

Notice is hereby given that the Annual General Meeting of the company will be held at the Registered Office, Canal Road, Trowbridge, Wiltshire, on Friday 18 July 2003 at 12.30pm at which the following resolutions will be proposed, resolutions 1 to 6 as Ordinary Resolutions and resolution 7 as a Special Resolution.

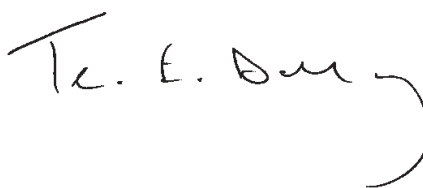
## Ordinary Business

- 1 To receive the report of the directors together with the accounts for the year ended 31 March 2003 and the report of the auditors thereon.
- 2 To approve the report of the remuneration committee for the year ended 31 March 2003.
- 3 To declare a final dividend.
- 4 To re-elect P G Bradshaw a director who retires by rotation in accordance with the company's articles of association.
- 5 To re-elect A C Chambers a director who retires by rotation in accordance with the company's articles of association.
- 6 To re-appoint PricewaterhouseCoopers LLP, previously appointed on an interim basis, as auditors to hold office from the conclusion of the Meeting until the next general meeting and to authorise the directors to fix their remuneration.

## Special Business

- 7 THAT;
  - a) the directors be and they are hereby generally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £50,000, to such persons at such times and on such terms as they think proper, such authority to expire at the conclusion of the next Annual General Meeting of the company save that the company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry;
  - b) during the period between the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the company, the directors be and are hereby given power pursuant to Section 95(1) of the Act to allot equity securities (as defined in Section 94 of the Act) wholly for cash pursuant to the authority conferred by paragraph (a) above, as if Section 89(1) of the Act did not apply to such allotment, within the overall limit laid down in paragraph (a) of this resolution.

Canal Road  
Trowbridge  
Wiltshire  
BA14 8RQ  
Registered No 1277785



By order of the Board  
T E Dalloway, Secretary  
24 June 2003

### Notes

All members who hold ordinary shares are entitled to attend and vote at the meeting. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of the member. A proxy need not be a member of the company. A form of proxy for the use of shareholders is enclosed with this report. If you do not intend being present at the meeting please sign it and return it so as to reach the company's registrar at least 48 hours before the meeting. The return by a member of a duly completed form of proxy will not preclude any such member from attending in person and voting at the meeting.

The following documents are available for inspection by members at the Registered Office during normal business hours prior to and during the Annual General Meeting:

Register of directors' shareholdings  
Contracts of service of the directors.

### Explanation of resolution 7: authority to allot shares

Under Section 80, Companies Act 1985 the directors may only issue shares if they are authorised to do so. In addition, under Section 89, Companies Act 1985, the directors may only issue shares to existing shareholders in proportion to their existing holdings, unless the shareholders otherwise agree by special resolution.

Resolution 7 authorises the directors to:

- a) issue shares up to a nominal value of £50,000, (approximately 2.1% of the company's current issued share capital);
- and
- b) issue shares up to a nominal amount of £50,000 (approximately 2.1% of the company's current issued share capital) without first offering them to existing shareholders in accordance with Section 89(1) of the Companies Act 1985.

There are no current plans to allot shares and these authorities will end at the company's next Annual General Meeting.



**Enchanted House** – Canterbury



**Peter Guild** – Delphic



**Cavendish Upholstery** – Gleneagles



**Airsprung Beds** – Nebraska



airsprung furniture  
GROUP PLC

Canal Road  
Trowbridge  
Wiltshire  
BA14 8RQ  
England

Registered No. 1277785

Telephone: 01225 754411

Facsimile: 01225 777423

[www.airsprung-furniture.co.uk](http://www.airsprung-furniture.co.uk)

e-mail: [group@airsprung-furniture.co.uk](mailto:group@airsprung-furniture.co.uk)

Designed by Arena Design Associates