

Chairman's statement

The results for the Group show a pre tax loss of £3.0 million (2004 £4.1 million loss) for the year on sales of £40 million (2004 £49 million which included £5 million of sales from Sprung Slumber which was sold on 3 October 2003).

The balance sheet remains debt free with cash at the year end of £1.5 million. However, as is the case for many other UK companies, the Group currently does not have sufficient distributable reserves to pay dividends after accounting for the deficit in the Group's pension scheme under the new accounting requirements of FRS 17, which will be adopted in the coming years' financial statements. Until the deficit in the distributable reserves has been cleared the company will not be in a position to pay dividends.

2004/5 has proved to be a most difficult year with a combination of unexpected and substantial increases in raw material costs together with the difficult trading conditions experienced by major furniture retailers, which are more fully explained in the Chief Executive's report. Current economic conditions remain uncertain and the continuing poor level of sales in the retail sector has been widely reported.

However, as a result of positive benefits arising from the extensive restructuring within the Group, the early indications in the new financial year are more encouraging. If the Group is able to achieve an improvement in performance in generally poor trading conditions, then it should experience significant benefits from a future upturn in retail activity.

I announced nearly two years ago my wish to retire. This has been delayed due to the restructuring taking place within the Group. However I now feel the Group is on a stable footing to move forward and consequently an appropriate time, now that I am 70, for me to retire which I intend to do at the Annual General Meeting on 7 September 2005.

On behalf of the board I thank all the employees for their support and loyalty during a most difficult period.



Philip Bradshaw
Chairman

