

Chairman's Statement

The loss on ordinary activities for the six months ended 30 September 2005 was £866,000, less than half the restated loss of £1,828,000 incurred in the corresponding six months of 2004. Sales were 5.3 per cent ahead at £20.4 million (2004: £19.4 million). The cash position was £1.6 million less than at the year end, mainly due to trading losses and a reduction in creditors.

This underlines the extent of the work still necessary to bring the Group back to good health, in spite of the significant efforts of staff and employees over the past two years under the new senior management team. In addition to the steps being taken operationally, management is in discussion with the Trustees of the Airsprung Retirement and Death Benefits Plan on the phasing of payments which would reduce the Plan deficit over time without jeopardising the long-term security of the Group or its employees.

The Group has adopted Financial Reporting Standard FRS 17 *Retirement Benefits*, and the presentation requirements of FRS 25 *Financial Instruments: Disclosure and Presentation*. As their adoption is a change in accounting policy, the comparative figures have been restated. The loss under FRS 17 of £866,000 is £100,000 greater than if the new Reporting Standard had not been in place. Shareholders' funds now include the pension plan's actuarial deficit of £7.4 million, and "Other finance costs" reflect unaudited actuarial estimates derived from the March 2005 year-end position. The adoption of FRS 25 has required the Company's preference shares to be classified as liabilities rather than equity, and for preference dividends to be shown as interest payable.

As announced in October, the Group sold its loss-making Peter Guild subsidiary for £400,000, payable in performance-related installments, plus the repayment over one year of a new £275,000 loan secured against Peter Guild's assets. This subsidiary was acquired in June 2001 and had never been profitable. The disposal will eliminate anticipated trading losses of over £250,000 per annum in Airsprung's consolidated accounts, but exceptional charges which are not expected to exceed £750,000 will have an impact on the profit and loss account in the second half of this year.

The Board is carrying out a strategic review of the Group and its subsidiaries, and is identifying areas where performance can be improved and additional shareholder value created. The review has already revealed opportunities for reshaping the Group's brands, businesses and operations to drive higher sales and margins, and for making more effective use of properties and other assets. A more comprehensive statement will be made in the 2006 Report and Accounts.

Chairman's Statement

Continued

The market for beds and upholstered furniture remains extremely difficult. There have been further forced closures in the sector, and published information confirms the immense pressure on retailer sales and profitability due to depressed consumer demand. Having taken out bad debt insurance cover, the Group has not suffered material loss from the business failures that have taken place and is responding quickly to changes in the marketplace. As stated at the AGM, our competitiveness and service levels have improved, enabling us to win new orders, and there is some evidence that we are gaining market share within a smaller universe. But there are as yet no signs of a general market recovery in consumer durables.

Excluding the impact of the Peter Guild disposal and barring unforeseen circumstances, the Board expects the results for the full year to show modest but continuing progress towards bringing the Group back to profitability. Whether this results in achieving break-even at operating level will depend on the all-important Christmas and New Year trading periods.

Stuart R Lyons CBE

Chairman

1 December 2005

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

Consolidated Profit and Loss Account

	6 months to 30.09.05 £000	6 months to 1.10.04 £000 <small>As restated</small>	Year to 31.03.05 £000 <small>As restated</small>
Turnover – Continuing operations	20,434	19,402	39,707
Operating loss – Continuing operations	(762)	(1,692)	(3,263)
Loss on ordinary activities before interest	(762)	(1,692)	(3,263)
Interest (payable)/receivable	(54)	14	3
Other finance costs	(50)	(150)	(300)
Loss on ordinary activities before taxation	(866)	(1,828)	(3,560)
Tax on ordinary activities	-	-	562
Loss for the financial period	(866)	(1,828)	(2,998)
Loss per ordinary share	(3.6p)	(7.7p)	(12.5p)

Reconciliation of Movements in Shareholders' Funds

	6 months to 30.09.05 £000	6 months to 1.10.04 £000 <small>As restated</small>	Year to 31.03.05 £000 <small>As restated</small>
Loss for the period	(866)	(1,828)	(2,998)
Actuarial gain on pension scheme	800	250	500
	(66)	(1,578)	(2,498)
Preference dividends not declared	33	-	-
Net movement in shareholders' funds	(33)	(1,578)	(2,498)
Opening shareholders' funds*	5,317	7,815	7,815
Closing shareholders' funds	5,284	6,237	5,317

* Restated following the adoption of FRS 17 "Retirement Benefits" and FRS 25 "Financial Instruments: Disclosure and Presentation" (see Note 1). Originally shareholders' funds were £14,072,000 at 31 March 2005 before deducting prior year adjustments of £8,755,000 (1 April 2004: £16,570,000 before deducting prior year adjustments of £8,755,000).

Statement of Total Recognised Gains and Losses

	6 months to 30.09.05 £000	6 months to 1.10.04 £000 <small>As restated</small>	Year to 31.03.05 £000 <small>As restated</small>
Loss for the period	(866)	(1,828)	(2,998)
Actuarial gain on pension scheme	800	250	500
Total recognised gains and losses relating to the period	(66)	(1,578)	(2,498)
Prior year adjustment	(8,100)	-	-
Total gains and losses recognised since last annual report	(8,166)	(1,578)	(2,498)

Consolidated Balance Sheet

	6 months to 30.09.05 £000	6 months to 1.10.04 £000 <small>As restated</small>	Year to 31.03.05 £000 <small>As restated</small>
Assets employed			
Fixed assets			
Tangible assets	9,546	10,105	9,825
Current assets			
Stocks	3,962	3,983	4,583
Debtors	6,394	5,842	6,029
Bank and cash balances	9	2,045	1,506
	10,365	11,870	12,118
Creditors: amounts falling due within one year	6,417	6,315	7,753
Net assets excluding pension liability	3,948	5,555	4,365
Pension liability	7,400	8,100	8,100
Total assets less current liabilities	6,094	7,560	6,090
Financed by			
Creditors: amounts falling due after more than one year	810	761	773
Provisions for liabilities and charges			
Deferred tax	-	562	-
	810	1,323	773
Capital and reserves			
Called up share capital	2,389	2,389	2,389
Share premium account	2,348	2,348	2,348
Capital redemption reserve	2,345	2,345	2,345
Revaluation reserve	1,609	1,609	1,609
Profit and loss account	(3,407)	(2,454)	(3,374)
Equity shareholders' funds	5,284	6,237	5,317
	6,094	7,560	6,090

Consolidated Cash Flow Statement

	6 months to 30.09.05 £000	6 months to 1.10.04 £000 <small>As restated</small>	Year to 31.03.05 £000 <small>As restated</small>
Net cash outflow from operating activities	(1,456)	(1,634)	(2,155)
Returns on investments and servicing of finance			
Interest received	-	48	72
Interest paid	(15)	(33)	(66)
Interest paid on finance leases and similar hire purchase contracts	(6)	(1)	(3)
Net cash (outflow)/inflow from returns on investments and servicing of finance	(21)	14	3
Capital expenditure and financial investment			
Receipts from sales of assets	3	3	158
Tangible fixed assets purchased	(121)	(213)	(384)
	(118)	(210)	(226)
Management of liquid resources			
Decrease in short term deposits with bank	-	2,000	2,000
Equity dividends paid	-	(479)	(479)
Net cash outflow before financing	(1,595)	(309)	(857)
Financing			
Increase in borrowings	66	195	245
Capital element of finance lease rental payments	(52)	-	(41)
Net cash inflow from financing	14	195	204
Decrease in cash	(1,581)	(114)	(653)

Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

	6 months to 30.09.05 £000	6 months to 1.10.04 £000 <small>As restated</small>	Year to 31.03.05 £000 <small>As restated</small>
Continuing activities			
Operating loss	(762)	(1,692)	(3,263)
Depreciation of tangible fixed assets	400	417	791
Profit on sales of tangible fixed assets	(3)	(1)	(79)
Decrease/(increase) in stocks	621	(656)	(1,256)
(Increase)/decrease in debtors	(365)	877	690
(Decrease)/increase in creditors	(1,397)	(679)	762
Difference between pension charge and cash contributions	50	100	200
	(1,456)	(1,634)	(2,155)
Net cash outflow from operating activities	(1,456)	(1,634)	(2,155)

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

	6 months to 30.09.05 £000	6 months to 1.10.04 £000 <small>As restated</small>	Year to 31.03.05 £000 <small>As restated</small>
Decrease in cash in the period	(1,581)	(114)	(653)
Increase in borrowings	(66)	(195)	(245)
Capital element of finance lease rental payments	52	-	41
Movement in short-term deposits	-	(2,000)	(2,000)
Movement in net (debt)/funds in the period	(1,595)	(2,309)	(2,857)
Net opening funds	1,302	4,159	4,159
Net closing (debt)/funds	(293)	1,850	1,302

Analysis of Net (Debt)/Funds

	At 01.04.05 £000	Cash flow £000 <small>As restated</small>	At 30.09.05 £000 <small>As restated</small>
Cash	1,506	(1,581)	(75)
Finance leases	(204)	(14)	(218)
	<u>1,302</u>	<u>(1,595)</u>	<u>(293)</u>

Notes

- The financial information has been prepared using the accounting policies set out in the annual Report and Accounts 2005 with the exception of the policies on retirement benefits and the disclosure and presentation of preference shares and preference share dividends. Financial Reporting Standard ("FRS") 17 "*Retirement Benefits*" and FRS 25 "*Financial Instruments: Disclosure and Presentation*" have been adopted with effect from 1 April 2005.

Under FRS 17, pension plan assets are measured by the scheme Actuary using market values while liabilities are measured using the projected unit method. The net plan surplus or deficit is reflected in the balance sheet. A charge to operating loss is made to reflect the current and any past service cost. The expected return on the plan's assets and the increase during the period in the present value of the plan's liabilities are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

FRS 25 requires preference shares to be classified as creditors and preference share dividends to be shown as interest payable.

- For the purpose of Section 240 of the Companies Act 1985 the interim results represent unaudited abridged accounts. No review of the interim results has been carried out by the company's Auditors. Full accounts for the year to 31 March 2005, upon which Auditors have given an unqualified report, have been delivered to the Registrar of Companies.
- The earnings per ordinary share have been calculated on 23,888,698 ordinary shares (2004 - 23,888,698), being the weighted average number of shares in issue during the period.
- The interim report is being circulated to all shareholders and further copies are available at the company's Registered Office.

CORPORATE INFORMATION

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