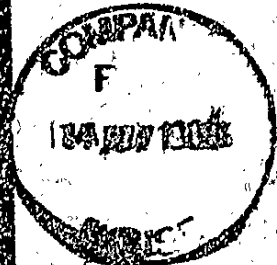


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Airsprung Furniture Group PLC

Annual
report &
accounts
1993



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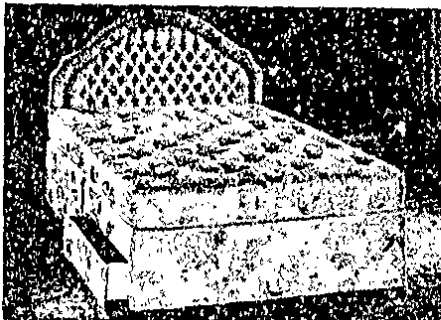
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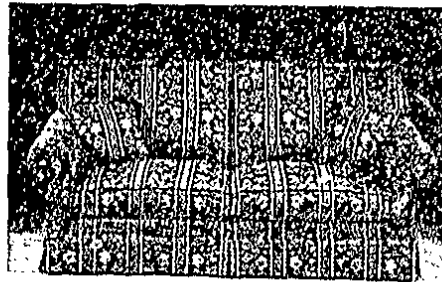
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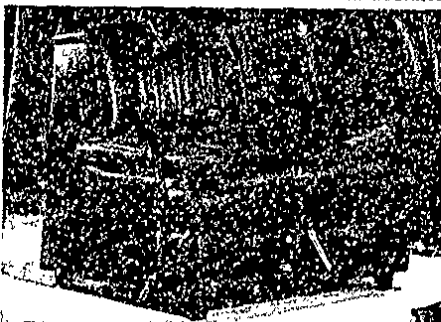
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NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Airsprung Furniture Group PLC will be held at the Company's Registered Office at Canal Road, Trowbridge, Wiltshire, on Wednesday 21 July 1993 at 12.30 p.m. at which the following resolutions will be proposed, resolutions 1 to 7 as Ordinary Resolutions and resolution 8 as a Special Resolution.

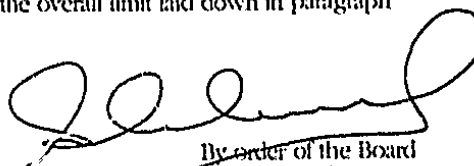
Ordinary Business

1. To receive the report of the directors together with the accounts for the year ended 31 March 1993 and the report of the auditors thereon.
2. To declare a final dividend.
3. To re-elect P G Bradshaw a director.
4. To re-elect M J F Carr a director.
5. To re-elect D P L Howe a director.
6. To re-appoint the auditors and authorise the directors to fix their remuneration.
7. That the authorised share capital of the company be increased to £6,000,000 by the creation of an additional 15,000,000 ordinary shares of 10p each

Special Business

8. That,
 - a) the directors be authorised to capitalise the sum of £1,185,162 being part of the amount standing to the credit of the company's share premium account by appropriating such sum to the holders of the ordinary shares in the capital of the company on the register of members at the close of business on 30 July 1993 in proportion to their then holdings of shares, such sum to be applied in paying up in full a total of 11,851,622 new ordinary shares of 10p in the unissued capital of the company, such shares to be allotted and distributed, credited as fully paid up, to and amongst such holders in the proportion of one new ordinary share for every ordinary share of 10p then held;
 - b) the directors be and they are hereby generally authorised in accordance with Section 80 of the Companies Act 1985 ('the Act') to exercise all the powers of the company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £1,270,000, such authority to include that to be exercised in respect of 11,851,622 ordinary shares of 10p each in the capital of the company for the purposes of the capitalisation issue referred to in paragraph (a) of this resolution, and 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;
 - c) 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 to allot equity securities (as defined in Section 94 of the Act) wholly for cash pursuant to the authority conferred by paragraph (b) above, as if Section 89(1) of the Act did not apply to such allotment, within the overall limit laid down in paragraph (b) of this resolution.

Canal Road
Trowbridge
Wiltshire
BA14 8RQ
21 June 1993


By order of the Board
B M Netley, Secretary

Notes.

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.

The following documents are available for inspection by members at the registered office during normal business hours and will be available prior to and during the Annual General Meeting:

Register of directors' shareholdings
Contracts of service of the directors

STATEMENT BY FROM THE JOINT CHAIRMEN

Results

We are very pleased to be able to report yet another year in which your company attained new records in sales and profits despite the extremely difficult trading conditions which prevailed throughout the period.

Sales have increased from £58.1 million to £65.6 million, an increase of 12.9%. Through tight cost control, increased efficiency and the benefits of the recent capital investment programme, operating profit was 11.9% higher at £5.8 million and profit before tax increased by a very satisfactory 22.3% to £6.0 million. The earnings per share are 31.4p compared to 33.1p in 1991/92. However the earnings per share for 1991/92 were affected by a large credit from the deferred tax provision and if this is excluded the comparative earnings would be 26.6p.

Your board is recommending a final dividend of 5.85p net per ordinary share making a total dividend for the year of 9p net per share which is 20% higher than that paid for the previous financial year.

Your board is recommending a bonus issue of one new ordinary share of 10p each for every ordinary share of 10p held on 30 July 1993. This issue will bring the issued capital more into line with the capital employed and should improve the marketability of the company's shares, by increasing the number of shares in issue. Details of the proposed bonus issue are contained in the Directors' Report on pages 11 and 12.

Senior management

In May 1993 Michael Coppel was appointed joint chairman alongside John Yates, John Pierce was appointed group chief executive, John Mack was appointed chairman of the upholstery division and Peter Ziemniak was appointed managing director of Airsprung Beds. These senior appointments are part of a carefully considered plan designed to ensure continuity of management and progress for the group into the next century.

This year we are happy to welcome Patrick Howe to the board as a non-executive director; he was previously a senior partner at the Bristol office of Coopers & Lybrand.

Bed division

Overall this division performed very well with sales and profits well ahead of last year although it did suffer from a shortage of demand at the very top of the range.

The new distribution departments at Trowbridge and Glasgow have been completed. This will enable us to increase substantially our throughput and improve delivery dates to our customers. Machinery and systems continue to be updated in many departments.

Upholstery division

Turnover has increased mainly due to the first full year's trading of Confortlux Furniture but, because of severe competition, margins were substantially reduced in the manufacturing companies. Gimson & Slater failed to improve its position.

We have appointed a senior sales director to co-ordinate the marketing and sales functions of this division.

The previously reported capacity problem at Bymacks has been resolved by the purchase of additional land and buildings at a site next door to the present facility. Production commences in these premises in July 1993.

Plac furniture division

There has been a substantial improvement in both sales and profits in this division. Airsprung Beds has gained valuable new business in this area and there has been a very welcome return to profit at Duckers, which has encouraged us to invest in new plant.

STATEMENT FROM THE JOINT CHAIRMEN

Fillings division

All companies in the division have performed well. We have commenced installing new plant at Himetex so as to increase flock capacity and quality. When this is completed it is intended to start upgrading our felt pad facility at Fitex.

Aeroflex has been successful in entering the export market.

Contracts division

In spite of the recession this division has continued to gain market share and has been expanded to promote all group exports which have shown steady growth during the year.

Design

Arena, our in-house design company, continues to expand its services to group subsidiaries at a considerable saving in cost to the group.

General

Our balance sheet remains strong with cash resources at £7.0 million. Capital expenditure for the year under review amounted to £1.9 million and we plan to spend approximately £2.0 million, excluding any acquisitions, in the year to March 1994.

For the second year in succession we were proud to win one of the awards in the West of England Share Challenge sponsored by Coopers & Lybrand and Albert E Sharp. A presentation was made to the company at a formal dinner held at Berkeley Castle and attended by many of the leading industrialists in the West of England.

Employees

Once again we record our sincere thanks for the enthusiasm and loyalty of staff at all levels without whose wholehearted co-operation we could not have achieved these excellent results.

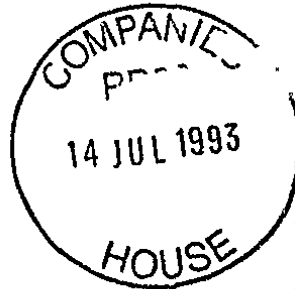
Future

The current year seems to be fraught with uncertainties. However we have planned for further growth and are confident that this will be achieved provided we get a reasonable climate in which to operate.

John Yates
Michael Coppel



John Yates



Michael Coppel

TRADING SUBSIDIARIES & CORPORATE INFORMATION
--

Trading subsidiaries

Division	Company	Location	Managing Director
Beds	Airsprung Beds	Trowbridge	Peter Ziemiak (40)
	Airsprung Scotland	Glasgow	Ron Park (39)
	Gainsborough	Trowbridge	Andrew Alsop (36)
Upholstery	Bymacks	Dursley	John Mack (45)
	Cavendish Upholstery	Chorley	Stephen Harrington (32)
	Conforluxe Furniture	Dursley	John Mack (45)
	Gimson & Slater	Nottingham	Nick Shelvey (47)
Cabinets	Duckers Furniture	Rotherham	Alan Thompson (49)
Fillings	Airofreem	Trowbridge	Ian Woodhouse (41)
	Fitex Products	Trowbridge	Jeff Lewis (60)
	Flametex Fillings	Wakefield	Jeff Lewis (60)
Design	Arena Design Associates	Nottingham	Alan Skinner (41)

Corporate Information

Secretary and Registered Office	Brian M Netley FCA Canal Road, Trowbridge, Wiltshire BA14 8RQ
Registrars	Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA
Registered Auditors	Coopers & Lybrand, 66 Queen Square, Bristol BS1 4JP
Bankers	Lloyds Bank Plc, 61 Fore Street, Trowbridge, Wiltshire BA14 8EU
	National Westminster Bank Plc, 62 Fore Street, Trowbridge, Wiltshire BA14 8EX
Solicitors	Osborne Clarke, 30 Queen Charlotte Street, Bristol BS99 7QQ
Merchant Bankers	Robert Fleming, 25 Copthall Avenue, London EC2R 7DR
Stockbrokers	Beeson Gregory, The Registry, Royal Mint Court, London EC3N 4EX

FIVE YEAR SUMMARY

Turnover £000

1989	34,357
1990	43,911
1991	55,973
1992	58,117
1993	65,617

Profit before tax £000

1989	3,039
1990	2,351
1991	3,503
1992	4,873
1993	5,958

Earnings per share

1989	18.7p*
1990	12.7p*
1991	21.6p*
1992	26.6p**
1993	31.4p

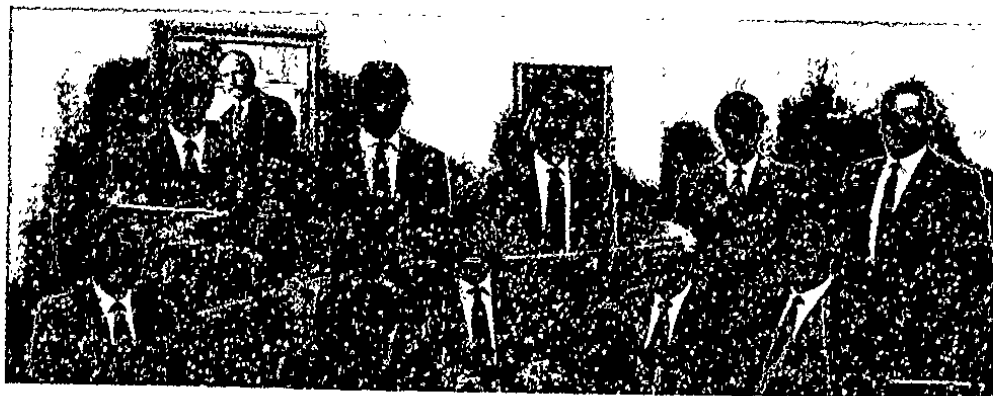
Dividends per share

1989	5.34p*
1990	5.34p*
1991	6.14p*
1992	7.50p
1993	9.00p

* Restated, following the rights issue in July 1991

** Excluding the release of the deferred tax provision.

DIRECTORS



Standing
Seated

Stephen Yates
Brian Netley

Michael Carter
John Pierce

From L to R
Patrick Howe
John Yates

Philip Bradshaw
Michael Coppel

Kenneth Hillier
John Mack

John Yates (49) Joint Chairman, joined in 1939 and was the main driving force in expanding the group from a small local supplier to a national bed manufacturer.

Michael Coppel (61) Joint Chairman, has been connected with the group since 1968 and has served as finance director and chief executive. He was appointed joint chairman in May 1993. His family has been in the furniture industry for over 80 years.

John Pierce (49) Chief Executive, joined the group as managing director of Airsprung Beds in 1989, was appointed to the group board in 1990 and to his present position in May 1993.

Brian Netley (57) Financial Director, joined the group in 1976 as group financial controller and company secretary and was appointed financial director in 1978.

Philip Bradshaw* (58) Deputy Chairman, joined the board in 1986. From 1980 to 1989 he was chairman of Equipu PLC. He is now non-executive chairman of a number of private companies.

John Mack (45) who was managing director of Bymacks when it was acquired in 1989, was appointed to the board in 1990 and chairman of the upholstery division in May 1993. He has spent all of his career in the furniture industry.

Kenneth Hillier (57) joined the group in 1960 and has held various managerial positions mainly in sales and marketing. He was appointed to the main board in 1989.

Stephen Yates (38) joined the group in 1977 and has held various managerial positions in sales and marketing. He joined the main board in 1987 and was appointed group marketing director in 1992.

Michael Carter CBE* (52) was appointed in November 1990. He is a director of Olives Property PLC and chairman of East Somerset NHS Trust.

Patrick Howe* (55) was appointed to the board in November 1992. He was a senior partner in the Bristol office of Coopers & Lybrand.

* Non-executive director, member of audit and remuneration committees.

DIRECTORS continued

Directors' Interests in the company's shares

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

	Ordinary shares		**Options - Ordinary shares (granted 11.1.91 at subscription price of 128p)	
	31 March 1993	31 March 1992	31 March 1993	31 March 1992
J G W Yates	2,619,037	2,615,037	—	—
M L Coppel	4,767	19,322	51,515	51,515
B M Netley	2,997	3,931	10,303	10,303
K G Hillier	3,052	2,962	10,303	10,303
P G Bradshaw	20,000	20,000	—	—
S G W Yates	*1,896,838	*1,896,776	—	—
J E Pierce	1,250	1,250	10,303	10,303
J R Mack	—	—	10,303	10,303

* Including 1,500,000 shares held in trust for the benefit of S G W Yates and J P Yates in equal shares.

**An option was granted to S G W Yates (who is not eligible to participate in the executive share option scheme) in December 1987. At 31 March 1993 the outstanding option was to subscribe for 309,090 shares at a price of 105p per share. All options are exercisable in the periods between three and ten years from the respective dates of grant.

Options granted in December 1989 to Messrs Coppel and Hillier for respectively 25,758 and 10,303 shares at a subscription price of 90p were exercised in full in December 1992.

Mr Carter and Mr Howe did not at any relevant date have any interests in the company's shares.

Emoluments of directors	1992/93 £000	1991/92 £000
Fees to non-executive directors	33	42
Emoluments of executive directors	546	529
Performance bonuses	81	137
Pension scheme contributions	42	58
	<u>702</u>	<u>766</u>

For the two years to 31 March 1993 performance bonuses for the Chairman, Chief Executive and Financial Director were based entirely on achievement of group profit targets and for other executive directors were based partially on achievement of group profit targets and partially on achievement of personal and financial targets relevant to their main employer.

For the year to 31 March 1991 the remuneration committee is responsible for determining the emoluments of the executive directors including performance bonuses. All group executive directors may qualify for a bonus based on an increase in group profits. Additional bonuses for the Joint Chairmen, Chief Executive and Financial Director will be based on achievement on an earnings per share target and for other executive directors will be based on achievement of personal and financial targets relevant to their main employer.

DIRECTORS continued

Emoluments of directors continued

Emoluments, excluding pension contributions, were in the following ranges:

	Year to 31.3.93 Number	Year to 31.3.92 Number		Year to 31.3.93 Number	Year to 31.3.92 Number
£ 0 to £ 5,000	2	~	£ 85,001 to £ 90,000	—	1
£ 5,001 to £ 10,000	1	1	£ 90,001 to £ 95,000	1	—
£ 15,001 to £ 20,000	—	2	£ 110,001 to £ 115,000	1	—
£ 20,001 to £ 25,000	1	—	£ 115,001 to £ 120,000	—	1
£ 40,001 to £ 45,000	1	1	£ 120,001 to £ 125,000	1	1
£ 50,001 to £ 55,000	1	1	£ 145,001 to £ 150,000	1	—
£ 60,001 to £ 65,000	1	—	£ 150,001 to £ 155,000	—	1
£ 65,001 to £ 70,000	—	1			

The above include:

	£000	£000
Chairman	121	124
Highest paid director	149	154

Directors' service contracts

Michael Coppel and Brian Netley have rolling 5 year agreements to serve as executive directors with termination being no later than their respective 65th birthdays.

John Pierce has a 5 year agreement to serve as an executive director, expiring 31 December 1993; following his appointment as Chief Executive, a rolling 2 year agreement is being negotiated

With the exception of the above, none of the directors has any existing or proposed contract with any company in the group which is not terminable without payment of compensation within one year.

CORPORATE GOVERNANCE

A summary of the system of governance adopted by the company appears below.

Board Responsibilities

The board of directors, which includes three non-executive directors, meets regularly throughout the year. The board is responsible for overall group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of individual trading subsidiaries, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes.

Standing Committees

The board has established a number of standing committees, which operate within defined terms of reference. The principal committees are the Special Purposes, Audit and Remuneration Committees. Trading companies are managed by separate boards of directors. The minutes of their meetings and of the standing committees are circulated to and reviewed by the board of directors.

Special Purposes Committee

The special purposes committee comprising the chairman, deputy chairman and chief executive, operates as a wages and salary review and appointments committee for the directors and middle management of all subsidiary companies.

Audit Committee

The audit committee, comprising the non-executive directors, meets four times a year. It monitors the adequacy of the group's internal controls, accounting policies and financial reporting, and provides a forum through which the group's external audit, finance and internal audit functions report to the non-executive directors.

Remuneration Committee

The remuneration committee reviews the terms and conditions of employment of the company's executive directors. It consists of the non-executive directors and meets at least once a year. The non-executive directors are appointed for fixed terms. No director plays a part in any discussion about his own remuneration.

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 has four trustees - Philip Bradshaw, Michael Carter and two members of senior management (who are not directors of the company). The power of appointment of new trustees is vested in the company. Asset management is delegated to two specialist independent companies. The scheme's accounts are audited annually by Coopers & Lybrand. Members of the scheme receive an annual statement of their accrued benefits and a copy of the trustees' annual report.

DIRECTORS' REPORT

The directors submit their report together with the audited accounts for the year ended 31 March 1993

Profits and dividends

The consolidated profit and loss account on page 15 shows profit before tax of £6.0 million (1992 £1.9 million)

Preference dividends have been paid for the year to 6 January 1993 and accrued for the period up to 31 March 1993

An interim dividend in respect of the year of 3.15p per ordinary share (1992 - 2.63p) was paid on 29 January 1993

The directors recommend a final dividend of 5.85p per ordinary share (1992 - 4.87p) payable on 30 July 1993.

The retained profit of £2.6 million (1992 £2.8 million) has been added to reserves.

Activities

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

Fixed assets

Changes in tangible fixed assets are reflected in note 7 to the accounts.

The group's freehold land and buildings were professionally valued as at 1 April 1987 and this valuation was incorporated into the consolidated balance sheet. Additions since 1 April 1987 are included at cost. The directors consider the market value of freehold property at 31 March 1993 to be in excess of that shown in the balance sheet.

Note 20 shows approved capital expenditure outstanding of £2 million.

Employee involvement

Management continues to consult with employees at all levels on matters which are likely to affect their interests. Profit bonus and other incentive schemes have been developed to enable employees to benefit more directly from their performance. A group newsheet is published annually and all employees receive a copy. Its purpose is to inform employees of the work of the group as a whole and, in particular, the financial and economic factors which affect the group.

Profit sharing and share option schemes

The employees' profit sharing scheme was set up in 1986 within the terms of the Finance Act 1978. In accordance with the rules of that scheme, 516 employees have qualified to participate in respect of the year ended 31 March 1993. The directors have appropriated the sum of £56,000 to the trustees, who have applied it in subscribing for new ordinary shares in the company, which were allocated to participating employees on 15 June 1993.

The company, also in 1986, introduced an executive share option scheme within the terms of the Finance Act 1981. Details of outstanding options at the date of this report are shown on page 7, together with details of a share option held by S G W Yates.

Disabled employees

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

Donations

Charitable donations during the year amounted to £5,515. Political donations, to the Conservative Party, were £500.

DIRECTORS' REPORT *continued***Directors**

The directors of the company during the year were:

J G W Yates
M L Coppel
B M Netley
J E Pierce
S G W Yates
K G Hillier

J R Mack
P G Bradshaw
M J F Carter
A Sharpouse - retired 9 June 1992
D P L Howe - appointed 3 November 1992

In accordance with the Articles of Association Messrs Bradshaw, Carter and Howe retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

The beneficial interests of the directors in the shares of the company are shown on page 7.

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.

Insurance of directors

The company maintains insurance for all directors within the group in respect of their duties as directors.

Substantial interests

At 1 June 1993 the following interests in excess of 3% of the company's issued share capital had been notified to the company:

Number of ordinary shares	%	
2,619,037	22.1	J G W Yates
396,838	3.4	S G W Yates
407,696	3.4	J P Yates
1,500,000	12.7	Trust for S G W Yates and J P Yates in equal shares
720,000	6.1	Schroder Investment Management Limited
600,884	5.1	The Equitable Life Assurance Society Limited
497,500	4.2	TSB Group plc
449,256	3.8	Imperial Group Pension Trust Limited and Imperial Group Pension Investments Limited
375,000	3.2	British Gas Pension Funds Management Limited
366,250	3.1	Britel Fund Nominees Limited

Bonus issue

The directors consider that it is an appropriate time to bring the issued share capital of the company more into line with the capital employed in the business and propose a one for one capitalisation issue.

The proposed capitalisation issue is conditional upon shareholders' approval and resolutions will be proposed at the Annual General Meeting to increase the authorised share capital from £1,500,000 to £6,000,000 by the creation of an additional 15,000,000 ordinary shares of 10p each and capitalise the sum of £1,185,162 standing to the credit of the company's share premium account and to apply this sum in paying up in full 11,851,622 new ordinary shares of 10p each.

DIRECTORS' REPORT *continued*

The capitalisation issue is also conditional upon the London Stock Exchange admitting the new ordinary shares to the Official List, such listing becoming effective upon the passing of the requisite resolutions at the Annual General Meeting. Subject to the fulfilment of these conditions, new ordinary shares will be allotted credited as fully paid to ordinary shareholders on the Register of Members at the close of business on 30 July 1993 on the basis of one new ordinary share for every one ordinary share then held.

The new ordinary shares will rank *pari passu* in all respects with the existing ordinary shares save that they will not rank for the final dividend in respect of the year ended 31 March 1993. Application will be made to the London Stock Exchange for the new ordinary shares to be admitted to the Official List. Such permission is expected to become effective and dealings in the new ordinary shares are expected to commence on 9 August 1993.

Subject to the fulfilment of the conditions stated above, registered ordinary shareholders at the close of business on 30 July 1993 will be sent, by 13 August 1993, at their own risk, definitive share certificates for the number of new ordinary shares allotted to them. Pending the issue of definitive certificates, transfers will be certified against the register.

Existing options which have been granted will fall to be adjusted following the capitalisation issue, subject to the approval of the Inland Revenue.

Stock Market

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

Close company provisions

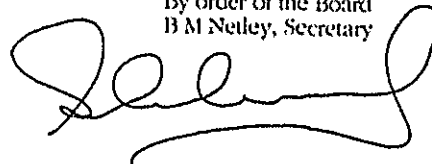
The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988 as amended.

Auditors

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

Trowbridge
21 June 1993

By order of the Board
B M Neuley, Secretary



DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are required by UK company law to prepare financial statements, based on applicable accounting standards and on a consistent basis for each financial period, which give a true and fair view of the state of affairs of the group as at the end of the financial period and of the profit or loss and cashflow for that period.

The directors are also responsible for the exercise of reasonable, prudent judgements and estimates, as well as maintaining adequate accounting records to both safeguard the assets of the group and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT

Report of the Auditors to the members of Airsprung Furniture Group PLC.

We have audited the financial statements on pages 15 to 24 in accordance with Auditing Standards.

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 1993 and of the profit and cashflows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bristol
21 June 1993

Coopers & Lybrand
Coopers & Lybrand
Chartered Accountants and Registered Auditors

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1993

	Note	1992/93 £000	1991/92 £000
Turnover		65,617	58,117
Cost of sales		47,213	41,412
Gross profit		18,404	16,705
Net operating expenses	1	12,592	11,647
Operating profit	2	5,812	5,058
Net interest receivable / (payable)	4	202	(130)
Profit before appropriation to employees' profit sharing scheme		6,014	4,928
Employees' profit sharing scheme		56	55
Profit before tax		5,958	4,873
Tax	5	1,937	873
Profit after tax		4,021	4,000
Minority interest		14	21
Profit for the financial year		4,007	3,979
Dividends	6	1,365	1,184
Retained profit for year (including the company £382,000; 1992 - £244,000)		2,642	2,795
Earnings per share	19	31.4p	33.1p
Statement of retained profit		£000	£000
Retained profit at 1 April		7,607	4,812
Retained profit for year		2,642	2,795
Retained profit at 31 March		10,249	7,607

The accounting policies on page 18, and the notes on pages 19-24 form part of these accounts.

The report of the auditors is on page 14.

BALANCE SHEETS

AT 31 MARCH 1993

		Group		Company	
	Note	1993 £000	1992 £000	1993 £000	1992 £000
Assets employed					
Fixed assets					
Tangible assets	7	11,880	10,764	-	-
Investments	17	-	-	7,625	8,850
		<u>11,880</u>	<u>10,764</u>	<u>7,625</u>	<u>8,850</u>
Current assets					
Stocks	8	5,843	5,546	-	-
Debtors	9	10,802	9,569	1,910	1,580
Bank and cash balances		7,046	5,486	3,437	1,779
		<u>23,691</u>	<u>20,601</u>	<u>5,347</u>	<u>3,359</u>
Creditors: amounts falling due within one year	10	13,170	11,669	1,622	1,332
Net current assets		<u>10,521</u>	<u>8,932</u>	<u>3,725</u>	<u>2,027</u>
Total assets less current liabilities		<u>22,401</u>	<u>19,696</u>	<u>11,350</u>	<u>10,877</u>
Financed by					
Creditors: amounts falling due after more than one year	11	842	879	-	-
Unsecured loan stock	12	2,000	2,000	2,000	2,000
		<u>2,842</u>	<u>2,879</u>	<u>2,000</u>	<u>2,000</u>
Capital and reserves					
Called up share capital	14	4,184	4,179	4,184	4,179
Share premium account	15	3,384	3,298	3,384	3,298
Revaluation reserve	16	1,643	1,643	-	-
Profit and loss account		10,249	7,607	1,782	1,400
		<u>19,460</u>	<u>16,727</u>	<u>9,350</u>	<u>8,877</u>
Minority interests		99	90	-	-
		<u>19,559</u>	<u>16,817</u>	<u>9,350</u>	<u>8,877</u>
		<u>22,401</u>	<u>19,696</u>	<u>11,350</u>	<u>10,877</u>

The accounts were approved by the directors on 9 June 1993.

J G W Yates
M L Coppel } Directors

The accounting policies on page 18, and the notes on pages 19-21 form part of these accounts.

The report of the auditors is on page 14.

AIRSPRUNG FURNITURE GROUP PLC AND SUBSIDIARIES

CASTELLO STATEMENT

FOR THE YEAR ENDED 31 MARCH 1993

	1992/93	1991/92	
	£000	£000	£000
Net cash inflow from operating activities	6,074	6,180	
Returns on investment and servicing of finance			
Interest received	520	320	
Interest paid	(318)	(450)	
Dividends paid	(1,251)	(951)	
	(1,049)	(1,081)	
Taxation			
Corporation and advance corporation taxes paid	(1,642)	(1,344)	
Investing activities			
Tangible fixed assets			
purchased	(1,918)	(1,125)	
sold	4	183	
	(1,914)	(942)	
Net cash inflow before financing	1,469	2,813	
Financing			
Issues of share capital (net of expenses)	91	3,465	
Repayment of bank loans	-	(2,300)	
	91	1,165	
Increase in cash and cash equivalents	1,560	3,978	
Reconciliation to net cash inflow from operating activities			
Operating profit	5,812	5,058	
Employees' profit sharing scheme	(56)	(55)	
Released from revaluation reserve	-	(55)	
Depreciation of tangible fixed assets	798	835	
Increase in stocks	(297)	107	
Increase in debtors	(1,272)	(835)	
Increase in creditors	1,089	1,125	
	6,074	6,180	
	1993	1992	Change
	£000	£000	in year
			£000

Analysis of cash balances and cash equivalents

Cash at bank and in hand	7,046	5,180	1,560
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The report of the auditors is on page 14.

PRINCIPAL ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of land and buildings.

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 and to the extent that there are minority interests in subsidiaries a proportion of the results and reserves have been attributed to them. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only. Goodwill is written off through reserves in the year in which it arises. The holding company is exempt from publishing its own profit and loss account by virtue of Section 230 Companies Act 1985.

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.

Depreciation

Depreciation is calculated to write off the cost or amount of the valuation of fixed assets 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	12½%
Motor vehicles	12½%

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 the 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

Provision for deferred tax is made, using the liability method, except in respect of any timing differences which are expected to continue for the foreseeable future. The provision is calculated at the rate expected to apply when the liability arises.

Pensions

The group operates a defined benefits pension scheme for its staff, including directors. An independent actuary values the scheme every three years and, in accordance with his recommendations, annual contributions are paid to the scheme so as to secure the benefits set out in the rules. The cost of these is charged against profits on a systematic basis over the service lives of the members.

NOTES TO THE ACCOUNTS

31 MARCH 1993

Note	1992/93 £000	1991/92 £000
1 Net operating expenses		
Net operating expenses are made up as follows:		
Distribution expenses	8,127	7,122
Administration expenses	4,487	4,661
Other expenses	—	22
Other income	(22)	(158)
	<u>12,592</u>	<u>11,647</u>
2 Operating profit		
Operating profit is stated after charging/(crediting):		
Auditors' remuneration for:		
Audit (company £6,550; 1992 £5,900)	67	63
Other services to the company and its subsidiaries	22	19
Depreciation of owned assets	748	772
Depreciation of leased assets	50	63
Directors' emoluments including pension contributions	702	766
Operating lease rentals:		
land and buildings	97	65
vehicles	808	669
Profit on sale of freehold property	—	(146)
	<u> </u>	<u> </u>
3 Employee information	Number	Number
a) The average number of employees, including executive directors, was:		
Production	1,125	1,039
Distribution	201	214
Administration	121	125
	<u>1,447</u>	<u>1,378</u>
	£000	£000
b) Employment costs, including executive directors:		
Gross wages and salaries	18,276	16,116
Social security costs	1,611	1,439
Other pension costs	329	353
	<u>20,216</u>	<u>17,908</u>
c) The emoluments of directors disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985 are shown on pages 7 and 8.		
4 Interest		
Payable:		
Bank overdrafts and loans wholly repayable within 5 years	—	124
Loans not wholly repayable within 5 years	308	300
Finance charges on leases	8	19
Other	2	7
Receivable:		
Short-term deposits	(520)	(320)
	<u>(202)</u>	<u>130</u>

NOTES TO THE ACCOUNTS *continued*

31 MARCH 1993

Note	1992/93 £000	1991/92 £000
5 Tax		
The charge is made up as follows:		
On the taxable profit for the year		
UK corporation tax at 33% (1992 - 33%)	1,944	1,714
Deferred tax	-	(831)
	<u>1,944</u>	<u>883</u>
Prior year adjustments	(7)	(10)
	<u>1,937</u>	<u>873</u>
6 Dividends		
Preference	300	300
Ordinary - interim paid	372	310
- final proposed	693	574
	<u>1,365</u>	<u>1,184</u>

20

NOTES TO THE ACCOUNTS

	Freehold land and buildings £000	Equipment and vehicles Owned £000	Leased £000	Total £000
7 Tangible fixed assets				
Cost or valuation (see below)				
at 1 April 1992	8,832	7,172	661	16,665
additions	1,501	417	-	1,918
disposals	-	(396)	-	(396)
at 31 March 1993	<u>10,333</u>	<u>7,193</u>	<u>661</u>	<u>18,187</u>
Depreciation				
at 1 April 1992	652	4,731	518	5,901
provision for year	191	557	50	798
relating to disposals	-	(392)	-	(392)
at 31 March 1993	<u>843</u>	<u>4,896</u>	<u>568</u>	<u>6,307</u>
Net book value				
at 31 March 1993	<u>9,490</u>	<u>2,297</u>	<u>93</u>	<u>11,880</u>
at 31 March 1992	<u>8,180</u>	<u>2,441</u>	<u>143</u>	<u>10,764</u>

Cost or valuation of freehold land and buildings includes £4,171,500 in respect of properties which were professionally valued on an open market existing use basis as at 1 April 1987, the historical cost of which was £3,010,000. Additions since 1 April 1987 are included at cost. The value included in the balance sheet in respect of revalued properties is £3,679,000 (1992 £3,761,000).

NOTES TO THE ACCOUNTS *continued*

31 MARCH 1995

Note	1993 £000		1992 £000	
8 Stocks				
Raw materials			3,398	3,296
Work in progress			984	905
Finished goods			1,461	1,345
			<u>5,843</u>	<u>5,546</u>
	Group	1993	Group	1992
	£000	Company	£000	Company
		£000		£000
9 Debtors				
Trade debtors	9,674	-	8,015	-
Amounts due from group companies	-	1,622	-	1,357
Bills receivable	-	-	653	-
Corporation and advance corporation taxes recoverable	243	221	282	191
Other debtors	50	13	72	10
Prepayments and accrued income	835	54	547	22
	<u>10,802</u>	<u>1,910</u>	<u>9,569</u>	<u>1,580</u>
10 Creditors: amounts falling due within one year				
Obligations under finance leases	36	-	57	-
Trade creditors	6,252	4	5,071	3
Value added tax and social security	1,633	39	1,582	38
Corporation and advance corporation taxes	1,952	275	1,696	195
Other creditors	119	98	195	68
Accruals and deferred income	2,416	444	2,425	385
Dividends	762	762	643	643
	<u>13,170</u>	<u>1,622</u>	<u>11,669</u>	<u>1,332</u>
11 Creditors: amounts falling due after more than one year				
Bank loans (secured):				
repayable in year to March 1995	125	-	-	-
repayable between April 1995 and March 1998	705	-	830	-
Obligations under finance leases:				
payable in year to March 1994	12	-	49	-
	<u>842</u>	<u>-</u>	<u>879</u>	<u>-</u>
12 Unsecured loan stock				
3i plc	2,000	2,000	2,000	2,000
The stock is repayable by seven annual instalments, commencing on 30 September 1994. Interest is linked to the London Interbank Offered Rate.				

NOTES TO THE ACCOUNTS *continued*

31 MARCH 1993

Note	1993		1992	
	Group £000	Company £000	Group £000	Company £000
13 Commitments under operating leases				
The group had annual commitments under operating leases as follows:				
property				
expiring within 1 year	20	—	16	—
expiring in years 2 to 5	77	—	81	—
	<u>97</u>	<u>—</u>	<u>97</u>	<u>—</u>
vehicles				
expiring within 1 year	102	9	111	14
expiring in years 2 to 5	660	33	616	10
expiring after 5 years	14	—	—	—
	<u>776</u>	<u>42</u>	<u>727</u>	<u>24</u>

	1993		1992	
	Ordinary shares of 10p each £000	Preference shares of £1 each £000	Ordinary shares of 10p each £000	Preference shares of £1 each £000
14 Share capital				
Authorised	<u>1,500</u>	<u>3,000</u>	<u>1,500</u>	<u>3,000</u>
Issued and fully paid				
at 1 April	1,179	3,000	922	3,000
Issued in year:				
employees' profit sharing scheme	1	—	1	—
share option scheme	4	—	20	—
rights issue	—	—	236	—
at 31 March	<u>1,184</u>	<u>3,000</u>	<u>1,179</u>	<u>3,000</u>

The preference shares are redeemable at par in 2008.

	1993 £000	1992 £000
15 Share premium account		
at 1 April	3,298	90
In respect of shares issued	86	3,402
Less expenses of rights issue	—	(194)
at 31 March	<u>3,384</u>	<u>3,298</u>
16 Revaluation reserve		
at 1 April	1,643	1,695
Released to profit & loss account in respect of property sold (net of minority interest)	—	52
at 31 March	<u>1,643</u>	<u>1,643</u>

NOTES TO THE ACCOUNTS *continued*

31 MARCH 1993

Note	1993 £000	1992 £000
17 Investments		
Shares in group companies	7,137	7,137
Loans to group companies	488	1,713
	<u>7,625</u>	<u>8,850</u>

The company has the following subsidiaries:

Name	Country of registration	Percentage of issued ordinary shares held
1 Airsprung Beds Ltd	England	100
2 Airsprung Scotland Ltd	Scotland	100
3 Gainsborough Ltd	England	100
4* Duckers Furniture Ltd	England	95
5 Bynacks Ltd	England	100
6 Cavendish Upholstery Ltd	England	100
7 Gimson & Slater Ltd	England	100
8 Fitex Products Ltd	England	100
9 Flametex Fillings Ltd	England	100
10 Airofreem Ltd	England	100
11 Arena Design Associates Ltd	England	100
12 Confortluxe Furniture Ltd	England	100

*The company also holds 100% of the issued preference shares.

Companies numbered 1 to 7 are engaged in the manufacture and sale of furniture. Companies numbered 8 to 10 manufacture fillings for use mainly by companies numbered 1 to 7.

Arena Design Associates provides design services to the group's furniture companies.

Confortluxe Furniture imports furniture from Belgium for sale in the UK and Ireland.

	Group £000	1993 Company £000	Group £000	1992 Company £000
	Full potential	Provision made	Full potential	Provision made
18 Provisions for liabilities and charges				
- deferred tax				
Fixed asset timing differences	733	-	665	-
Advance corporation tax recoverable	(221)	-	(191)	-
	<u>512</u>	<u>-</u>	<u>474</u>	<u>-</u>
The company has no deferred tax				

NOTES TO THE ACCOUNTS *continued*

31 MARCH 1993

Note

1993
£0001992
£000**19 Earnings per share**

Earnings per share have been calculated on the following bases:
 Profit for the financial year
 Preference dividends

4,007
3003,979
300

3,707

3,679

Number
000'sNumber
000's

11,813

11,110

Weighted average of ordinary shares in issue during the year

Earnings in the year to 31 March 1992 were affected by the release of deferred tax previously provided to the extent of approximately 6.5p per share.

Dilution of earnings per share to take account of the outstanding share options would not be material.

20 Capital commitments

£000

£000

615

318

Expenditure contracted for
 Approved by the directors but not yet
 contracted for

1,344

1,836

1,959

2,154

Approved expenditure outstanding

21 Pensions

The group operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the group in an independent trustee administered fund. Contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was as at 1 January 1990. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8.5% per annum, that salary increases would average 7% per annum and allowance was made for future pensions commencing after 6 April 1988 to increase in course of payment at the rate of 3% per annum (or in line with the Retail Price Index if less) in respect of that part of the pension which represents Guaranteed Minimum Pension accruing from 6 April 1988 as a result of being contracted out of the State Scheme.

The most recent actuarial valuation showed that the market value of the scheme's assets was £2,242,000 and that the actuarial value of those assets represented 95% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The contributions of the company and employees, as recommended by the scheme's actuary are, respectively, 10.5% and 4% of pensionable earnings. The pension charge for the year to 31 March 1993 was £270,000.

The group also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently managed fund. The pension cost charge represents contributions payable by the group to the fund in the year, amounting to £58,931.



Canal Road Trowbridge
Wiltshire BA14 8RQ
Registered No 1277785
England
Telephone 0225 754411
Fax 0225 777423
Designed by Arena Design Associates