

Company registered no:1277785

**Airsprung Group PLC**  
**Annual report and financial statements**  
**for the year ended 31 March 2016**

FRIDAY



\*A5GMMX15\*

A13

30/09/2016

#240

COMPANIES HOUSE

# Airsprung Group PLC

## Contents

Board of directors and advisers	1
Strategic report	2
Directors' report	3
Independent auditors' report	7
Consolidated income statement	9
Consolidated statement of comprehensive income	10
Consolidated balance sheet	11
Consolidated cash flow statement	12
Consolidated statement of changes in equity	13
Notes to the financial statements	14
Company financial statements	42
Independent auditors' report to the members of Airsprung Group PLC	43
Company balance sheet	45
Notes to the company financial statements	46

# **Airsprung Group PLC**

## **Board of directors and advisers**

### **Officers and professional advisors**

#### **Directors**

S Lyons CBE  
A Lisanti  
T Dallaway  
A Perloff  
S Peters

#### **Secretary**

T Dallaway

#### **Company number**

1277785

#### **Registered office**

Canal Road  
Trowbridge  
Wiltshire  
BA14 8RQ

#### **Bankers**

Svenska Handelsbanken  
Upper Borough Court  
Upper Borough Walls  
Bath  
BA1 1RG

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
2 Glass Wharf  
Bristol  
BS2 0FR

# Airsprung Group PLC

## Strategic report for the year ended 31 March 2016

The directors submit their strategic report for the year ended 31 March 2016.

### Business review and future developments

The directors consider the key performance indicators for the Airsprung Group PLC ('the Group') to be gross margin, operating profit as a percentage of revenue and cash generation.

	2016	2015
Gross margin	26.9%	28.2%
Net margin before exceptional operating items	2.0%	1.5%
Net cash generated from/(used in) operating activities	£752,000	£585,000

Airsprung Group PLC is a diverse manufacturer and supplier of beds, headboards, upholstery, converted foam and graphic design products and services. The Group manufactures beds, upholstery and headboards that are in turn marketed via all UK retail channels including the traditional high street, on-line catalogues, e –tailers and also into the hospitality sector. The Group's foam conversion business produces shaped foam products used within the Group for fillings in beds and upholstery and also produces materials for third party customers, to very high specifications, in non-furniture related industries. The graphic design business develops marketing materials, Point of Sale, catalogues and web sites for both Airsprung group businesses and external clients.

Financial year 2015/16 saw a significant uplift in operating profits for the Group, before including the goodwill and intangibles impairment cost, finishing ahead of both internal annual budgets and well ahead of previous year. Revenues from sales of the Group's products were up year on year by 8.5%. This strong sales activity was driven by increased demand from long standing customers as well as from income streams provided by new customers during the year.

The year saw continued growth in the Group overall in terms of sales and profitability, driven predominantly by the beds and our related businesses, with growth being enjoyed across the market sectors served.

A review of the Group's upholstery interests concluded that the Hastings based Collins & Hayes business would be best served under different ownership and was subsequently disposed of after year end to an integrated retailer/manufacturer. This leaves the Group in a strong position to further concentrate on what is considered to be core activities. As a result of this, goodwill and intangibles relating to Collins & Hayes have been impaired, with a net impact of £1,081,000 to the Consolidated income statement.

The Group's net cash generated from operating activities grew to £752,000 and was primarily applied to investments in fixed assets for use in the business and the pay-down of the loan facility.

The Board believe that the group is very well placed to grow its business in all of its activities in the coming year and beyond.

### Principal Risks and uncertainties

The principal risks and uncertainties are discussed in the director's report.

This report was approved by the board on 30 September 2016 and signed on its behalf by

A Lisanti



# Airsprung Group PLC

## Directors' report for the year ended 31 March 2016

The directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2016.

### Profits and dividends

The consolidated income statement on page 9 shows a loss before taxation of £687,000 (2015 (restated): profit of £221,000). The directors do not recommend a final payment of a dividend (2015: £nil ordinary shares). A loss of £1,547,000 (2015 (restated): loss of £3,327,000) has been transferred to reserves (see page 10). The loss taken to reserves is after charging an actuarial loss on the defined benefit pension scheme of £821,000 (2015 (restated) actuarial loss: £3,902,000).

### Principal Activities

The principal activity of the Group and subsidiary undertakings is the manufacture, import and supply of beds, mattresses and upholstery. The directors do not foresee any major change in the level or nature of the Group's business.

### Directors and their interests

The directors of the company at 31 March 2016 all of whom served throughout the year and to the date of signing the financial statements were:

S Lyons CBE  
A Lisanti  
T Dallaway  
A Perloff  
S Peters

Portnard Limited a company that Mr Perloff has an interest in, owned the entire share capital in the company. Apart from the interests disclosed above, no other 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 were no commitments or contracts 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.

### Corporate governance

#### Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

# Airsprung Group PLC

## Directors' report for the year ended 31 March 2016 (continued)

- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

### Statement of disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he/ she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Internal controls — risk management

The board of directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, while management are required 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:

- a comprehensive budgeting system, with annual budgets 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;

### Going concern

The Group's business activities, together with the factors likely to affect its future development and performance are set out in the review of the business contained in the Strategic report on page 2. The Group's financial statements show details of its financial position including, in note 21, details of its financial instruments, maturity of financial liabilities and its exposure to currency risk.

The Group's working capital requirements are met by cash generated from operating activities supported by an overdraft facility of £1.25 million which was undrawn at the balance sheet date. The facility, which is secured on a proportion of the Group's property, is reviewed annually and no matters have been raised by the Group's bankers to suggest that renewal may not be forthcoming on acceptable terms.

# **Airsprung Group PLC**

## **Directors' report for the year ended 31 March 2016 (continued)**

A revolving loan of £1.55 million with Svenska Handelsbanken used to purchase Collins and Hayes Furniture Limited remains in place. This loan is subject to a number of covenants that are regularly monitored. As at 31 March 2016 £1 million (2015: £1.2 million) of the revolving loan was utilised.

The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook and, after making enquiries, have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

### **Non-current 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 2016 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 consult as appropriate. Bonus schemes and other incentives have been developed to enable employees to benefit more directly from their performance.

### **Directors' and Officers' liability insurance**

The Group purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

### **Creditor payment policy**

The Group's current policy concerning the payment of its creditors is to: agree 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 average creditor days figure for the year is 57 days (2015: 53 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 health, safety and the 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.

### **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.

### **Principal risks and uncertainties**

The Group's financial risk management objectives are detailed in note 21 of the financial statements.

This includes details of the Group's exposure to interest rate, currency risks and credit risks.

# **Airsprung Group PLC**

## **Directors' report for the year ended 31 March 2016 (continued)**

### **Economic conditions**

The Group sells its products primarily to the retail sector and as such its performance is inevitably linked to the strength of its retail customers who in turn have a high dependence on consumer spending levels. Consumer spending is predominantly driven by the general health of the underlying economic conditions prevailing at any time and either its real impact on consumers or their personal confidence in relation to their ability to purchase what are generally discretionary goods. The Group's strategy of having a portfolio of businesses that operate across the bed and, to a lesser extent, the upholstery market segments assist in de-risking the Group to any one specific socio demographic consumer group. It is unusual that in difficult economic conditions that all sectors of the furniture market suffers in equal proportions, hence the ability to supply different sectors that purchase at very different price levels provides an element of cushioning.

### **Operating efficiencies**

Operational efficiencies, particularly in the Group's volume businesses, are critical to maintaining margins and hence overall Group profitability. This area of the business is highly dependent on employing experienced and appropriately educated and trained management who bring to the Group significant operational skills. Targeted investment in plant, equipment and logistics are imperative in maintaining high levels of customer service, demanded by all retailers but must provide the Group with acceptable returns on those investments. The opportunity to maximise the tangible and human assets across the Group continues to suggest further profitable benefits in this area.

### **Key relationships**

#### **Major customers**

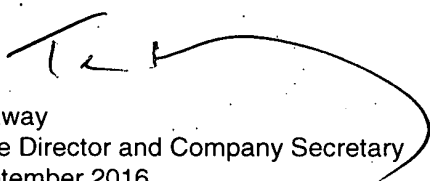
The Group recognises that in some of its businesses there is a high level of reliance on relatively few customers that are providing the majority of demand. This situation to a great extent reflects the growth of the national multiple retailers at the expense of the traditional Independent retailer that has been witnessed in many market sectors. The benefits to the Group of being key suppliers to these large retailers are many but include distribution efficiencies, purchasing benefits, manufacturing efficiencies and to date surety of payment. The major retailers enjoy the benefits of working with a smaller number of larger suppliers giving rise to administration benefits and purchasing leverage.

#### **Reliance on key suppliers**

The Group is not over exposed to any one key supplier even though for purchasing leverage purposes there are preferred suppliers who provide the majority of certain materials. In all cases, there are second tier suppliers who at relatively short notice are able to supply materials in the event of a preferred supplier failing to do so.

The Group's businesses take advantage of competitively priced materials from both UK and overseas but retain the ability to manufacture many of the key materials in-house thus balancing risk to financial benefit.

The Director's report has been approved by the Board of Directors and signed on behalf of the board by:

  
T Dallaway  
Finance Director and Company Secretary  
30 September 2016



# **Airsprung Group PLC**

## **Independent auditors' report to the members of Airsprung Group PLC**

### **Report on the group financial statements**

#### **Our opinion**

In our opinion, Airsprung Group PLC's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 March 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

Airsprung Group PLC's financial statements comprise:

- the Consolidated balance sheet as at 31 March 2016;
- the Consolidated income statement and the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# Airsprung Group PLC

## Independent auditors' report to the members of Airsprung Group PLC (continued)

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

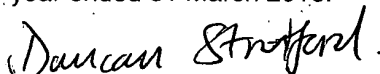
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements:

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Other matter

We have reported separately on the company financial statements of Airsprung Group PLC for the year ended 31 March 2016.



Duncan Stratford (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
30 September 2016

# Airsprung Group PLC

## Consolidated income statement for the year ended 31 March 2016

	Note	2016 £'000	2015 (Restated) £'000
Revenue	3	52,707	48,558
Cost of sales		(38,506)	(34,858)
Gross profit		14,201	13,700
Operating costs	4	(13,403)	(13,100)
Operating profit is analysed as:			
Before depreciation, amortisation and exceptional items		1,844	1,400
Depreciation and amortisation	5	(787)	(654)
Operating profit before exceptional items		1,057	746
Exceptional operating items	7	(259)	(146)
Operating profit before financing		798	600
Finance income	8	-	-
Finance costs	8	(404)	(379)
Impairment of goodwill and intangibles	10	(1,081)	-
(Loss)/profit before tax		(687)	221
Income tax	9	21	(26)
(Loss)/profit attributable to owners of the parent		(666)	195

All the above figures relate to continuing operations.

# Airsprung Group PLC

## Consolidated statement of comprehensive income for the year ended 31 March 2016

All the above figures relate to continuing operations.

	Note	2016 £000	2015 (Restated) £000
Profit for the year		(666)	195
Actuarial loss on defined benefit pension scheme	16	(821)	(3,902)
Movement on deferred tax asset relating to Pension Scheme	16	(60)	380
Total comprehensive expense for the year attributable to equity shareholders		<u>(1,547)</u>	<u>(3,327)</u>

# Airsprung Group PLC

## Consolidated balance sheet as at 31 March 2016

	Note	2016 £000	2015 £000
Intangible assets	10	100	1,381
Property, plant and equipment	11	7,555	7,621
Total non-current assets		7,655	9,002
Inventories	12	3,166	3,438
Trade and other receivables	13	11,345	9,224
Cash and cash equivalents	20	1,926	1,793
Total current assets		16,437	14,455
Total assets		24,092	23,457
Called up share capital	18	2,389	2,389
Share premium account	19	2,348	2,348
Other reserves	19	3,000	3,000
Accumulated losses	19	(6,172)	(4,625)
Total equity		1,565	3,112
Borrowings	15	209	140
Deferred tax liability	17	363	470
Pension scheme deficit	16	11,552	10,841
Total non-current liabilities		12,124	11,451
Trade and other payables	14	9,300	7,618
Borrowings	15	1,103	1,276
Total current liabilities		10,403	8,894
Total liabilities		22,527	20,345
Total equity and liabilities		24,092	23,457

The financial statements on pages 9 to 41 were approved by the board of directors on 30 September 2016 and signed on its behalf by

Directors

A Lisanti

T Dallaway

30 September 2016

Company Registration Number: 1277785

The notes on pages 14 to 41 form part of these financial statements. The independent auditors' report on the financial statements is on pages 7 to 8.

# Airsprung Group PLC

## Consolidated cash flow statement for the year ended 31 March 2016

	Note	2016 £000	2015 (Restated) £000
(Loss)/profit before tax		(687)	221
Adjustments for:			
Depreciation		587	454
Amortisation and impairment		1,281	200
Interest expense		404	379
Contributions to defined benefit pension scheme		(552)	(423)
Profit on sale of property, plant and equipment		(6)	(19)
Operating cash flows before movements in working capital		1,027	812
Decrease in inventories		272	129
Increase in receivables		(2,121)	(525)
Increase in payables		1,596	203
Cash generated from operations		774	619
Taxation received		-	-
Interest paid		(22)	(34)
Net cash generated from operating activities		752	585
Investing activities			
Proceeds on disposal of property, plant and equipment		44	29
Purchase of property, plant and equipment		(559)	(750)
Net cash outflow from investing activities		(515)	(721)
Financing activities			
Repayment of loan		(200)	-
Increase of finance lease liabilities		96	86
Net cash (used in)/generated from financing activities		(104)	86
Net decrease in cash and cash equivalents		133	(50)
Cash and cash equivalents at beginning of year		1,793	1,843
Cash and cash equivalents at end of year	20	1,926	1,793

# Airsprung Group PLC

## Consolidated statement of changes in equity for the year ended 31 March 2016

	Called up share capital £000	Share premium account £000	Share option reserve £000	Other reserves £000	Accumulated losses (Restated) £000	Total equity (Restated) £000
Balance as at 1 April 2014	2,389	2,348	-	3,000	(1,298)	6,439
Dividends	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-
Profit for the year	-	-	-	-	195	195
Actuarial loss on defined benefit pension scheme	-	-	-	-	(3,902)	(3,902)
Movement on deferred tax asset relating to pension scheme	-	-	-	-	380	380
Total comprehensive expense for the year	-	-	-	-	(3,327)	(3,327)
Balance as at 31 March 2015	2,389	2,348	-	3,000	(4,625)	3,112
Balance as at 1 April 2015	2,389	2,348	-	3,000	(4,625)	3,112
Dividends	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-
Profit for the year	-	-	-	-	(666)	(666)
Actuarial loss on defined benefit pension scheme	-	-	-	-	(821)	(821)
Movement on deferred tax asset relating to pension scheme	-	-	-	-	(60)	(60)
Total comprehensive expense for the year	-	-	-	-	(1,547)	(1,547)
Balance as at 31 March 2016	2,389	2,348	-	3,000	(6,172)	1,565

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016

### General information

The company is a public limited company incorporated and domiciled in England. The address of its registered office is Canal Road, Trowbridge, Wiltshire BA14 8RQ.

### 1. Basis of preparation

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies have been applied consistently throughout the year.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the fair value of share based payments and financial assets and financial liabilities at fair value through the income statement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.18.

Although these estimates are based on management's best knowledge of the amount, event or actions, the actual results ultimately may differ from those estimates. A summary of the more important Group accounting policies is set out below.

### 2. Accounting policies

#### 2.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of Airsprung Group PLC and its subsidiaries.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.



# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 2.1 Basis of consolidation (continued)

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

### 2.2. Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, allowances and value added tax.

Sales of goods and services are recognised on delivery when the risks and rewards of ownership pass to the customer.

### 2.3. Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's presentation currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Continued exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year.

### 2.4. Pension costs

#### 2.4.1. Defined Benefit Scheme

The defined benefit scheme previously operated by the Group closed to future accrual on 31 May 2006. For this scheme the amounts charged to operating profit are gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost, calculated based on the net pension asset or liability multiplied by the discount rate, is shown as a net amount of other finance costs or credits.

Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately on the face of the balance sheet.

#### 2.4.2. Defined Contribution Scheme

The Group operates defined contribution schemes for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 2.5. Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management evaluates positions taken in the tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and has established provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred corporation tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be suitable taxable profits against which the future reversal of the underlying temporary differences can be deducted. The carrying value of the amount of deferred tax assets is reviewed as at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised.

Deferred corporation tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been substantively enacted at the balance sheet date.

### 2.6. Property, plant and equipment

Property, plant and equipment are held at cost or deemed cost, net of depreciation less any provision for impairment. Costs include the original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use, including any qualifying finance costs. Depreciation is provided by the straight line method at rates calculated to write off the cost of the assets, other than freehold land, less their estimated residual value over their expected useful lives:

Freehold land:	Nil
Freehold buildings:	2½% per annum
Plant and vehicles:	10% to 20% per annum
Computer equipment:	33⅓% per annum

### 2.7. Impairment of non-current assets

At each balance sheet date, the Group reviews the carrying amounts of its non current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 2.7 Impairment of non current assets (continued)

Other than impairment of goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

### 2.8. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost on a first-in, first-out basis comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision has been made, where required, for slow moving, obsolete and defective stock.

### 2.9. Trade receivables

Trade receivables arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Trade receivables are initially recorded at invoiced value and subsequently remeasured at invoiced value, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

### 2.10. Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

### 2.11. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.12. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 2.12 Borrowings (continued)

costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

### 2.13. Segmental reporting

An operating segment is defined as a component of the entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about the resources to be allocated to the segment and assesses its performance;
- for which discrete financial information is available.

The board of directors has been identified as the CODM. The Group's management information system produces reports for the board, grouping financial performance under the following business areas:

- beds
- other activities

### 2.14. New standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 31 March 2015 or later periods but which the Group has not early adopted.

- Amendment to IAS 19 regarding defined benefit plans, effective 1 July 2014

The change to the calculation of interest expense as a result of the amendment to IAS 19 is considered in 2.20. There were no other new standards or amendments in the year that have had a material effect on the Group.

(b) New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group. The impact on the Group's operations is currently being assessed:

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective 1 January 2016
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, effective 1 January 2016
- Amendments to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants, effective 1 January 2016
- IFRS 14, 'Regulatory deferral accounts', effective 1 January 2016
- Amendments to IAS 27, 'Separate financial statements' on the equity method, effective 1 January 2016
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective 1 January 2016

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 2.14. New standards and interpretations (continued)

- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative, effective 1 January 2016
- Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception, effective 1 January 2017
- IFRS 15 'Revenue from contracts with customers', effective 1 January 2017
- IFRS 9 'Financial instruments', effective 1 January 2018
- IFRS 16 'Leases', effective 1 January 2019

All of these are not expected to have a significant impact on Airsprung Group PLC, with the exception of considerations arising from IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases'.

### 2.15. Equity instruments

Share capital is determined using the nominal value of shares that have been issued. Dividends are included in current liabilities when the dividends are approved in the general meeting prior to the balance sheet date.

### 2.16. Intangible assets

Intangible assets include brand names and customer lists that qualify for recognition as an intangible asset in a business combination. They are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives as these assets are considered finite. Intangible assets are amortised over a period of up to ten years. Amortisation has been included within the administrative costs in the income statement.

### 2.17. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

### 2.18. Judgements and estimates

The key areas that require management to make difficult, subjective or complex judgements and estimates about matters that are inherently uncertain are: the assumptions used to calculate the defined benefit pension scheme deficit (see note 16); the recognition of a deferred tax asset (see note 17); the recognition of goodwill and intangibles (see note 10). Management bases its estimates on historical experience and other assumptions that it believes reasonable. Actual results could differ from estimates used in employing the critical accounting policies and these could have a material impact on the results.

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 2.19. Capital maintenance

The Group's objectives when managing capital are: to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders; to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

### 2.20. Prior year restatement

Due to the implementation of the amendment to IAS 19 (effective for accounting periods starting on or after 1 July 2014), an accounting policy change has taken place in respect of the recognition of the charge made to the income statement in respect of the defined benefit scheme. In accordance with IAS 19, the charge/income recognised in the income statement is now a net interest cost calculated on the net pension asset/obligation using the prevailing discount rate. This replaces the existing treatment which was based on an interest cost on the obligation and a separate "expected return on assets". As a result of this change, a restatement was required to the 2015 comparative numbers in respect of the income statement line item for the defined benefit scheme charge, and the applicable sections of Note 16 relating to the income statement charges. This is as follows.

#### *Original disclosure*

	2015 £000
Operating charge:	
Current service cost	-
Gains and losses on any settlements or curtailments	-
	-
Pension finance costs:	
Expected return on pension scheme assets	1,511
Interest on pension scheme liabilities	(1,314)
Total income/(charge):	<u>197</u>

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 2.20 Prior year restatement (continued)

#### *Restatement*

	2015 (Restated) £000
Operating charge:	
Current service cost	-
Gains and losses on any settlements or curtailments	-
	<hr/>
Pension finance costs:	
Interest income on pension scheme assets	969
Interest charge on pension scheme liabilities	(1,314)
	<hr/>
Total income/(charge):	<b>(345)</b>
	<hr/>

In the primary statements, this is reflected in the "Finance income" and "Finance costs" lines of the Consolidated Income Statement. The total pension liability remains the same, with the difference going to the "actuarial loss" in the Statement of Other Comprehensive Income.

As a result, there is no net impact on the opening Retained Earnings for the current year.

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 3. Revenue

Our management information system produces reports for the Board grouping financial performance under the following business areas:

- beds
- other activities

The business areas have been split into two reportable operating segments, namely beds and other activities. Included within the beds operating segment are products sold under the trade names Airsprung Beds, Gainsborough, Hush and Hush-a-Bye Beds. Other activities include products sold under the Cavendish Upholstery, Collins & Hayes, Airofreem, Swanglen Furnishings and Arena Design trade names.

#### 3.1. Revenue

The following revenue information is based on the products sold to customers:

	2016 £000	2015 £000
Beds	42,271	36,858
Other activities	10,436	11,700
Revenue per consolidated income statement	<u>52,707</u>	<u>48,558</u>

#### 3.2. Adjusted profit before tax

The following profit information is based on products sold to customers and their associated costs:

	2016 £000	2015 £000
Beds	2,688	2,191
Other activities	(722)	(695)
	<u>1,966</u>	<u>1,496</u>

Reconciliation of adjusted profit before tax from the segmented reporting provided above to profit before tax in the consolidated statement of comprehensive income:

	2016 £000	2015 £000
Adjusted profit before tax per reportable segments	1,966	1,496
Exceptionals	(1,340)	(146)
Central charges	(1,313)	(1,129)
Profit before tax per consolidated income statement	<u>(687)</u>	<u>221</u>



# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 3.3. Segment assets and liabilities

The entity reports total assets to its Chief Operating Decision Maker. The entities' total assets and liabilities are not split between those allocated to beds and those allocated to other activities. As such, information regarding these total assets has already been disclosed in the financial statements.

### 3.4. Major customers

During the year there were 2 customers (2015: 2) who comprised 10% or more of revenue:

	2016 £000	2015 £000
Major customer 1	20,594	18,571
Major customer 2	7,677	6,859
	<b>28,271</b>	<b>25,430</b>

### 3.5. Geographical information

The following table provides an analysis of the Group's revenue by geographical market.

	2016 £000	2015 £000
United Kingdom	52,233	47,817
Rest of the world	474	741
	<b>52,707</b>	<b>48,558</b>

All assets are located within the United Kingdom.

### 4. Operating costs

Net operating costs are analysed as follows:

	2016 £000	2015 £000
Distribution costs	8,712	7,378
Administration costs	4,741	5,804
Other income	(50)	(82)
	<b>13,403</b>	<b>13,100</b>

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 5. Operating profit

	2016 £000	2015 £000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration for:		
Fees payable to the company's auditors for the audit of the parent company and consolidated financial statements	20	16
Fees payable to the company's auditors for other services: the audit of the company's subsidiaries	46	40
Fees payable to the company's auditors in respect of the Airsprung Retirement and Death Benefits Plan	8	8
Fees payable to the company's auditors for non audit services	40	40
Depreciation of owned assets	550	405
Depreciation of leased assets	37	49
Amortisation of acquired intangibles	200	200
Rental income	(44)	(42)
Directors' emoluments excluding pension contributions	494	411
Operating lease rentals:		
Vehicles and other operating leases	464	594

### 6. Employee information

	2016 Number	2015 Number
a) The monthly average number of employees, including executive directors, was:		
Production	493	442
Distribution	53	56
Administration	102	93
	648	591

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### Employee information (continued)

	2016 £000	2015 £000
b) Employment costs, including executive directors:		
Wages and salaries	13,137	12,308
Social security costs	1,109	998
Other pension costs	613	541
	<u>14,859</u>	<u>13,847</u>
Company pension contribution to defined contribution pension scheme	<u>173</u>	<u>120</u>

The highest paid director received remuneration (including salary and benefits in kind) of £262,000 (2015: £221,000) and a company pension contribution to a defined contribution pension scheme of £15,800 (2015: £15,000). A pension of £3,000 (2015: £5,000) is paid by the company to a past director.

### 7. Exceptional operating items

Exceptional items in 2016 consist of £259,000 (2015: £146,000) of reorganisation costs. These costs arose as a result of the reorganisation of the Group's upholstery interests, as discussed in the Strategic Report, and are considered to be one-off.

### 8. Finance income and finance costs

	2016 £000	2015 (Restated) £000
<b>Finance income</b>		
Finance income	-	-
Interest credit on pension scheme liability	-	-
Finance income	<u>-</u>	<u>-</u>
<b>Finance costs</b>		
Finance costs	(12)	(30)
Interest charge on pension scheme liability	(382)	(345)
Other interest charges	(10)	(4)
Finance costs	<u>(404)</u>	<u>(379)</u>

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 9. Income tax

#### a) Analysis of charge in the year:

	2016 £000	2015 £000
The charge is made up as follows:		
Current tax		
UK corporation tax at 20% (2015: 21%)	86	0
Total current tax charge	86	0
Deferred tax		
Current year	(107)	26
Total deferred tax (credit)/charge	(107)	26
Tax (credit)/charge on profit on ordinary activities	(21)	26

#### b) Factors affecting tax charge for the year

The rate of current tax charge on profit on ordinary activities varied from the standard rate of corporation tax in the UK due to the following factors:

	2016 £000	2015 £000
UK standard corporation tax rate		
Profit before taxation	(687)	221
Tax at the standard UK rate	(137)	46
Expenses not deductible for tax purposes	148	146
Effect of reduction in tax rates	(23)	(29)
Utilisation of previously unrecognised deferred tax	12	(104)
Prior year adjustment	(21)	(33)
Total taxation (continuing operations)	(21)	26

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### Income tax (continued)

c) Factors that may affect future tax changes:

The UK main corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015 and to 19% with effect from 1 April 2016 and 18% from 1 April 2020. The relevant deferred tax balances have been re-measured accordingly. A further proposal to reduce the rate to 17% from 1 April 2020 was substantively enacted after the balance sheet date, so its effect has not been included in these financial statements. The overall effect of that change, had it applied to the deferred tax asset at the balance sheet date, would have been to reduce it by £20,000, decrease the tax charge for the year by £20,000 and increase the charge to the statement of comprehensive income by £40,000.

### 10. Intangible assets

	Goodwill £000	Intangible assets £000	Total £000
Cost at 1 April 2014	672	1,579	2,251
Additions on acquisition	-	-	-
Cost at 1 April 2015	672	1,579	2,251
Additions on acquisition	-	-	-
Provision	(572)	(1,409)	(1,981)
<b>Cost at 31 March 2016</b>	<b>100</b>	<b>170</b>	<b>270</b>
Accumulated amortisation at 1 April 2014	-	670	670
Charge for the year	-	200	200
Accumulated amortisation at 1 April 2015	-	870	870
Charge for the year	-	200	200
Provision	-	(900)	(900)
<b>Accumulated amortisation at 31 March 2016</b>	<b>-</b>	<b>170</b>	<b>170</b>
<b>Net book value</b>			
<b>at 31 March 2016</b>	<b>100</b>	<b>-</b>	<b>100</b>
at 31 March 2015	672	709	1,381
at 31 March 2014	672	909	1,581

As a post balance sheet event, Airsprung Furniture Limited (a wholly owned subsidiary of Airsprung Group PLC) disposed of the entirety of its share capital in Collins and Hayes Furniture Limited, effective 4 July 2016. As such, the indefinite-lived goodwill and remaining intangibles subject to amortisation relating to Collins and Hayes were impaired, given that the carrying value at year end was not considered supportable as a result of this event. This has resulted in a net charge to the income statement of £1,081k.

Remaining goodwill and intangibles value is considered to be supported by the underlying net assets of the Airsprung Furniture Limited business.

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 11. Property, plant and equipment

	Freehold land and buildings £	Leasehold Buildings £	Plant and equipment £	Total £
Cost at 1 April 2014	8,611	54	13,123	21,788
Additions	216	-	534	750
Disposals	-	-	(63)	(63)
Cost at 1 April 2015	8,827	54	13,594	22,475
Additions	-	-	559	559
Disposals	-	(36)	(146)	(182)
<b>Cost at 31 March 2016</b>	<b>8,827</b>	<b>18</b>	<b>14,007</b>	<b>22,852</b>
Accumulated depreciation at 1 April 2014	2,507	12	11,934	14,453
Charge for the year	171	6	277	454
Disposals	-	-	(53)	(53)
Accumulated depreciation at 1 April 2015	2,678	18	12,158	14,854
Charge for the year	176	6	405	587
Disposals	-	(10)	(134)	(144)
Accumulated depreciation at 31 March 2016	<b>2,854</b>	<b>14</b>	<b>12,429</b>	<b>15,297</b>
<b>Net book value</b>				
<b>at 31 March 2016</b>	<b>5,973</b>	<b>4</b>	<b>1,578</b>	<b>7,555</b>
at 31 March 2015	6,149	36	1,436	7,621
at 31 March 2014	6,104	42	1,189	7,335

At 31 March 2016 the net book value of plant and equipment includes £47,000 (2015: £47,000) in respect of assets held under finance leases and similar hire purchase contracts.

Cost or valuation of freehold land and buildings includes £4,945,000 in respect of properties which were professionally valued on an open market existing use basis as at 1 April 1997. The valuation was undertaken by Alder King in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The valuation was deemed to be cost on conversion of the financial statements to IFRS.

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 12. Inventories

	2016 £000	2015 £000
Raw materials	2,193	2,178
Work-in-progress	279	326
Finished goods	694	934
	<u>3,166</u>	<u>3,438</u>

The cost of inventory which has been taken to the income statement is £28,937,000 (2015: £25,875,000).

### 13. Trade and other receivables

	2016 £000	2015 £000
Trade receivables	10,562	8,415
Less provisions for impairment	(281)	(269)
Trade receivables – net	10,281	8,146
Prepayments and accrued income	1,064	1,078
	<u>11,345</u>	<u>9,224</u>

#### 13.1. Ageing of receivables

The Group regularly reviews the ageing profile of trade receivables and actively seeks to collect any amounts that have fallen outside the defined credit terms. The Group provides, in full, for any debts it believes have become non-recoverable.

The ageing of trade receivables at 31 March 2016 is detailed below:

	2016 £000	2015 £000
Current	8,640	7,060
Up to 90 days overdue	1,393	1,046
Past 91 days overdue	248	40
	<u>10,281</u>	<u>8,146</u>

All provided debt is past 91 days overdue

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 14. Trade and other payables – current

	2016 £000	2015 £000
Trade payables	5,532	4,903
Corporation tax	86	-
Other taxation and social security	1,437	1,126
Accruals and deferred income	2,245	1,589
	<u>9,300</u>	<u>7,618</u>

### 15. Borrowings

	2016 £000	2015 £000
Current		
Bank loan	1,000	1,200
Obligations under finance leases	103	76
	<u>1,103</u>	<u>1,276</u>
Non-current		
Bank loan	-	-
Obligations under finance leases	209	140
	<u>209</u>	<u>140</u>

#### a) Bank loan

The group has a floating rate bank loan facility of £1.55m of which £1.0m is drawn down and is committed until December 2016 and interest was charged on the loan at GBP LIBOR plus 2.5%. Bank loan are secured by the assets of the group. The facility is subject to various financial covenants measured six monthly.

#### b) Supplier invoice discounting facility

Airsprung Furniture Limited uses uncommitted Supplier Invoice discounting facility. The facility is available based on 90% of qualifying debtors to fund the working capital needs of the business. Interest is charged based on the GBP 3 month LIBOR plus 1%. At 31 March 2016 and 31 March 2015 the group had not drawn down on the facility.

#### c) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.



# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 16. Pensions (restated)

The Group operates a funded group pension scheme, established under trust, providing defined benefits based on final salary. The scheme was closed to all future accrual on 31 May 2006. The assets of the scheme are held separately from those of the Group. BlackRock Investment Management (UK) Limited, Standard Life Global Absolute Return Strategies, Fidelity Institutional Real Estate Fund and Aviva Investors Jersey Unit Trust act as investment managers to the Trustees of the scheme. The latest actuarial valuation of the scheme was carried out as at 1 April 2014. The independent scheme Actuary valued the scheme using the projected unit method.

A market-consistent approach for valuing assets and liabilities was adopted. The principal assumptions used in the valuation were:

Pre-retirement discount rate: 5.90%

Post-retirement discount rate: 4.50%

Pension increases: 2.30% - 5.00%

The value of the liabilities of £31.4 million exceeds the market value of the assets of £22.7 million, which on an ongoing basis means that the funding level is 72%.

The employer contributions for the year to 31 March 2016 was £552,000 (2015: £423,000). The next actuarial valuation is due as at 1 April 2017.

To produce these statements, the full valuation of the Airsprung Retirement and Death Benefits Plan as at 1 April 2015 was updated to 31 March 2016 by the Actuary.

The major assumptions used by the Actuary were:

	As at 31 March 2016 %	As at 31 March 2015 %
Rate of increase in pensions in payment	2.9	2.9
Discount rate	3.5	3.3
Inflation RPI	3.0	3.0
Inflation CPI	2.0	2.0

Life expectancy assumptions in line with s2PA with CMJ2013 future improvements subject to a long term rate of 1% pa have been used.

The assets of the scheme were:

	Value at 31.03.16 £m	Value at 31.03.15 £m
Target return fund assets	21.4	23.8
Annuity policy	0.3	0.3
	<b>21.7</b>	<b>24.1</b>

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 16 Pensions (continued)

The following amounts were measured in accordance with the requirements of IAS 19:

	2016 £000	2015 £000
Total market value of assets	21,707	24,118
Present value of scheme liabilities	(33,999)	(35,759)
Recognised deferred tax asset	740	800
Deficit in scheme	<u>(11,552)</u>	<u>(10,841)</u>

Total funds as a result of recognition in the financial statements were:

	2016 £000	2015 £000
Net assets		
Total funds excluding pension deficit	13,117	13,953
Pension deficit	<u>(11,552)</u>	<u>(10,841)</u>
Total funds including pension deficit	<u>1,565</u>	<u>3,112</u>
Reserves		
Retained earnings excluding pension deficit	5,380	6,216
Pension deficit	<u>(11,552)</u>	<u>(10,841)</u>
Accumulated losses including pension deficit	<u>(6,172)</u>	<u>(4,625)</u>

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 16 Pensions (continued)

Charge to the financial statements:

	2016 £000	2015 (Restated) £000
Operating charge:		
Current service cost	-	-
Administration cost	2	-
Gains and losses on any settlements or curtailments	-	-
	<u>2</u>	<u>-</u>
Pension finance costs:		
Interest income on pension scheme assets	765	969
Interest charge on pension scheme liabilities	<u>(1,145)</u>	<u>(1,314)</u>
Total charge:	<u>(380)</u>	<u>(345)</u>

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 16 Pensions (continued)

	2016 £000	2015 £000
Obligations		
at 1 April	35,759	30,420
Interest cost on pension scheme liabilities	1,145	1,314
Administration costs	2	-
Benefits paid	(2,147)	(1,114)
Actuarial (gain)/loss on obligation	(760)	5,139
at 31 March	33,999	35,759
Plan assets		
at 1 April	24,118	22,603
Interest income on pension scheme assets	765	969
Employer Contributions	552	423
Benefits paid	(2,147)	(1,114)
Actuarial gain/(loss) on plan assets	(1,581)	1,237
at 31 March	21,707	24,118
Movements in deficit		
at 1 April	(10,841)	(7,397)
Employer Contributions	552	423
Other financial costs	(382)	(345)
Actuarial loss	(821)	(3,902)
Movement in recognised deferred tax asset	(60)	380
at 31 March	(11,552)	(10,841)

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 17. Deferred tax liability

	2016 £000	2015 £000
Property, plant and equipment temporary differences	570	701
Losses	(13)	(199)
Other temporary differences	(194)	(162)
	<b>363</b>	340
Acquired intangible	-	130
Total deferred tax liability	<b>363</b>	470
Net deferred tax	<b>363</b>	470
at 1 April	470	444
Transfer from income statement	(107)	26
at 31 March	<b>363</b>	470

Of the temporary difference of £2,274,000 (2015: £2,328,000) in respect of the IAS 19 pension deficit £740,000 (2015: £800,000) has been recognised and the balance of £1,534,000 (2014: £1,528,000) was unrecognised. Losses of £42,000 (2015: nil) were also unrecognised.

Deferred tax amounts are all payable beyond 12 months of the financial year end.

### 18. Called up share capital

	Issued and fully paid	
	Number	£000
Ordinary shares of 10p each at 31 March 2015 and 31 March 2016	23,888,698	2,389

Authorised share capital is £4 million.

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 19. Share premium account and other reserves

	Share premium account £000	Other reserves £000	Accumulated losses £000
at 1 April 2015	2,348	3,000	(4,625)
Total comprehensive expenses			(1,547)
at 31 March 2016	<u>2,348</u>	<u>3,000</u>	<u>(6,172)</u>

### 20. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	<u>1,926</u>	<u>1,793</u>

Bank balances and cash comprise cash held by the Group and the carrying value of these assets approximates to their fair value.

### 21. Financial instruments

The Group's financial instruments comprise borrowings, cash and various items that arise directly from its operations. The Group's operations are funded by cash generated from operating activities. The risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk.

The interest rate on all borrowings is variable. As the Group predominantly trades in sterling, exposure to foreign currency risk is minimal. Foreign currency transactions are settled at the daily spot rate where no forward contracts are in place. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

#### a) Cash at bank and in hand

	2016 £000	2015 £000
Cash at bank and in hand	<u>1,926</u>	<u>1,793</u>

Cash at bank and in hand is held in sterling and earns interest at 0.25% (2015: 0.25%) below the bank base rate.

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 21 Financial instruments (continued)

#### b) Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than short-term payables such as trade payables and accruals at 31 March was as follows:

	Debt £000	Finance leases £000	2016 Total £000	Debt £000	Finance leases £000	2015 Total £000
Within one year, or on demand	1,000	103	1,103	1,200	76	1,276
Between 1 and 2 years	-	87	87	-	53	53
Between 2 and 5 years	-	122	122	-	87	87
	1,000	312	1,312	1,200	216	1,416

The Group has an undrawn overdraft facility available at 31 March 2016 of £1.25 million, secured on certain elements of the Group's property. The security is of a floating nature and is reviewed annually in December.

The banking facilities of the company and its subsidiaries are cross guaranteed.

#### c) Fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments.

##### Secured loans

As the loans are floating rate borrowings, amortised cost is deemed to reflect fair value.

##### Trade and other receivables/payables

As the majority of receivables/payables have a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

#### d) Foreign Currency risk

The Group is exposed to transaction and translation foreign risk, in relation to the euro and US dollar.

Approximately 1% (2015: 1%) of the sales of the Group's businesses for the year to 31 March 2016 were to customers in foreign markets. These sales are priced in sterling but are invoiced in the currencies of the customers involved. Foreign exchange differences on the conversion of these balances are taken to the income statement of the Group companies and the Group.

Approximately 9% (2015: 6%) of the purchases made by the Group during the year to 31 March 2016 were from overseas suppliers. Foreign exchange differences on the conversion of these balances are taken to the income statement of the Group companies and the Group.

At 31 March 2016 the Group companies had monetary assets in euros and US dollars of £56,000 (2015: £169,000). Exchange differences on retranslation of these assets are taken to the income statement of the Group companies and the Group.

A 5% change in the euro and US dollar exchange rates would impact the income statement by approximately £132,000 (2015: £40,000).

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 21 Financial instruments (continued)

#### e) Credit risk

The Group monitors credit risk closely and considers its current policies of credit checks meet its objectives of managing exposure to credit risk.

The aging of receivables is shown in note 13.1.

#### f) Interest rate risk

The Group does not undertake any hedging activity in this area. The group's interest rate risk primarily arises from its supplier discounting facilities and long-term borrowings.

The borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2015 and 2016, the group's borrowings at variable rate were denominated in UK pounds. The group monitors its exposure to interest rate risk to ensure that it is reasonable.

At the year end the Group is exposed to interest rate fluctuations although the Group held net funds of £0.6 million. A 1% movement in interest rates would impact the interest receipt by £6,000.

#### g) Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and is aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its available Supplier invoice discounting facilities (note 15) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans and covenant compliance.



# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 22. Financial assets and liabilities

Classification of the Group's financial instruments is as below:

	Loans and receivables £000	Non financial assets £000	Total £000
Financial assets at 31 March 2016			
Cash and cash equivalents	1,926	-	1,926
Trade and other receivables	10,281	1,064	11,345
Total	12,207	1,064	13,271

	Financial liabilities at amortised costs £000	Liabilities not within scope of IAS 39 £000	Total £000
Financial liabilities at 31 March 2016			
Trade and other payables	5,532	2,245	7,777
Long term borrowings – current	1,000	-	1,000
Finance lease liability – current	-	103	103
Long term borrowings - non current	-	-	-
Finance lease liability - non current	-	209	209
Taxes payable	-	1,437	1,437
Total	6,532	3,994	10,526

	Loans and receivables £000	Non financial assets £000	Total £000
Financial assets at 31 March 2015			
Cash and cash equivalents	1,793	-	1,793
Trade and other receivables	8,146	1,078	9,224
Total	9,939	1,078	11,017

	Financial liabilities at amortised costs £000	Liabilities not within scope of IAS 39 £000	Total £000
Financial liabilities at 31 March 2015			
Trade and other payables	4,903	1,589	6,492
Long term borrowings – current	1,200	-	1,200
Finance lease liability – current	-	76	76
Long term borrowings - non current	-	-	-
Finance lease liability - non current	-	140	140
Taxes payable	-	1,126	1,126
Total	6,103	2,931	9,034

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 23. Related party disclosures

During the year the Group has paid rental of £28,000 to Panther Plc, a related party. A fee for management has been paid to the ultimate parent company of Portnard Ltd of £120,000.

During the year a loan of £250,000 was made to Portnard Ltd, this was outstanding as at 31 March 2016.

Any other transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Detail of remuneration paid to the directors is shown in note 6.

### 24. Operating lease commitments

The group leases various premises under non-cancellable operating lease agreements. The lease terms are up to 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The group leases various plant and machinery under cancellable operating lease agreements. The lease expenditure charged to the income statement during the year is disclosed in note 5.

	2016 £000	2015 £000
The future aggregate minimum lease payments under non-cancellable operating leases as follows:		
No later than 1 year	167	80
Later than 1 year and no later than 5 years	70	291
Later than 5 years	277	78
	<u>514</u>	<u>449</u>

# Airsprung Group PLC

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 25. Ultimate parent undertaking and controlling party and subsidiary undertakings

The immediate parent undertaking and ultimate parent undertaking is Portniard Ltd a company incorporated in Jersey.

Airsprung Group PLC is the parent undertaking of the largest group of undertakings to consolidate these financial statements.

The following are subsidiary companies of Airsprung Group PLC as at 31 March 2016. Unless otherwise stated, all the below companies are owned 100% by Airsprung Group PLC (either directly or indirectly). All companies below are incorporated in the United Kingdom. Unless otherwise stated, all share types below are vote-carrying:

Company Name	Principal Activity	Share Type(s) Held
Airofreem Limited	Dormant	Ordinary
Airsprung Beds Limited	Dormant	Ordinary
Airsprung Furniture limited	Bed and furniture manufacturing	Ordinary
Airsprung Limited	Dormant	Ordinary
Airsprung Property Limited	Dormant	Ordinary
Airsprung Scotland Limited	Dormant	Ordinary
Arena Design Associates Limited	Dormant	Ordinary
Byrnacks Limited	Dormant	Ordinary
Casterbridge Furniture Limited	Dormant	Ordinary
Cavendish Upholstery Limited	Dormant	Ordinary
Collins and Hayes Furniture Limited	Furniture manufacturing	Ordinary, Redeemable Preference
Dreamnight Limited	Dormant	Ordinary
Fitex Products Limited	Dormant	Ordinary
Flametex Fillings Limited	Dormant	Ordinary
Gainsborough Limited	Dormant	Ordinary
Gimson & Slater Limited	Dormant	Ordinary
Hush Sleep Collection Limited	Dormant	Ordinary
Intasco Limited	Dormant	Ordinary
Mensaco Limited	Dormant	Ordinary
Nocturne Limited	Dormant	Ordinary
Sleepmaker Beds Limited	Dormant	Ordinary
Springmaster Limited	Dormant	Ordinary
Sprung Foam Limited	Dormant	Ordinary
Swanglen Furnishings Limited	Dormant	Ordinary
United Bedding Corporation Limited	Dormant	Ordinary
Warwick Upholstery Company Limited	Dormant	Ordinary

### 26. Subsequent events

As a post balance sheet event, Airsprung Furniture Limited (a wholly owned subsidiary of Airsprung Group PLC) disposed of the entirety of its share capital in Collins and Hayes Furniture Limited, effective 4 July 2016. Please refer to Note 10 for further details.

# **Airsprung Group PLC**

## **Company financial statements**

Independent Auditor's Report	43
Company balance sheet	45
Notes to the company financial statements	46

# **Airsprung Group PLC**

## **Independent auditors' report to the members of Airsprung Group PLC**

### **Report on the company financial statements**

#### **Our opinion**

In our opinion, Airsprung Group PLC's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The company financial statements (the "financial statements"), which are prepared by Airsprung Group PLC, comprise:

- the company balance sheet as at 31 March 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Other matters on which we are required to report by exception**

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# Airsprung Group PLC

## Independent auditors' report to the members of Airsprung Group PLC (continued)

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

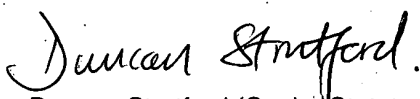
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Other matter

We have reported separately on the group financial statements of Airsprung Group PLC for the year ended 31 March 2016.



Duncan Stratford (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
Bristol  
30 September 2016

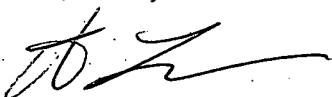
# Airsprung Group PLC

## Company balance sheet for the year ended 31 March 2016

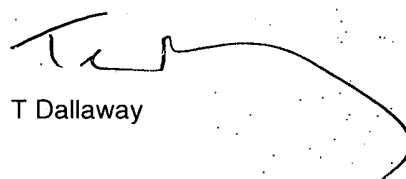
	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	3	8	14
Investments	4	1,005	1,005
		<u>1,013</u>	<u>1,019</u>
Current assets			
Debtors	5	12,607	12,586
Cash at bank and in hand		579	833
		<u>13,186</u>	<u>13,419</u>
Creditors: amounts falling due within one year	6	(1,612)	(1,772)
Net current liabilities		<u>11,574</u>	<u>11,647</u>
Total assets less current liabilities		<u>12,587</u>	<u>12,666</u>
Financed by			
Pension and similar obligations	7	12,292	11,641
		<u>12,292</u>	<u>11,641</u>
Capital and reserves			
Called up share capital	9	2,389	2,389
Share premium account	10	2,348	2,348
Capital redemption reserve	10	3,000	3,000
Profit and loss account	10	(7,442)	(6,712)
Total shareholders' funds		<u>295</u>	<u>1,025</u>
		<u>12,587</u>	<u>12,666</u>

The financial statements on pages 45 to 51 were approved by the board on 30 September 2016 and signed on its behalf by:

A Lisanti



T Dallaway



Company registered number: 1277785

# Airsprung Group PLC

## Notes to the company financial statements for the year ended 31 March 2016

### 1. Accounting policies

#### 1.1. Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below. As a consolidated statement of comprehensive income is published, a profit and loss account for the parent company is omitted as permitted by section 408 of the Companies Act 2006.

#### **Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions. These exemptions are:

- (i) the requirement to prepare a statement of cash flows;
- (ii) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- (iii) the requirement to disclose related party transactions, with the members of the same group, that are wholly owned;

#### 1.2. Turnover

Turnover is measured as the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, allowances and value added tax.

Sales of goods and services are recognised on delivery when the risks and rewards of ownership pass to the customer.

#### 1.3. Tangible fixed assets and depreciation

Tangible fixed assets are carried at historical cost less accumulated depreciation. The company has elected to take the FRS 102 transition exemption allowing property previously valued under UK GAAP to remain at that previous valuation at the transition date. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. 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:

Plant and equipment: 10% to 20%

Computer equipment: 33⅓%

#### 1.4. 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.



# Airsprung Group PLC

## Notes to the company financial statements for the year ended 31 March 2016 (continued)

### Accounting policies (continued)

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 on a straight line basis.

Under FRS 102, the commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. Previously, under UK GAAP the date of inception of a lease was the earlier of the time the asset was brought into use and the date from which rentals first accrued.

### 1.5. Deferred tax

Deferred tax is recognised in respect of 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 in accordance with FRS 102.

### 1.6. Pensions

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

#### (i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

#### (ii) Defined contribution pension plans

The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

#### (iii) Defined benefit pension plan

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

# Airsprung Group PLC

## Notes to the company financial statements for the year ended 31 March 2016 (continued)

### Accounting policies (continued)

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

### 1.7. Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

### 2. Profit attributable to members of the parent company

The profit attributable to members of the parent company is £91,000 (2015 restated for FRS 102: £453,000 – see Note 12).

See Group note 5, page 24 for details of the remuneration paid to the auditors. Directors remuneration is disclosed in Group note 6, page 24.

### 3. Tangible assets

	Plant and equipment £000
Cost or valuation at 1 April 2015	266
Additions	1
at 31 March 2016	<u>267</u>
Accumulated Depreciation at 1 April 2015	252
Charge for year	7
at 31 March 2016	<u>259</u>
Net book value at 31 March 2016	<u>8</u>
at 31 March 2015	<u>14</u>

# Airsprung Group PLC

## Notes to the company financial statements for the year ended 31 March 2016 (continued)

### 4. Investments

	2016	2015
	£000	£000
Shares in Group companies at 1 April	978	978
Loans to Group companies	27	27
	<u>1,005</u>	<u>1,005</u>

The principal trading subsidiary is Airsprung Furniture Limited. The company holds 100% of the issued ordinary share capital of Airsprung Furniture Limited. Airsprung Furniture Limited is incorporated in Great Britain and is engaged in the manufacture and sale of furniture.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

### 5. Debtors

	2016	2015
	£000	£000
Trade debtors	51	62
Prepayments and accrued income	482	321
Intercompany balances	12,074	12,203
	<u>12,607</u>	<u>12,586</u>

### 6. Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Bank loans and overdrafts	1,000	1,200
Corporation tax	-	-
Other taxation and social security	117	123
Accruals and deferred income	495	449
	<u>1,612</u>	<u>1,772</u>

# Airsprung Group PLC

## Notes to the company financial statements for the year ended 31 March 2016 (continued)

### 6 Creditors: amounts falling due within one year (continued)

#### Bank loan

The group has a floating rate bank loan facility of £1.55m of which £1.0m is drawn down and is committed until December 2016 and interest was charged on the loan at GBP LIBOR plus 2.5%. Bank loan are secured by the assets of the group. The facility is subject to various financial covenants measured six monthly.

### 7. Pensions

See Group note 16 on pages 31 to 34. There are no differences between treatment of the defined benefit scheme under IFRS in the consolidated financial statements compared with FRS 102 in these parent company statements.

### 8. Provisions for liabilities: deferred tax

	2016 £000	2015 £000
Fixed asset timing differences	-	-
Other	-	-
	-	-
at 1 April	-	-
Transfer to profit and loss account	-	-
at 31 March	-	-

Of the temporary difference of £2,274,000 (2015: £2,328,000) in respect of the FRS 102 pension deficit £740,000 (2015: £800,000) has been recognised and the balance of £1,524,000 (2015: £1,528,000) was unrecognised.

### 9. Called up share capital

	Issued and fully paid	
	Number	£000
Ordinary shares of 10p each at 31 March 2015 and 31 March 2016	23,888,698	2,389

# Airsprung Group PLC

## Notes to the company financial statements for the year ended 31 March 2016 (continued)

### 10. Share premium account and reserves

	Share premium account	Share option reserve	Capital redemption reserve	Profit and loss account
	£000	£000	£000	£000
at 1 April 2015	2,348	-	3,000	(6,712)
Profit for the year	-	-	-	91
Actuarial loss	-	-	-	(821)
Movement on deferred tax asset relating to Pension Scheme	-	-	-	-
<b>at 31 March 2016</b>	<b>2,348</b>	<b>-</b>	<b>3,000</b>	<b>(7,442)</b>

### 11. Related party disclosures

During the year the Group has paid rental of £28,000 to Panther Plc, a related party. A fee for management has been paid to the ultimate parent company of Portnard Ltd of £120,000.

During the year a loan of £250,000 was made to Portnard Ltd.

In accordance with the exemptions available under FRS 102 Section 33 'Related party disclosures', there is no disclosure in these financial statements of transactions between entities that are part of the Group.

Full disclosure of all directly or indirectly owned subsidiaries matches that disclosed in Note 26 of the Consolidated Financial Statements.

### 12. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014.

A reconciliation of the impact to the profit for the financial year between the UK GAAP and FRS 102 for both the in comparative years has been presented as below. **N.B.** A similar reconciliation cannot be performed for 2016, as the only reconciling item relates to the calculation of the pension interest cost. The actuarial valuation produced for 2016 does not contain a comparison between old UK GAAP and FRS 102.

	2015 £000
<b>UK GAAP Profit for the financial year</b>	995
- FRS 102 pension interest charge	(542)
<b>FRS 102 Profit for the financial year</b>	<u>453</u>

There was no difference between the total equity recognised in 2015 under UK GAAP and that recognised under FRS 102.