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BYMACKS LIMITED

DIRECTORS' REPORT

The directors submit their report, together with the audited accounts, for the year ended 31 March 2001.

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

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2001. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Profits and dividends
The profit for the year and the appropriation thereof are set out in the profit and loss account on page 3.
The directors declared and paid an interim dividend of £4,000 on 26 January 2001. The directors propose a second interim dividend of £40,000 in respect of the year ended 31 March 2001.

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

Directors
The directors of the company at 31 March 2001, all of whom served throughout the year, or from the date of their appointment, were:-

A J R Alsop
P R Ziemniak
D Johnston
R Winterbottom
D Wills – appointed 1 January 2001

R E Panes and S T Harrington who were directors as at 31 March 2000 resigned on 1 August 2000 and 28 November 2000 respectively. There have been no changes in directors since 31 March 2001.

Directors' interests
None of the directors who served during the year had any interest in the shares of the company.

Messrs Panes, Johnston, Wills and Winterbottom did not at any relevant date have any interest in the shares of the ultimate holding company.

The interests of the other directors, who are directors of the ultimate holding company, in shares and options to purchase shares, are shown in the accounts of that company.

By order of the Board

T E Dallaway
Secretary

Trowbridge
25 May 2001

AUDITORS' REPORT

Auditors' report to the members of Bymacks Limited

We have audited the financial statements on pages 3 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 1, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICEWATERHOUSECOOPERS
Chartered Accountants and Registered Auditors
Bristol
25 May 2001

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2001

	Notes	Year to 31.3.01 £	Year to 31.3.00 £
Turnover	1	8,685,302	8,885,224
Cost of sales		6,655,472	6,562,399
Gross profit		2,029,830	2,322,825
Net operating expenses	2	1,938,462	2,090,302
Operating profit	3	91,368	232,523
Interest payable	6	(34,562)	(42,077)
Profit before taxation		56,806	190,446
Tax charge	7	(6,667)	(5,454)
Profit after taxation		50,139	184,992
Equity dividend - paid		(4,000)	-
- proposed		(40,000)	(145,000)
Retained profit for the period		6,139	39,992
Retained profit at 1 April		1,606,183	1,566,191
Retained profit at 31 March		1,612,322	1,606,183

The company has no recognised gains and losses, or movements in shareholders' funds, other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses or reconciliation of movements in shareholders' funds has been presented.

There is no material difference between the profit before tax and the retained profit and their historical cost equivalents for the period stated above.

The principal accounting policies and the notes, which form part of these accounts, are on pages 5 to 9.

BALANCE SHEET AT 31 MARCH 2001

	Notes	31 March 2001		31 March 2000	
		£	£	£	£
Tangible fixed assets	8		1,334,162		1,351,699
Current assets					
Stocks	9	618,614		746,865	
Debtors	10	1,090,733		1,414,029	
Cash balances	16	32,003		37,744	
		1,741,350		2,198,638	
Creditors: amounts falling due within one year	11	1,461,190		1,906,643	
Net current assets			280,160		291,995
Total assets less current liabilities			1,614,322		1,643,694
Creditors: amounts falling due after more than one year	12		-		35,511
			1,614,322		1,608,183
Capital and reserves					
Called up share capital	14		2,000		2,000
Profit and loss account			1,612,322		1,606,183
Equity shareholders' funds			1,614,322		1,608,183

The accounts were approved by the directors on 25 May 2001.

..... Director

The principal accounting policies and the notes, which form part of these accounts, are on pages 5 to 9.

PRINCIPAL ACCOUNTING POLICIES

1. Accounting convention

The accounts have been prepared in accordance with accounting standards applicable in the UK under the historical cost convention. The principal accounting policies set out below have been consistently applied.

2. Depreciation

Depreciation is calculated to write off the costs or amount of the valuation of tangible fixed assets by equal instalments over the estimated useful lives of the assets at the following principal annual rates:

Freehold buildings	2%	-	12.5%
Plant and equipment	7.5%	-	12.5%
Motor vehicles	10%	-	20%

3. Leases

Where the company 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 fixed tangible asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Instalments paid are apportioned between finance charges, charged to the profit and loss account as interest, and capital, deducted from obligations.

All other leases are treated as operating leases and rental charges are taken to the profit and loss account.

4. Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis; in the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made, where necessary, for obsolescent, slow moving and defective stocks.

5. Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the period-end are reported at the rates of exchange prevailing at the period-end. Any foreign exchange differences are taken to the profit and loss account in the period in which they arise.

6. Deferred taxation

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

7. Pensions

The company contributes to a group pension scheme operated by ultimate holding company. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employee's services. The effects of variations from regular costs are spread over the expected remaining working lifetime of members of the scheme.

NOTES TO ACCOUNTS

1. Turnover

Turnover, which excludes value added tax, represents the invoiced value of sales less trade discounts and allowances.

	Year to 31.3.01 £	Year to 31.3.00 £
2. Net operating expenses		
Net operating expenses are made up as follows:-		
Distribution expenses	1,057,372	1,053,074
Administration expenses	881,090	1,037,228
	1,938,462	2,090,302
3. Operating profit		
Operating profit is stated after charging:-		
Auditors' remuneration for:		
Audit	12,902	13,071
Other services	3,358	3,260
Depreciation of owned assets	94,491	66,849
Depreciation of leased assets	16,515	16,515
Operating lease rentals:-		
Plant and equipment	82,619	84,602
Directors' emoluments (see below)		
Excluding pension contributions	212,580	248,440

The emoluments of Messrs Alsop and Ziemniak are paid by the parent company. Their services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the company paying their emoluments. Accordingly the above details include no emoluments in respect of the aforementioned directors.

Retirement benefits are accruing to four directors under a group defined benefits scheme in which the company participates.

4.Highest paid director

The highest paid directors' emoluments, disclosed in accordance with Schedule 6 of the Companies Act 1985 are as follows:-

Aggregate emoluments	76,667	83,602
Accrued pension at end of year under a defined benefits pension scheme	4,324	15,824

5. Employee information	Year to 31.3.01	Year to 31.3.00
a)The average number of persons employed by the company, including executive directors, during the year is analysed below:-		
Production	116	123
Distribution	13	14
Administration	14	15
	143	152
b)Employment costs, including executive directors:-	£	£
Aggregate gross wages and salaries	2,500,810	2,527,507
Employers' national insurance contributions	203,001	212,224
Employers' pension contributions under the group pension scheme	90,907	67,975
	2,794,718	2,807,706

6. Interest		
Interest payable is made up of:-		
Intra-group loans	30,557	34,883
Finance charges	3,965	6,793
Other	40	401
	34,562	42,077

7. Tax		
The charge/(credit) is made up as follows:-		
On the taxable profit for the year		
UK corporation tax at 30% (2000 30%)	6,667	5,454
Prior year adjustments	-	-
	6,667	5,454

The effective rate of tax for the year is lower than 30% as a result of group relief received from elsewhere within the group.

8. Tangible fixed assets

	Freehold land and buildings	Equipment & Vehicles Owned	Leased	Total
	£	£	£	£
Cost				
At 1 April 2000	1,309,143	592,330	197,922	2,099,395
Additions	7,111	87,421	-	94,532
Disposals	-	(8,137)	(8,000)	(16,137)
Inter Company transfer	-	(3,720)	-	(3,720)
At 31 March 2001	1,316,254	667,894	189,922	2,174,070
Depreciation				
At 1 April 2000	284,930	379,073	83,693	747,696
Provision for year	37,012	57,479	16,515	111,006
Relating to disposals	-	(7,537)	(8,000)	(15,537)
Inter Company transfer	-	(3,257)	-	(3,257)
At 31 March 2001	321,942	425,758	92,208	839,908
Net book value				
At 31 March 2001	994,312	242,136	97,714	1,334,162
At 31 March 2000	1,024,213	213,257	114,229	1,351,699

	At 31.3.01 £	At 31.3.00 £
9. Stocks		
Raw materials	324,094	447,757
Work in progress	119,574	120,626
Finished goods	174,946	178,482
	618,614	746,865
10. Debtors		
Trade debtors	966,819	1,229,286
Amounts due from fellow subsidiaries	18,199	87,500
Other debtors	3,778	950
Prepayments and accrued income	101,937	96,293
	1,090,733	1,414,029
11. Creditors: amounts falling due within one year		
Lease obligations	35,511	36,059
Trade creditors	907,704	996,897
Amounts due to fellow subsidiaries	145,795	177,190
Amount due to parent company	43,283	245,449
Corporation tax and ACT	6,667	1,454
Value added tax and social security	194,169	217,841
Other creditors	481	559
Accruals	127,580	231,194
	1,461,190	1,906,643
12. Creditors : amounts falling due after more than one year		
Obligations under finance leases - due between 1 and 2 years	-	35,511
	-	35,511
13. Commitments under operating leases		
The company had annual commitments under non-cancellable operating leases for:-		
Equipment and vehicles		
Expiring in one year	10,426	7,919
Expiring in years 2 to 5	56,157	57,669
	66,583	65,588

	At 31.3.01 £	At 31.3.00 £
14. Called up share capital		
Shares of £1 each		
Authorised, allotted and fully paid	2,000	2,000

15. Provisions for liabilities and charges

	At 31.3.01		At 31.3.00	
Deferred tax	**Not provided £**	**Provision £**	**Not provided £**	**Provision £**
Fixed asset timing differences	62,015	-	64,714	-

The company has given an unlimited guarantee in respect of the bank overdraft of its parent company.

16. Contingent liabilities

The company has indemnified Fortis Bank sa-nv in respect of indemnities and guarantees given by the bank on its behalf. The contingent liability in respect of these indemnities at 31 March 2001 was £100,000 (2000 £100,000). The company has given an unlimited guarantee in respect of the bank overdraft of its parent and fellow subsidiary companies.

17. Pensions

Pensions are provided for staff, including directors, through a defined benefits group scheme, the Airsprung Retirement and Death Benefits Plan. The plan's assets are held in a separate trustee administered fund and the fund is valued every three years by a professional qualified independent actuary. Additional information on this scheme is included in the Report and Accounts of the ultimate holding company.

18. Ultimate holding company

Airsprung Furniture Group PLC, which owns 100% of the issued share capital of the company and is registered in England and Wales, is the company's ultimate holding company and also its ultimate controlling party. Copies of the ultimate holding company's financial statements may be obtained from its registered office at Canal Road, Trowbridge, Wiltshire, BA14 8RQ.

19. Transactions with related parties

The company has taken advantage of the exemption permitted by Financial Reporting Standard No 8, available to subsidiary undertakings where 90% or more of the voting rights are controlled within the group and where the consolidated financial statements of that group are publicly available, not to disclose transactions with other group companies within these accounts.