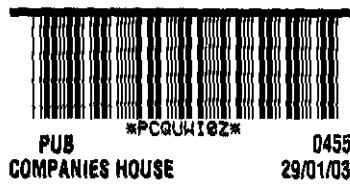


BYMACKS LIMITED

Registration number 860721



DIRECTORS' REPORT

The directors submit their report, together with the audited accounts, for the year ended 31 March 2002.

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 2002. 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 that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible 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 Nil (2001: £4,000) and the directors propose a final dividend of £1,953,371 (2001: £40,000) in respect of the year ended 31 March 2002.

Activities

The principal activity of the company is the manufacture of upholstered furniture.

On 31 March 2002 all the trade and assets except for the freehold land and buildings of Bymacks Limited were transferred to Airsprung Furniture Limited, a fellow subsidiary, at net book value. The freehold land and buildings were transferred to another fellow subsidiary, Airsprung Property Limited on the same date.

Directors

The directors of the company at 31 March 2002, all of whom served throughout the year, or from the date of their appointment, were:-

A J R Alsop

D Johnston

D Wills

S Yates – appointed 7 August 2001

M Booth – appointed 1 December 2001

P R Ziemniak and R Winterbottom who were directors as at 31 March 2001 resigned on 31 August 2001 and 7 December 2001 respectively. M Booth who was a director as at 31 March 2002 resigned on 19 April 2002. A Lisanti was appointed a director on 29 April 2002.

There have been no other changes in directors since 31 March 2002.

Directors' interests

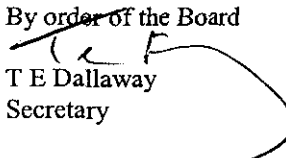
None of the directors who served during the year had any interest in the shares of the company.

Messrs Johnston, Wills, Winterbottom and Booth 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.

Trowbridge
30 May 2002

By order of the Board


T E Dallaway
Secretary

INDEPENDENT AUDITORS' REPORT

Independent Auditors' report to the members of Bymacks Limited

We have audited the financial statements on pages 3 to 13.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with the applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

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 Companies Act 1985. 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.

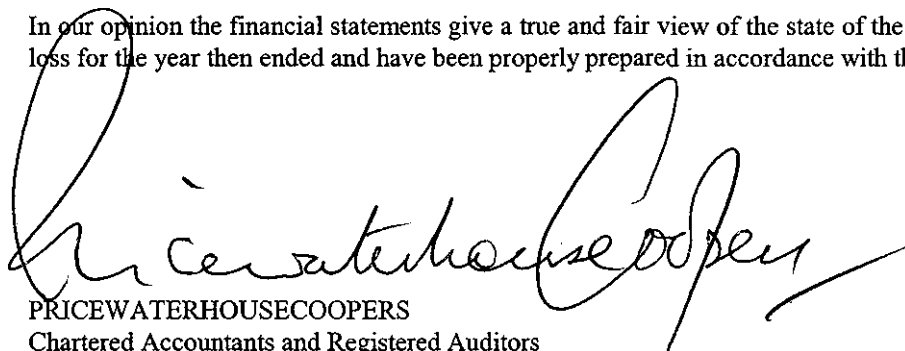
Basis of audit opinion

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICEWATERHOUSECOOPERS
Chartered Accountants and Registered Auditors
Bristol
30 May 2002

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002

	Notes	Year to 31.3.02 £	Year to 31.3.01 £ (as restated)
Discontinued Operations			
Turnover	1	10,103,391	8,685,302
Cost of sales		8,085,522	6,655,472
Gross profit		2,017,869	2,029,830
Net operating expenses	2	2,029,300	1,938,462
Operating (loss)/profit	3	(11,431)	91,368
Interest payable	5	(24,481)	(34,562)
(Loss)/profit on ordinary activities before taxation		(35,912)	56,806
Tax	6	(700)	(7,253)
(Loss)/profit on ordinary activities after taxation		(36,612)	49,553
Equity dividend - paid		-	(4,000)
- proposed		(1,953,371)	(40,000)
(Loss)/retained profit for the period		(1,989,983)	5,553

There is no material difference between the loss before tax and the losses 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 6 to 13.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES 31 MARCH 2002

	Year to 31.3.02 £	Year to 31.3.01 £ (as restated)
(Loss)/profit for the year	(36,612)	49,553
Realised surplus on revaluation of property	442,961	-
Total recognised gains for the year	406,349	49,553
Prior year adjustment - deferred tax	(65,300)	-
Total gains recognised since last annual report	341,049	49,553

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

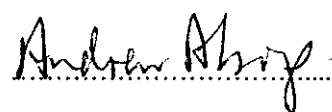
	Year to 31.3.02 £	Year to 31.3.01 £ (as restated)
(Loss)/profit for the year	(36,612)	49,553
Dividends	(1,953,371)	(44,000)
Net movement in shareholders' funds	(1,989,983)	5,553
Realised surplus on revaluation of property	442,961	-
Net change in shareholders' funds	(1,547,022)	5,553
Opening shareholders' funds *	1,549,022	1,543,469
Closing shareholders' funds	2,000	1,549,022

* Restated for change in accounting policy for deferred tax. Original shareholders' funds were £1,614,322 at 31 March 2001 before deducting prior year adjustment of £65,300 (1 April 2000: £1,608,183 before deducting prior year adjustment of £64,714)

BALANCE SHEET AS AT 31 MARCH 2002

	Notes	31 March 2002		31 March 2001	
		£	£	£	£
				(as restated)	(as restated)
Tangible fixed assets	7		-		1,334,162
Current assets					
Stocks	8	-		618,614	
Debtors	9	1,955,371		1,090,733	
Cash balances	15	-		32,003	
		<u>1,955,371</u>		<u>1,741,350</u>	
Creditors: amounts falling due within one year	10	1,953,371		1,461,190	
		<u> </u>		<u> </u>	
Net current assets			2,000		280,160
Total assets less current liabilities			2,000		1,614,322
Provisions for liabilities and charges	14		-		65,300
			<u>2,000</u>		<u>1,549,022</u>
Capital and reserves					
Called up share capital	13		2,000		2,000
Profit and loss account	12		-		1,547,022
Equity shareholders' funds			<u>2,000</u>		<u>1,549,022</u>

The accounts were approved by the directors on 30 May 2002.

 Director

The principal accounting policies and the notes, which form part of these accounts, are on pages 6 to 13.

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. Changes in presentation of financial information

During the year Financial Reporting Standards, FRS 18 "Accounting policies" and FRS 19 "Deferred tax" became effective. These standards have been reflected in these financial statements to the extent considered appropriate. The adoption of FRS 18 has not resulted in the change of any accounting policy. The company has adopted FRS 19, changing its accounting policy and restating the prior year's results.

3. Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost, with the exception of some land and buildings, which are carried at valuation. Following the introduction of FRS15 "Tangible fixed assets", the company has opted not to update the valuation of land and buildings going forward. 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:

Freehold land	Nil
Freehold buildings	2.5%
Plant and equipment	10 – 20%
Computer equipment	33 1/3%

4. 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.

5. 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.

6. 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.

7. Deferred taxation

FRS 19 'Deferred tax' has been adopted with effect from 1 April 2001. Provision is made for deferred tax on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

8. 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**

Total turnover includes turnover generated in the United Kingdom of £9,870,309 (2001: £8,504,683) and export sales of £233,082 (2001: £180,619).

2. Net operating expenses

Net operating expenses are made up as follows:-

	Year to 31.3.02 £	Year to 31.3.01 £
Distribution expenses	1,154,600	1,057,372
Administration expenses	874,700	881,090
	<u>2,029,300</u>	<u>1,938,462</u>

3. Operating profit

Operating profit is stated after charging:-

Auditors' remuneration for:

	£	£
Audit	10,652	12,902
Other services	3,465	3,358
Depreciation of owned assets	99,524	94,491
Depreciation of leased assets	16,515	16,515
Operating lease rentals:-		
Plant and equipment	86,417	82,619
Directors' emoluments (see below)		
Excluding pension contributions	172,566	212,580

The emoluments of Messrs Alsop, Yates 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 five directors under a group defined benefits scheme in which the company participates.

4. Employee information

a) The average number of persons employed by the company, including executive directors, during the year is analysed below:-

	Year to 31.3.02	Year to 31.3.01
Production	120	116
Distribution	20	13
Administration	14	14
	<u>154</u>	<u>143</u>

b) Employment costs, including executive directors:-

	£	£
Aggregate gross wages and salaries	2,978,334	2,500,810
Employers' national insurance contributions	236,342	203,001
Employers' pension contributions under the group pension scheme	79,428	90,907
	<u>3,294,104</u>	<u>2,794,718</u>

	Year to 31.03.02	Year to 31.03.01
5. Interest		
Interest payable is made up of:-		
Intra-group loans	22,313	30,557
Finance charges	1,135	3,965
Other	1,033	40
	<u>24,481</u>	<u>34,562</u>

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

	Year to 31.3.02 £	Year to 31.3.01 £ (as restated)
6. Tax		
a) Analysis of charge in the year		
Current tax		
UK corporation tax on profits for the period at 30% (2001: 30%)	-	6,667
Adjustments in respect of previous period	-	-
	<u>-</u>	<u>6,667</u>
Total current tax	-	6,667
Total deferred tax		
Current year	700	586
Adjustments in respect of previous periods	-	-
	<u>700</u>	<u>586</u>
Total deferred tax	700	586
Tax on profit on ordinary activities	<u>700</u>	<u>7,253</u>

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:

	2002 %	2001 (as restated) %
UK corporation tax rate	30	30
	£	£
(Loss)/Profit before taxation	<u>(35,912)</u>	<u>56,806</u>
Tax at 30%	<u>(10,774)</u>	<u>17,042</u>
Adjustment to tax charge in respect of previous periods	(573)	-
Expenses not deductible for tax purposes	8,296	5,302
Capital allowances for period in excess of depreciation	(123)	3,037
Underpayment for group relief	3,174	(15,381)
Corporation tax rate differences	-	(3,333)
Current tax (credit)/charge	<u>-</u>	<u>6,667</u>

Financial Reporting Standard (FRS) 19 'Deferred tax' issued on 7 December 2000 requires full provision to be made for deferred tax assets and liabilities, subject to certain exceptions. Previously deferred tax was provided for in respect of timing differences to the extent that it was probable that a liability would crystallise in the foreseeable future. FRS 19 has been applied in preparing the 31 March 2002 accounts and comparative figures have been restated in the Company Profit and Loss Account, the Balance Sheet and Notes. The effect on the company's previously reported results and net assets is as follows

	2001/2 £	2000/1 £
(Loss)/profit for year transferred to reserves	(1,989,983)	6,139
As previously reported		
Effect of implementing new accounting policy	-	(586)
As restated	<u>(1,989,983)</u>	<u>5,553</u>
Net assets		
As previously reported		1,614,322
Effect of implementing new accounting policy		<u>(65,300)</u>
As restated		<u>1,549,022</u>

As a result of the change in accounting policy, the profit for the year ended 31 March 2001 has been decreased by £586

The effect of the change in accounting policy on profit retained for the year ended 31 March 2002 has been to increase the charge for deferred tax by £700.

c) Factors that may affect future tax charges

On 31 March 2002 the trading assets and liabilities of Bymacks Limited were transferred to Airsprung Furniture Ltd, and property owned by Bymacks Limited was transferred to Airsprung Property Ltd. Both companies are wholly owned by Airsprung Furniture Group PLC. Property was transferred at market value on 31 March 2002 and trading assets and liabilities were transferred at net book value. As a result of these transactions Bymacks Limited is not expected to have tax charges in the future.

7. Tangible fixed assets

	Freehold Land and Buildings £	Equipment & Vehicles Owned £	Leased £	Total £
Cost				
At 1 April 2001	1,316,254	667,894	189,922	2,174,070
Revaluation adjustment	83,746	-	-	83,746
Additions	-	118,788	-	118,788
Disposals	-	(25,208)	-	(25,208)
Inter Company transfer	(1,400,000)	(761,474)	(189,922)	(2,351,396)
At 31 March 2002	-	-	-	-
Depreciation				
At 1 April 2001	321,942	425,758	92,208	839,908
Revaluation adjustment	(359,215)	-	-	(359,215)
Provision for year	37,273	62,251	16,515	116,039
Relating to disposals	-	(23,217)	-	(23,217)
Inter Company transfer	-	(464,792)	(108,723)	(573,515)
At 31 March 2002	-	-	-	-
Net book value				
At 31 March 2002	-	-	-	-
At 31 March 2001	994,312	242,136	97,714	1,334,162

	At 31.3.02 £	At 31.3.01 £
8. Stocks		
Raw materials	-	324,094
Work in progress	-	119,574
Finished goods	-	174,946
	-	618,614

9. Debtors

Trade debtors	-	966,819
Amounts due from fellow subsidiaries	1,955,371	18,199
Other debtors	-	3,778
Prepayments and accrued income	-	101,937
	1,955,371	1,090,733

	At 31.03.02 £	At 31.03.01 £
10. Creditors: amounts falling due within one year		
Lease obligations	-	35,511
Trade creditors	-	907,704
Amounts due to fellow subsidiaries	-	145,795
Amount due to parent company	-	43,283
Corporation tax and ACT	-	6,667
Value added tax and social security	-	194,169
Other creditors	-	481
Accruals	-	127,580
Overdraft	-	-
Proposed dividend	1,953,371	40,000
	<u>1,953,371</u>	<u>1,461,190</u>

11. Commitments under operating leases

The company had annual commitments under non-cancellable operating leases for:-

Equipment and vehicles		
Expiring in one year	-	10,426
Expiring in years 2 to 5	-	56,157
	<u>-</u>	<u>66,583</u>

12. Reserves

	Profit & Loss Account £
At 1 April 2001 – as previously reported	1,612,322
Prior year adjustment – deferred tax	<u>(65,300)</u>
As restated	1,547,022
Loss for year	(1,989,983)
Realised surplus on revaluation of property	442,961
	<u>-</u>

13. Called up share capital

Shares of £1 each		
Authorised, allotted and fully paid	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

14. Provisions for liabilities and charges – deferred tax	2002	2001
	£	£
Fixed asset timing differences	-	65,300
Other	-	-
	-	65,300
	2002	2001
	£	£
At 1 April – as previously stated	65,300	-
Prior year adjustment	-	64,714
As restated	65,300	64,714
Transfer to profit and loss account	700	586
Inter-company transfer	(66,000)	-
At 31 March	-	65,300

15. 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 2002 was £100,000 (2001 £100,000). The company has given an unlimited guarantee in respect of the bank overdraft of its parent and fellow subsidiary companies.

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

16. Pensions

The Company participates in a defined benefit arrangement operated by Airsprung Furniture Group PLC. As it has not been possible to identify the underlying assets and liabilities attributable to each participating company, multi-employer treatment and therefore accounting on a defined contribution basis is applied. An actuarial valuation of the scheme was carried out on 1 April 1999. The scheme actuary valued the scheme using the projected unit method on an ongoing basis the funding level is 119%.

The next actuarial valuation is due as at 1 April 2002.

17. 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.

18. 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.

