Preliminary results for the year ended 30th June 2013

Review of Operations

Overview

Airea plc is once again able to report an improvement in profitability along with a strong cash flow in a year which saw challenging market conditions both in the UK and many of our international markets. We have successfully managed selling prices in the face of stiff competition and this along with the introduction of new products with higher added value, rigorous product re-engineering and close control of overhead costs has driven profitability. Cash flow benefited from the rationalisation of lease hold properties and factory reorganisation undertaken last year, and we continue to make good progress in our strategic objectives of strengthening the product portfolio and constantly improving customer service through the development of a responsive manufacturing and logistics capability.

The year saw double digit percentage growth in our international sales, which benefited from the introduction of new products with international appeal together with a strengthening of channels to market. In the UK, demand for contract flooring products reflected a lack lustre construction market across both new build and refurbishment, exacerbated by cuts in public sector expenditure. This general state of demand weighed against the success achieved in the sale of new products and continuing improvement in our profile with the architect and design community as demonstrated by an increasing success rate in the winning of larger specifications. We have yet to see any improvement in underlying trading activity in the retail flooring market, as consumers continue to be squeezed by austerity, a stagnant economy and weak wage growth. Successful initiatives in luxury carpets and own label ranges were launched against a back drop of low retail footfall and a general trading down by consumers.

Group results

Revenue for the period was £25.1m (2012: £26.3m) reflecting a broadly flat underlying sales performance, combined with a selective withdrawal from certain vinyl products. The operating profit was £709,000 (2012: £351,000). After accounting for pension related finance costs and incorporating the appropriate tax charge the profit for the year was £443,000 (2012: £269,000).

Basic earnings per share were 0.96p (2012: 0.58p).

Operating cash flows before movements in working capital were £1,846,000 (2012: £1,530,000). Working capital decreased by £416,000 (2012: increase £940,000) as a result of lower trade receivables due to the pattern of sales towards the year end. The expenditure on onerous leases and other items previously provided for was negligible (2012: outflow £907,000). Contributions of £415,000 (2012: £550,000) were made to the defined benefit pension scheme in line with the agreement reached with the trustees based on the 2011 actuarial valuation. Capital expenditure of £257,000 (2012 £708,000) was focussed on supporting the continuous improvement in flexibility, reliability and productivity of the manufacturing process.

The pension deficit benefited from a gain in value of the scheme assets which, combined with other actuarial adjustments, led to a reduction of £2.6m in the pension deficit to £5.7m (2012: £8.3m).

Key performance indicators

As part of its internal financial control procedures the board monitors certain financial ratios. For the year to 30th June 2013 value added per employee amounted to £69,000 (2012: £62,000), operating return on sales was 3.1% (2012: 1.6%), return on average net operating assets was 5.1% (2012: 2.8%) and working capital to sales percentage was 30.3% (2012: 30.4%). The general improvement in the ratios reflects the progress made in improving sales margins and reducing costs.

Management and personnel

Our staff continue to rise to the challenges posed by the highly competitive environment in which we operate and we once again thank everyone in the business for the flexibility, hard work and commitment they have shown.

Current trading and future prospects

Trading conditions remain challenging in the UK and in many of the international markets that we serve. UK consumers remain cautious about spending reflecting tight disposable incomes and although there may be some reporting of tentative signs of increasing confidence, this has yet to work through into carpets sales. Demand from the private construction sector remains weak, with little speculative development outside of London, and public sector construction activity remains well below pre-financial crisis levels. As yet we see no reliable signs of any significant upturn in market conditions, and we continue to focus on self-help initiatives.

We remain committed to our strategy of strengthening our product range and continuously improving customer service through the on-going development of our operational capability. We have invested in our sales structure to capture the opportunities created by our growing competitive strength and continue to explore new ways to market both at home and abroad.

Based on the progress we have made in our financial performance and the solid base of cash generation the board is pleased to declare a final dividend of 0.55p per share. If approved, this dividend will be paid on 27th November 2013 to shareholders on the register at close of business on 1st November 2013.

Enquiries:

Neil Rylance 01924 266561
Chief Executive Officer

Roger Salt 01924 266561
Group Finance Director

Richard Lindley 0113 388 4789
N+1 Singer

The financial information set out in the announcement does not constitute the group's statutory accounts for the years ended 30 June 2013 or 30 June 2012. The financial information for the year ended 30 June 2012 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not include any statement under s498(2) or s498(3) of the Companies Act 2006. The consolidated balance sheet at 30th June 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended have been extracted from the Group's 2013 statutory financial statements upon which the auditor's opinion is unqualified and does not include any statement under s498(2) or s498(3) of the Companies Act 2006.

The announcement has been agreed with the company's auditor for release.

Audited Consolidated Income Statement

Year ended 30th June 2013

	2013	2012
	£000	£000
Revenue	25,049	26,276
Operating costs	(24,340)	(25,925)
Operating profit	709	351
Finance income	2	32
Finance costs	(178)	-
Profit before taxation	533	383
Taxation	(90)	(114)
Profit attributable to the shareholders of the group	443	269
Earnings per share (basic and diluted)	0.96 p	0.58 p

All amounts relate to continuing operations

Audited Consolidated Statement of Comprehensive Income

Year ended 30th June 2013

	2013		2012	
	£000	£000	£000	£000
Profit attributable to shareholders of the group		443		269
Actuarial gain/(loss) recognised in the pension scheme	2,350		(7,572)	
Related deferred taxation	(797)		1,931	
		1,553		(5,641)
Total comprehensive income/(loss) attributable to the shareholders of the group		1,996		(5,372)

Audited Consolidated Balance Sheet

as at 30th June 2013

	2013		2012	
	£000	£000	£000	£000
Non-current assets				
Property, plant and equipment		6,428		7,308
Deferred tax asset		1,476		2,589
		7,904		9,897
Current assets				
Inventories	8,874		8,661	
Trade and other receivables	4,331		4,659	
Cash and cash equivalents	2,747		1,342	
		15,952		14,662
Total assets		23,856		24,559
Current liabilities				
Trade and other payables		(5,440)		(5,365)
Non-current liabilities				
Pension deficit	(5,668)		(8,257)	
Deferred tax	(41)		(41)	
		(5,709)		(8,298)
Total liabilities		(11,149)		(13,663)
		12,707		10,896
Equity				
Called up share capital		11,561		11,561
Share premium account		504		504
Capital redemption reserve		2,395		2,395
Share option reserve		-		16
Retained earnings		(1,753)		(3,580)
		12,707		10,896

Audited Consolidated Cash Flow Statement

Year ended 30th June 2013

	2013	2012
	£000	£000
Operating activities		
Cash generated from/(used in) operations	1,847	(867)
Investing activities		
Purchase of property, plant and equipment	(257)	(708)
Proceeds on disposal of property, plant and equipment	-	100
	(257)	(608)
Financing activities		
Equity dividends paid	(185)	(231)
Net increase/(decrease) in cash and cash equivalents	1,405	(1,706)
Cash and cash equivalents at start of the year	1,342	3,048
Cash and cash equivalents at end of the year	2,747	1,342

Audited Consolidated Statement of Changes in Equity

Year ended 30th June 2013

	Share capital	Share premium account	Capital redemption reserve	Share option reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1st July 2011	11,561	504	2,395	16	2,023	16,499
Profit attributable to the shareholders of the group	-	-	-	-	269	269
Other comprehensive income for the year	-	-	-	-	(5,641)	(5,641)
Dividend paid	-	-	-	-	(231)	(231)
At 30th June and 1st July 2012	11,561	504	2,395	16	(3,580)	10,896
Profit attributable to the shareholders of the group	-	-	-	-	443	443
Other comprehensive income for the year	-	-	-	-	1,553	1,553
Reserve transfer relating to share based payment	-	-	-	(16)	16	-
Dividend paid	-	-	-	-	(185)	(185)
At 30th June 2013	11,561	504	2,395	-	(1,753)	12,707

In accordance with Rule 20 of the AIM Rules, Airea confirms that the annual report and accounts for the year ended 30th June 2013 will be posted to shareholders and will be available to view on the Company's website at www.aireaplc.co.uk on 4th October 2013.