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Company [Airea PLC](#)
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Airea PLC

08 March 2013

AIREA plc

Interim Results for the Six Months Ended 31 December 2012

Review of Operations

Introduction

Airea plc has delivered an increase in profitability and a healthy improvement in its cash position during the first six months of the current financial year, despite the challenging market conditions that persisted in all of its major markets. In addition, good progress continues to be made in strengthening our strategic position with a number of successful product launches completed in the period.

Residential sector sales were once again adversely affected by fragile customer demand. However, contract volumes held up well due to significant progress in a number of overseas markets, and the success of new product introductions. Improved sales margins have been driven by tight management of pricing policy, along with a strengthening of the sales mix through investment in new products with higher added value and the substitution of out-sourced products by in-house manufacture. The relentless drive for cost reduction and efficiency improvements has added significantly to profitability, and we are now benefiting from the property footprint reduction and factory reorganisation completed last year.

Group results

Revenue for the period was £13.5m (2011: £13.9m). The operating profit before exceptional items was £404,000 (2011: £156,000). The operating profit after charging exceptional operating costs of £45,000 (2011: £17,000) was £359,000 (2011: £139,000). After charging pension related finance costs of £89,000 (2011: income £16,000) and incorporating the appropriate tax charge the net profit for the period was £176,000 (2011: £114,000). Basic adjusted earnings per share were 0.45p (2011: 0.28p) and basic earnings per share were 0.38p (2011: 0.25p).

Operating profit benefited from improved sales margins and cost reduction. The increase in pension related finance costs arose from the reassessment of the pension deficit as disclosed in the last annual report.

Operating cash flows before movements in working capital were £929,000 (2011: £716,000). Working capital reduced by £1,317,000 (2011: increase £580,000) due to tight control of inventory. Expenditure on onerous leases was negligible (2011: outflow £645,000) and contributions to the defined benefit pension scheme reduced to £217,000 (2011: £300,000) in line with the agreement reached with the scheme trustees following the last triennial valuation as at 1st July 2011. Capital expenditure of £134,000 (2011: £566,000) was focussed on essential replacements and productivity improvements.

Current trading and future prospects

Whilst we can foresee little change in the trading environment in the near future, we are well placed to make further progress in the second half of our financial year based on the ongoing development of our product offer, the continuing strengthening of our trading network, particularly overseas, and ongoing cost reduction programmes. Whereas we are encouraged by the prospects for the business, and the improvement in the cash position, we feel it is right to maintain a prudent approach. As a result the board has decided that any dividend payment should be judged in the light of the financial performance for the year as a whole, and consequently we will not be making a dividend payment at the interim stage.

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Consolidated Income Statement

6 months ended 31st December 2012

	Unaudited 6 months ended 31st December 2012	Unaudited 6 months ended 31st December 2011	Audited year ended 30th June 2012
Note	£000	£000	£000
Revenue	13,521	13,918	26,276
Operating costs	(13,162)	(13,779)	(25,925)
Operating profit after exceptional items	359	139	351
Analysed between:			
Operating profit before exceptional items	404	156	423
Exceptional operating costs	1 (45)	(17)	(72)
Finance income	-	16	32
Finance costs	(89)	-	-
Profit before taxation	270	155	383
Taxation	(94)	(41)	(114)
Profit for the period	176	114	269
Earnings per share (basic and diluted)	2 0.38p	0.25p	0.58p

All amounts relate to continuing operations

Consolidated Statement of Comprehensive Income

6 months ended 31st December 2012

	Unaudited 6 months ended 31st December 2012	Unaudited 6 months ended 31st December 2011	Audited year ended 30th June 2012
	£000	£000	£000
Profit attributable to shareholders of the group	176	114	269
Actuarial losses recognised in the pension scheme	-	-	(7,572)
Related deferred taxation	-	-	1,931
Total comprehensive income/(loss) for the period	176	114	(5,372)

Consolidated Balance Sheet

as at 31st December 2012

	Unaudited 31st December 2012	Unaudited 31st December 2011	Audited 30th June 2012
	£000	£000	£000
Non-current assets			
Property, plant and equipment	6,872	7,653	7,308
Deferred tax asset	2,495	839	2,589
	9,367	8,492	9,897
Current assets			
Inventories	7,501	8,148	8,661
Trade and other receivables	3,467	3,915	4,659
Cash and cash equivalents	3,090	1,542	1,342
	14,058	13,605	14,662
Total assets	23,425	22,097	24,559
Current liabilities			

Trade and other payables	(4,304)	(4,442)	(5,339)
Provisions	(64)	(173)	(26)
	<u>(4,368)</u>	<u>(4,615)</u>	<u>(5,365)</u>
Non-current liabilities			
Pension deficit	(8,129)	(951)	(8,257)
Deferred tax	(41)	(149)	(41)
	<u>(8,170)</u>	<u>(1,100)</u>	<u>(8,298)</u>
Total liabilities	<u>(12,538)</u>	<u>(5,715)</u>	<u>(13,663)</u>
	<u>10,887</u>	<u>16,382</u>	<u>10,896</u>
Equity			
Called up share capital	11,561	11,561	11,561
Share premium account	504	504	504
Capital redemption reserve	2,395	2,395	2,395
Share option reserve	16	16	16
Retained earnings	(3,589)	1,906	(3,580)
	<u>10,887</u>	<u>16,382</u>	<u>10,896</u>

Consolidated Cash Flow Statement

6 months ended 31st December 2012

	Unaudited 6 months ended 31st December 2012	Unaudited 6 months ended 31st December 2011	Audited year ended 30th June 2012
Note	£000	£000	£000
Operating activities			
Cash generated from/(used in) operations	3 <u>2,067</u>	<u>(809)</u>	<u>(867)</u>
Investing activities			
Purchase of property, plant and equipment	(134)	(566)	(708)
Proceeds on disposal of property, plant and equipment	-	100	100
	<u>(134)</u>	<u>(466)</u>	<u>(608)</u>
Financing activities			
Equity dividends paid	(185)	(231)	(231)
Net increase/(decrease) in cash and cash equivalents	1,748	(1,506)	(1,706)
Cash and cash equivalents at start of period	1,342	3,048	3,048
Cash and cash equivalents at end of period	<u>3,090</u>	<u>1,542</u>	<u>1,342</u>

Consolidated Statement of Changes in Equity

6 months ended 31st December 2012

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Share option reserve £000	Retained Earnings £000	Total equity £000
At 1st July 2011	11,561	504	2,395	16	2,023	16,499
Total comprehensive income for the period	-	-	-	-	114	114
Dividend paid	-	-	-	-	(231)	(231)
At 1st January 2012	11,561	504	2,395	16	1,906	16,382
Total comprehensive income for the period	-	-	-	-	(5,486)	(5,486)
At 1st July 2012	11,561	504	2,395	16	(3,580)	10,896
Total comprehensive income for the period	-	-	-	-	176	176
Dividend paid	-	-	-	-	(185)	(185)
At 31st December 2012	<u>11,561</u>	<u>504</u>	<u>2,395</u>	<u>16</u>	<u>(3,589)</u>	<u>10,887</u>

Notes

1 EXCEPTIONAL OPERATING COSTS

The exceptional costs of £45,000 (6 months ended 31st December 2011: £17,000, year ended 30th June 2012: £72,000) are severance payments relating to the ongoing streamlining of the business.

2 EARNINGS PER SHARE

The calculation of basic and adjusted earnings per share is based on the following data:

Number of shares

	Unaudited 6 months ended 31st December 2012	Unaudited 6 months ended 31st December 2011	Audited year ended 30th June 2012
Ordinary shares for the purpose of basic earnings per share	46,242,455	46,242,455	46,242,455

Earnings

	Unaudited 6 months ended 31st December 2012 £000	Unaudited 6 months ended 31st December 2011 £000	Audited year ended 30th June 2012 £000
Group results:			
Earnings	176	114	269
Exceptional operating costs (net of tax)	34	17	54
Adjusted earnings	210	131	323

Group earnings per share

	Unaudited 6 months ended 31st December 2012 pence	Unaudited 6 months ended 31st December 2011 pence	Audited year ended 30th June 2012 pence
Basic adjusted	0.45	0.28	0.70
Basic	0.38	0.25	0.58

Diluted EPS

All options in issue at 30 June 2012 and 31 December 2012 were anti-dilutive.

3 RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH GENERATED FROM OPERATIONS

	Unaudited 6 months ended 31st December 2012 £000	Unaudited 6 months ended 31st December 2011 £000	Audited year ended 30th June 2012 £000
Profit for the period	176	114	269
Tax charged	94	41	114
Finance costs /(income)	89	(16)	(32)
Depreciation	570	577	1,140
Loss on disposal of property, plant and equipment	-	-	39
Operating cash flows before movements in working capital	929	716	1,530
Decrease/(increase) in working capital	1,317	(580)	(940)
Increase/(decrease) in provisions	38	(645)	(907)
Contributions to defined benefit pension scheme	(217)	(300)	(550)
Net cash generated from/(used in) operations	2,067	(809)	(867)

4 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information for the six month period ended 31st December 2012 and 31st December 2011 has not been audited and does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006.

The financial information relating to the year ended 30th June 2012 does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006. This information is based on the group's statutory accounts for that period. The statutory accounts were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and received an unqualified audit report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006. These financial statements have been filed with the Registrar of Companies.

These interim financial statements have been prepared using the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ("IFRS"). The accounting policies used are the same as those used in preparing the financial statements for the year ended 30th June 2012. These policies are set out in the annual report and accounts for the year ended 30th June 2012 which is available on the company's website at www.aireapl.co.uk.

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