

**AIREA** plc

The principal activity of the group is the manufacturing, marketing and distribution of commercial floor coverings.

## Chairman's Statement

The group's performance in the six months ended 30th June 2020 was significantly affected by the COVID-19 pandemic and the subsequent nationwide lockdown. The year had started well with Q1 2020 pre-lockdown delivering sales in line with prior year and a 6.6% increase in operating profit.

In our trading update of 26th March 2020, we informed shareholders that we expected a post lockdown decrease in demand. The impact of COVID-19 was at its most significant during April and May with demand reduced by 51% against the prior year; however, we were pleased to see an improvement during June and, although still behind prior year, the reduction had improved to 9%. The group remained open for business throughout the lockdown period and we were able to support our customers whilst also looking to prioritise the well-being of our employees.

During this period the group focused on cash and overhead management with all non-critical expenditure halted and our supply chain requirements re-phased to help achieve these priorities. We are pleased we successfully achieved these objectives in preparation for the challenges of H2 2020.

The group was able to take advantage of several of the COVID-19 support packages made available by the UK government and our banking partner including:

- A six year term CBILS loan of £2.75m with no fees, interest and repayments for the initial 12 month period
- Capital repayment holiday for 6 months on existing long-term loan
- Extended overdraft to £1m (not yet utilised)
- Q1 2020 VAT payment deferred
- Furloughed employees during Q2 2020

These actions as well as continued tight credit control and resilient customer cash collection procedures has enabled the group to increase its cash reserves to £6.5m (£3.7m excluding the CBILS loan) (2019: £1.4m) to help mitigate the unprecedented and unpredictable market conditions the group continues to operate within.

## Group Results

Revenue for the period was £7.1m (2019: £8.9m). The operating profit was £137,000 (2019: £1,085,000) with underlying product margins in line with the prior year; however, actual operating profit was adversely impacted by the inventory reduction during April and May. Profitability is expected to improve during H2 as inventory levels increase. After charging pension, lease and loan related finance costs of £193,000 (2019: £143,000) and incorporating the appropriate tax credit the net loss for the period was £43,000 (2019: £935,000 profit). Basic loss per share was 0.11p (2019: EPS of 2.26p).

Operating cash flows before exceptional items and movements in working capital were £0.5m (2019: £1.3m). Working capital decreased in the period by £1.0m (2019: £0.8m increase) through reduced manufacturing output whilst employees were furloughed.

Contributions to the defined benefit pension scheme were £0.2m (2019: £0.2m) in line with the agreement reached with the scheme trustees following the last triennial valuation as at 1st July 2017. Capital expenditure of £0.2m (2019: £0.2m) was spent renewing and enhancing manufacturing plant and equipment and supporting new product development.

The pension scheme deficit increased to £4.9m (2019: £3.6m) due to the COVID-19 impact on the equity markets and reduced corporate bond yields that lowered the discount rate used and increased the value placed on the scheme liabilities. The schemes investments are continuously under review and at this stage, there is no expectation that the group's contributions to the scheme will change.

**Outlook**

Demand, although improving, remains lower than previous years as the impact of COVID-19 continues and therefore it is very difficult for the group to forecast the performance in the second half. However, with strong liquidity and the continued development of new products we believe the group is positioned well to take advantage of any opportunities that arise and is hopeful that the second half should deliver a modest profit whilst carefully managing cash reserves.

At this point, we must make a special reference to the magnificent efforts of all our employees who have worked in very difficult circumstances to support the business and its customers throughout.

**Dividend**

Given the financial performance of the group and the continued levels of uncertainty in the market and economy the group will continue to prioritise cash to ensure medium to long term stability and therefore will not be proposing an interim dividend (2019: 0.8p).

MARTIN TOOGOOD  
Chairman

30th July 2020

## Consolidated Income Statement

6 months ended 30th June 2020

	Unaudited 6 months ended 30th June 2020 £000	Unaudited 6 months ended 30th June 2019 £000	Audited 12 months ended 31st December 2019 £000
Revenue	7,100	8,890	19,183
Operating costs	(7,103)	(7,945)	(17,297)
Other operating income	140	140	280
Operating profit before valuation gain	137	1,085	2,166
Unrealised valuation gain	-	-	200
<b>Operating profit</b>	<b>137</b>	<b>1,085</b>	<b>2,366</b>
Finance income	2	3	6
Finance costs	(193)	(143)	(411)
<b>(Loss)/profit before taxation</b>	<b>(54)</b>	<b>945</b>	<b>1,961</b>
Taxation	11	(10)	(403)
<b>(Loss)/profit attributable to shareholders of the group</b>	<b>(43)</b>	<b>935</b>	<b>1,558</b>
<b>(Loss)/earnings per share (basic and diluted) for the group</b>	<b>(0.11p)</b>	<b>2.26p</b>	<b>3.97p</b>

## Consolidated Statement of Comprehensive Income

6 months ended 30th June 2020

	Unaudited 6 months ended 30th June 2020 £000	Unaudited 6 months ended 30th June 2019 £000	Audited 12 months ended 31st December 2019 £000
<b>(Loss)/profit attributable to shareholders of the group</b>	<b>(43)</b>	<b>935</b>	<b>1,558</b>
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial (loss)/gain recognised in the pension scheme	(3,448)	-	2,172
Related deferred taxation	655	-	(369)
	(2,793)	-	1,803
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>			
Revaluation/(impairment) of property	12	-	(17)
Related deferred taxation	(2)	-	3
	10	-	(14)
<b>Total other comprehensive (loss)/income</b>	<b>(2,783)</b>	<b>-</b>	<b>1,789</b>
<b>Total comprehensive (loss)/income attributable to shareholders of the group</b>	<b>(2,826)</b>	<b>935</b>	<b>3,347</b>

## Consolidated Balance Sheet

as at 30th June 2020

	Unaudited 30th June 2020 £000	Unaudited 30th June 2019 £000	Audited 31st December 2019 £000
<b>Non-current assets</b>			
Property, plant and equipment	4,282	5,182	4,229
Intangible assets	67	69	39
Investment property	3,600	3,400	3,600
Right-of-use asset	1,126	-	1,233
Deferred tax asset	1,563	1,457	847
	10,638	10,108	9,948
<b>Current assets</b>			
Inventories	4,728	7,363	5,461
Trade and other receivables	1,915	4,621	2,112
Cash and cash equivalents	6,451	1,436	2,957
	13,094	13,420	10,530
<b>Total assets</b>	<b>23,732</b>	<b>23,528</b>	<b>20,478</b>
<b>Current liabilities</b>			
Trade and other payables	(2,482)	(3,614)	(2,412)
Provisions	(320)	(320)	(320)
Lease liabilities	(213)	(190)	(329)
Loans and borrowings	(580)	-	(562)
	(3,595)	(4,124)	(3,623)
<b>Non-current liabilities</b>			
Pension deficit	(4,888)	(3,625)	(1,472)
Deferred tax	(526)	(304)	(457)
Lease liabilities	(297)	(227)	(323)
Loans and borrowings	(3,317)	(1,551)	(724)
	(9,028)	(5,707)	(2,976)
<b>Total liabilities</b>	<b>(12,623)</b>	<b>(9,831)</b>	<b>(6,599)</b>
<b>Net assets</b>	<b>11,109</b>	<b>13,697</b>	<b>13,879</b>
<b>Equity</b>			
Called up share capital	10,339	10,339	10,339
Share premium account	504	504	504
Own shares	(1,518)	-	(1,839)
Share-based payment reserve	141	-	85
Capital redemption reserve	3,617	3,617	3,617
Revaluation reserve	3,058	3,096	3,048
Retained earnings	(5,032)	(3,859)	(1,875)
<b>Total equity</b>	<b>11,109</b>	<b>13,697</b>	<b>13,879</b>

## Consolidated Cash Flow Statement

6 months ended 30th June 2020

	Unaudited 6 months ended 30th June 2020 £000	Unaudited 6 months ended 30th June 2019 £000	Audited 12 months ended 31st December 2019 £000
<b>Cash flow from operating activities</b>			
(Loss)/profit for the period	(43)	935	1,558
Depreciation	114	157	206
Depreciation of right-of-use assets	140	-	274
Amortisation	25	32	65
Net finance costs	191	137	405
Loss on disposal of property, plant and equipment	-	-	(12)
Tax (credit)/charge	(11)	10	403
Share-based payment expense	56	-	-
Unrealised valuation gain	-	-	(200)
<b>Operating cash flows before movements in working capital</b>	<b>472</b>	<b>1,271</b>	<b>2,699</b>
Decrease/(increase) in inventory	733	(566)	1,336
Decrease/(increase) in trade and other receivables	197	(291)	221
Increase/(decrease) in trade and other payables	70	43	(1,159)
<b>Cash generated from operations</b>	<b>1,472</b>	<b>457</b>	<b>3,097</b>
Contributions to defined benefit pension scheme	(200)	(200)	(400)
<b>Net cash generated from operating activities</b>	<b>1,272</b>	<b>257</b>	<b>2,697</b>
<b>Investing activities</b>			
Payments to acquire intangible fixed assets	(33)	(6)	(9)
Payments to acquire tangible fixed assets	(156)	(230)	(378)
Receipts from sales of tangible fixed assets	-	-	136
	(189)	(236)	(251)
<b>Financing activities</b>			
Interest paid on lease liabilities	(8)	(6)	(21)
Interest paid on borrowings	(18)	-	(34)
Interest received	2	3	6
Proceeds from loan	2,750	1,700	1,700
Purchase of own shares by the EBT	-	(2,000)	(2,000)
Principal paid on lease liabilities	(177)	(93)	(343)
Repayment of loan	(138)	(149)	(448)
Equity dividends paid	-	(772)	(1,081)
<b>Net cash used in financing activities</b>	<b>2,411</b>	<b>(1,317)</b>	<b>(2,221)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,494</b>	<b>(1,296)</b>	<b>225</b>
<b>Cash and cash equivalents at start of the period</b>	<b>2,957</b>	<b>2,732</b>	<b>2,732</b>
<b>Cash and cash equivalents at end of the period</b>	<b>6,451</b>	<b>1,436</b>	<b>2,957</b>

## Consolidated Statement of Changes in Equity

6 months ended 30th June 2020

	Share capital £000	Share premium account £000	Own Shares £000	Share-based payment reserve £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
<b>At 1st January 2019</b>	10,339	504	-	-	3,617	3,096	(4,028)	13,528
<b>Comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	-	1,558	1,558
Actuarial gain recognised on the pension scheme	-	-	-	-	-	-	1,803	1,803
Impairment of property	-	-	-	-	-	(14)	-	(14)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(14)	3,361	3,347
<b>Contributions by and distributions to owners</b>								
Dividend paid	-	-	-	-	-	-	(1,081)	(1,081)
Purchase of own shares by EBT	-	-	(2,000)	-	-	-	-	(2,000)
Share-based payment	-	-	-	85	-	-	-	85
Own share transfer	-	-	161	-	-	-	(161)	-
Revaluation Reverse Transfer	-	-	-	-	-	(34)	34	-
<b>Total contributions by and distributions to owners</b>	-	-	(1,839)	85	-	(34)	(1,208)	(2,996)
<b>At 31st December 2019 and 1st January 2020</b>	10,339	504	(1,839)	85	3,617	3,048	(1,875)	13,879
<b>Comprehensive income for the year</b>								
Loss for the year	-	-	-	-	-	-	(43)	(43)
Actuarial loss recognised on the pension scheme	-	-	-	-	-	-	(2,793)	(2,793)
Revaluation of property	-	-	-	-	-	10	-	10
<b>Total comprehensive income for the year</b>	-	-	-	-	-	10	(2,836)	(2,826)
<b>Contributions by and distributions to owners</b>								
Share-based payment	-	-	-	56	-	-	-	56
Own Shares Transfer	-	-	321	-	-	-	(321)	-
<b>Total contributions by and distributions to owners</b>	-	-	321	56	-	-	(321)	56
<b>At 30th June 2020</b>	10,339	504	(1,518)	141	3,617	3,058	(5,032)	11,109

## Notes to the Financial Statements

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information for the six months ended 30th June 2020 and the six months ended 30th June 2019 have not been audited and do not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006.

The financial information relating to the year ended 31st December 2019 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 period ended 31st December 2019. These policies are set out in the annual report and accounts for the period ended 31st December 2019 which is available on the company's website at [www.aireaplco.uk](http://www.aireaplco.uk).

Further copies of this report are available from the Company Secretary at the registered office at Victoria Mills, The Green, Ossett, Wakefield, West Yorkshire WF5 0AN and are also available, along with this announcement, on the company's website at [www.aireaplco.uk](http://www.aireaplco.uk).

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