Regulatory Story

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Company	Airea PLC
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Airea PLC
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AIREA plc

Preliminary results for the year ended 30th June 2012

Review of Operations

Overview

It is pleasing to report that during a period of continuing challenging market conditions we increased our net profit for the year and made good progress on a number of strategic objectives, including the rationalisation of surplus leased properties, the introduction of new Burmatex branding and the successful development and launch of new products with strong market appeal.

The residential sector saw no signs of recovery as customer demand remained fragile and the high street depressed. We have carefully managed our credit exposure to the beleaguered carpet retail sector, and have minimised the impact of debt defaults, whilst continuing to seek out new market opportunities.

Contract volumes held up well despite the cut backs in retail refurbishment programmes and the education sector, due to successful new product launches, a positive reaction to the new branding and excellent service levels. Mid market products with high design content have proved popular with both the architect and design communities as well as carpet fitters, and we now have a strong development pipeline to underpin future business.

The broadloom backing plant was successfully relocated during the year, allowing the vacation of leasehold properties at Heywood. The move was a considerable undertaking involving the commissioning of moth-balled plant and heavy expenditure on dilapidation commitments. The success of value engineering and reject reduction initiatives has helped to absorb the ongoing impact of commodity price inflation.

The reported figures are severely impacted by the well publicised issues surrounding pension accounting, which in the current economic circumstances cause huge volatility in reported deficits. Current economic factors have caused a distortion in the rates prescribed by accounting standards to be used in accounting for the legacy defined benefit pension fund, and in turn led to the increase in the reported deficit. We continue to work closely with the pension scheme trustees to ensure that the scheme remains adequately funded, and we are close to agreement on the recovery plan deriving from the July 2011 triennial valuation. It is important that we continue to plot an even course through these turbulent times and not over-react to potentially short-term distortions, whilst at the same time maintaining an appropriate level of prudence.

Group results

Revenue for the period was £26.3m (2011: £28.9m). The operating profit before exceptional items was £423,000 (2011: £805,000). The operating profit after charging exceptional operating costs of £72,000 (2011: £297,000) was £351,000 (2011: £508,000). After accounting for modest levels of finance income and incorporating the appropriate tax charge the net profit for the year was £269,000 (2011: £81,000).

Basic earnings per share were 0.58p (2011: 0.18p), and basic adjusted earnings per share were 0.70p (2011 0.64p).

Operating cash flows before movements in working capital were £1,530,000 (2011: £1,664,000). Working capital increased by £940,000 (2011 £413,000) as a result of higher trade receivables due to stronger sales towards the year end, and a reduction in trade payables due to the timing issues. The outlay on onerous leases and other items previously provided for was £907,000 (2011: £795,000), and contributions of £550,000 (2011: £600,000) were made to the defined benefit pension scheme in line with the agreement reached with the trustees based on the 2008 actuarial valuation. Capital expenditure of £708,000 (2011 £605,000) was focussed on the investment in the new backing plant, enhancing tufting capability and supporting new product launches.

The pension deficit has been reassessed on the basis of a discount rate of 4.5% (2011 5.7%) in line with the applicable accounting standard. As a result, and in combination with other actuarial adjustments, the pension deficit increased by £7.0m to £8.3m (2011: £1.3m).

Key performance indicators

As part of its internal financial control procedures, the board monitors certain financial ratios. For the year to 30th June 2012 value added per employee amounted to £62,000 (2011: £62,000), operating return on sales was 1.6% (2011: 2.8%), return on average net operating assets was 2.8% (2011: 5.8%) and working capital to sales percentage was 30.4% (2011: 24.4%). The ratios are a reflection of the difficult trading conditions and whilst much progress has been made in managing the cost base and financial resources of the group much remains to be done.

Management and personnel

To survive and prosper in the current difficult trading environment requires hard work and perseverance, and we take this opportunity to thank everyone in the business for the flexibility, commitment and effort they have shown.

Current trading and future prospects

Market conditions will remain challenging for the foreseeable future. Consumer confidence has yet to see any signs of improvement and the economic forecasters continue to put back the timing of any recovery. Similarly the construction sector has yet to show any signs of an up-turn. Quantitative easing and low interest rates are distorting economic models, leading to record pension deficits, but as yet have failed to revive the economy. In addition we face the uncertainties of the Euro zone and the government austerity programme.

However, we face the future with confidence. We have a stream of new products to launch in the market with international appeal as demonstrated by our export sales growth. We have increased margins through careful management of pricing and lowered our cost base as a result of operational efficiencies and overhead reduction. We are managing the pension deficit in line with our plan for deficit elimination and will enter the new financial year with lower property outgoings and with the significant cost of the backing plant move behind us.

In view of this the board is pleased to declare a final dividend of 0.4p per share. If approved, this dividend will be paid on 28th November 2012 to shareholders on the register at close of business on 2nd November 2012.

Enquiries:

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The financial information set out in the announcement does not constitute the group's statutory accounts for the years ended 30 June 2012 or 30 June 2011. The financial information for the year ended 30 June 2011 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 2012, 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 2012 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.

Consolidated Income Statement

Year ended 30th June 2012

	2012	2011

	£000	£000
Revenue	26,276	28,904
Operating costs	(25,925)	(28,396)
Operating profit after exceptional items	351	508
Analysed between:		
Operating profit before exceptional items	423	805
Exceptional operating costs	(72)	(297)
Finance income	32	-
Finance costs	-	(316)
Profit before taxation	383	192
Taxation	(114)	(111)
Profit for the year	269	81
Earnings per share (basic and diluted)	0.58 p	0.18 p

All amounts relate to continuing operations

Consolidated Statement of Comprehensive Income

Year ended 30th June 2012

	2012		2011	
	£000	£000	£000	£000
Profit attributable to shareholders of the group		269		81
Actuarial (losses)/gains recognised in the pension scheme	(7,572)		3,968	
Related deferred taxation	1,931		(1,091)	
		(5,641)		2,877
Total comprehensive (loss)/income for the period		(5,372)		2,958

Consolidated Balance Sheet

as at 30th June 2012

	2012		2011	
	£000	£000	£000	£000
Non-current assets				
Property, plant and equipment		7,308		7,482
Deferred tax asset		2,589		876
		9,897		8,358
Current assets				
Inventories	8,661		8,723	
Trade and other receivables	4,659		4,475	
Cash and cash equivalents	1,342		3,048	
		14,662		16,246
Total assets		24,559		24,604
Current liabilities				
Trade and other payables	(5,339)		(6,157)	
Provisions	(26)		(482)	
		(5,365)		(6,639)
Non-current liabilities				
Provisions	-		(54)	
Pension deficit	(8,257)		(1,267)	

Deferred tax	(41)		(145)	
		(8,298)		(1,466)
Total liabilities		(13,663)		(8,105)
		10,896		16,499
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		16
Retained earnings		(3,580)		2,023
		10,896		16,499

Consolidated Cash Flow Statement

Year ended 30th June 2012

	2012	2011
	£000	£000
Operating activities		
Cash used in operations	(867)	(144)
Investing activities		
Purchase of property, plant and equipment	(708)	(605)
Proceeds on disposal of property, plant and equipment	100	25
	(608)	(580)
Financing activities		
Equity dividends paid	(231)	-
Net decrease in cash and cash equivalents	(1,706)	(724)
Cash and cash equivalents at start of the year	3,048	3,772
Cash and cash equivalents at end of the year	1,342	3,048

Consolidated Statement of Changes in Equity

Year ended 30th June 2012

	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 2010	11,561	504	2,395	5	(935)	13,530
Profit for the year	-	-	-	-	81	81
Other comprehensive income for the year	-	-	-	-	2,877	2,877
Share based payment	-	-	-	11	-	11
At 30th June and 1st July 2011	11,561	504	2,395	16	2,023	16,499
Profit for the year	-	-	-	-	269	269
Other comprehensive income for the year	-	-	-	-	(5,641)	(5,641)
Dividend paid	-	-	-	-	(231)	(231)
At 30th June 2012	11,561	504	2,395	16	(3,580)	10,896

In accordance with Rule 20 of the AIM Rules, Airea confirms that the annual report and accounts for the year ended 30th June 2012 will be posted to shareholders and will be available to view on the Company's website at www.aireaplc.co.uk on 5th October 2012.

This information is provided by RNS
The company news service from the London Stock Exchange

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