Company	Airea PLC
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Headline	Half Yearly Report
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Airea PLC
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Review of Operations

Introduction

The company has again faced challenging market conditions in the first six months of the current financial year. However, good progress has been made on a number of strategic objectives including the ongoing rationalisation of surplus leased properties, the launch of new Burmatex branding and product ranges and an improvement in earnings per share.

Residential sector sales continue to be affected by fragile customer demand and a depressed high street. Contract volumes held up well, despite severe cut-backs in retail refurbishment programmes, due to the successful launch of new products and a positive reaction to the new branding. The relocation of Ryalux backing operations to facilitate the vacation of leasehold properties at Heywood, Lancashire has been successfully completed, but the associated cost along with dilapidation commitments led to a short term depletion of cash resources.

Group results

Revenue for the period was £13.9m (2010:£15.1m). The operating profit was £139,000 (2010: £349,000) and the profit after tax was £114,000 (2010: £94,000). Basic earnings per share were 0.25p (2010: 0.20p).

Operating profit came under pressure as raw material inflation worked through into margin; an improvement in pension related finance costs led to an increase in profit after tax and growth in earnings per share.

Operating cash flows before movements in working capital were £716,000 (2010: £941,000). Working capital increased by £580,000 (2010: £1,186,000) due to seasonal timing issues. Outflows relating to items already provided for totalled £645,000 (2010: £401,000) and largely related to costs associated with the exit from leasehold properties at Heywood. Contributions to the defined benefit pension scheme totalled £300,000 (2010: £300,000) and capital expenditure of £566,000 (2010: £396,000) was focussed on the investment required to complete the move out of the Heywood properties along with the enhancement of tufting capability.

Current trading and future prospects

There is little sign of an improvement in the trading environment. The second half should see the benefit of an improved market share and a number of sales and operational initiatives. However, based on the results of the first half and ongoing uncertainty in the markets we serve, the board have decided that it would be imprudent to make a dividend payment at the interim stage. As stated in the last annual report, the board will keep the dividend policy under review and future dividends will be based upon future levels of profitability and cash flow.

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Consolidated Income Statement

6 months ended 31st December 2011

	Note	Unaudited 6 months ended 31st December 2011 £000	Unaudited 6 months ended 31st December 2010 £000	Audited year ended 30th June 2011 £000
Revenue		13,918	15,080	28,904
Operating costs		(13,779)	(14,731)	(28,396)
Operating profit after exceptional items		139	349	508
Analysed between:				
Operating profit before exceptional items		156	514	805
Exceptional operating costs	1	(17)	(165)	(297)
Finance income		16	-	-
Finance costs		-	(160)	(316)
Profit before taxation		155	189	192
Taxation		(41)	(95)	(111)
Profit for the period		114	94	81
Earnings per share (basic and diluted)	2	0.25p	0.20p	0.18p

All amounts relate to continuing operations

Consolidated Statement of Comprehensive Income

6 months ended 31st December 2011

	Unaudited 6 months ended 31st December 2011 £000	Unaudited 6 months ended 31st December 2010 £000	Audited year ended 30th June 2011 £000
Profit attributable to shareholders of the group	114	94	81
Actuarial gains recognised in the pension scheme	-	-	3,968
Related deferred taxation	-	-	(1,091)
Total comprehensive income for the period	114	94	2,958

Consolidated Balance Sheet

as at 31st December 2011	Unaudited 31st December 2011 £000	Unaudited 31st December 2010 £000	Audited 30th June 2011 £000
Non-current assets			
Property, plant and equipment	7,653	7,862	7,482
Deferred tax asset	839	2,001	876
	8,492	9,863	8,358
Current assets			
Inventories	8,148	7,024	8,723
Trade and other receivables	3,915	4,308	4,475
Cash and cash equivalents	1,542	2,430	3,048
	13,605	13,762	16,246
Total assets	22,097	23,625	24,604

Current liabilities			
Trade and other payables	(4,442)	(3,518)	(6,157)
Provisions	(173)	(830)	(482)
	(4,615)	(4,348)	(6,639)
Non-current liabilities			
Provisions	-	(100)	(54)
Pension deficit	(951)	(5,379)	(1,267)
Deferred tax	(149)	(163)	(145)
	(1,100)	(5,642)	(1,466)
Total liabilities	(5,715)	(9,990)	(8,105)
	16,382	13,635	16,499
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
Profit and loss account	1,906	(841)	2,023
	16,382	13,635	16,499

Consolidated Cash Flow Statement

6 months ended 31st December 2011		Unaudited	Unaudited	Audited
		6 months ended	6 months ended	year ended
		31st December	31st December	30th June
		2011	2010	2011
	Note	£000	£000	£000
Operating activities				
Cash used in operations	3	(809)	(946)	(144)
Investing activities				
Purchase of property, plant and equipment		(566)	(396)	(605)
Proceeds on disposal of property, plant and equipment		100	-	25
		(466)	(396)	(580)
Financing activities				
Equity dividends paid		(231)	-	-
Net decrease in cash and cash equivalents		(1,506)	(1,342)	(724)
Cash and cash equivalents at start of period		3,048	3,772	3,772
Cash and cash equivalents at end of period		1,542	2,430	3,048

Consolidated Statement of Changes in Equity

6 months ended 31st December 2011	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
Total comprehensive income for the period	-	-	-	-	94	94
Share based payment	-	-	-	11	-	11
At 1st January 2011	11,561	504	2,395	16	(841)	13,635
Total comprehensive income for the period	-	-	-	-	2,864	2,864
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 31st December 2011	11,561	504	2,395	16	1,906	16,382

Notes

1 EXCEPTIONAL OPERATING COSTS

The exceptional costs of £17,000 (6 months ended 31st December 2010: £165,000, year ended 30th June 2011: £297,000) are severance payments relating to the streamlining of the operating business.

2 EARNINGS PER SHARE

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

Number of shares

	Unaudited 6 months ended 31st December 2011	Unaudited 6 months ended 31st December 2010	Audited year ended 30th June 2011
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 2011	Unaudited 6 months ended 31st December 2010	Audited year ended 30th June 2011
	£000	£000	£000
Group results:			
Earnings	114	94	81
Exceptional operating costs (net of tax)	17	119	215
Adjusted earnings	131	213	296

Group earnings per share

	Unaudited 6 months ended 31st December 2011	Unaudited 6 months ended 31st December 2010	Audited year ended 30th June 2011
Basic adjusted (pence per share)	0.28	0.46	0.64
Basic (pence per share)	0.25	0.20	0.18

Diluted EPS

All options in issue at 30 June 2011 and 31 December 2011 w ere non-dilutive.

3 RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH USED IN OPERATIONS

	Unaudited 6 months ended 31st December 2011	Unaudited 6 months ended 31st December 2010	Audited year ended 30th June 2011
	£000	£000	£000
Profit for the period	114	94	81
Share based payment	-	11	11
Tax charged	41	95	111
Finance (income)/costs	(16)	160	316
Depreciation	577	581	1,163
Profit on disposal of property, plant and equipment	-	-	(18)
Operating cash flow s before movements in w orking capital	716	941	1,664

Increase in working capital	(580)	(1,186)	(413)
Decrease in provisions	(645)	(401)	(795)
Contributions to defined benefit pension scheme	(300)	(300)	(600)
Net cash used in operations	(809)	(946)	(144)

4 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information for the six month periods ended 31st December 2011 and 31st December 2010 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 2011 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 2011. These policies are set out in the annual report and accounts for the year ended 30th June 2011 which is available on the company's website at www.aireaplc.co.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.

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