

# AIREA plc

## AIREA Brands

### Our brands are Burmatex and Ryalux

Burmatex is one of the UK's leading manufacturers of contract carpets and carpet tiles. The company offers a product range spanning fibre bonded and tufted carpet in sheet and tile, as well as specialist barrier and entrance matting products. Its focus is on the design and creation of innovative products to meet the needs of architects, specifiers and contractors for the education, leisure, commercial, healthcare and public sectors. [www.burmatex.co.uk](http://www.burmatex.co.uk)

Leading the field in carpet innovation, Ryalux is one of the UK's leading tufted carpet manufacturers, offering an extensive range of colour and texture. With an emphasis on quality and a focus on design, the Ryalux brand offers a unique service of custom made floor coverings as well as standard carpet ranges available through carpet retail outlets. [www.ryalux.com](http://www.ryalux.com)

Although they operate in different sectors of the flooring market, our brands have a lot in common. Most importantly, they are both built on innovation. Not only in the way we design our products to meet the diverse needs of our customers – but also in terms of the exceptional service we provide, whatever the price level.

## Review of Operations

### Introduction

As indicated at the time of the annual general meeting, trading conditions in the floor coverings markets in which we operate have remained extremely challenging. It is therefore pleasing to report that the first six months of our current financial year has been one of considerable progress seeing both an improvement in profitability and cash generation.

The Ryalux brand is benefiting from the range renewal programme along with investment in new point of sale and continues to regain its reputation for innovation and design. The success achieved in winning major commercial contracts demonstrates the development of the Burmatex brand within the architect and specification market. Both brands are benefiting from a focused approach to pricing and despite the adverse market conditions, sales margins have been strengthened. The benefits of the cost reduction programmes carried out last year came through in the period and made a major contribution to the improvement in profitability. We continue to monitor our cash flows closely and have strengthened our cash resources, whilst continuing to invest in new products to generate future growth.

### Group results

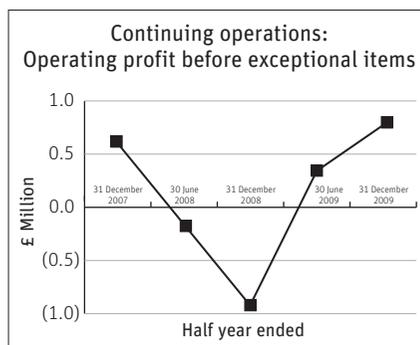
Sales reduced by 27.6% to £16.7m (2008: £23.0m), and were 6.7% down against the six months ended 30th June 2009. Of the decline circa £4.0m is directly attributable to the exit from loss making contracts and the withdrawal of products as part of the rationalisation of the domestic product range. The operating profit was £0.7m (2008: loss £9.0m). This result was after exceptional operating costs of £97,000

(2008: exceptional operating cost £4.1m and goodwill impairment £4.0m). After excluding these items, the operating result from continuing operations was a profit of £0.8m (2008: loss £0.9m).

After accounting for modest levels of finance income and finance costs and incorporating the appropriate tax charge, the result for the period was a profit of £0.4m (2008: loss £8.8m). The earnings per share were 0.78p (2008: loss per share 18.99p). Cash and cash equivalents totalled £4.2m (2008: £3.2m).

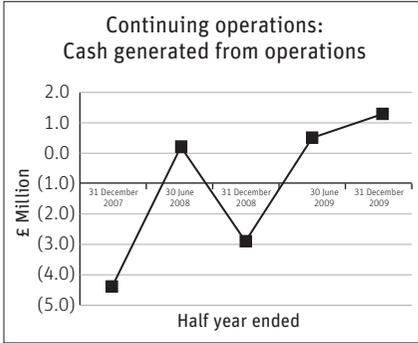
Net cash generated from operations in the period amounted to £1.3m (2008: used in operations £2.9m). Working capital reduced by £1.0m (2008: £2.3m) as a result of range rationalisation and the focus on receivables management. Capital expenditure of £0.6m (2008: £0.2m) was largely focused on the range renewal projects. Contributions of £0.6m (2008: £1.1m) were paid to the defined benefit pension scheme, in line with trustee approval. Due to the timing of the agreement this represents the full contributions for the year.

The progression in results is illustrated in the following graphs.



Review of Operations

(continued)



Management and personnel

Martin Toogood succeeded Tim Vernon as non-executive chairman on 6th November 2009. Tim stepped down from the board after over five years service, and we would like to thank him for his contribution and wish him well for the future.

Current trading and future prospects

Our half year trading statement demonstrates a welcome increase in profitability, following the return to profitability in the second half of the last financial year, set against some of the most difficult market conditions for many years.

As outlined in our last annual report we have largely reorganised our manufacturing footprint in the residential carpet business and more importantly transformed our product portfolio and point of sale estate. To say the least this has been a painful experience as we have had to exit loss making supply contracts and discontinue unprofitable product ranges. This largely explains the decline in residential product sales. However, we have been successful in re-establishing our portfolio in the multiple

retail sector with the latest phase of our new ranges being introduced to multiple retail customers this month. This should lead to a stronger trading position in the residential sector as a direct consequence of these activities.

The commercial floor-coverings business, as expected, encountered difficult trading conditions however, the public sector in particular continues to perform well. We are pleased with the progress made by the business in winning new contracts outside our normal more traditional market sectors. In recent months we have successfully secured new contracts to the value of £10.0m over the next two years, which will progressively come on stream towards the end of this financial year. These contracts should provide a solid platform for growth despite the economic environment.

In summary we look to the future with cautious optimism. Retail footfall in the residential sector continues to be a source of concern and the commercial sector is showing little sign of real market recovery. Nevertheless we now have the products that people wish to buy and the cost base to trade profitably in a very difficult market. Our business plan assumes no real market recovery for some time to come and management attention on cash resources is a very high priority.

The board has concluded that it would be imprudent to pay a dividend at the interim stage, but are committed to review the recommencement of dividends at the end of the financial year.

## Consolidated Income Statement

6 months ended 31st December 2009

Note	Unaudited 6 months ended 31st December 2009 £000	Unaudited 6 months ended 31st December 2008 £000	Audited year ended 30th June 2009 £000		
<b>CONTINUING OPERATIONS</b>					
	Revenue	16,679	23,040	40,970	
	Operating costs	(16,019)	(28,018)	(45,792)	
	Impairment of goodwill	-	(4,000)	(4,000)	
	<b>Operating profit/loss after exceptional items</b>	<b>660</b>	<b>(8,978)</b>	<b>(8,822)</b>	
Analysed between:					
	Operating profit/(loss) before exceptional items	757	(901)	(496)	
1	Exceptional operating costs	(97)	(4,077)	(4,326)	
	Impairment of goodwill	-	(4,000)	(4,000)	
	Finance income	5	41	97	
	Finance costs	(150)	(150)	(340)	
	<b>Profit/(loss) before taxation</b>	<b>515</b>	<b>(9,087)</b>	<b>(9,065)</b>	
	Taxation	(153)	363	103	
	<b>Profit/(loss) from continuing operations</b>	<b>362</b>	<b>(8,724)</b>	<b>(8,962)</b>	
	Loss from discontinued operations	-	(57)	(10)	
	<b>Profit/(loss) for the year</b>	<b>362</b>	<b>(8,781)</b>	<b>(8,972)</b>	
	<b>Earnings/(loss) per share</b>				
	Basic and diluted	3	0.78p	(18.99)p	(19.40)p
	<b>Earnings/(loss) per share from continuing activities</b>				
	Basic and diluted	3	0.78p	(18.87)p	(19.38)p

There is no difference between the profit before taxation and the profit for the period stated above and their historical cost equivalents.

## Consolidated Statement of Comprehensive Income

6 months ended 31st December 2009

Note	Unaudited 6 months ended 31st December 2009 £000	Unaudited 6 months ended 31st December 2008 £000	Audited year ended 30th June 2009 £000	
	Profit attributable to shareholders of the group	362	(8,781)	(8,972)
	Actuarial losses recognised in the pension scheme	-	-	(2,140)
	Related deferred taxation	-	-	599
	<b>Total recognised income and expense relating to the period</b>	<b>362</b>	<b>(8,781)</b>	<b>(10,513)</b>

## Consolidated Balance Sheet

as at 31st December 2009

	Unaudited 31st December 2009 £000	Unaudited 31st December 2008 £000	Audited 30th June 2009 £000
<b>Non-current assets</b>			
Property, plant and equipment	8,037	7,809	7,938
Deferred tax asset	2,024	1,260	2,217
Loan notes	–	300	–
	<u>10,061</u>	<u>9,369</u>	<u>10,155</u>
<b>Current assets</b>			
Loan notes	150	–	150
Inventories	6,462	8,249	6,995
Trade and other receivables	5,082	7,198	5,622
Income tax receivable	–	813	121
Cash and cash equivalents	4,195	3,171	3,242
	<u>15,889</u>	<u>19,431</u>	<u>16,130</u>
<b>Total assets</b>	<u>25,950</u>	<u>28,800</u>	<u>26,285</u>
<b>Current liabilities</b>			
Trade and other payables	(5,300)	(7,107)	(5,391)
Provisions	(672)	–	(722)
	<u>(5,972)</u>	<u>(7,107)</u>	<u>(6,113)</u>
<b>Non-current liabilities</b>			
Provisions	(929)	(1,715)	(1,038)
Pension deficit	(4,990)	(4,500)	(5,440)
Deferred tax	(162)	(211)	(159)
	<u>(6,081)</u>	<u>(6,426)</u>	<u>(6,637)</u>
<b>Total liabilities</b>	<u>(12,053)</u>	<u>(13,533)</u>	<u>(12,750)</u>
	<u>13,897</u>	<u>15,267</u>	<u>13,535</u>
<b>Equity</b>			
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
Profit and loss account	(563)	807	(925)
	<u>13,897</u>	<u>15,267</u>	<u>13,535</u>

## Consolidated Cash Flow Statement

6 months ended 31st December 2009

	Note	Unaudited 6 months ended 31st December 2009 £000	Unaudited 6 months ended 31st December 2008 £000	Audited year ended 30th June 2009 £000
<b>Operating activities</b>				
Cash from/(used in) operations	6	1,313	(2,856)	(2,401)
Interest received		5	19	64
Income tax received		132	238	435
		<u>1,450</u>	<u>(2,599)</u>	<u>(1,902)</u>
<b>Investing activities</b>				
Purchase of property, plant and equipment		(613)	(191)	(878)
Proceeds on disposal of property, plant and equipment		13	638	549
Earn-out payment		103	-	-
		<u>(497)</u>	<u>447</u>	<u>(329)</u>
<b>Financing activities</b>				
Equity dividends paid		-	(740)	(740)
Redemption of loan notes		-	-	150
		<u>-</u>	<u>(740)</u>	<u>(590)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		953	(2,892)	(2,821)
Cash and cash equivalents at start of period		3,242	6,063	6,063
Cash and cash equivalents at end of period		<u>4,195</u>	<u>3,171</u>	<u>3,242</u>

## Consolidated Statement of changes in Total Equity

6 months ended 31st December 2009

	Unaudited 6 months ended 31st December 2009 £000	Unaudited 6 months ended 31st December 2008 £000	Audited year ended 30th June 2009 £000
Total equity brought forward	13,535	24,788	24,788
Profit/(loss) for the period	362	(8,781)	(8,972)
Other recognised losses	-	-	(1,541)
Equity dividends paid	-	(740)	(740)
Total equity carried forward	<u>13,897</u>	<u>15,267</u>	<u>13,535</u>

## Notes

### 1 EXCEPTIONAL OPERATING COSTS

	Unaudited 6 months ended 31st December 2009 £000	Unaudited 6 months ended 31st December 2008 £000	Audited Year ended 30th June 2009 £000
Impairment of property, plant and equipment	-	588	588
Provision against inventories	120	1,071	1,071
Provision for onerous leases and related costs	-	2,124	2,037
Severance payments and incentives	80	252	613
Relocation costs	-	26	154
Provision for bad debts	-	37	40
Legal and professional expenses	-	36	10
Earn-out payment	(103)	-	-
	<u>97</u>	<u>4,134</u>	<u>4,513</u>

The impairment of property, plant and equipment, the provision against inventories, the provisions for onerous leases and related costs and relocation costs relate to the ongoing reorganisation of the residential carpets business. The severance payments and incentives relate to the streamlining of the operating business and management team. The remainder of the relocation costs and the provision for bad debts relate to the discontinuation of the yarn dyeing operation. The legal and professional expenses relate to the streamlining of the group structure.

The earn-out payment relates to Sirdar Spinning Limited. This disposal was disclosed in previous periods.

All of the exceptional operating costs related to continuing operations (31st December 2008: £4,077,000, 30th June 2009: £4,326,000 of the exceptional operating costs related to continuing operations and 31st December 2008: £57,000, 30th June 2009: £187,000 related to discontinued operations).

### 2 DIVIDENDS

	Unaudited 6 months ended 31st December 2009 £000	Unaudited 6 months ended 31st December 2008 £000	Audited Year ended 30th June 2009 £000
Final dividend for the year ended 30th June 2008 - 1.60p per share	-	740	740
	<u>-</u>	<u>740</u>	<u>740</u>

### 3 EARNINGS PER SHARE

#### (a) Group results

The calculation of basic earnings per share is based on a profit of £362,000 (31st December 2008: loss £8,781,000, 30th June 2009: loss £8,972,000) and on 46,242,455 (31st December 2008: 46,242,455, 30th June 2009: 46,242,455) ordinary shares, being the number in issue during the period.

Adjusted earnings per share is calculated after excluding exceptional operating costs and impairment of goodwill as set out below.

	Unaudited 6 months ended 31st December 2009		Unaudited 6 months ended 31st December 2008		Unaudited Year ended 30th June 2009	
	£000	pence	£000	pence	£000	pence
Earnings/(loss) and basic earnings/(loss) per share	362	0.78	(8,781)	(18.99)	(8,972)	(19.40)
Exceptional operating costs (net of tax)	70	0.15	4,073	8.81	3,249	7.03
Impairment of goodwill	-	-	4,000	8.65	4,000	8.65
Adjusted earnings/(loss) and adjusted earnings/(loss) per share	<u>432</u>	<u>0.93</u>	<u>(708)</u>	<u>(1.53)</u>	<u>(1,723)</u>	<u>(3.72)</u>

#### (b) Continuing operations

The calculation of basic earnings per share from continuing operations is based on a profit of £362,000 (31st December 2008: loss £8,724,000, 30th June 2009: loss £8,962,000) and on 46,242,455 (31st December 2008: 46,242,455, 30th June 2009: 46,242,455) ordinary shares.

Adjusted earnings per share from continuing operations is calculated after excluding the exceptional profit on sale of property, the related movements on deferred tax, exceptional operating costs and impairment of goodwill as set out below.

	Unaudited 6 months ended 31st December 2009		Unaudited 6 months ended 31st December 2008		Unaudited Year ended 30th June 2009	
	£000	pence	£000	pence	£000	pence
Earnings/(loss) and basic earnings/(loss) per share	362	0.78	(8,724)	(18.87)	(8,962)	(19.38)
Exceptional operating costs (net of tax)	70	0.15	4,016	8.69	3,115	6.74
Impairment of goodwill	-	-	4,000	8.65	4,000	8.65
Adjusted earnings/(loss) and adjusted earnings/(loss) per share	<u>432</u>	<u>0.93</u>	<u>(708)</u>	<u>(1.53)</u>	<u>(1,847)</u>	<u>(3.99)</u>

Notes

(continued)

4 DEFERRED TAX

(a) Deferred tax non-current asset

	Unaudited 31st December 2009 £000	Unaudited 31st December 2008 £000	Audited 30th June 2009 £000
Balance brought forward	2,217	1,540	1,540
Movement during the period	(193)	(280)	677
Amount carried forward	<u>2,024</u>	<u>1,260</u>	<u>2,217</u>

The above amounts are in respect of the deferred tax asset relating to the gross pension deficit, and tax losses.

(b) Deferred tax current liability

	Unaudited 31st December 2009 £000	Unaudited 31st December 2008 £000	Audited 30th June 2009 £000
Balance brought forward	159	252	252
Movement during the period	3	(41)	(93)
Amount carried forward	<u>162</u>	<u>211</u>	<u>159</u>

The above amounts are in respect of accelerated capital allowances and other temporary differences.

5 RETAINED EARNINGS

	Unaudited 31st December 2009 £000	Unaudited 31st December 2008 £000	Audited 30th June 2009 £000
Brought forward	(925)	10,328	10,328
Profit/(loss) for the period	362	(8,781)	(8,972)
Other recognised losses	-	-	(1,541)
Equity dividends paid	-	(740)	(740)
Carried forward	<u>(563)</u>	<u>807</u>	<u>(925)</u>

**6 RECONCILIATION OF PROFIT/(LOSS) FOR THE PERIOD TO NET CASH FROM/(USED IN) OPERATIONS**

	Unaudited 6 months ended 31st December 2009 £000	Unaudited 6 months ended 31st December 2008 £000	Audited Year ended 30th June 2009 £000
Profit/(loss) for the period	362	(8,781)	(8,972)
Tax charged/(credited)	153	(363)	(279)
Finance costs	145	109	242
Impairment of property, plant and equipment	-	588	588
Impairment of goodwill	-	4,000	4,000
Profit on earn-out payment	(103)	-	-
Depreciation	498	523	1,146
Loss/(profit) on disposal of property, plant and equipment	3	(49)	(25)
Decrease in inventories	533	2,721	3,975
Decrease in receivables	541	1,553	3,127
(Decrease) in payables	(60)	(2,007)	(5,423)
(Decrease)/increase in provisions	(159)	-	1,760
Contributions to defined benefit pension scheme	(600)	(1,150)	(2,540)
Net cash from/(used in) operations	<u>1,313</u>	<u>(2,856)</u>	<u>(2,401)</u>

**7 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The financial information for the six months ended 31st December 2009 and 31st December 2008 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 2009 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 2009, other than in respect of the adoption of IAS1 (revised), "Presentation of Financial Statements", which affects only the presentation of primary statements. These policies are set out in the annual report and accounts for the year ended 30th June 2009 which is available on the company's website at [www.aireapl.com](http://www.aireapl.com).

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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