

**AIREA** plc

The principal activity of the group is the design, manufacture, marketing and distribution of floor coverings.

## Chairman's Statement

The group's performance in the six months ended 30th June 2021 has continued to be impacted by the COVID-19 pandemic and the related lockdown restrictions which continue to suppress activity in our key markets. Our export business has been most severely impacted by lockdown restrictions in target markets and the additional costs of administration and freight following the post Brexit transition period. Availability of labour and raw materials have been a major challenge with unprecedented increases in raw material prices. H1 delivered improved sales and operating profit versus the prior year as demand in the market continued to recover albeit at a slower pace than expected.

Throughout H1 the group has remained open for business and continues to support customers whilst also looking to prioritise the well-being of employees. The board recognises and values the tremendous efforts of our employees throughout the period.

With reference to COVID-19 support packages deferred VAT repayments have commenced, our loan balance repayments have recommenced and the level of furlough support has reduced significantly in the first half.

As at 30th June 2021 our cash reserves were £6.2m (2020: £6.5m), excluding the CBILS loans our cash position was £3.5m (2020: £3.7m), with further liquidity available of £1.0m via our unutilised overdraft facility (2020: £1.0m unutilised). Our cash reserves and strong balance sheet enable us to manage the impact of the pandemic and related risks.

## Group Results

Revenue for the period was £0.3m above the prior year, £7.4m (2020: £7.1m). In the UK our sales were 18.5% ahead of the prior six month comparative period as home sales began to recover. Export sales were down 35.5% compared to the comparative period, largely due to the effect of COVID-19 on all our target export markets and the significant disruption caused by differing interpretations of import regulations post Brexit.

The operating profit was £574,000 (2020: £137,000). Excluding inventory absorption impacts, underlying product margins are broadly in line with prior year, however product margins are facing significant pressure due to significant raw material inflation and our ability to pass on these price increases. After charging pension, lease and loan related finance costs of £114,000 (2020: £193,000) and incorporating the appropriate tax charge the net profit for the period was £440,000 (2020: £43,000 loss). Basic earnings per share were 1.14p (2020: loss 0.11p).

Operating cash flows before movements in working capital were £0.5m (2020: £0.5m). Working capital increased in the period by £0.1m (2020: £1.0m decrease). Contributions to the defined benefit pension scheme were £0.2m (2020: £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 £1.2m (2020: £0.2m) was spent renewing and enhancing manufacturing plant and equipment, with major spend on new equipment to continue to support our new exciting product development programme.

The pension scheme position improved significantly to a surplus of £2.3m (2020: £4.9m deficit). The schemes investments are continuously under review. The group's contributions to the pension scheme will be reviewed in H2.

## **Outlook**

The UK sales recovery is expected to continue with a strong order book, however the impact of lifting lockdown restrictions is unknown and so forecasting sales performance in the second half is particularly difficult. Market activity in our European Markets is expected to improve but relatively slowly. Difficulties exporting to Europe are now well documented, with significant increases in cost and additional complexity in exporting to Europe Post-Brexit.

Of greatest concern is the level of raw material price inflation and supply chain tensions putting a strain on the availability of materials and the costs of obtaining them, the increases experienced to date are relentless and unprecedented. Key to our success will be our ability to pass on these price increases and a halt or reversal of current pricing trends.

We have however continued to invest in development of our product range with investment in new equipment and the launches of new products ongoing throughout 2021 based upon our confidence in the future prospects of the business and our secure financial position.

Given the financial performance of the group and the continued levels of uncertainty in the market and wider economy the group will continue to prioritise cash to ensure medium to long-term stability and therefore will not be proposing an interim dividend (2020: nil).

MARTIN TOOGOOD  
Chairman

30th July 2021

## Consolidated Income Statement

6 months ended 30th June 2021

	Unaudited 6 months ended 30th June 2021 £000	Unaudited 6 months ended 30th June 2020 £000	Audited 12 months ended 31st December 2020 £000
Revenue	7,431	7,100	14,554
Operating costs	(6,997)	(7,103)	(14,090)
Other operating income	140	140	280
Operating profit before valuation gain	574	137	744
Unrealised valuation gain	-	-	125
<b>Operating profit</b>	<b>574</b>	<b>137</b>	<b>869</b>
Finance income	4	2	7
Finance costs	(114)	(193)	(376)
<b>Profit/(loss) before taxation</b>	<b>464</b>	<b>(54)</b>	<b>500</b>
Taxation	(24)	11	(109)
<b>Profit/(loss) attributable to shareholders of the group</b>	<b>440</b>	<b>(43)</b>	<b>391</b>
Earnings per share (basic and diluted) for the group	1.14p	0.11p	1.00p

## Consolidated Statement of Comprehensive Income

6 months ended 30th June 2021

	Unaudited 6 months ended 30th June 2021 £000	Unaudited 6 months ended 30th June 2020 £000	Audited 12 months ended 31st December 2020 £000
Profit/(loss) attributable to shareholders of the group	440	(43)	391
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gain/(loss) recognised in the pension scheme	3,997	(3,448)	(389)
Related deferred taxation	(797)	655	74
	3,200	(2,793)	(315)
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>			
Revaluation of property	-	12	37
Related deferred taxation	-	(2)	(4)
	-	10	33
Total other comprehensive income/(loss)	3,200	(2,783)	(282)
<b>Total comprehensive income/(loss) attributable to shareholders of the group</b>	<b>3,640</b>	<b>(2,826)</b>	<b>109</b>

## Consolidated Balance Sheet

as at 30th June 2021

	Unaudited 30th June 2021 £000	Unaudited 30th June 2020 £000	Audited 31st December 2020 £000
<b>Non-current assets</b>			
Property, plant and equipment	5,279	4,282	4,271
Intangible assets	62	67	54
Investment property	3,725	3,600	3,725
Right-of-use asset	1,011	1,126	1,086
Pension Surplus	2,310	-	-
Deferred tax asset	733	1,563	920
	13,120	10,638	10,056
<b>Current assets</b>			
Inventories	5,877	4,728	5,622
Trade and other receivables	2,093	1,915	1,712
Cash and cash equivalents	6,226	6,451	6,555
	14,196	13,094	13,889
<b>Total assets</b>	<b>27,316</b>	<b>23,732</b>	<b>23,945</b>
<b>Current liabilities</b>			
Trade and other payables	(3,679)	(2,482)	(2,895)
Provisions	(138)	(320)	(465)
Lease liabilities	(145)	(213)	(243)
Loans and borrowings	(1,359)	(580)	(1,071)
	(5,321)	(3,595)	(4,674)
<b>Non-current liabilities</b>			
Pension deficit	-	(4,888)	(1,789)
Deferred tax	(1,206)	(526)	(609)
Lease liabilities	(174)	(297)	(188)
Loans and borrowings	(2,911)	(3,317)	(2,641)
	(4,291)	(9,028)	(5,227)
<b>Total liabilities</b>	<b>(9,612)</b>	<b>(12,623)</b>	<b>(9,901)</b>
<b>Net assets</b>	<b>17,704</b>	<b>11,109</b>	<b>14,044</b>
<b>Equity</b>			
Called up share capital	10,339	10,339	10,339
Share premium account	504	504	504
Own Shares	(876)	(1,518)	(1,197)
Share-based payment reserve	161	141	141
Capital redemption reserve	3,617	3,617	3,617
Revaluation reserve	3,014	3,058	3,014
Retained earnings	945	(5,032)	(2,374)
<b>Total equity</b>	<b>17,704</b>	<b>11,109</b>	<b>14,044</b>

## Consolidated Cash Flow Statement

6 months ended 30th June 2021

	Unaudited 6 months ended 30th June 2021 £000	Unaudited 6 months ended 30th June 2020 £000	Audited 12 months ended 31st December 2020 £000
<b>Cash flow from operating activities</b>			
Profit/(loss) for the period	440	(43)	391
Depreciation	123	114	228
Depreciation of right-of-use assets	128	140	270
Amortisation	16	25	38
Movement in Provision	(327)	-	145
Share-based payment expense	20	56	56
Net Finance costs	110	191	369
Tax charge/(credit)	24	(11)	109
Unrealised valuation gain	-	-	(125)
<b>Operating cash flows before movements in working capital</b>	<b>534</b>	<b>472</b>	<b>1,481</b>
(Increase)/decrease in inventory	(255)	733	(161)
(Increase)/decrease in trade and other receivables	(417)	197	456
Increase in trade and other payables	784	70	467
<b>Cash generated from operations</b>	<b>646</b>	<b>1,472</b>	<b>2,243</b>
Contributions to defined benefit pension scheme	(200)	(200)	(400)
<b>Net cash generated from operating activities</b>	<b>446</b>	<b>1,272</b>	<b>1,843</b>
<b>Cash flows from investing activities</b>			
Payments to acquire intangible fixed assets	(24)	(33)	(53)
Payments to acquire tangible fixed assets	(1,131)	(156)	(233)
	(1,155)	(189)	(286)
<b>Cash flows from financing activities</b>			
Interest paid on lease liabilities	(6)	(8)	(15)
Interest paid on borrowings	(11)	(18)	(33)
Interest received	4	2	7
Proceeds from new loans and borrowings	934	2,750	2,750
Principal paid on lease liabilities	(166)	(177)	(344)
Repayment of loans and borrowings	(375)	(138)	(324)
<b>Net cash generated from financing activities</b>	<b>380</b>	<b>2,411</b>	<b>2,041</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(329)</b>	<b>3,494</b>	<b>3,598</b>
<b>Cash and cash equivalents at start of the period</b>	<b>6,555</b>	<b>2,957</b>	<b>2,957</b>
<b>Cash and cash equivalents at end of the period</b>	<b>6,226</b>	<b>6,451</b>	<b>6,555</b>

## Consolidated Statement of Changes in Equity

6 months ended 30th June 2021

	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 2020</b>	10,339	504	(1,839)	85	3,617	3,048	(1,875)	13,879
<b>Comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	-	391	391
Actuarial loss recognised on the pension scheme	-	-	-	-	-	-	(315)	(315)
Impairment of property	-	-	-	-	-	-	33	33
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	109	109
<b>Contributions by and distributions to owners</b>								
Dividend paid	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	56	-	-	-	56
Own share transfer	-	-	642	-	-	-	(642)	-
Revaluation Reverse Transfer	-	-	-	-	-	(34)	34	-
<b>Total contributions by and distributions to owners</b>	-	-	642	56	-	(34)	(608)	56
<b>At 31st December 2020 and 1st January 2021</b>	10,339	504	(1,197)	141	3,617	3,014	(2,374)	14,044
<b>Comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	440	440
Actuarial gain recognised on the pension scheme	-	-	-	-	-	-	3,200	3,200
Revaluation of property	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	3,640	3,640
<b>Contributions by and distributions to owners</b>								
Share-based payment	-	-	-	20	-	-	-	20
Own Shares Transfer	-	-	321	-	-	-	(321)	-
<b>Total contributions by and distributions to owners</b>	-	-	321	20	-	-	(321)	20
<b>At 30th June 2021</b>	10,339	504	(876)	161	3,617	3,014	945	17,704

## Notes to the Financial Statements

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information for the six months ended 30th June 2021 and the six months ended 30th June 2020 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 2020 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 2020. These policies are set out in the annual report and accounts for the period ended 31st December 2020 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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