

AIREA plc

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

Chairman's Statement

It is pleasing to report improved earnings for the twelve months ending 30th June 2017 and continuing strengthening of our competitive position despite challenging trading conditions.

- Profit before tax up 8.3%
- Basic earnings per share up 14.3%
- Interim dividend introduced

As indicated in the six month review in February, we were seeing signs of increases in commodity prices. The second six months of the current accounting period has seen further margin pressure in both the contract and residential flooring market, and we are working hard to manage margins.

New product launches were well received in the UK contract sector, however market conditions worsened through the period as a combination of further public sector cut backs and ongoing economic and political uncertainty weighed on demand.

Recent product launches and new routes to market led to sales growth in the residential sector.

Exports continued to grow steadily in the period as the improved exchange rate restored competitiveness and new markets came on stream.

The site consolidation is now fully complete and delivering both significant cost savings as well as improved service levels and reduced waste. We remain in negotiations over our remaining leasehold property.

Group Results

Revenue for the period was £23.9m (2016: £24.6m). The operating profit was £2,121,000 (2016: £2,042,000). After charging pension related finance costs of £614,000 (2016: £651,000) and incorporating the appropriate tax charge the net profit for the period was £1,423,000 (2016: £1,277,000). Basic earnings per share were 3.44p (2016: 3.01p)

Operating cash flows before exceptional items and movements in working capital were £2.8m (2016: £2.8m). Working capital increased in the period by £2.0m as a result of stock build for successful product launches. Contributions to the defined benefit pension scheme were £400,000 (2016: £400,000) in line with the agreement reached with the scheme trustees following the last triennial valuation as at 1st July 2014. Capital expenditure of £1,280,000 (2016: £704,000) was made in renewing and enhancing manufacturing plant and equipment.

The increase in the pension deficit of £277,000 resulted from a deterioration in corporate bond yields. It is an accounting standards requirement that the reported pension valuation is based on corporate bond yields even though this does not reflect the investment strategy of the plan. In reality the plan is now largely hedged against interest rate movements and inflation, which, combined with a diversified growth asset base, continues to produce an improved underlying position.

Outlook

We are encouraged by the reaction to our new products from both domestic and overseas customers, continue to benefit from our reduced cost base and remain committed to bringing competitively priced products with high design content to market. This will hold us in good stead as we anticipate ongoing uncertainty of demand in all the markets that we serve.

As previously announced we are in an eighteen month accounting period and this second interim report is unusual in covering a twelve month period. We stated in our last announcement that we would look to introduce an interim dividend, which is particularly relevant in the transition to our new accounting period end. Given the ongoing improvement in the financial performance of the group and a robust cash flow we are able to declare an interim dividend of 1.75p to be paid on the 23rd of November 2017 to shareholders on the register at close of business on 13th October 2017. The ex dividend date is 12th October 2017.

Martin Toogood

Chairman

26th September 2017

Consolidated Income Statement

12 months ended 30th June 2017

	Unaudited 12 months ended 30th June 2017 £000	Audited Year ended 30th June 2016 £000
Revenue	23,894	24,577
Operating costs	(21,773)	(22,535)
Operating profit before exceptional items	2,121	2,013
Exceptional items:		
Exceptional costs	-	(1,271)
Pension credit	-	1,300
Operating profit	2,121	2,042
Finance income	-	-
Finance costs	(614)	(651)
Profit before taxation	1,507	1,391
Taxation	(84)	(114)
Profit attributable to shareholders of the group	1,423	1,277
Earnings per share (basic and diluted)	3.44p	3.01p

All amounts relate to continuing operations

Consolidated Statement of Comprehensive Income

12 months ended 30th June 2017

	Unaudited 12 months ended 30th June 2017 £000	Audited Year ended 30th June 2016 £000
Profit attributable to shareholders of the group	1,423	1,277
Actuarial gain recognised in the pension scheme	(79)	(291)
Related deferred taxation	16	(83)
	(63)	(374)
Unrealised valuation gain	-	3,009
Related deferred taxation	-	(240)
	-	2,769
Total comprehensive income attributable to shareholders of the group	1,360	3,672

Consolidated Balance Sheet

as at 30th June 2017

	Unaudited As at 30th June 2017 £000	Audited As at 30th June 2016 £000
Non-current assets		
Property, plant and equipment	6,101	5,489
Investment property	2,701	2,701
Deferred tax asset	1,281	1,264
	<u>10,083</u>	<u>9,454</u>
Current assets		
Inventories	11,146	9,338
Trade and other receivables	4,704	4,601
Cash and cash equivalents	2,302	3,114
	<u>18,152</u>	<u>17,053</u>
Total assets	<u>28,235</u>	<u>26,507</u>
Current liabilities		
Trade and other payables	(5,574)	(5,505)
Provisions	-	(125)
	<u>(5,574)</u>	<u>(5,630)</u>
Non-current liabilities		
Obligation under finance leases	(767)	-
Pension deficit	(6,962)	(6,685)
Deferred tax	(241)	(241)
	<u>(7,970)</u>	<u>(6,926)</u>
Total liabilities	<u>(13,544)</u>	<u>(12,556)</u>
	<u>14,691</u>	<u>13,951</u>
Equity		
Called up share capital	10,339	10,339
Share premium account	504	504
Capital redemption reserve	3,617	3,617
Revaluation reserve	3,009	3,009
Retained earnings	(2,778)	(3,518)
	<u>14,691</u>	<u>13,951</u>

Consolidated Cash Flow Statement

12 months ended 30th June 2017

	Unaudited 12 months ended 30th June 2017 £000	Audited year ended 30th June 2016 £000
Cash flow from operating activities		
Profit for the year	1,423	1,277
Tax charged	84	114
Finance costs	614	651
Depreciation	668	837
Profit on disposal of property, plant and equipment	-	(6)
Pension credit	-	(1,300)
Inventory impairment	-	468
Operating cash flows before movements in working capital	2,789	2,041
(Increase)/decrease in inventories	(1,808)	841
Increase in trade and other receivables	(103)	(189)
(Decrease)/increase in trade and other payables	(68)	232
(Decrease)/increase in provisions for liabilities and charges	(125)	125
Cash generated from operations	685	3,050
Income tax received	52	61
Contributions to defined benefit pension scheme	(400)	(400)
Net cash generated from operations	337	2,711
Investing activities		
Purchase of property, plant and equipment	(1,280)	(704)
Proceeds on disposal of property, plant and equipment	-	25
	(1,280)	(679)
Financing activities		
Interest	(16)	-
Obligations under finance leases	767	-
Share repurchase	-	(410)
Equity dividends paid	(620)	(391)
	131	(801)
Net (decrease)/increase in cash and cash equivalents	(812)	1,231
Cash and cash equivalents at start of the year	3,114	1,883
Cash and cash equivalents at end of the year	2,302	3,114

Consolidated Statement of Changes in Equity

12 months ended 30th June 2017

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1st July 2015	10,851	504	3,105	-	(3,380)	11,080
Comprehensive income for the period						
Profit for the period	-	-	-	-	1,277	1,277
Other comprehensive income for the period	-	-	-	3,009	(614)	2,395
Total comprehensive income for the year	-	-	-	3,009	663	3,672
Contributions by and distributions to owners						
Share repurchase	(512)	-	512	-	-	-
Consideration paid on share purchase	-	-	-	-	(410)	(410)
Dividend paid	-	-	-	-	(391)	(391)
At 30th June and 1st July 2016	10,339	504	3,617	3,009	(3,518)	13,951
Comprehensive income for the period						
Profit for the period	-	-	-	-	1,423	1,423
Other comprehensive income for the period	-	-	-	-	(63)	(63)
Total comprehensive income for the year	-	-	-	-	1,360	1,360
Contributions by and distributions to owners						
Dividend paid	-	-	-	-	(620)	(620)
At 30th June 2017	<u>10,339</u>	<u>504</u>	<u>3,617</u>	<u>3,009</u>	<u>(2,778)</u>	<u>14,691</u>

Notes to the Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information for the twelve month period ended 30th June 2017 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 2016 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 2016. These policies are set out in the annual report and accounts for the year ended 30th June 2016 which is available on the company's website at www.aireaplco.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 and are also available, along with this announcement, on the company's website at www.aireaplco.co.uk