

AIREA plc

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

Chairman's Statement

The six months ended 30th June 2019 continued the strategic progress made in recent periods; however, high levels of market uncertainty within the economy resulted in tougher market conditions during the second quarter slowing the Group's financial performance.

Despite strong growth in the order book and increased sales internationally, revenue and operating profit are below the corresponding period driven by the uncertainty in the market and the economic environment. This affected the timing of customer call offs within the order book and the Group's decision to increase inventory to prepare for potential Brexit challenges, had the UK left the EU on 31st March 2019, had a significant financial impact on operating profit and cash flow.

These challenges have not held back our strategic development with further strengthening of the sales and design teams. In addition the Group has taken the opportunity to invest in the infrastructure of the business with new on-site storage facilities and a new finance and operating system to be put in place by the fourth quarter increasing our operational capabilities.

Group Results

Revenue for the period was £8.9m (2018: £9.1m). The operating profit was £1,085,000 (2018: £1,481,000). After charging pension related finance costs of £143,000 (2018: £158,000) and incorporating the appropriate tax charge the net profit for the period was £935,000 (2018: £955,000). Basic earnings per share were 2.26p (2018: 2.31p).

There were no losses and related costs for the discontinued Ryalux business (2018: £359,000 loss).

Operating cash flows before exceptional items and movements in working capital were £1.3m (2018: £1.7m). Working capital increased in the period by £0.8m (2018: £0.5m) mainly as a result of the timing of stock build. Contributions to the defined benefit pension scheme were £200,000 (2018: £200,000) in line with the agreement reached with the scheme trustees following the last triennial valuation as at 1st July 2017. Capital expenditure of £236,000 (2018: £61,000) was made in renovating additional storage facilities, renewing and enhancing manufacturing plant and equipment and supporting product launches.

Outlook

Although disappointed with the sales performance during the last six weeks of the first half we are pleased by the progress made during the period improving the foundations of the Group. Sales growth will continue to be challenging given the uncertainty that remains whilst awaiting the outcome of Brexit negotiations; however, as a UK manufacturer with a strong position in the UK and internationally and an ever increasing product portfolio, we are well placed to moderate these risks and take advantage of growth opportunities as they arise.

Given the financial performance of the Group and resulting cash flow we are pleased to be able to maintain the policy introduced in 2017 of paying an interim dividend of 0.8p (2018: 1.75p) to be paid on 24th October 2019 to shareholders on the register at close of business on 20th September 2019. The ex-dividend date is 19th September 2019.

MARTIN TOOGOOD
Chairman

2nd August 2019

Consolidated Income Statement

6 months ended 30th June 2019

	Unaudited 6 months ended 30th June 2019 £000	Unaudited 6 months ended 30th June 2018 £000	Audited 12 months ended 31st December 2018 £000
Continuing operations			
Revenue	8,890	9,132	19,260
Operating costs	(7,945)	(7,787)	(16,536)
Other operating income	140	136	291
Operating profit before exceptional items	1,085	1,481	3,015
Exceptional costs	-	-	-
Unrealised valuation gain	-	-	250
Operating profit	1,085	1,481	3,265
Finance income	3	-	1
Finance costs	(143)	(158)	(355)
Finance costs relating to GMP Equalisation	-	-	(299)
Profit before taxation	945	1,323	2,612
Taxation	(10)	(9)	785
Profit attributable to shareholders of the group from continuing operations	935	1,314	3,397
Discontinued operations			
Loss attributable to shareholders of the group from discontinued operations	-	(359)	(1,389)
Profit attributable to shareholders of the group for the period	935	955	2,008
Earnings per share (basic and diluted) for continuing operations	2.26p	3.18p	8.21p
Earnings per share (basic and diluted) for the group	2.26p	2.31p	4.86p

Consolidated Statement of Comprehensive Income

6 months ended 30th June 2019

	Unaudited 6 months ended 30th June 2019 £000	Unaudited 6 months ended 30th June 2018 £000	Audited 12 months ended 31st December 2018 £000
Profit attributable to shareholders of the group	935	955	2,008
Actuarial loss recognised in the pension scheme	-	-	(1,284)
Related deferred taxation	-	-	218
	-	-	(1,066)
Unrealised valuation gain	-	39	78
Related deferred taxation	-	-	(13)
	-	39	65
Total other comprehensive income	-	39	(1,001)
Total comprehensive income attributable to shareholders of the group	935	994	1,007

Consolidated Balance Sheet

as at 30th June 2019

	Unaudited 30th June 2019 £000	Unaudited 30th June 2018 £000	Audited 31st December 2018 £000
Non-current assets			
Property, plant and equipment	5,182	5,107	5,108
Intangible assets	69	114	95
Investment property	3,400	3,150	3,400
Deferred tax asset	1,457	1,415	1,466
	10,108	9,786	10,069
Current assets			
Inventories	7,363	6,918	6,797
Trade and other receivables	4,621	2,870	2,330
Cash and cash equivalents	1,436	2,448	2,732
	13,420	12,236	11,859
Total assets	23,528	22,022	21,928
Current liabilities			
Trade and other payables	(3,614)	(4,793)	(3,571)
Provisions	(320)	-	(320)
Obligations under finance leases	(190)	(185)	(187)
	(4,124)	(4,978)	(4,078)
Non-current liabilities			
Pension deficit	(3,625)	(2,114)	(3,688)
Deferred tax	(304)	(268)	(305)
Loan	(1,551)	-	-
Obligation under finance leases	(227)	(417)	(323)
	(5,707)	(2,799)	(4,316)
Total liabilities	(9,831)	(7,777)	(8,394)
	13,697	14,245	13,534
Equity			
Called up share capital	10,339	10,339	10,339
Share premium account	504	504	504
Capital redemption reserve	3,617	3,617	3,617
Revaluation reserve	3,096	3,165	3,096
Retained earnings	(3,859)	(3,380)	(4,022)
	13,697	14,245	13,534

Consolidated Cash Flow Statement

6 months ended 30th June 2019

	Unaudited 6 months ended 30th June 2019 £000	Unaudited 6 months ended 30th June 2018 £000	Audited 12 months ended 31st December 2018 £000
Cash flow from operating activities			
Profit for the period	935	1,314	2,008
Depreciation	157	155	372
Amortisation	32	28	58
Finance costs	137	158	654
Loss on disposal of property, plant and equipment	-	-	(291)
Taxation	10	9	(785)
Unrealised valuation gain	-	-	(250)
Operating cash flows before movements in working capital	1,271	1,664	1,766
(Increase)/decrease in inventories	(566)	(762)	140
(Increase)/decrease in trade and other receivables	(291)	(700)	581
Increase/(decrease) in trade and other payables	43	972	(174)
Increase/(decrease) in provisions for liabilities and charges	-	-	20
Cash generated from operations	457	1,174	2,333
Income tax received	-	-	-
Contributions to defined benefit pension scheme	(200)	(200)	(400)
Net cash generated from operating activities	257	974	1,933
Investing activities			
Payments to acquire intangible fixed assets	(6)	(43)	(399)
Payments to acquire tangible fixed assets	(230)	(18)	(29)
Receipts from sales of tangible fixed assets	-	-	513
	(236)	(61)	85
Financing activities			
Interest paid	(6)	(8)	(14)
Interest received	3	-	1
Proceeds from loan	1,700	-	-
Loan to Airea Employee Benefit Trust	(2,000)	-	-
Finance lease repayments	(93)	(91)	(183)
Repayment of loan	(149)	-	-
Equity dividends paid	(772)	(2,068)	(2,792)
Net cash used in financing activities	(1,317)	(2,167)	(2,988)
Net decrease in cash and cash equivalents	(1,296)	(1,254)	(970)
Cash and cash equivalents at start of the period	2,732	3,702	3,702
Cash and cash equivalents at end of the period	1,436	2,448	2,732

Consolidated Statement of Changes in Equity

6 months ended 30th June 2019

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1st January 2018	10,339	504	3,617	3,126	(2,267)	15,319
Comprehensive income for the period						
Profit for the period	-	-	-	-	2,008	2,008
Actuarial loss recognised on the pension scheme	-	-	-	-	(1,066)	(1,066)
Revaluation of property	-	-	-	65	-	65
Total comprehensive income for the year	-	-	-	65	942	1,007
Contributions by and distributions to owners						
Dividend paid	-	-	-	-	(2,792)	(2,792)
Revaluation reserve transfer	-	-	-	(95)	95	-
Total contributions by and distributions to owners	-	-	-	(95)	(2,697)	(2,792)
At 31st December 2018 and 1st January 2019	10,339	504	3,617	3,096	(4,022)	13,534
Comprehensive income for the period						
Profit for the period	-	-	-	-	935	935
Actuarial loss recognised on the pension scheme	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	935	935
Contributions by and distributions to owners						
Dividend paid	-	-	-	-	(772)	(772)
Total contributions by and distributions to owners	-	-	-	-	(772)	(772)
At 30th June 2019	10,339	504	3,617	3,096	(3,859)	13,697

Notes to the Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information for the six months ended 30th June 2019 and the six months ended 30th June 2018 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 31st December 2018 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 2018. These policies are set out in the annual report and accounts for the period ended 31st December 2018 which is available on the company's website at www.aireapl.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.aireapl.co.uk.

2. DISCONTINUED OPERATIONS

The residential carpets business was closed during 2018 with the below analysis for comparative purposes with no additional costs incurred during the current period.

	Unaudited 6 months ended 30th June 2019 £000	Unaudited 6 months ended 30th June 2018 £000	Audited 12 months ended 31st December 2018 £000
Discontinued operations			
Revenue	–	920	935
Operating costs	–	(2,313)	(2,324)
Loss before taxation	–	(1,393)	(1,389)
Taxation	–	1,034	–
Loss attributable to shareholders of the group from discontinued operations	–	(359)	(1,389)

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