AIREA plc

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Strategic Review

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

Overview
Airea plc is pleased to report an improvement in trading in the second half of the financial year following a difficult first six months, resulting in increased underlying profitability for the year as a whole. Successful product launches reported at the interim stage, backed up by a restructured sales force provided the platform for the recovery in sales performance. However, the long anticipated recovery in the residential carpet market is still awaited.

Although there were some indications of a modest general improvement in market sentiment, the ongoing squeeze in disposable incomes, continuing austerity in the public sector, and problems in the euro zone combined to give a mixed picture. Competition for business remained fierce throughout the year. We have been able to invest in working capital to support the new products and sales recovery whilst at the same time maintaining the financial headroom to operate debt free. We continue to improve the reliability and flexibility of our manufacturing base, and as a result have been able to maintain high levels of customer service despite raw material supply issues caused by further concentration of the European yarn manufacturing industry. The cost base remains under constant review and once again significant overall savings have been achieved through efficiency gains in operations, which exceeded the further investment in sales resources.

Group results
Revenue for the period was £23.3m (2013: £25.0m) reflecting the difficult trading performance in the first half of the year. Operating profit before exceptional items was £721,000 (2013: £709,000). An exceptional charge of £115,000 has been made in respect of final settlement of a dilapidations dispute concerning properties exited in 2011, which was settled after the year end. The operating profit after exceptional items was £606,000 (2013: £709,000). After accounting for pension related finance costs and incorporating the appropriate tax charge the profit for the year was £301,000 (2013 restated[1]: £80,000).

Basic earnings per share were 0.65p (2013 restated[1]: 0.17p), and basic adjusted earnings[2] per share were 0.90p (2013 restated[1]: 0.17p).

Operating cash flows before exceptional items and movements in working capital were £1,598,000 (2013: £1,846,000). Working capital increased by £1,633,000 (2013: decrease £416,000) as a result of investment in inventories to support new product launches and increased levels of demand. Contributions of £375,000 (2013: £415,000) were made to the defined benefit pension scheme in line with the agreement reached with the trustees based on the 2011 actuarial valuation. Capital expenditure of £157,000 (2013: £257,000) was focused on supporting the continuous improvement in flexibility, reliability and productivity of the manufacturing process.

The pension deficit increased marginally to £5.8m (2013: £5.7m).

Key performance indicators
As part of its internal financial control procedures the board monitors certain financial ratios. For the year to 30th June 2014 value added per employee amounted to £67,000 (2013: £69,000), operating return on sales was 3.1% (2013: 2.8%), return on average net operating assets was 4.2% (2013: 5.1%) and working capital to sales percentage was 40.0% (2013: 30.3%). The ratios were affected by the difficult trading in the first half and are expected to improve as the efficiency gains implemented in the second half come through.

Principal risks and uncertainties
The board has responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, and ensuring that risks are managed effectively across the group. Risks are identified as being principal based on the likelihood of occurrence and potential impact on the group. The group's principal risks are identified below, together with a description of how the group mitigates those risks.

The key operational risk facing the business continues to be the competitive nature of the markets for the group's products. To mitigate this risk the group seeks to improve existing products, introduce new products and achieve high levels of customer service and efficiency.

The majority of the group's revenue arises from trade with flooring contractors and independent retailers. The activity levels within this customer base are determined by consumer demand created through a wide range of commercial refurbishment and building projects and activity in the housing market. The general level of activity in these underlying markets has the potential to affect the demand for products supplied by the group. The group mitigates these factors by closely monitoring sales trends and taking appropriate action early, along with strengthening the product range and developing new channels to market, both at home and abroad, to grow demand across a wider range of markets.

The group operates a defined benefit pension scheme. At present, in aggregate, there is an actuarial deficit between the value of the projected liabilities of this scheme and the assets they hold. The amount of the deficit may be adversely affected by changes in a number of factors, including investment returns, long-term interest rate and price inflation expectations, and anticipated members' longevity. Further increases in the pension scheme deficit may require the group to increase the amount of cash contributions payable to the scheme, thereby reducing cash available to meet the group's other operating, investing and financing requirements. Following the triennial funding valuation of the group's pension scheme in 2011, a revised deficit recovery plan was agreed. The performance of the group's pension scheme and deficit recovery plan are regularly reviewed by both the group and the trustees of the scheme, taking actuarial and investment advice as appropriate. The results of these reviews are discussed with the board and appropriate action taken.

Raw material costs are a significant constituent of overall product cost, and are impacted by global commodity markets. Significant fluctuations in raw material costs can have a material impact on profitability. The group continuously seeks out opportunities to develop a robust and competitive supply base, substitute new materials and closely monitors selling prices and margins.

The global nature of the group's business means it is exposed to volatility in currency exchange rates in respect of foreign currency denominated transactions, the most significant being the euro. In order to protect itself against currency fluctuations the group has taken advantage of the opportunity to naturally hedge euro revenue with euro payments by switching European suppliers from sterling to euro prices. This is done in combination with foreign currency bank accounts and forward exchange contracts. No transactions of a speculative nature are undertaken.

Other risks include the availability of necessary materials, business interruption and the duty of care to our employees, customers and the wider public. These risks are managed through the combination of quality assurance and health and safety procedures, and insurance cover.

Management and personnel

Our staff continue to rise to the challenges posed by the highly competitive environment in which we operate and we once again thank everyone in the business for the flexibility, hard work and commitment they have shown.

Current trading and future prospects

Although there may be signs of improvement in trading conditions in the UK, the outlook for the Euro-zone continues to be fragile, and we remain focused on improving our position in what remains a highly competitive market. Our strategy of strengthening our product offer, continuously improving customer service, our relentless pursuit of efficiency gains and selective investment in projects with a clear payback is starting to produce encouraging results, and provides a solid base for the future. The enhancement of our sales capability in the UK gives us real cause for optimism, and international markets continue to provide growth opportunities as we strengthen our presence in markets beyond the EU. The business remains debt free and has the financial resources to invest where there is a sound business case.

In summary, we approach the new year recognising that competition will remain fierce, but with the confidence that the development of our strategy continues to improve our competitive position. We are encouraged by the progress we have delivered in the second half of the year just ended. As a result, and given the continuing health of our financial resources, the board is pleased to declare a final dividend of 0.6p per share. If approved, the dividend will be paid on 26th November 2014 to shareholders on the register at close of business on 31st October 2014.

MARTIN TOOGOOD	NEIL RYLANCE	
Chairman	Chief Executive Officer	25th September 2014

[1] Restated on adoption of the revised IAS 19, Employee Benefits
[2] Adjusted earnings are earnings adjusted for exceptional operating costs (net of tax)

Directors' Report

The directors present their report for the year ended 30th June 2014.

Dividends

No interim dividend was paid during the year (2013: nil) and the directors recommend a final dividend of 0.60p (2013: 0.55p). The final dividend amounts to £277,000 and, if approved, will be paid on 26th November 2014 to those shareholders on the register at close of business on 31st October 2014.

Directors

The present directors are detailed below.

Neil Rylance joined the group as managing director of the group's floor coverings business on 2nd June 2008 and was appointed chief executive officer on 13th June 2008. He is an experienced business leader with a strong background in multinational manufacturing companies serving customers in competitive markets. Prior to joining the group he was Executive Vice President – Europe with Field Group. Neil retires by rotation in accordance with the company's articles of association and, being eligible, offers himself for re-election.

Martin Toogood joined the group as an independent non-executive director on 1st April 2009, and was appointed non-executive chairman on 6th November 2009. Martin has considerable experience at executive and non-executive level with a number of major retailers in the UK and Europe including ILVA, B&Q, Carpetright and Habitat.

Roger Salt was appointed company secretary on 8th June 2009, and group finance director on 21st September 2010. Roger joined the business in 2004 from Carclo plc where he held a number of senior financial positions. He is a chartered accountant and holds an MBA.

A third party indemnity insurance policy is in place for the benefit of the directors.

Directors who held office at 30th June 2014 had the following interests in the ordinary shares of the company:

	30th June 2014	1st July 2013
Neil Rylance	2,510,360	2,510,360
Martin Toogood	2,100,361	2,100,361
Roger Salt	170,000	170,000

There were no other changes in directors' interests between 1st July 2014 and 25th September 2014. None of the directors has an interest in the share capital of subsidiary companies other than as a nominee of the company.

Share capital

Details of the share capital of the company are set out in note 17 to the financial statements of the group.

Substantial shareholdings

At 25th September 2014, in addition to the interests of Neil Rylance amounting to 5.43% and Martin Toogood amounting to 4.54% noted above, the company had been notified of the following interests representing 3.00% or more of the company's ordinary share capital:

	Number held	%
Lowland Investment Trust	4,125,000	8.92
Mrs. C. J. Tobin	3,502,668	7.57
Mr. & Mrs. G. A. Upsdell	2,106,614	4.56
Mrs. S. G. Ainslie	2,098,252	4.54
Parker Estates	2,015,000	4.36
Mr. M. H. Yeadon	1,608,787	3.48

Corporate Governance

The directors are committed to a high standard of corporate governance throughout the group.

Audit Committee

The audit committee is chaired by Martin Toogood and there are no other members. This committee normally meets twice during the financial year and is attended, by invitation, by the executive directors. It provides a forum through which external auditors report to the board, and assists the board in ensuring that appropriate policies, internal controls and compliance procedures are in place.

Internal control

The directors acknowledge their responsibility for the group's systems of internal control. The group maintains systems of internal controls, including suitable monitoring procedures, in order to provide reasonable, but not absolute, assurance of the maintenance of proper accounting records and the consequent reliability of the financial information used within the business to identify and deal with any problems on a timely basis. The monitoring and control procedures include the specification of defined lines of responsibility and authorisation limits, the delegation of authority, the identification of risks and the continual process of the preparation of, and reporting against, annual budgets, forecasts and strategic plans.

Employees in the United Kingdom

The policy of the group for the employment of disabled persons is to give them equal opportunities with other employees to train for and attain any position having regard to the maintenance of a safe working environment and with regard to their particular aptitudes and abilities. The group also tries, where practical, to provide support and retraining in cases where disability is incurred during employment with the group.

The group continues its practice of keeping all of its employees informed on the performance of the group and other matters affecting them through regular meetings as well as through informal briefings.

The board is committed to the achievement of high standards of health and safety.

Charitable and political contributions

No charitable or political contributions were made during the year.

Going concern

As part of its ongoing responsibilities the board regularly reviews the cash flow projections of the business for the current and following financial year along with the key sensitivities and uncertainties that might affect the achievement of the projections. In summary, the group continues to be subject to the uncertainties in the current economic environment, particularly in respect of market demand, however the group's financial headroom means that it is well placed to manage its business risks successfully. The directors can reasonably expect that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis remains appropriate in preparing the annual report and accounts.

Payments to suppliers

It is the group's policy to agree the terms of payment with suppliers when negotiating each transaction or series of transactions and to abide by those terms. Group trade payables at 30th June 2014 represented 79 days (2013: 79 days) of trade purchases. The company does not have any trade payables.

Directors' Report

(continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and have elected to prepare the parent company financial statements under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law (Section 393, Companies Act 2006) the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the parent company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed in the consolidated financial statements, and UK accounting standards in the parent company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

BDO LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

ROGER SALT
Company Secretary

Victoria Mills, The Green
Ossett, WF5 0AN
25th September 2014

Independent Auditor's Report to the members of AIREA plc

We have audited the financial statements of AIREA plc for the year ended 30th June 2014 which comprise the consolidated statement of financial position and parent company balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Councils (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30th June 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic review and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Davies (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
1 Bridgewater Place
Water Lane
Leeds
LS11 5RU

25th September 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement

year ended 30th June 2014

	Note	2014 £000	2013 Restated[1] £000
Revenue	1	23,342	25,049
Operating costs	2	(22,736)	(24,340)
Operating profit before exceptional items		721	709
Exceptional items	3	(115)	–
Operating profit		606	709
Finance income	5a	3	2
Finance costs	5b	(279)	(541)
Profit before taxation		330	170
Taxation	6	(29)	(90)
Profit attributable to shareholders of the group		301	80
Earnings per share (basic and diluted)	7	0.65p	0.17p

All amounts relate to continuing operations

[1] On adoption of the revised IAS 19, Employee Benefits

Consolidated Statement of Comprehensive Income

year ended 30th June 2014

	Note	2014 £000	2014 £000	2013 Restated[1] £000	2013 Restated[1] £000
Profit attributable to shareholders of the group			301		80
Actuarial (loss)/gain recognised in the pension scheme	16	(189)		2,713	
Related deferred taxation	10a	(73)		(797)	
			(262)		1,916
Total comprehensive income attributable to shareholders of the group			39		1,996

[1] On adoption of the revised IAS 19, Employee Benefits

Consolidated Balance Sheet

as at 30th June 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Non-current assets					
Property, plant and equipment	9		5,704		6,428
Deferred tax asset	10a		1,323		1,476
			7,027		7,904
Current assets					
Inventories	11	10,220		8,874	
Trade and other receivables	12	4,313		4,331	
Cash and cash equivalents	13	1,930		2,747	
			16,463		15,952
Total assets			23,490		23,856
Current liabilities					
Trade and other payables	14	(5,121)		(5,440)	
Provisions	15	(115)		–	
			(5,236)		(5,440)
Non-current liabilities					
Pension deficit	16	(5,761)		(5,668)	
Deferred tax	10b	(1)		(41)	
			(5,762)		(5,709)
Total liabilities			(10,998)		(11,149)
			12,492		12,707
Equity					
Called up share capital	17		11,561		11,561
Share premium account			504		504
Capital redemption reserve			2,395		2,395
Retained earnings			(1,968)		(1,753)
			12,492		12,707

The financial statements on pages 8 to 30 were approved by the board of directors on 25th September 2014 and signed on its behalf by:

ROGER SALT
Group Finance Director

Company number 526657

Consolidated Cash Flow Statement

year ended 30th June 2014

	Note	2014 £000	2013 £000
Operating activities			
Cash (used in)/generated from operations	20	(410)	1,847
Investing activities			
Purchase of property, plant and equipment		(157)	(257)
Proceeds on disposal of property, plant and equipment		4	–
		(153)	(257)
Financing activities			
Equity dividends paid		(254)	(185)
Net (decrease)/increase in cash and cash equivalents		(817)	1,405
Cash and cash equivalents at start of the year		2,747	1,342
Cash and cash equivalents at end of the year		1,930	2,747

Consolidated Statement of Changes in Equity

year ended 30th June 2014

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Share option reserve £000	Profit and loss account £000	Total equity £000
At 1st July 2012	11,561	504	2,395	16	(3,580)	10,896
Profit for the year (restated[1])	–	–	–	–	80	80
Other comprehensive income for the year (restated[1])	–	–	–	–	1,916	1,916
Reserve transfer relating to share-based payments	–	–	–	(16)	16	–
Dividend paid	–	–	–	–	(185)	(185)
At 1st July 2013	11,561	504	2,395	–	(1,753)	12,707
Profit for the year	–	–	–	–	301	301
Other comprehensive income for the year	–	–	–	–	(262)	(262)
Dividend paid	–	–	–	–	(254)	(254)
At 30th June 2014	11,561	504	2,395	–	(1,968)	12,492

[1] On adoption of the revised IAS 19, Employee Benefits

Accounting Policies of the Group

Basis of preparation

These consolidated financial statements have been prepared using International Financial Reporting Standards as adopted by the European Union (IFRS). The basis of preparation and accounting policies used in preparing the financial statements for the year ended 30th June 2014 remain unchanged from the previous year, except as noted on page 14. The preparation of financial statements under IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

Significant accounting judgements and estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is contained in the accounting policies and note 4 to the financial statements.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of AIREA plc and its subsidiaries. Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. This method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities, of the subsidiary at the acquisition date regardless of whether or not they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group's accounting policies. Goodwill is stated after separating out identifiable intangible assets. Any difference between the fair value of assets acquired and the consideration paid is treated as goodwill in the consolidated balance sheet. The results of subsidiaries are included from the date that control commences to the date that control ceases.

All intra-group balances and transactions, including unrealised profits arising from intra-group transactions are eliminated on consolidation. The group has decided not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition. Accordingly the classification of acquisitions remains unchanged from that used under UK GAAP.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable, after discounts and customer credits and excluding value added tax, of goods supplied to customers and is recognised when the risks and rewards of ownership pass to the customer upon delivery. Transactions between members of the group are excluded.

Exceptional items

The group seeks to highlight certain items as exceptional operating income or costs. These are considered to be exceptional in size and/or nature rather than indicative of the underlying trading of the group. These may include items such as restructuring costs, material profits or losses on disposal of property, plant and equipment, impairment of goodwill and profits or losses on the disposal of subsidiaries. All of these items are charged before calculating operating profit or loss. Material profits or losses on disposal of property, plant and equipment, impairment of goodwill and profits or losses on the disposal of subsidiaries are shown as separate items in arriving at operating profit or loss whereas other exceptional items are charged or credited within operating costs and highlighted by analysis. Management apply judgement in assessing the particular items, which by virtue of their size and nature are disclosed separately in the income statement and the notes to the financial statements as exceptional items. Management believe that the separate disclosure of these items is relevant to understanding the group's financial performance.

Interest payable and receivable

Interest payable and receivable is accounted for on an effective interest method.

Accounting Policies of the Group
(continued)

Dividends payable
Dividends payable are recognised when the shareholders' right to receive payment is established, and are only included in liabilities if approved in general meeting prior to the balance sheet date.

Property, plant and equipment
Property, plant and equipment are held at cost less accumulated depreciation and impairment charges. Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment, which is reviewed annually, by equal instalments over their estimated useful economic lives as follows:-

Property	2%
Plant and equipment	10–33%

Goodwill and business combinations
Goodwill results from the acquisition of subsidiary undertakings and equates to the amount by which the consideration for the subsidiary undertaking differs from the fair value of net assets acquired. Goodwill written off to reserves prior to the date of transition to IFRS has not been reinstated on the balance sheet. This goodwill is not written back to profit or loss on disposal. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Goodwill has been fully impaired.

Impairment testing of goodwill and property, plant and equipment
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors the related cash flows.

Goodwill is not amortised but the cash-generating units which include goodwill are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses for cash-generating units reduce first the carrying value of any goodwill allocated to that cash generating unit. Any remaining impairment loss is charged pro-rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Inventories
Inventories are stated at the lower of cost (on a first in, first out basis) and net realisable value. Cost includes materials, direct labour and works overhead based on a normal level of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and sale. Provision is made for obsolete, slow moving or defective items where appropriate.

Foreign currency
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise.

Financial instruments – derivatives
The group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates. Derivative instruments utilised are forward currency contracts. The fair value of forward currency contracts is assessed at the balance sheet date and any profit or loss is recognised in the income statement.

Financial assets – items carried at amortised cost

Financial assets comprise trade receivables and cash and cash equivalents. Financial assets are recognised in the group's consolidated balance sheet when the group becomes a party to the contractual provisions of the instrument. Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

Financial liabilities – items carried at amortised cost

Financial liabilities are obligations to pay cash or other financial assets and comprise trade payables and bank borrowings. Financial liabilities are recognised in the group's consolidated balance sheet when the group becomes a party to the contractual provisions of the instrument. Trade payables are measured at initial recognition at fair value. Changes in fair value are recognised in the income statement. Bank borrowings are recorded at the proceeds received net of direct issue costs. Finance charges are accounted for under the effective interest method.

Taxation

Current tax payable is provided on taxable profits at prevailing rates for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax balances are recognised as a component of the tax expense in the income statement, except where they relate to items that are charged or credited to other comprehensive income (such as revaluation of land), in which case the related deferred tax is also charged or credited directly to other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents compromise cash on hand and on short-term deposit, together with other short-term, highly liquid, investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Pensions

The current service cost of providing retirement pensions and related benefits under the group defined benefit scheme is charged against operating profit as part of operating costs and the interest on the net pension deficit is included in other finance costs. Actuarial gains and losses, net of the related deferred taxation, are recognised in other comprehensive income. Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. The surplus or deficit as calculated by the scheme's actuary is presented separately on the balance sheet. The related deferred tax is shown with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the group.

Amounts paid to defined contribution schemes are charged against operating profit as part of operating costs as incurred.

Accounting Policies of the Group
(continued)

Provisions
A provision is recognised in the balance sheet when the group has a present legal or constructive obligation arising from past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions that are payable over a number of years are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned.

Leased assets
Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

Equity
Equity is broken down into the elements listed below:

Share capital representing the nominal value of equity shares;

Share premium representing the excess over nominal value of the fair value of consideration received for equity shares;

Capital redemption reserve representing the nominal value of the company's own shares purchased by the company and cancelled; and

Retained earnings representing amounts retained from earnings.

Changes in accounting policies
With effect from 1st January 2013, the group has adopted the following amendment to an existing standard and new standard:

- International Accounting Standard (IAS) 19 (revised 2011), Employee Benefits, replaces interest cost on gross pension liabilities and expected return on gross pension assets with a finance cost on the net pension deficit calculated using the rate currently used to discount defined benefit pension liabilities. The discount rate is lower than the expected return on plan assets, increasing finance costs recognised in the income statement and correspondingly reducing remeasurements recognised in other comprehensive income.
- In addition, certain costs associated with the administration of the group's pension schemes are now reported within operating costs rather than finance costs. The net pension deficit is not affected by these changes.

In the current year the following new and revised Standards and Interpretations have been adopted which have not resulted in any significant impact on the results or net assets of the group:

- Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (effective 1st January 2013)
- Annual Improvements to IFRSs (2009 – 2011 Cycle) (effective 1st January 2013)
- IFRS 13 Fair Value Measurement (effective 1st January 2013)

The group has decided against early adoption of the following new and amended IFRS, IAS and IFRIC interpretations which are mandatory for future accounting periods and which are potentially relevant to the group:

- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (effective 1st January 2014)
- IFRS 11 Joint Arrangements (effective 1st January 2014)
- IAS 27 Separate Financial Statements (effective 1st January 2014)
- IFRS 10 Consolidated Financial Statements (effective 1st January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1st January 2014)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)(effective 1st January 2014)
- Recoverable amounts disclosures for non-financial assets (Amendments to IAS 36)(effective 1st January 2014)

The following new and amended IFRS, IAS and IFRIC interpretations are mandatory for future accounting periods and are not expected at this stage to be relevant to the group or have any anticipated significant impact on the results or net assets of the group:

- IAS 28 Investments in Associates and Joint Ventures (effective 1st January 2014)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective 1st January 2014)
- IFRIC 21 Levies (effective 1st January 2014)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective 1st January 2014)

The following IFRS, IAS and IFRIC interpretations, which are potentially relevant to the group, are not currently endorsed for use in the EU but are expected to be mandatory for future accounting periods:

- IFRS 9 Financial instruments (1st January 2018)
- Defined Benefit Plans; Employee Contributions; Amendments to IAS19 (effective 1st July 2014)
- Annual Improvements to IFRS's (2010 – 2012 Cycle) (effective 1st July 2014)
- Annual Improvements to IFRS's (2011 – 2013 Cycle) (effective 1st July 2014)
- IFRS 14 Regulatory Deferral Accounts (effective 1st January 2016)
- IFRS 11 Accounting for Acquisitions of interest in Joint Operations: Amendments to IFRS 11 (effective 1st January 2016)
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation: Amendments to IAS 16 and IAS 38 (effective 1st January 2016)
- Agriculture: Bearer Plants: Amendments to IAS 16 and IAS 41 (effective 1st January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective 1st January 2017)

Where future new and amended standards have been identified as potentially relevant, management are assessing their future impact.

Notes to the Financial Statements of the Group

1 SEGMENT REPORTING

The group presents its results in accordance with internal management reporting information which means that the group is reported as a single segment. The performance of the group is monitored and measured and strategic decisions made on the basis of the group's results, which include all items presented under IFRS. This management information therefore accords with group financial information presented in the consolidated income statement and consolidated balance sheet.

Revenue is reported by geographical location of customers, and by market sector.

All revenue is generated by operations within the United Kingdom and all assets are located in the United Kingdom.

Analysis of revenue by destination	2014 £000	2013 £000
United Kingdom	18,474	20,444
Eire	834	958
Rest of Europe	3,593	3,061
North America	108	152
Rest of the World	333	434
	23,342	25,049

Analysis of revenue by market sector	2014 £000	2013 £000
Contract floor coverings	16,332	17,778
Domestic floor coverings	7,010	7,271
	23,342	25,049

2 OPERATING COSTS

	2014 Excluding exceptional costs £000	2013 £000
Changes in stocks of finished goods and work in progress	(1,041)	291
Raw materials and consumables	9,722	9,417
Other external charges	6,603	6,930
Staff costs (note 18)	6,095	6,154
Depreciation	880	1,072
Foreign exchange differences	(29)	34
Other operating charges	391	442
	22,621	24,340

Other external charges include the following amounts payable to BDO LLP, the company's auditor.

Fees payable to the company's auditor for the audit of the financial statements	17	17
Fees payable to the company's auditor and its associates for other services:		
Audit of the financial statements of the company's subsidiaries pursuant to legislation	18	18
	35	35

3 EXCEPTIONAL OPERATING COSTS

Exceptional costs of £115,000 (2013: nil) relate to the final settlement of a dilapidations dispute concerning properties exited in 2011, which was settled after the year end.

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the group's accounting policies, appropriate estimates have been made in a number of areas and the actual outcome may vary from the position described in the consolidated balance sheet at 30th June 2014. The key sources of estimation uncertainty that may give rise to a material adjustment to the carrying value of assets and liabilities within the next financial year are as follows:

Deferred tax assets – £1,323,000 (2013: £1,476,000)
Deferred tax assets are recognised at the balance sheet date based on the assumption that there is a high expectation that the assets will be realised in due course. This assumption is dependent upon the group's ability to generate sufficient future taxable profits. Details of the deferred tax asset are given in note 10.

Inventories – £10,220,000 (2013: £8,874,000)
Certain items of inventory are not expected to sell at prices which cover cost, either because they are remnants, come from discontinued ranges or are below the required quality standard. This inventory is carried at a value which reflects the director's best estimates of achievable selling prices.

Trade receivables – £3,757,000 (2013: £3,521,000)
Trade receivables have been reviewed for indicators of impairment taking into account the age of the debt, and any known disputes and credit rating information. Details of the provisions made against trade receivables are given in note 12.

Pension deficit – £5,761,000 (2013: £5,668,000)
The calculation of the pension deficit is subject to a number of assumptions as detailed in note 16. Any difference between actual events and those assumed at the balance sheet date could result in a change in the pension deficit. The increase of £93,000 in the year was due to the payments of £375,000 made during the year net of other experience gains and losses.

5 FINANCE INCOME AND FINANCE COSTS

(a) Finance income

	2014 £000	2013 £000
Other Interest	3	2

(b) Finance costs

	2014 £000	2013 Restated[1] £000
Finance cost relating to the pension scheme (note 16)	279	541

[1] On adoption of the revised IAS 19, Employee Benefits

Notes to the Financial Statements of the Group
(continued)

6 TAXATION

	2014 £000	2013 £000
Based on the profit for the year at 22.50% (2013: 23.75%)		
Corporation tax		
– Current year	–	(28)
– Prior year	(11)	(198)
Total current tax	(11)	(226)
Deferred tax		
– Current year	60	259
– Prior year	(40)	–
– Relating to pension deficit	20	57
Total deferred tax (note 10)	40	316
Tax charge	29	90

The tax charge for the year can be reconciled to the profit per the consolidated income statement at the standard rate of corporation tax in the United Kingdom of 22.50% (2013: 23.75%) as follows:

	2014 £000	2013 Restated[1] £000
Profit before tax	330	170
Profit before tax multiplied by standard rate of corporation tax of 22.50% (2013: 23.75%)	74	40
Effects of:		
Disallowed expenditure	6	248
Prior year adjustment	(51)	(198)
Tax charge for the year	29	90

[1] On adoption of the revised IAS 19, Employee Benefits

7 EARNINGS PER SHARE

The calculation of earnings per share is based on the following data:

Number of shares

	2014	2013
Ordinary shares for the purpose of basic earnings per share	46,242,455	46,242,455

Earnings

	2014 £000	2013 £000
Earnings	301	80
Exceptional operating costs (net of tax)	115	–
Adjusted earnings	416	80

Group earnings per share

	2014 pence	2013 pence
Basic adjusted	0.90	0.17
Basic	0.65	0.17

8 DIVIDENDS

	2014 £000	2013 £000
Paid during the year:		
Final dividend for the prior year of 0.55p per share		
(2013: 0.40p per share)	254	185
Proposed after the year end (not recognised as a liability):		
Final dividend for the year of 0.60p per share		
(2013: 0.55p per share)	277	254

If approved, this dividend will be paid on 26th November 2014 to shareholders on the register at close of business on 31st October 2014.

Notes to the Financial Statements of the Group
(continued)

9 PROPERTY, PLANT AND EQUIPMENT

	Property £000	Plant and equipment £000	Total £000
Cost			
At 1st July 2012	5,914	19,572	25,486
Additions	8	249	257
Disposals	–	(125)	(125)
At 30th June and 1st July 2013	5,922	19,696	25,618
Additions	–	157	157
Disposals	–	(314)	(314)
At 30th June 2014	5,922	19,539	25,461
Depreciation			
At 1st July 2012	2,192	15,986	18,178
Charge for the year	150	987	1,137
Disposals	–	(125)	(125)
At 30th June and 1st July 2013	2,342	16,848	19,190
Charge for the year	152	728	880
Disposals	–	(313)	(313)
At 30th June 2014	2,494	17,263	19,757
Net book amounts			
At 1st July 2013	3,580	2,848	6,428
At 30th June 2014	3,428	2,276	5,704

The property, plant and equipment have been pledged as security for the group’s bank facilities by way of a fixed charge over property and a fixed and floating charge over plant and equipment.

Capital commitments

	2014 £000	2013 £000
Group	27	34

10 DEFERRED TAXATION

	Pension deficit £000	Tax losses £000	Total £000
(a) Deferred tax non-current asset			
Balance as at 1st July 2012	2,159	430	2,589
Movement during the year:			
Income statement	(57)	(259)	(316)
Consolidated statement of comprehensive income	(797)	–	(797)
Balance at 30th June and 1st July 2013	1,305	171	1,476
Movement during the year:			
Income statement	(20)	(60)	(80)
Consolidated statement of comprehensive income	(73)	–	(73)
Balance at 30th June 2014	1,212	111	1,323

In addition to the recognised asset the group has an unrecognised deferred tax asset of approximately £886,000 (2013: £968,000) comprising of brought forward tax losses.

	2014 £000	2013 £000
(b) Deferred tax liability		
Balance brought forward	41	145
Movement during the year	(40)	(104)
Deferred tax liability carried forward	1	41
An analysis of the deferred tax liability is as follows:		
Accelerated capital allowances	1	1
Other timing differences	–	40
	1	41

11 INVENTORIES

	2014 £000	2013 £000
Raw materials and consumables	1,954	1,649
Work in progress	216	233
Finished goods	8,050	6,992
	10,220	8,874

The consolidated income statement includes £8,681,000 (2013: £9,708,000) as an expense for inventories.

Notes to the Financial Statements of the Group
(continued)

12 TRADE AND OTHER RECEIVABLES

	2014 £000	2013 £000
Trade receivables	3,757	3,521
Corporation tax	38	226
Prepayments and accrued income	518	584
	4,313	4,331

The carrying value of trade receivables is considered a reasonable approximation of fair value.

Trade and other receivables have been reviewed for indicators of impairment and are shown net of the following provisions.

	2014 £000	2013 £000
Brought forward provisions	354	316
Bad and doubtful debts charged in the year	20	38
Amount utilised	(97)	–
	277	354

In addition some of the unimpaired trade receivables are past due as at the reporting date. The age of trade receivables past due but not impaired is:

	2014 £000	2013 £000
More than three months but not more than six months	111	82
More than six months	17	92
	128	174

13 CASH AND CASH EQUIVALENTS

	2014 £000	2013 £000
Cash at bank and in hand	1,930	2,747

14 TRADE AND OTHER PAYABLES

	2014 £000	2013 £000
Trade payables	3,649	3,782
Social security and other taxes	540	673
Accruals and other creditors	932	985
	5,121	5,440

15 PROVISIONS

	£000
At 30th June and 1st July 2013	–
Provisions charged in the year	115
Amount utilised	–
At 30th June 2014	115

The provision relates to a dilapidations dispute concerning leasehold properties exited in 2011, settled after the year end.

16 PENSION COMMITMENTS

The company sponsors the Sirdar PLC Retirement Benefits Plan, a funded defined benefit pension scheme in the UK. The Plan is administered within a trust which is legally separate from the company. Trustees are appointed by both the company and the Plan's membership and act in the interest of the Plan and all relevant stakeholders, including the members and the company. The Trustees are also responsible for the investment of the Plan's assets.

The Plan provides pensions and lump sums to members on retirement and to their dependants on death. Members who leave service before retirement are entitled to a deferred pension. The scheme closed to accrual of benefits on 28th February 2005.

Responsibility for making good any deficit within the scheme lies with the company and this introduces a number of risks for the company. The major risks are: interest rate risk; inflation risk; investment risk; longevity risk. The company and Trustees are aware of these risks and manage them through appropriate investment and funding strategies. The Trustees manage governance and operational risks through a number of internal controls policies, including a risk register.

The Plan is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is due to be carried out with an effective date of 1st July 2014. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

A formal actuarial valuation was carried out as at 30th June 2011. The results of that valuation have been projected to 30th June 2014 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

The group also operates a number of defined contribution pension arrangements. The cost of providing benefits from these arrangements is calculated as the contributions paid during the year and amounted to £116,000 (2013: £111,000).

The amounts recognised in the statement of financial position are as follows:

	2014 £000	2013 £000	2012 £000
Present value of scheme liabilities	(46,920)	(45,966)	(46,658)
Fair value of scheme assets	41,159	40,298	38,401
Funded status	(5,761)	(5,668)	(8,257)
Reduction on asset recognition	–	–	–
Net amount recognised at year end (before any adjustment for deferred tax)	(5,761)	(5,668)	(8,257)

Notes to the Financial Statements of the Group
(continued)

16 PENSION COMMITMENTS (continued)

The amounts recognised in comprehensive income are:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in the employee benefits expense in the statement of comprehensive income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	2014 £000	2013 £000
Service cost:		
Administration expenses	184	178
Past service cost and gain on settlements and curtailments	(154)	–
Net interest expense	249	363
Charge recognised in P&L	279	541
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	(1,549)	(2,558)
Loss/(gain) arising from changes in financial assumptions	1,738	(155)
Charge/(credit) recorded in other comprehensive income	189	(2,713)
Total defined benefit cost/(credit)	468	(2,172)

The principal actuarial assumptions used were:

	2014	2013
Liabilities discount rate	4.25%	4.55%
Inflation assumption – RPI	3.22%	3.30%
Inflation assumption – CPI	2.15%	2.20%
Rate of increase in salaries	3.75%	3.80%
Revaluation of deferred pensions		
benefits accrued prior to 06/04/1997	2.15%	2.20%
benefits accrued after 06/04/1997	2.15%	2.20%
Rate of increase to pensions in payment		
benefits accrued prior to 06/04/1997	5.00%	5.00%
benefits accrued after 06/04/1997	2.20%	2.25%
Proportion of employees opting for early retirement	nil	nil
Proportion of employees commuting pension for cash	100%	34%
Mortality assumption – pre retirement	As post-retirement	As post-retirement
Mortality assumption – male post retirement	110% SAPS S1PMA CMI 2011	110% SAPS S1PMA CMI 2011
Mortality assumption – female post retirement	110% SAPS S1PMA CMI 2011	110% SAPS S1PMA CMI 2011
Future expected lifetime of current pensioner at age 65:		
Male aged 65 at year end:	21.3	21.3
Female aged 65 at year end:	23.5	23.7
Future expected lifetime of future pensioner at age 65:		
Male aged 45 at year end:	22.2	22.6
Female aged 45 at year end:	24.6	25.3

16 PENSION COMMITMENTS (continued)

Changes in the present value of assets over the period:

	2014 £000	2013 £000
At start of period	40,298	38,401
Interest income	1,782	1,687
Return on assets (excluding amount included in net interest expense)	1,549	2,214
Transfer from DC section	–	344
Contributions from the employer	375	417
Benefits paid	(2,661)	(2,587)
Administration expenses	(184)	(178)
At end of period	41,159	40,298
Actual return on assets over the period	3,331	3,901

Changes in the present value of liabilities over the period:

	2014 £000	2013 £000
Liabilities at start of period	45,966	46,658
Interest cost (restated)	2,031	2,050
Remeasurement (gains)/losses (restated)		
Actuarial gains and losses arising from changes in financial assumptions	1,738	(155)
Loss/(gain) on curtailments	(154)	–
Benefits paid	(2,661)	(2,587)
At end of period	46,920	45,966

The split of the scheme's liabilities by category of membership is as follows:

	2014 £000	2013 £000
Active members	740	814
Deferred pensioners	15,602	14,616
Pensions in payment	30,578	30,536
	46,920	45,966
Average age of the scheme's membership at the end of the period (years)	65	65
This can be subdivided as follows:		
Active members	53	53
Deferred pensioners	54	54
Pensions in payment	70	70

Notes to the Financial Statements of the Group
(continued)

16 PENSION COMMITMENTS (continued)

The major categories of scheme assets are as follows:

	2014 Restated £000	2013 Restated £000
Return seeking		
UK Equities	7,943	10,678
Overseas Equities	8,105	10,970
Absolute Return Fund	2,996	–
Diversified Growth Fund	3,052	–
Return seeking subtotal	22,096	21,648
Debt instruments		
LDI funds	8,521	–
UK bonds	7,830	16,090
Debt instrument subtotal	16,351	16,090
Other		
Property	2,571	2,355
Cash	141	205
Total market value of assets	41,159	40,298

The equity and debt instruments all have quoted prices in active markets. Derivatives can be classified as level 2 instruments and property as level 3 based on the definition in IFRS 13 fair value measurement.

The Scheme has no investments in the company or in property occupied by the company.

The company expects to contribute £400,000 to the Scheme during year ending 30th June 2015.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.1 per cent higher/(lower), the scheme liabilities would decrease by £629,000 (increase by £642,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 per cent higher/(lower), the scheme liabilities would increase by £340,000 (decrease by £336,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged.

If life expectancies were to increase by 1 year, the scheme liabilities would increase by £1,669,000 if all the other assumptions remained unchanged.

Restatement on adoption of the revised IAS 19, Employee Benefits

On adoption of the revised IAS 19, Employee Benefits, the interest cost on gross pension liabilities and expected return on gross pension assets is replaced with a finance cost on the net pension deficit calculated using the rate currently used to discount defined benefit pension liabilities. As the discount rate is lower than the expected return on plan assets, the finance cost recognised in the income statement for the year ended 30th June 2013 increased from £178,000 to £541,000 and correspondingly the actuarial gain recognised in the statement of comprehensive income for the year ended 30th June 2013 increased from £2,350,000 to £2,713,000.

17 CALLED UP SHARE CAPITAL

	2014 Number	2014 £000	2013 Number	2013 £000
Ordinary shares of 25p each				
Allotted, called up and fully paid	46,242,455	11,561	46,242,455	11,561

18 EMPLOYEES

	2014 £000	2013 £000
Staff costs		
Wages and salaries	5,482	5,534
Social security costs	453	455
Other pension costs	134	111
Termination costs	26	54
	6,095	6,154

	Number	Number
The average number of employees, including directors, principally in the United Kingdom were:		
Sales and marketing	45	42
Administration	18	19
Manufacturing and operations	151	160
	214	221

Directors' remuneration

	Salary and fees £000	Taxable benefits £000	2014 Total (excluding pension) £000	2013 Total (excluding pension) £000	2014 Pension £000	2013 Pension £000
Executive						
Neil Rylance	179	11	190	218	18	18
Roger Salt	94	6	100	109	8	5
Non-Executive						
Martin Toogood	45	–	45	42	–	–
	318	17	335	369	26	23

Notes to the Financial Statements of the Group
(continued)

19 OPERATING LEASES

Details of operating lease arrangements for the group are as follows:

	2014 £000	2013 £000
Lease payments under operating leases charged to operating costs in the year	819	735

At the balance sheet date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 £000	2013 £000
Within one year	819	795
In the second to fifth years inclusive	1,286	1,888
After five years	–	–
	2,105	2,683

Operating lease payments represent rentals payable by the group principally for vehicles and certain properties. Leases of vehicles are usually negotiated for a term of three to five years and rentals are fixed for the term of the lease. Leases of properties are usually negotiated for five to ten years and rentals are reviewed after five years.

20 RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH GENERATED FROM OPERATIONS

	2014 £000	2013 Restated[1] £000
Profit for the year	301	80
Tax charged	29	90
Finance costs	276	539
Depreciation	877	1,137
Operating cash flows before movements in working capital	1,483	1,846
(Increase)/decrease in working capital	(1,633)	416
Increase in provisions for liabilities and charges	115	–
Contributions to defined benefit pension scheme	(375)	(415)
Net cash (used in)/generated from operations	(410)	1,847

[1] On adoption of the revised IAS 19, Employee Benefits

21 FINANCIAL INSTRUMENTS

The group's financial instruments comprise, principally, cash and short-term deposits, and various items, such as trade receivables and trade payables, arising directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The main risks arising from the group's financial instruments are currency risk, interest risk and liquidity risk. The board's policies for managing these risks are summarised as follows:

Interest risk – the group finances its operations from retained profits. The group also holds cash and short-term deposits. The cash and short-term deposits attract floating rates of interest based on United Kingdom bank base rates.

Currency risk – The group's currency exposure derives from trading operations where goods are exported or raw materials and capital are imported. The group seeks to hedge its transactional foreign currency exposure through the use of foreign currency bank accounts and forward exchange contracts. No transactions of a speculative nature are undertaken.

Liquidity risk – The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide an adequate return to shareholders. The board aims to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The directors monitor the demographic spread of shareholders as well as the return on capital and the level of dividends paid to shareholders. There were no changes to the group's approach to capital management during the year. The group is not subject to any externally imposed capital requirements.

Financial assets, the carrying values of which are a reasonable approximation to their fair value, are all categorised as loans and receivables within the meaning of IAS 39, Financial Instruments Recognition and Measurement and are included in the consolidated balance sheet within the following headings:

	2014 £000	2013 £000
Current assets		
Trade and other receivables	3,757	3,521
Cash and cash equivalents	1,930	2,747
	5,687	6,268

Financial liabilities included in the consolidated balance sheet are all financial liabilities measured at amortised costs in the terms of IAS 39 and are included in the consolidated balance sheet within the following headings:

	2014 £000	2013 £000
Current liabilities		
Trade and other payables	5,121	5,440

All trade and other payables are due in less than one year and therefore undiscounted.

Notes to the Financial Statements of the Group
(continued)

21 FINANCIAL INSTRUMENTS (continued)

Financial assets
The cash and cash equivalents represent, principally, amounts held with UK financial institutions to cover operational requirements and attract interest at floating rates related to UK bank base rates. It also includes smaller amounts held with foreign financial institutions, to cover exposure to currency fluctuations, that do not attract interest.

Financial liabilities
There are no interest bearing liabilities (2013: nil).

Borrowing facilities
The group had no undrawn uncommitted borrowing facilities or undrawn committed borrowing facilities at either 30th June 2014 or 30th June 2013.

Foreign currency
The table below shows the extent to which group companies have monetary assets and liabilities in currencies other than their functional currency of sterling. Foreign currency exchange differences on the re-translation of these assets and liabilities are taken to the profit and loss account of the subsidiary concerned and to the consolidated income statement of the group.

Net foreign currency monetary assets/liabilities

	2014 £000	2013 £000
US dollars	80	38
Euro	373	635
	453	673

Sensitivity analysis
Financial assets and liabilities are sensitive to movements in interest rates and/or euro exchange rates (being the currency to which the group has a significant exposure).

A 10% movement in exchange rates would result in a charge or credit to profit of £45,000 (2013: £67,000).

A 1% movement in interest rates would result in a charge or credit to profit of £nil (2013: £nil).

Company Balance Sheet

as at 30th June 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Investments	2		31,800		31,800
Current assets					
Debtors	3	3,221		2,466	
Creditors (amounts falling due within one year)	4	(1,779)		(878)	
Net current assets			1,442		1,588
			33,242		33,388
Shareholders' funds					
Called up share capital	5		11,561		11,561
Share premium account	6		504		504
Capital redemption reserve	6		2,395		2,395
Merger reserve	6		6,902		6,902
Profit and loss account	6		11,880		12,026
			33,242		33,388

The financial statements on pages 31 to 34 were approved by the board of directors on 25th September 2014 and signed on its behalf by:

ROGER SALT
Group Finance Director

Company number 526657

Accounting Policies of the Company

Statement of accounting policies

The following paragraphs summarise the principal accounting policies, all of which have been applied consistently throughout the year and throughout the previous year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable financial reporting and accounting standards in the United Kingdom.

Investments

Investments are stated at cost less provision for any permanent impairment in value. The carrying value of investments is reviewed annually to determine the need for any provision for impairment.

Taxation

Current tax payable is provided on taxable profits at prevailing rates for the period.

Full provision has been made for deferred taxation in respect of timing differences that have originated but not reversed at the balance sheet date as the result of an event which results in an obligation to pay more or less tax in the future, except that:

- Provision is not made for the remittance of a subsidiary's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings;
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable tax profits from which future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discount basis at the tax rates expected to apply in the period in which the timing differences reverse, based on rates enacted at the balance sheet date.

Pensions

As the defined benefit scheme is a multi-employer scheme, the company is unable to identify its share of the underlying assets and liabilities and therefore accounts for the scheme as if it were a defined contribution scheme. Amounts paid to the scheme are charged against operating profit as part of operating costs as incurred.

Notes to the Financial Statements of the Company

1 PROFIT FOR THE YEAR

AIREA plc has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006. The amount dealt with in the financial statements of the company is a profit of £108,000 (2013: loss £9,726,000).

2 INVESTMENTS

Shares in group companies

	2014 £000	2013 £000
Brought forward and carried forward	31,800	31,800

Investments in group undertakings are stated at cost less amounts written off. The write down of investments has been based on their value in use, with cash flows discounted at 10%. Details of the company's principal subsidiaries at 30th June 2014, all of which were wholly owned by the company or its subsidiary undertakings and all of which operate and are registered in England and Wales, unless otherwise stated, are set out below:

Burmatex Limited	Manufacturing and distribution of fibre bonded sheet carpet and carpet tiles
Ryalux Carpets Limited	Manufacturing and distribution of carpet
Fope Limited*	Property holding company

Other subsidiary undertakings include:

AIREA Floor Coverings Limited*	Intermediate holding company
Burmatex SP ZOO*	Polish sales office, registered in Poland
William Lomas Carpets Limited	Non trading
William Pownall and Sons Limited	Non trading
Carpet Tile Company Limited	Non trading
Pennine Yarn Dyeing Limited	Non trading

*Held directly

3 DEBTORS

	2014 £000	2013 £000
Amounts owed by group companies	3,164	2,424
Prepayments and accrued income	57	42
	3,221	2,466

Amounts owed by group undertakings are included under current assets as there are no specific terms as to their repayment. The amount owed by group companies was reviewed during the year for impairment and it was assessed that no further impairment was required (2013: £10,443,000).

Notes to the Financial Statements of the Company

(continued)

4 CREDITORS

	2014 £000	2013 £000
Overdraft	470	435
Accruals and other creditors	69	45
Intercompany Payable	1,240	398
	1,779	878

The bank overdraft is part of a group arrangement. It is secured by a fixed charge over land and buildings and a fixed and floating charge over undertakings and assets. It is also guaranteed by other members of the group.

5 CALLED UP SHARE CAPITAL

	2014		2013	
	Number	£000	Number	£000
Ordinary shares of 25p each				
Authorised	72,000,000	18,000	72,000,000	18,000
Allotted, called up and fully paid	46,242,455	11,561	46,242,455	11,561

6 RESERVES

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000	Shareholders' funds £000
At 1st July 2012	11,561	504	2,395	6,902	21,937	43,299
Profit for the year	–	–	–	–	(9,726)	(9,726)
Equity dividends paid	–	–	–	–	(185)	(185)
As at 30th June and 1st July 2013	11,561	504	2,395	6,902	12,026	33,388
Profit for the year	–	–	–	–	108	108
Equity dividends paid	–	–	–	–	(254)	(254)
At 30th June 2014	11,561	504	2,395	6,902	11,880	33,242

The merger reserve relates to the premium arising on the issue of ordinary shares in connection with the acquisition of Burmatex Limited in the year ended 30th June 1987. This is eliminated on consolidation and therefore only appears in the accounts of the company.

Notice of Annual General Meeting

Notice is hereby given that the sixty first annual general meeting of the company will be held at the Cedar Court Hotel, Wakefield, on Friday 24th October 2014, at 11.00 a.m. for the following purposes:

Ordinary Business

1. To receive the financial statements for the year ended 30th June 2014 together with the reports of the directors and auditors thereon.
2. To declare a final dividend for the year ended 30th June 2014, of an amount of 0.60p per share, to be paid on 26th November to members whose names appear on the register of members at close of business on 31st October 2014.
3. To re-elect Mr. N. Rylance who retires by rotation as a director of the company in accordance with article 113 of the company's articles of association.
4. To re-appoint BDO LLP as auditor of the company to hold office until the conclusion of the next general meeting at which accounts are laid before the company and to authorise the directors to fix their remuneration.

By order of the board

ROGER SALT
Company Secretary

Registered Office:

Victoria Mills, The Green,
Ossett, WF5 0AN
25th September 2014

Notes to the Notice of Annual General Meeting

A member of the company entitled to attend and vote at the meeting is entitled (unless they have pursuant to Article 96 of the company's articles of association, nominated someone else to enjoy such a right, in which case only the person so nominated may exercise the right) to appoint one or more proxies to exercise all or any of the rights to attend and speak and, to vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the annual general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a member of the company. A proxy card is enclosed with this report and should be completed and lodged at Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or returned using the pre-paid address on the reverse of the proxy card. To be valid the card must arrive no later than 11.00 a.m. on 22nd October 2014. Alternatively, you may record your vote by using the CREST electronic appointment service. The return of a completed proxy card or any CREST proxy instruction will not prevent a shareholder attending the annual general meeting and voting in person if he/she wishes to do so.

The register of directors' share interests and copies of directors' service contracts and letters of appointment will be available for inspection at the registered office of the company during usual business hours on any weekday (Saturdays and public and bank holidays excluded) from the date of the notice until the date of the annual general meeting and will be available at that meeting for at least 15 minutes prior to and during the meeting.

Biographical details of each director who is being proposed for re-appointment or re-election by shareholders, including their membership of board committees, are set out in the Directors' Report on page 4.

The company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the register of members of the company as at 6.00 p.m. on 22nd October 2014 or, in the event that the annual general meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 6.00 p.m. on 22nd October 2014 or, in the event that the annual general meeting is adjourned, less than 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the annual general meeting.

Recommendation

Your directors consider that the resolutions being put to shareholders are in the best interests of the shareholders as a whole. Accordingly, the directors recommend shareholders to vote in favour of the resolutions set out in the Notice of Annual General Meeting.

CREST proxy voting

CREST users should note that they can lodge their proxy votes for the meeting through the CREST Proxy Voting System. For further instructions, users should refer to the CREST User Manual. Any CREST Sponsored Member should contact their CREST Sponsor. The receiving agent ID for Capita Asset Services is RA10.

Directions to the Annual General Meeting

Please note that the annual general meeting will be held at the Cedar Court Hotel, Denby Dale Road, Calder Grove, Wakefield WF4 3QZ. The hotel is situated just off junction 39 of the M1 motorway. The telephone number of the hotel is 01924 276310.