AIREA plc

Contents

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Strategic Report

Airea plc is pleased to be able to report that the business has made substantial progress in the year:

- Operating profit up 86% to £2.0m
- Basic earnings per share up 133% to 3.01p
- EBITDA[1] before exceptional items up 48% to £2.8m
- Proposed final dividend up 67% to 1.5p

Principal activity and strategy

The group remains focused on the manufacture, marketing and distribution of floor coverings. Our approach to strategy is uncomplicated; to develop products that sell, exploit the strength of our combined manufacturing and distribution operation, and deliver robust cash flows.

Overview

Airea plc is pleased to report an 86% increase in operating profit following an improvement in UK contract sales and operating margins and despite the adverse impact on international sales of the strength of sterling against the Euro during the period.

As reported in the interim announcement, the second half also benefited from a reduced cost base following the consolidation of operations onto two existing sites occupied by the business at Ossett and Wakefield. One of the properties came to the end of the lease period and has been vacated. The other freehold property remains in our ownership and has been leased to a third party. This brings to fruition a process whereby the property footprint has progressively reduced over the last four years, cutting the number of sites occupied from six to two. The move not only delivers considerable cost savings, but enhances our operational capability, reducing lead times and thereby improving customer service.

The exceptional one off costs incurred as a consequence of site reorganisation i.e. rationalisation of finished inventories, redundancy payments to staff who were not able to transfer, and the relocation of equipment and inventory have been highlighted in the income statement.

Despite the deterioration in the financial climate, we were able to reduce the pension deficit by completing a Pension Increase Exchange exercise. The initiative allowed pensioners to opt for an income stream more aligned to their personal circumstances and preferences, whilst at the same time reducing the cost of past service benefits to the scheme. The gain to profit is highlighted as exceptional in the income statement. In addition, the pension scheme investment strategy is constantly under review, and our liability hedging strategy and increased diversification have performed well.

As in previous years the cost base remains under relentless review and operating margin increased in the year.

A further repurchase of shares was completed in the period, funded from cash flow generated in the year, and contributed to the improvement in earnings per share. Cash generation increased and the group continues to operate debt free.

Group results

Revenue for the period was £24.6m (2015: £25.5m) as the strength of sterling against the Euro had an adverse impact on our sales into continental Europe, especially in the first half of the financial year the GBP/Euro exchange rate at 1.40-1.44 for long periods had a detrimental effect on sales in highly competitive, price sensitive markets. Operating profit before exceptional items was £2,013,000 (2015: £1,212,000), due to improved operating margin, and the lower cost base, largely resulting from the site consolidation in the second half. The exceptional charge of £1.3m relates to the costs associated with the consolidation of manufacturing operations, and the exceptional income of £1.3m related to the Pension Increase Exchange. The operating profit after exceptional items was £2,042,000 (2015: £1,098,000). Other finance costs relating to the defined benefit pension scheme increased to £651,000 (2015: £447,000) as a result of changes in the Pension Protection Fund Levy. After charging tax of £114,000 (2015: £69,000), the profit for the year was £1,277,000 (2015: £581,000).

Basic earnings per share were 3.01p (2015: 1.29p), and basic adjusted earnings per share[2] were 2.96p (2015: 1.50p).

Operating cash flows before exceptional items, movements in working capital and other payables were £2,844,000 (2015: £1,928,000). After taking account of exceptional items of £803,000 (2015: nil) operating cash flows before movements in working capital and other payables were £2,041,000 (2015: £1,928,000). Working capital decreased by £1,009,000 (2015: increase £490,000) due to a reduction in inventories. Contributions of £400,000 (2015: £400,000) were made to the defined benefit pension scheme in line with the agreement reached with the trustees based on the 2014 actuarial valuation. Capital expenditure of £704,000 (2015: £459,000) remained focused on supporting new product launches and the ongoing improvement in the flexibility, reliability and productivity of the manufacturing process. A repurchase of 2,050,000 ordinary shares was completed at a cost of £410,000.

The reduction of the pension deficit to £6.7m (2015: £7.4m) stemmed from the net effect of the Pension Increase Exchange exercise, the deterioration in corporate bond yields and the bigger Pension Protection Fund Levy, which diverts company contributions from funding the pension plan.

Key performance indicators

As part of its internal financial control procedures the board monitors certain financial ratios. For the year to 30th June 2016 value added per employee (the ratio of sales less material costs to average employee numbers) amounted to £70,000 (2015: £70,000), operating return on sales (the ratio of operating profit before exceptional items to revenue) was 8.2% (2015: 4.7%), return on average net operating assets (the ratio of operating profit before exceptional items to average operating assets) was 11.0% (2015: 7.1%) and working capital to sales percentage was 34.3% (2015: 38.2%). The improvement in the ratios demonstrates the reduction in the cost base and the improvement in working capital efficiency.

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 principally 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 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 2014, 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.

Strategic Report

(continued)

Other risks

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. 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

The improvement in the financial performance of the business is testament to the flexibility, hard work and outstanding commitment of our staff, we once again thank everyone in the business for their contribution.

Current trading and future prospects

After a number of years of strengthening sterling, we are now enjoying a more competitive exchange rate, which offers potential opportunities to restore growth in our export business, and improve our competitive position against international competition in the home market. Marginal pricing is however common in many of the markets we serve and it is highly unlikely that our competition will change pricing habits completely despite the additional pressure from currency. Of most concern is the threat of depressed market activity within the construction sector generally which has the potential to overwhelm any price and cost advantages we may enjoy.

As ever our plans do not assume any help from the market and whilst the board notes the uncertainty arising from the political and economic changes currently taking place, our focus is on exploiting the expanding opportunities that arise from the repositioning of the business over recent years.

The site consolidation is now almost complete although we are reviewing our position concerning one of our remaining lease properties, and is delivering cost savings and operational improvements significantly ahead of expectations.

New strategic investment in manufacturing technology provides the spring board for extending the product range to new market sectors, and this combined with a lower cost base gives us real cause for optimism for dealing with growing economic uncertainty.

We believe the group is well positioned for growth.

Given our confidence in the future prospects of the business, the ongoing improvement in the performance of the business, and a robust cash flow, we are once again able to support the progressive dividend policy. If approved, a final dividend of 1.5p per share will be paid on 24th November 2016 to shareholders on the register at close of business on 28th October 2016. The ex dividend date is 27th October 2016.

MARTIN TOOGOOD	NEIL RYLANCE	
Chairman	Chief Executive Officer	7th September 2016

[1] EBITDA, is earnings before depreciation, interest, taxation and amortisation

[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 2016.

Dividends

No interim dividend was paid during the year (2015: nil) and the directors recommend a final dividend of 1.5p (2015: 0.9p). The final dividend amounts to £620,000 and, if approved, will be paid on 24th November 2016 to those shareholders on the register at close of business on 28th October 2016.

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. Martin's appointment terminates at the date of the annual general meeting in accordance with his letter of appointment dated 17th March 2009, as amended by a deed of variation dated 13th July 2016. In accordance with the recommendations of the UK Corporate Governance Code and, being eligible, Mr Toogood offers himself for re-election.

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 2016 had the following interests in the ordinary shares of the company:

	30th June 2016	30th June 2015
Neil Rylance	2,510,360	2,510,360
Martin Toogood	2,100,361	2,100,361
Roger Salt	228,738	228,738

There were no other changes in directors' interests between 1st July 2016 and 7th September 2016. 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 19 to the financial statements of the group. Following the authority received at the annual general meeting held on 5th November 2015 2,050,000 ordinary shares were repurchased for £410,000, and cancelled.

Directors' Report
(continued)

Substantial shareholdings
At 7th September 2016, in addition to the interests of Neil Rylance amounting to 6.07% and Martin Toogood amounting to 5.08% 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	9.97
Mrs. C. J. Tobin	3,502,668	8.47
Charles Stanley & Co Limited	2,240,000	5.42
Mr. & Mrs. G. A. Upsdell	2,106,614	5.09
Mr. M. H. Yeadon	1,702,699	4.12
Mr. D. Newlands	1,280,000	3.10

Corporate Governance
The directors are committed to a high standard of corporate governance commensurate with the size of 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.

Financial Instruments
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 seeks to hedge its transactional foreign currency exposures arising from the underlying business activities of operating units, 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.

Price risk – the markets in which the group operates are highly competitive and subject to inflationary pressures across its customer and supply base. It is group policy to manage these risks by offering a high level of customer service, by building strong customer and supplier relationships and by adopting a pricing policy that reflects both the cost of purchase and competitor pricing.

Credit risk – the group seeks to limit credit risk through the use of credit insurance and procedures to constantly review customer accounts.

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

Charitable donation of £1,000 were made in the year. No political contributions were made.

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 2016 represented 71 days (2015: 70 days) of trade purchases. The company does not have any trade payables.

Future developments

Details of future developments in the business are included in the strategic report on page 4.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 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 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.

Directors' Report
(continued)

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.

Website Publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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
7th September 2016

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 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position and parent company balance sheet, the consolidated statement of cash flows, the consolidated and company 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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 Council's (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 FRC'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 2016 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 report and the 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

7th September 2016

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

Consolidated Income Statement

year ended 30th June 2016

	Note	2016 £000	2015 £000
Revenue	1	24,577	25,538
Operating costs	2	(22,535)	(24,440)
Operating profit before exceptional items		2,013	1,212
Exceptional costs	3	(1,271)	(114)
Pension credit	3	1,300	–
Operating profit		2,042	1,098
Finance income	5a	–	1
Finance costs	5b	(651)	(449)
Profit before taxation		1,391	650
Taxation	6	(114)	(69)
Profit attributable to shareholders of the group		1,277	581
Earnings per share (basic and diluted)	7	3.01p	1.29p

All amounts relate to continuing operations

Consolidated Statement of Comprehensive Income

year ended 30th June 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Profit attributable to shareholders of the group			1,277		581
Actuarial loss recognised in the pension scheme	18	(291)		(1,635)	
Related deferred taxation	12a	(83)		267	
			(374)		(1,368)
Unrealised valuation gain	8	3,009		–	
Related deferred taxation	12b	(240)		–	
			2,769		–
Total other comprehensive income			2,395		(1,368)
Total comprehensive income attributable to shareholders of the group			3,672		(787)

All items will not be reclassified as profit or loss.

Consolidated Balance Sheet

as at 30th June 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Non-current assets					
Property, plant and equipment	10		5,489		5,333
Investment property	11		2,701		–
Deferred tax asset	12a		1,264		1,557
			9,454		6,890
Current assets					
Inventories	13	9,338		10,647	
Trade and other receivables	14	4,601		4,412	
Cash and cash equivalents	15	3,114		1,883	
			17,053		16,942
Total assets			26,507		23,832
Current liabilities					
Trade and other payables	16	(5,505)		(5,308)	
Provisions	17	(125)		–	
			(5,630)		(5,308)
Non-current liabilities					
Pension deficit	18	(6,685)		(7,443)	
Deferred tax	12b	(241)		(1)	
			(6,926)		(7,444)
Total liabilities			(12,556)		(12,752)
			13,951		11,080
Equity					
Called up share capital	19		10,339		10,851
Share premium account			504		504
Capital redemption reserve			3,617		3,105
Revaluation reserve			3,009		–
Retained earnings			(3,518)		(3,380)
			13,951		11,080

The financial statements on pages 10 to 34 were approved by the board of directors on 7th September 2016 and signed on its behalf by:

ROGER SALT
Group Finance Director

Company number 526657

Consolidated Cash Flow Statement

year ended 30th June 2016

	Note	2016 £000	2015 £000
Cash flow from operating activities			
Profit for the year		1,277	581
Tax charged		114	69
Finance costs		651	448
Depreciation		837	830
Profit on disposal of property, plant and equipment		(6)	–
Pension credit		(1,300)	–
Inventory impairment		468	–
Operating cash flows before movements in working capital		2,041	1,928
Decrease/(increase) in inventories		841	(427)
Increase in trade and other receivables		(189)	(99)
Increase in trade and other payables		232	151
Increase/(decrease) in provisions for liabilities and charges		125	(115)
Cash generated from operations		3,050	1,438
Income tax received		61	–
Contributions to defined benefit pension scheme		(400)	(400)
Net cash generated from operations		2,711	1,038
Investing activities			
Purchase of property, plant and equipment		(704)	(459)
Proceeds on disposal of property, plant and equipment		25	–
		(679)	(459)
Financing activities			
Interest		–	(1)
Share repurchase	19	(410)	(348)
Equity dividends paid		(391)	(277)
		(801)	(626)
Net increase/(decrease) in cash and cash equivalents		1,231	(47)
Cash and cash equivalents at start of the year		1,883	1,930
Cash and cash equivalents at end of the year		3,114	1,883

Consolidated Statement of Changes in Equity

year ended 30th June 2016

	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 2014	11,561	504	2,395	–	(1,968)	12,492
Comprehensive income for the year						
Profit for the year	–	–	–	–	581	581
Other comprehensive income for the year	–	–	–	–	(1,368)	(1,368)
Total comprehensive income for the year	–	–	–	–	(787)	(787)
Contributions by and distributions to owners						
Share repurchase	(710)	–	710	–	–	–
Consideration paid on share purchase	–	–	–	–	(348)	(348)
Dividend paid	–	–	–	–	(277)	(277)
Total contributions by and distributions to owners	(710)	–	710	–	(625)	(625)
At 30th June and 1st July 2015	10,851	504	3,105	–	(3,380)	11,080
Comprehensive income for the year						
Profit for the year	–	–	–	–	1,277	1,277
Other comprehensive income for the year	–	–	–	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)
Total contributions by and distributions to owners	(512)	–	512	–	(801)	(801)
At 30th June 2016	10,339	504	3,617	3,009	(3,518)	13,951

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 2016 remain unchanged from the previous year, except for the change in accounting policy of property to valuation. In accordance with IAS 8 no prior year adjustment is recorded in respect of this change. 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.

The financial statements are presented in Great British Pounds (GBP) which is also the group's functional currency. Amounts are rounded to the nearest thousand unless otherwise stated.

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. Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of an investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date at which control is obtained. They are deconsolidated from the date at which control ceases.

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.

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

Freehold land and buildings were initially recognised at cost less accumulated depreciation and impairment charges. During the year, the directors have reassessed the policy regarding property to carry freehold land and buildings at fair value. The result of this change in policy is shown in note 8, with the movement in related deferred tax shown in note 12b.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on the revalued freehold buildings, over the amount that would have been charged on a historical cost basis (which will continue to be expensed to the statement of comprehensive income or impairment) is transferred from the revaluation reserve to retained earnings in line with the historical cost depreciation.

Freehold land is not depreciated. Depreciation is provided on all other items of property so as to write off their carrying value over their useful economic lives. It is provided at the following rate:

Buildings	2%

Plant and equipment

Plant and equipment are held at cost less accumulated depreciation and impairment charges. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of plant and equipment to write off the cost less the estimated residual value, which is reviewed annually, by equal instalments over their estimated useful economic lives as follows:

Plant and equipment	10–33%

Accounting Policies of the Group
(continued)

Investment Property
The company applies the fair value accounting model to investment property. Investment property comprises property held by the company for the purpose of earning rental income and/or capital appreciation. Investment property is stated at fair value at the reporting date with changes in fair value being recognised in the consolidated income statement.

Gains arising on the transfer of owner occupied property to investment properties are recognised in the consolidated statement of comprehensive income to the extent that they do not reverse previous impairment losses.

The fair value of investment property reflects among other things the rental income from operating leases, expected yield rates and assumptions about rental income from current market conditions.

Fair Value
Fair value estimation under IFRS 13 requires the group to classify for disclosure purposes fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements on its financial assets. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (prices) or indirectly (derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data. Their fair value of assets and investment property are determined using valuation techniques (notes 10 and 11).

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. 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. Past service gains and losses are taken to the statement of comprehensive income.

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

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 and receipts made under operating leases are charged/credited 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:

Accounting Policies of the Group
(continued)

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;

Revaluation reserve representing the amount above cost of assets held at fair value;

Retained earnings representing amounts retained from earnings.

New standards, amendments and interpretations
In the current year there have been no new or revised Standards and Interpretations adopted for periods beginning on or after 1st July 2015.

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:
- Annual Improvements to IFRSs (2012–2014 Cycle)
- Disclosure Initiative: Amendments to IAS 1
- Clarification of Acceptable Methods of Depreciation and Amortisation: Amendments to IAS 16 and IAS 38

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:
- Accounting for Acquisitions of Interests in Joint Operations: Amendments to IFRS 11
- Agriculture: Bearer Plants: Amendments to IAS 16 and IAS 41
- Equity Method in Separate Financial Statements (Amendments to IAS 27)

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 15 Revenue from Contracts with Customers (effective 1st January 2018)
- IFRS 9 Financial Instruments (effective 1st January 2018)
- IFRS 16 Leases (effective 1st January 2019)
- Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12) (effective 1st January 2017)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) (effective 1st January 2016)
- IFRS 14 Regulatory Deferral Accounts (effective 1st January 2016)
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) (postponed indefinitely)
- Disclosure Initiative: Amendments to IAS 7 (effective 1st January 2017)
- Clarifications to IFRS 15 revenue from Contracts with Customers (effective 1st January 2018)

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 by the Chief Operating Decision Maker, which is deemed to be the board, on the basis of the group's results. The group's results 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	2016 £000	2015 £000
United Kingdom	20,246	20,305
Republic of Ireland	960	923
Rest of Europe	2,866	3,807
North America	91	126
Rest of the World	414	377
	24,577	25,538

Analysis of revenue by market sector	2016 £000	2015 £000
Contract floor coverings	18,066	18,533
Domestic floor coverings	6,511	7,005
	24,577	25,538

2. OPERATING COSTS

	2016 Excluding exceptional costs £000	2015 Excluding exceptional costs £000
Changes in stocks of finished goods and work in progress	1,211	(444)
Raw materials and consumables	8,494	10,888
Other external charges	5,933	6,579
Staff costs (note 20)	6,344	6,363
Depreciation	837	830
Foreign exchange differences	(164)	110
Other operating income	(91)	–
	22,564	24,326

Notes to the Financial Statements of the Group
(continued)

2. OPERATING COSTS (continued)

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

	2016 £000	2015 £000
Fees payable to the company's auditor for the audit of the financial statements	19	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	19	18
	38	35

3. EXCEPTIONAL OPERATING ITEMS

	2016		2015
	£000	£000	£000
Pension Credit		1,300	
Restructure of operations:			
Staff costs	(372)		
Site costs	(331)		
Relocation	(100)		
Inventory impairment	(468)		
		(1,271)	
Property dispute		–	(15)
Share repurchase legal and advisory expenses		–	(99)
		29	(114)

The pension credit arises from a reduction in past service costs following the completion of a Pension Increase Exchange (PIE) exercise in the period. The PIE exercise has given pensioners the opportunity to exchange future pension increases for a higher initial pension.

The restructuring costs arise from the consolidation of the group's manufacturing operations from four locations onto two existing sites.

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 2016. 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:

Investment Property – £2,701,000 (2015: £nil)
Investment property is held at fair value.

Property Valuation – £3,450,000 (2015: £nil)
Freehold land and buildings are held at fair value.

The valuations of the properties and the freehold land and buildings were prepared in accordance with the RICS valuation – Professional Standards, January 2014 Global and UK edition, published by the Royal Institute of Chartered Surveyors ("RICS") ("the Red Book") and the IVSC International Valuation Standards by external independent qualified valuers with recent experience valuing investment properties in the location held by the group. Further details are given in notes 10 and 11.

Deferred tax assets – £1,264,000 (2015: £1,557,000)
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 12.

Deferred tax liability – £241,000 (2015: £1,000)
Deferred tax liabilities are recognised at the balance sheet date based on the assumption that there is a high expectation that the liability will be realised in due course. Details of the deferred tax liability are given in note 12.

Inventories – £9,338,000 (2015: £10,647,000)
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. The inventory is carried at a value which reflects the directors' best estimates of achievable selling prices.

Trade receivables – £4,116,000 (2015: £3,936,000)

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 debtors are given in note 14.

Pension deficit – £6,685,000 (2015: £7,443,000)
The calculation of the pension deficit is subject to a number of assumptions as detailed in note 18. Any difference between actual events and those assumed at the balance sheet date could result in a change in the pension deficit. The decrease of £758,000 in the year was due to the payments of £400,000 made during the year and the past service gain of £1,300,000 arising from the pension increase exchange exercise, net of changes in financial assumptions and finance costs.

Notes to the Financial Statements of the Group
(continued)

5. FINANCE INCOME AND FINANCE COSTS

(a) Finance income

	2016 £000	2015 £000
Other interest	–	1

(b) Finance costs

	2016 £000	2015 £000
Bank interest	–	2
Finance cost relating to the pension scheme (note 18)	651	447
	651	449

6. TAXATION

	2016 £000	2015 £000
Based on the profit for the year at 20% (2015: 20.75%)		
Corporation tax		
– Current year	–	96
– Prior year	(96)	(60)
Total current tax	(96)	36
Deferred tax		
– Current year	210	33
Total deferred tax (note 12)	210	33
Tax charge on profit on ordinary activities	114	69

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 20% (2015: 20.75%) as follows:

	2016 £000	2015 £000
Profit on ordinary activities before tax	1,391	650
Profit on ordinary activities before tax multiplied by standard rate of corporation tax of 20% (2015: 20.75%)	278	135
Effects of:		
Disallowed expenditure	4	(6)
Difference on capital allowances	(72)	–
Prior year adjustment	(96)	(60)
Total tax for the year	114	69

7. EARNINGS PER SHARE

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

Number of shares

	2016	2015
Weighted average number of ordinary shares	42,379,353	44,889,497

Earnings

	2016 £000	2015 £000
Earnings	1,277	581
Exceptional items (net of tax) (note 3)	(25)	91
Adjusted earnings	1,252	672

Group earnings per share

	2016 pence	2015 pence
Basic adjusted	2.96	1.50
Basic	3.01	1.29

There is no dilution of earnings per share.

8. UNREALISED VALUATION GAIN

	Operating property £000	Investment property £000	Total £000
Cost	4,517	1,405	5,922
Depreciation	(2,402)	(378)	(2,780)
Net book value	2,115	1,027	3,142
Valuation	3,450	2,701	6,151
Unrealised valuation gain	1,335	1,674	3,009

Details of the revaluation of the properties are given in notes 10 and 11.

9. DIVIDENDS

	2016 £000	2015 £000
Paid during the year:		
Final dividend for the prior year of 0.90p per share (2015: 0.60p per share)	391	277
Proposed after the year end (not recognised as a liability):		
Final dividend for the year of 1.50p per share (2015: 0.90p per share)	620	391

If approved, this dividend will be paid on 24th November 2016 to shareholders on the register at close of business on 28th October 2016.

Notes to the Financial Statements of the Group

(continued)

10. PROPERTY, PLANT AND EQUIPMENT

	Property £000	Plant and equipment £000	Total £000
Cost or valuation			
At 1st July 2014	5,922	19,539	25,461
Additions	–	459	459
Disposals	–	(151)	(151)
At 30th June and 1st July 2015	5,922	19,847	25,769
Additions	–	704	704
Disposals	–	(83)	(83)
Unrealised valuation adjustment	229	–	229
Reclassified to Investment Property	(2,701)	–	(2,701)
At 30th June 2016	3,450	20,468	23,918
Depreciation			
At 1st July 2014	2,494	17,263	19,757
Charge for the year	151	679	830
Disposals	–	(151)	(151)
At 30th June and 1st July 2015	2,645	17,791	20,436
Charge for the year	135	702	837
Disposals	–	(64)	(64)
Unrealised valuation adjustment	(2,780)	–	(2,780)
At 30th June 2016	–	18,429	18,429
Net book amounts			
At 1st July 2015	3,277	2,056	5,333
At 30th June 2016	3,450	2,039	5,489

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

The group has assets under construction of £333,000 (2015: £30,000).

Capital commitments

	2016 £000	2015 £000
Group	1,019	47

The property measured at fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13 as one or more of the inputs to the valuation are partly based on unobservable market data. In arriving at their valuation, the independent valuers have formed an opinion as to the unobservable input being the rent per square foot which a potential purchaser would apply in arriving at the market value. This input is arrived at using market comparables for the type, location and condition of the property. The capital rate used for valuation is £17.50 per sq ft. The effect of a £5 change in the capital rate per square foot would be a £964,000 movement in the valuation.

Fair value measurement is based on the above items highest and best use which does not differ from their actual use.

11. INVESTMENT PROPERTY

	£000
Valuation at 30th June 2016	2,701

The investment property was valued at 30th June 2016. The valuation was prepared in accordance with the RICS Valuation – Professional Standards, January 2014 Global and UK edition, published by the Royal Institution of Chartered Surveyors ("RICS") ("the Red Book") and the IVSC International Valuation Standards by external independent qualified valuers with recent experience valuing investment properties in the location held by the group.

The investment property measured at fair value in the consolidated balance sheet is categorised as level 3 in the fair value hierarchy as defined in IFRS 13 as one or more inputs to the valuation are partly based on unobservable market data. In arriving at their valuation the independent valuers have used the actual rent passing and have also formed an opinion as to the unobservable input being the yield (i.e. the discount rate) which a potential purchaser would apply in arriving at the market value. This input is arrived at using market comparables for the type, location and condition of the property. The yield used for valuation is 10%. The effect of a 1% increase or decrease in the yield would be a £300,000 movement in the valuation.

Fair value measurement is based on the above items highest and best use which does not differ from their actual use.

12. DEFERRED TAXATION

	Pension deficit £000	Tax losses £000	Total £000
(a) Deferred tax non-current asset			
Balance as at 1st July 2014	1,212	111	1,323
Movement during the year:			
Income statement	10	(43)	(33)
Consolidated statement of comprehensive income	267	–	267
Balance at 30th June and 1st July 2015	1,489	68	1,557
Movement during the year:			
Income statement	(210)	–	(210)
Consolidated statement of comprehensive income	(83)	–	(83)
Balance at 30th June 2016	1,196	68	1,264

In addition to the recognised asset the group has an unrecognised deferred tax asset of approximately £867,000 (2015 £867,000) comprising of brought forward tax losses.

	2016 £000	2015 £000
(b) Deferred tax liability		
Balance brought forward	1	1
Movement during the year:		
Consolidated statement of comprehensive income	240	–
Deferred tax asset carried forward	241	1
An analysis of the deferred tax liability is as follows:		
Property, plant and equipment	241	1

Notes to the Financial Statements of the Group
(continued)

13. INVENTORIES

	2016 £000	2015 £000
Raw materials and consumables	1,839	1,937
Work in progress	305	166
Finished goods	7,194	8,544
	9,338	10,647

The consolidated income statement includes £9,705,000 (2015: £10,444,000) as an expense for inventories. There was an impairment of £468,000 (2015: £nil) in the year. The provision at 30th June was £440,000 (2015: £1,056,000).

14. TRADE AND OTHER RECEIVABLES

	2016 £000	2015 £000
Trade receivables	4,116	3,936
Prepayments and accrued income	485	476
	4,601	4,412

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:

	2016 £000	2015 £000
Brought forward provisions	383	277
Bad and doubtful debts charged in the year	72	151
Amount utilised	(193)	(45)
	262	383

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:

	2016 £000	2015 £000
More than three months but not more than six months	9	108
More than six months	43	–
	52	108

15. CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash at bank and in hand	3,114	1,883

16. TRADE AND OTHER PAYABLES

	2016 £000	2015 £000
Trade payables	3,459	3,029
Social security and other taxes	705	704
Accruals and other creditors	1,226	1,539
Deferred income	115	–
Corporation Tax	–	36
	5,505	5,308

17. PROVISIONS

	£000
At 1st July 2014	115
Amount utilised	(115)
At 30th June and 1st July 2015	–
Provisions charged in the year	125
At 30th June 2016	125

The provision relates to the restructuring completed in the year (see exceptional note 3).

18. PENSION COMMITMENTS

Airea PLC and Burmatex Ltd sponsor 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 Companies. Trustees are appointed by both Companies and the Plan's membership and act in the interest of the Plan and all relevant stakeholders, including the members and the Companies. 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 Companies and this introduces a number of risks. 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 2017. 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 assumptions set in line with accounting standards.

A formal actuarial valuation was carried out as at 1st July 2014. The results of that valuation have been projected to 30th June 2016 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

The value of the Plan's liabilities has been adjusted to allow for a Pension Increase Exchange (PIE) exercise which concluded in October 2015. The exercise resulted in a past service gain of £1.3m recognised in operating profit (note 3). This was calculated as the difference in liabilities before and after the exercise took place.

Allowance has also been made for 35% of non-pensioner members to take the Pension Increase Exchange option in future. This assumption is in line with the take-up of the exercise for pensioner members.

The group also operates a number of defined contribution pension arrangements. The cost of providing benefits from these arrangements is calculated as the contribution paid during the year and amounted to £157,000 (2015: £81,000).

Notes to the Financial Statements of the Group
(continued)

18. PENSION COMMITMENTS (continued)

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

	2016 £000	2015 £000	2014 £000
Present value of scheme liabilities	(53,856)	(51,911)	(46,920)
Fair value of scheme assets	47,171	44,468	41,159
Funded status	(6,685)	(7,443)	(5,761)
Reduction on asset recognition	–	–	–
Net amount recognised at year end (before any adjustment for deferred tax)	(6,685)	(7,443)	(5,761)

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.

	2016 £000	2015 £000
Current service cost (net of employee contributions)		
Service cost:		
Past service gain on settlements and curtailments	(1,300)	–
Administration expenses	393	210
Net interest expense	258	237
(Credit)/charge recognised in P&L	(649)	447
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	(4,703)	(3,838)
Loss arising from changes in financial assumptions	5,333	2,261
Gain arising from changes in demographic assumptions	(339)	(337)
Experience loss	–	3,549
Charge recorded in other comprehensive income	291	1,635
Total defined benefit cost	(358)	2,082

The principal actuarial assumptions used were:

	2016	2015
Liabilities discount rate	2.90%	3.80%
Inflation assumption – RPI	2.65%	3.00%
Inflation assumption – CPI	1.55%	1.90%
Revaluation of deferred pensions		
benefits accrued prior to 06/04/1997	1.55%	1.90%
benefits accrued after 06/04/1997	1.55%	1.90%
Rate of increase to pensions in payment		
benefits accrued prior to 06/04/1997	5.00%	5.00%
benefits accrued after 06/04/1997	1.65%	1.95%
Proportion of employees opting for early retirement	nil	nil
Proportion of employees commuting pension for cash	100%	100%
Proportion of non-pensioners taking PIE at retirement	35%	–

18. PENSION COMMITMENTS (continued)

Mortality assumption – pre retirement	As post-retirement	As post-retirement
Mortality assumption – male post retirement	110% SAPS S2PMA CMI 2013 1.0%	110% SAPS S2PMA CMI 2013 1.0%
Mortality assumption – female post retirement	110% SAPS S2PMA CMI 2013 1.0%	110% SAPS S2PMA CMI 2013 1.0%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	86.4	86.4
Female pensioner at age 65:	88.4	88.3
Future expected lifetime of future pensioner at age 65:		
Male aged 45 at year end:	87.7	87.8
Female aged 45 at year end:	89.9	89.8

Changes in the present value of assets over the period:

	2016 £000	2015 £000
Fair value of assets at start of period	44,468	41,159
Interest income	1,621	1,706
Return on assets (excluding amount included in net interest expense)	4,703	3,838
Contributions from the employer	400	400
Benefits paid	(3,628)	(2,425)
Administration expenses	(393)	(210)
Fair value of assets at end of period	47,171	44,468
Actual return on assets over the period	6,324	5,544

Changes in the present value of liabilities over the period:

	2016 £000	2015 £000
Liabilities at start of period	51,911	46,920
Interest cost	1,879	1,943
Remeasurement losses		
Actuarial losses arising from changes in financial assumptions	5,333	2,261
Actuarial gains and losses arising from changes in demographic assumptions	(339)	(337)
Other experience items	–	3,549
Past service gain	(1,300)	–
Benefits paid	(3,628)	(2,425)
At end of period	53,856	51,911

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

	2016 £000	2015 £000
Deferred pensioners	16,025	15,171
Pensions in payment	37,831	36,740
	53,856	51,911

Notes to the Financial Statements of the Group
(continued)

18. PENSION COMMITMENTS (continued)

	2016	2015
Average duration of the Plan's liabilities at the end of the period (years)	13	13
This can be subdivided as follows:		
Deferred pensioners	20	20
Pensions in payment	11	11

The major categories of scheme assets are as follows:

	2016 £000	2015 £000
Return seeking		
UK Equities	8,354	8,166
Overseas Equities	10,377	8,981
Absolute Return Fund	12,931	14,899
Diversified Growth Fund	3,065	3,139
Return seeking subtotal	34,727	35,185
Debt instruments		
LDI funds	8,533	4,599
Other		
Property	2,937	2,809
Cash	974	1,875
Total market value of assets	47,171	44,468

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 Companies or in property occupied by the Companies.

The Companies expect to contribute £400,000 to the Scheme during year ending 30th June 2017.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.1 percent higher (lower), the scheme liabilities would decrease by £731,000 (increase by £748,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the scheme liabilities would increase by £284,000 (decrease by £303,000). 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 £2,791,000 if all the other assumptions remained unchanged.

19. CALLED UP SHARE CAPITAL

	2016 Number	2016 £000	2015 Number	2015 £000
Ordinary shares of 25p each				
Allotted, called up and fully paid	41,354,353	10,339	43,404,353	10,851

Following the authority received at the annual general meeting held on 5th November 2015 2,050,000 ordinary shares were repurchased, and cancelled. The company holds no ordinary shares in Treasury.

20. EMPLOYEES

	2016 £000	2015 £000
Staff costs		
Wages and salaries	5,720	5,780
Social security costs	472	486
Pension costs (defined contribution)	152	81
Termination costs	–	16
	6,344	6,363

	Number	Number
The average number of employees, including directors, principally in the United Kingdom were:		
Sales and marketing	42	44
Administration	20	20
Manufacturing and operations	151	152
	213	216

Directors' remuneration

	Salary and fees £000	Bonus £000	Taxable benefits £000	2016 Total (excluding pension) £000	2015 Total (excluding pension) £000	2016 Pension £000	2015 Pension £000
Executive							
Neil Rylance	217	44	13	274	276	22	19
Roger Salt	77	22	12	111	134	40	8
Non-Executive							
Martin Toogood	48	–	–	48	45	–	–
	342	66	25	433	455	62	27

	2016 £000	2015 £000
Wages and salaries (including bonus)	408	398
Social security costs	48	40
Taxable benefits	25	17
Pension costs (defined contribution)	62	27
	543	482

The key management personnel are the directors.

Notes to the Financial Statements of the Group
(continued)

21. OPERATING LEASES

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

	2016 £000	2015 £000
Lease payments under operating leases charged to operating costs in the year	691	787

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:

	2016 £000	2015 £000
Within one year	519	701
In the second to fifth years inclusive	144	641
After five years	–	–
	663	1,342

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.

Receipts

	2016 £000	2015 £000
Lease receipts under operating leases credited to operating costs in the year	91	–

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

	2016 £000	2015 £000
Within one year	270	–
In the second to fifth years inclusive	1,080	–
After five years	191	–
	1,541	–

Operating receipts represent rentals receivable by the group from lease of properties.

22. 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, liquidity risk and credit 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 seeks to hedge its transactional foreign currency exposures arising from the underlying business activities of operating units, 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.

Credit risk – the group seeks to limit credit risk through the use of credit insurance and procedures to constantly review customer accounts. The amount that best represents the group's maximum exposure to credit risk is detailed in note 14.

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:

	2016 £000	2015 £000
Current assets		
Trade and other receivables	4,116	3,936
Cash and cash equivalents	3,114	1,883
	7,230	5,819

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:

	2016 £000	2015 £000
Current liabilities		
Trade and other payables	5,505	5,308

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

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.

Notes to the Financial Statements of the Group
(continued)

22. FINANCIAL INSTRUMENTS (continued)

Financial liabilities
There are no interest bearing liabilities (2015: nil)

Borrowing facilities
The group had no undrawn uncommitted borrowing facilities or undrawn committed borrowing facilities at either 30th June 2016 or 30th June 2015. The group has a £0.5 million overdraft facility available.

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)

	2016 £000	2015 £000
US dollars	996	47
Euro	(466)	684
	530	731

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 £53,000 (2015: £73,000).

A 1% movement in interest rates would result in a charge or credit to profit of £nil (2015: £nil).

Company Balance Sheet
as at 30th June 2016

	Note	2016 £000	2015 £000
Non-current assets			
Investments	2	31,800	31,800
Deferred tax	3	1,003	1,116
		32,803	32,916
Current assets			
Trade and other receivables	4	2,169	4,617
Total assets		34,972	37,533
Current liabilities			
Trade and other payables	5	(1,207)	(3,309)
Non current liabilities			
Pension deficit	6	(5,014)	(5,582)
Total liabilities		(6,221)	(8,891)
		28,751	28,642
Equity			
Called up share capital	7	10,339	10,851
Share premium account		504	504
Capital redemption reserve		3,617	3,105
Merger reserve		6,902	6,902
Retained earnings		7,389	7,280
		28,751	28,642

The financial statements on pages 35 to 45 were approved by the board of directors on 7th September 2016 and signed on its behalf by:

ROGER SALT
Group Finance Director

Company number 526657

Company Statement of Changes in Equity

year ended 30th June 2016

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000	Total equity £000
At 1st July 2014	11,561	504	2,395	6,902	8,423	29,785
Comprehensive income for the year						
Profit for the year	–	–	–	–	456	456
Other comprehensive income for the year	–	–	–	–	(974)	(974)
Total comprehensive income for the year	–	–	–	–	(518)	(518)
Contributions by and distributions to owners						
Share repurchase	(710)	–	710	–	–	–
Consideration paid on share purchase	–	–	–	–	(348)	(348)
Dividend paid	–	–	–	–	(277)	(277)
Total contributions by and distributions to owners	(710)	–	710	–	(625)	(625)
At 30th June and 1st July 2015	10,851	504	3,105	6,902	7,280	28,642
Comprehensive income for the year						
Profit for the year	–	–	–	–	1,245	1,245
Other comprehensive income for the year	–	–	–	–	(332)	(332)
Total comprehensive income for the year	–	–	–	–	913	913
Contributions by and distributions to owners						
Share repurchase	(512)	–	512	–	–	–
Consideration paid on share purchase	–	–	–	–	(413)	(413)
Dividend paid	–	–	–	–	(391)	(391)
Total contributions by and distributions to owners	(512)	–	512	–	(804)	(804)
At 30th June 2016	10,339	504	3,617	6,902	7,389	28,751

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.

Accounting Policies of the Company

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements (“FRS 100”) and Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”) which have both been applied early.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Certain comparative information as otherwise required by EU endorsed IFRS;
- Certain disclosures regarding the company’s capital;
- A statement of cashflows;
- The effect of future accounting standards not yet adopted;
- The disclosure of the remuneration of key management personnel;
- The disclosure of related party transactions with other wholly owned members of Airea plc group of companies; and
- Disclosure in respect of financial instruments.

Principal accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

The financial statements have been prepared under the historical cost convention. The presentation currency used is sterling and amounts have been presented in round thousands (“£000s”).

Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost less provision for impairment.

Interest receivable

Interest receivable is recognised in the period in which it arises.

Current taxation

Current taxation represents corporation tax payable on the taxable profits for the year or prior periods and is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Accounting Policies of the Company
(continued)

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Share capital
The group's ordinary shares are classified as equity instruments.

Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Dividends on shares classified as equity are accounted for as a deduction from equity. Dividends on shares classified as a financial liability are reflected in profit or loss.

Notes to the Financial Statements of the Company

1. TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

AIREA plc has not presented its own income statement 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 £913,000 (2015: loss £818,000).

2. INVESTMENTS

Shares in group companies

	2016 £000	2015 £000
Brought 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 subsidiaries at 30th June 2016, 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 contract carpet and carpet tiles
Ryalux Carpets Limited	Manufacturing and distribution of carpet
Fope Limited*	Property holding company
Other subsidiary undertakings	
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
Airea Newco Limited*	Dormant
Carpet Tile Company Limited	Dormant
Bespoke Carpets Limited	Dormant
Carpets of Britain Limited	Dormant
Ryalux Services Limited	Dormant

*Held directly

3. DEFERRED TAX

	2016 £000	2015 £000
Balance brought forward	1,116	864
(Charge)/credit to profit	(113)	252
	1,003	1,116

Deferred tax relates to the defined benefit pension scheme.

Notes to the Financial Statements of the Company
(continued)

4. TRADE AND OTHER RECEIVABLES

	2016 £000	2015 £000
Amounts owed by group companies	2,086	4,546
Prepayments and accrued income	83	71
	2,169	4,617

Amounts owed by group undertakings are included under current assets as there are no specific terms as to their repayment.

5. TRADE AND OTHER PAYABLES

	2016 £000	2015 £000
Overdraft	1,029	1,525
Accruals and other creditors	50	59
Intercompany payable	128	1,725
	1,207	3,309

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

6. PENSION COMMITMENTS

Airea PLC and Burmatex Ltd sponsor the Sirdar PLC Retirement Benefits Plan, a funded defined benefit pension plan in the UK. The Plan is administered within a trust which is legally separate from the Companies. Trustees are appointed by both Companies and the Plan's membership and act in the interest of the Plan and all relevant stakeholders, including the members and the Companies. 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 Plan closed to accrual of benefits on 28th February 2005.

Responsibility for making good any deficit within the Plan lies with the group Companies and specifically 75% for Airea plc. 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 2017. 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 assumptions set in line with accounting standards.

A formal actuarial valuation was carried out as at 1st July 2014. The results of that valuation have been projected to 30th June 2016 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

The value of the Plan's liabilities has been adjusted to allow for a Pension Increase Exchange exercise which concluded in October 2015. The exercise resulted in a past service gain of £1.3m. This was calculated as the difference in liabilities before and after the exercise took place.

Allowance has also been made for 35% of non-pensioner members to take the Pension Increase Exchange option in future. This assumption is in line with the take-up of the exercise for pensioner members.

6. **PENSION COMMITMENTS** (continued)

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

	2016 £000	2015 £000
Present value of plan liabilities	(40,392)	(38,933)
Fair value of plan assets	35,378	33,351
Funded status	(5,014)	(5,582)
Reduction on asset recognition	–	–
Net amount recognised at year end	(5,014)	(5,582)

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.

	2016 £000	2015 £000
Service cost:		
Past service gain on settlements and curtailments	(975)	–
Administration expenses	295	158
Net interest expense	193	177
(Credit)/charge recognised in P&L	(487)	335
Remeasurements of the net liability:		
Return on Plan assets (excluding amount included in interest expense)	(3,527)	(2,879)
Loss arising from changes in financial assumptions	4,000	1,696
Gain arising from changes in demographic assumptions	(254)	(253)
Experience loss	–	2,662
Charge recorded in other comprehensive income	219	1,226
Total defined benefit (credit)/cost	(268)	1,561

	2016	2015
The principal actuarial assumptions used were:		
Liabilities discount rate	2.90%	3.80%
Inflation assumption – RPI	2.65%	3.00%
Inflation assumption – CPI	1.55%	1.90%
Revaluation of deferred pensions		
benefits accrued prior to 06/04/1997	1.55%	1.90%
benefits accrued after 06/04/1997	1.55%	1.90%
Rate of increase to pensions in payment		
benefits accrued prior to 06/04/1997	5.00%	5.00%
benefits accrued after 06/04/1997	1.65%	1.95%
Proportion of employees opting for early retirement	nil	nil
Proportion of employees commuting pension for cash	100%	100%
Proportion of non-pensioners taking PIE at retirement	35%	–

Notes to the Financial Statements of the Company
(continued)

6. PENSION COMMITMENTS (continued)

Mortality assumption – pre retirement	As post-retirement	As post-retirement
Mortality assumption – male post retirement	110% SAPS S2PMA CMI 2013 1.0%	110% SAPS S2PMA CMI 2013 1.0%
Mortality assumption – female post retirement	110% SAPS S2PMA CMI 2013 1.0%	110% SAPS S2PMA CMI 2013 1.0%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	86.4	86.4
Female pensioner at age 65:	88.4	88.3
Future expected lifetime of future pensioner at age 65:		
Male aged 45 at year end:	87.7	87.8
Female aged 45 at year end:	89.9	89.8

	2016 £000	2015 £000
Fair value of assets at start of period	33,351	30,869
Interest income	1,216	1,280
Return on assets (excluding amount included in net interest expense)	3,527	2,879
Contributions from the employer	300	300
Benefits paid	(2,721)	(1,819)
Administration expenses	(295)	(158)
Fair value of assets at end of period	35,378	33,351
Actual return on assets over the period	4,743	4,159

Changes in the present value of liabilities over the period:

	2016 £000	2015 £000
Liabilities at start of period	38,933	35,190
Interest cost	1,409	1,457
Remeasurement losses		
Actuarial losses arising from changes in financial assumptions	4,000	1,696
Actuarial gains and losses arising from changes in demographic assumptions	(254)	(253)
Other experience items	–	2,662
Past service cost	(975)	–
Benefits paid	(2,721)	(1,819)
At end of period	40,392	38,933

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

	2016 £000	2015 £000
Deferred pensioners	12,019	11,378
Pensions in payment	28,373	27,555
	40,392	38,933

Average duration of the Plan's liabilities at the end of the period (years)	13	13
This can be subdivided as follows:		
Active members	0	0
Deferred pensioners	20	20
Pensions in payment	11	11

6. PENSION COMMITMENTS (continued)

The major categories of Plan assets are as follows:

	2016 £000	2015 £000
Return seeking		
UK Equities	6,265	6,125
Overseas Equities	7,783	6,736
Absolute Return Fund	9,698	11,174
Diversified Growth Fund	2,299	2,354
Return seeking subtotal	26,045	26,389
Debt instruments		
LDI funds	6,399	3,449
Other		
Property	2,203	2,107
Cash	731	1,406
Total market value of assets	35,378	33,351

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 Plan has no investments in the Companies or in property occupied by the Companies.

The Company expects to contribute £300,000 to the Plan during year ending 30th June 2017.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.1 percent higher (lower), the Plan liabilities would decrease by £548,000 (increase by £561,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the Plan liabilities would increase by £213,000 (decrease by £227,000). 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 Plan liabilities would increase by £2,093,000 if all the other assumptions remained unchanged.

7. CALLED UP SHARE CAPITAL

	2016		2015	
	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	41,354,353	10,339	43,404,353	10,851

Notes to the Financial Statements of the Company
(continued)

8. FIRST TIME ADOPTION OF FRS 101 REDUCED DISCLOSURE FRAMEWORK

This is the first time that the company has adopted FRS 101 having previously applied applicable UK accounting standards.

The date of transition to FRS 101 was 1st July 2014.

Reconciliation of equity at 30th June 2015

	£000
Shareholders' funds as reported previously in accordance with applicable UK accounting standards	33,108
Transition adjustments	
Pension deficit (a)	(5,582)
Deferred tax (b)	1,116
Shareholders' funds as reported in accordance with FRS 101	28,642

Reconciliation of profit at 30th June 2015

	£000
Profit for the year as reported previously in accordance with applicable UK accounting standards	491
Pension costs (a)	(35)
Profit for the year as reported in accordance with FRS 101	456

Reconciliation of other comprehensive income at 30th June 2015

	£000
Other comprehensive income for the year as reported previously in accordance with applicable UK accounting standards	–
Actuarial loss (a)	(1,226)
Deferred tax (b)	252
Other comprehensive income for the year as reported in accordance with FRS 101	(974)

8. FIRST TIME ADOPTION OF FRS 101 REDUCED DISCLOSURE FRAMEWORK (continued)

Reconciliation of equity at 1st July 2014

	£000
Shareholders' funds as reported previously in accordance with applicable UK accounting standards	33,242
Transition adjustments	
Pension deficit (a)	(4,321)
Deferred tax (b)	864
Shareholders' funds as reported in accordance with FRS 101	29,785

(a) Under FRS 101 the company recognises its share of net pension liability. Under previous UK accounting standards a multi-employer exemption was available and therefore contributions were treated as they would be under a defined contribution scheme.
(b) Deferred tax arises on the net pension liability and is therefore recorded on transition to FRS 101.

Notice of Annual General Meeting

Notice is hereby given that the sixty third annual general meeting of the company will be held at the Cedar Court Hotel, Wakefield, on Wednesday 2nd November 2016, at 2:00 p.m. for the following purposes:

Ordinary Business

1. To receive the financial statements for the year ended 30th June 2016 together with the reports of the directors and auditors thereon.
2. To declare a final dividend for the year ended 30th June 2016, of an amount of 1.5p per share, to be paid on 24th November 2016 to members whose names appear on the register of members at close of business on 28th October 2016.
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-elect Mr M. Toogood, whose appointment terminates on today's date in accordance with his letter of appointment dated 17th March 2009, as amended by a deed of variation dated 13th July 2016.
5. 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.
6. To authorise the directors to fix the auditor's remuneration.

Special Business

As special business to consider and, if thought fit, pass the following special resolution.

7. That the company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Companies Act 2006 to make one or more market purchases (within the meaning of 693(4) of the Act on The London Stock Exchange plc ("the London Stock Exchange") of ordinary shares of 25p each in the capital of the company ("Ordinary Shares") provided that:

   (i) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 4,135,435 (representing approximately 10% of the company's issued share capital);

   (ii) the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 12.25p per share;

   (iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations of the Company's ordinary shares as derived from the Aim Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the share is contracted to be purchased or, in the case of a tender offer, the terms of the tender offer are announced;

   (iv) unless previously revoked or varied, the authority hereby conferred shall expire fifteen months after the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the company after the passing of this resolution; and

   (v) the company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the board

ROGER SALT
Company Secretary

Registered Office:

Victoria Mills, The Green,
Ossett, WF5 0AN
7th September 2016

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, PXS, 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 2.00 p.m. on 31st October 2016. 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 5.

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 close of business on 31st October 2016 or, in the event that the annual general meeting is adjourned, in the register of members at close of business two days prior to 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 close of business on 31st October 2016 or, in the event that the annual general meeting is adjourned, at the close of business two days prior to any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the annual general meeting.

Resolution 7 General authority for the company to purchase its own ordinary shares

Shareholders will be asked to provide the general authority for the company to make market purchases on AIM of its own ordinary shares, subject to certain limitations set out below.

Your board has no immediate plans for the company to make purchases of its own ordinary shares if the proposed new general authority becomes effective but would like to be able to act quickly if circumstances arise in which they consider such purchases by the company of its own ordinary shares to be desirable. Accordingly, it is proposed that the board be given a new general authority to purchase the company's ordinary shares on the terms contained in resolution 7 in the Notice of Annual General Meeting.

The proposed new general authority will be limited, by the terms of resolution 7 in the Notice of Annual General Meeting, to purchases of up to 4,135,435 ordinary shares, representing approximately 10% of the current issued share capital of the company. The minimum price per ordinary share payable by the company (exclusive of expenses) will be 12.25p. The maximum to be paid on the exercise of such new general authority (exclusive of expenses) will be an amount not exceeding 105% of the middle market quotations for ordinary shares as derived from the AIM Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date of each purchase.

The board will only exercise the new general authority to purchase ordinary shares if it considers that such purchases of ordinary shares can be expected to result in an increase in earnings per share after such purchases and are in the best interests of shareholders generally. Your directors would also consider carefully the extent of the company's borrowings and its general financial position. Any such purchase of ordinary shares will be financed out of profits available for distribution. The actual cash required to fund any buy-backs of ordinary shares pursuant to the new general authority will be met from existing cash resources and/or borrowing facilities. Shareholders should note that any shares purchased by the company will be cancelled and not made available for reissue. The number of shares in issue will accordingly be reduced.

Notes to the Notice of Annual General Meeting

(continued)

The maximum number of shares and the permitted price range are stated for the purpose of compliance with statutory and London Stock Exchange requirements in seeking the authority. This should not be taken as any representation of the number of shares (if any) which the company might purchase nor the terms upon which the company would intend to make any such purchases nor does it imply any opinion on the part of the directors as to the market or other value of the company's shares. In seeking this general authority the board is not indicating any commitment to buy back ordinary shares. Shareholders should not, therefore, assume that any purchases will take place.

In addition, legal requirements may prevent the company from purchasing its own shares at any time when the directors are in a possession of inside information in relation to the company's shares.

The general authority set out in resolution 7 in the Notice of Annual General Meeting will expire fifteen months' after the resolution is passed or, if earlier, on the date of the next annual general meeting of the company. However, in order to maintain your board's flexibility of action, it is envisaged that this general authority may be renewed annually at annual general meetings of the company.

Details of ordinary shares purchased pursuant to the new general authority will be notified to the London Stock Exchange by 7.30 a.m. on the business day following the date of dealing and to the registrar of companies within 28 days of the date of purchase. Details will also be included in the company's report and financial statements in respect of the financial year in which any such purchases take place.

Resolution 7 complies with institutional investment committee guidelines.

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 Registrars 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.