

AIREA plc

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

Chairman's Statement

The six months ending 30th June 2018 was another period of strategic progress. Following the completion of the closure of the residential carpets business, we are now in a position to focus on our ongoing commercial operation, which delivered an encouraging advance in financial performance:

- Sales up 13%
- Profit attributable to shareholders up 31%
- Basic earnings per share from continuing operations up 10.0%
- Interim dividend maintained

Following the closure of Ryalux the business is positioned to generate improved shareholder returns. To illustrate this; in the six months ended 30th June 2018 the business generated profit after tax of £1.3m on a continuing basis (i.e. excluding Ryalux) and in the six months ended 30th June 2017 the business (including Ryalux) generated profit after tax of £0.7m.

Strong growth in the order book and increased sales both in the UK and internationally was largely driven by the success of new product introductions. The launch of further new products is transforming our offer in the medium and premium price sectors and our sales force has a growing portfolio of attractive complementary products to grow our share within this market sector.

Our international sales grew by 30% in the period, driven by the new products, increased penetration of existing markets and the ongoing development of the distribution network.

Group Results

Continuing operations:

Comparative financial results for the six months to 30th June 2017 and the eighteen months ended 31st December 2017 have been restated to take account of the closure of the residential carpets business¹. Revenue for the period was £9.1m (2017: £8.1m). The operating profit was £1,481,000 (2017: £1,457,000). After charging pension related finance costs of £158,000 (2017: £309,000) and incorporating the appropriate tax charge the net profit for the period was £1,314,000 (2017: £1,194,000). Basic earnings per share for the continuing operation were 3.18p (2017: 2.89p).

Operating cash flows before exceptional items and movements in working capital were £1.7m (2017: £1.6m). Working capital increased in the period by £0.4m (2017: £1.2m) mainly as a result of the timing of stock build. Contributions to the defined benefit pension scheme were £200,000 (2017: £200,000) in line with the agreement reached with the scheme trustees following the last triennial valuation as at 1st July 2017. Capital expenditure of £61,000 (2017: £233,000) was made in renewing and enhancing manufacturing plant and equipment and supporting product launches.

Discontinued operation

Running and closure costs net of tax amounted to £359,000. The disposal of inventory, collection of trade receivables and settlement of outstanding payables resulted in a cash inflow of £1,135,000 giving an overall net modest outflow of cash for the residential carpets business of £93,000 in the period. As indicated in the last annual report, over the total period of run down and closure, there was significant cash generation, which was returned to shareholders as part of the special dividend paid on 23rd May 2018.

Board changes

I am pleased to welcome Paul Stevenson to the board following his recently announced appointment as Group Finance Director and Company Secretary. He takes over from Roger Salt who is retiring. We would like to extend our thanks to Roger for his hard work and dedication over the last 14 years.

Outlook

We are pleased by the progress we have made in driving sales growth in the ongoing commercial flooring operation with a strengthening portfolio of products. Sales growth in our markets requires hard work and commitment over a sustained period of time, and we remain determined to build on the progress made. Uncertainties remain, including the outcome of Brexit negotiations; however, as a UK manufacturer with a strengthening position in the UK and internationally, we are well placed to mitigate risks and take advantage of growth opportunities.

Given the ongoing progress in the financial performance of the group and a robust cash flow we are able to maintain the policy introduced last year of paying an interim dividend. The board is pleased to declare an interim dividend of 1.75p (2017: 1.75p) to be paid on the 25th October 2018 to shareholders on the register at close of business on 21st September 2018. The ex dividend date is 20th September 2018.

MARTIN TOOGOOD
Chairman

17th August 2018

¹ The unaudited results for the six months ended 30th June 2017 and the audited results for the eighteen months ended 31st December 2017 have been restated to reclassify the residential carpets business as discontinued. Details of the discontinued operation are included in note 2.

Consolidated Income Statement

6 months ended 30th June 2018

	Unaudited 6 months ended 30th June 2018 £000	(Restated) Unaudited 6 months ended 30th June 2017 £000	(Restated) Audited 18 months ended 31st December 2017 £000
Continuing operations			
Revenue	9,132	8,073	26,890
Operating costs	(7,651)	(6,616)	(22,658)
Operating profit before exceptional items	1,481	1,457	4,255
Exceptional items:			
Exceptional costs	–	–	(472)
Unrealised valuation gain	–	–	449
Operating profit	1,481	1,457	4,232
Finance costs	(158)	(309)	(932)
Profit before taxation	1,323	1,148	3,300
Taxation	(9)	46	186
Profit attributable to shareholders of the group from continuing operations	1,314	1,194	3,486
Discontinued operations			
Loss attributable to shareholders of the group from discontinued operations	(359)	(467)	(4,856)
Profit/(loss) attributable to shareholders of the group for the period	955	727	(1,370)
Earnings/(loss) per share (basic and diluted)	2.31p	1.76p	(3.31)p
Earnings per share (basic and diluted) from continuing operations	3.18p	2.89p	8.43p
Loss per share (basic and diluted) from discontinued operations	(0.87)p	(1.13)p	(11.74)p

Consolidated Statement of Comprehensive Income

6 months ended 30th June 2018

	Unaudited 6 months ended 30th June 2018 £000	(Restated) Unaudited 6 months ended 30th June 2017 £000	(Restated) Audited 18 months ended 31st December 2017 £000
Profit/(loss) attributable to shareholders of the group	955	727	(1,370)
Actuarial gain recognised in the pension scheme	–	401	4,827
Related deferred taxation	–	(80)	(862)
	–	321	3,965
Unrealised valuation gain	39	–	117
Total comprehensive income attributable to shareholders of the group	994	1,048	2,712

The unaudited results for the six months ended 30th June 2017 and the audited results for the eighteen months ended 31st December 2017 have been restated to reclassify the residential carpets business as discontinued. Details of the discontinued operation are included in note 2.

Consolidated Balance Sheet

as at 30th June 2018

	Unaudited 30th June 2018 £000	Unaudited 30th June 2017 £000	Audited 31st December 2017 £000
Non-current assets			
Property, plant and equipment	5,107	6,101	5,294
Intangible assets	114	–	124
Investment property	3,150	2,701	3,150
Deferred tax asset	1,415	1,281	389
	9,786	10,083	8,957
Current assets			
Inventories	6,918	11,146	6,937
Trade and other receivables	2,870	4,704	2,893
Cash and cash equivalents	2,448	2,302	3,702
	12,236	18,152	13,532
Total assets	22,022	28,235	22,489
Current liabilities			
Trade and other payables	(4,793)	(5,574)	(4,045)
Obligations under finance leases	(185)	–	(183)
	(4,978)	(5,574)	(4,228)
Non-current liabilities			
Pension deficit	(2,114)	(6,962)	(2,164)
Deferred tax	(268)	(241)	(268)
Obligation under finance leases	(417)	(767)	(510)
	(2,799)	(7,970)	(2,942)
Total liabilities	(7,777)	(13,544)	(7,170)
	14,245	14,691	15,319
Equity			
Called up share capital	10,339	10,339	10,339
Share premium account	504	504	504
Capital redemption reserve	3,617	3,617	3,617
Revaluation reserve	3,165	3,009	3,126
Retained earnings	(3,380)	(2,778)	(2,267)
	14,245	14,691	15,319

Consolidated Cash Flow Statement

6 months ended 30th June 2018

	Unaudited 6 months ended 30th June 2018 £000	Unaudited 6 months ended 30th June 2017 £000	Audited 18 months ended 31st December 2017 £000
Cash flow from continuing operations			
Profit for the period	1,314	1,194	3,486
Depreciation of tangible fixed assets	155	103	291
Amortisation of other intangible fixed assets	28	-	39
Finance costs	158	309	932
Taxation	9	(46)	(225)
Unrealised valuation gain	-	-	(449)
Operating cash flows before movements in working capital	1,664	1,560	4,074
Increase in inventories	(762)	(1,866)	(138)
(Increase)/decrease in trade and other receivables	(607)	(821)	1,046
Increase/(decrease) in trade and other payables	972	1,517	(874)
Cash generated from operations	1,267	390	4,108
Income tax received	-	-	143
Contributions to defined benefit pension scheme	(200)	(200)	(600)
Net cash generated from operating activities in continuing operations	1,067	190	3,651
Net cash used in operating activities in discontinued operations	(93)	(19)	(900)
Net cash generated from operating activities	974	171	2,751
Investing activities			
Payments to acquire tangible fixed assets	(43)	(233)	(334)
Payments to acquire intangible fixed assets	(18)	-	(163)
Net cash used by investing activities on continuing operations	(61)	(233)	(497)
Net cash used by investing activities on discontinuing operations	-	(38)	(58)
	(61)	(271)	(555)
Financing activities			
Interest	(8)	(10)	(26)
Obligations under finance leases	(91)	(87)	(238)
Equity dividends paid	(2,068)	-	(1,344)
Net cash used in financing activities in continuing operations	(2,167)	(97)	(1,608)
Net cash used in financing activities in discontinued operations	-	-	-
Net cash used in financing activities	(2,167)	(97)	(1,608)
Net (decrease)/increase in cash and cash equivalents	(1,254)	(197)	588
Cash and cash equivalents at start of the period	3,702	2,499	3,114
Cash and cash equivalents at end of the period	2,448	2,302	3,702

Consolidated Statement of Changes in Equity

6 months ended 30th June 2018

	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 2016	10,339	504	3,617	3,009	(3,518)	13,951
Comprehensive income for the period						
Loss for the period	-	-	-	-	(1,370)	(1,370)
Other comprehensive income for the period	-	-	-	117	3,965	4,082
Total comprehensive income for the year	-	-	-	117	2,595	2,712
Contributions by and distributions to owners						
Dividend paid	-	-	-	-	(1,344)	(1,344)
At 31st December 2017 and 1st January 2018	10,339	504	3,617	3,126	(2,267)	15,319
Comprehensive income for the period						
Profit for the period	-	-	-	-	955	955
Other comprehensive income for the period	-	-	-	39	-	39
Total comprehensive income for the year	-	-	-	39	955	994
Contributions by and distributions to owners						
Dividend paid	-	-	-	-	(2,068)	(2,068)
At 30th June 2018	10,339	504	3,617	3,165	(3,380)	14,245

Notes to the Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information for the six months ended 30th June 2018 and the six months ended 30th June 2017 has not been audited and does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006.

The financial information relating to the eighteen month period ended 31st December 2017 does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006. This information is based on the group's statutory accounts for that period. The statutory accounts were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and received an unqualified audit report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006. These financial statements have been filed with the Registrar of Companies.

These interim financial statements have been prepared using the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ("IFRS"). The accounting policies used are the same as those used in preparing the financial statements for the period ended 31st December 2017. These policies are set out in the annual report and accounts for the period ended 31st December 2017 which is available on the company's website at www.aireapl.co.uk.

Further copies of this report are available from the Company Secretary at the registered office at Victoria Mills, The Green, Ossett, Wakefield, West Yorkshire WF5 0AN and are also available, along with this announcement, on the company's website at www.aireapl.co.uk

2. DISCONTINUED OPERATIONS

It was announced in the last annual report that the company had entered into a process concerning the closure of the residential carpets business. This process has now been completed. The analysis of the result of the discontinued business that has been included in the consolidated income statement including a deferred tax benefit following the closure of the residential carpets business is as follows:

	Unaudited 6 months ended 30th June 2018 £000	Unaudited 6 months ended 30th June 2017 £000	Audited 18 months ended 31st December 2017 £000
Discontinued operations			
Revenue	920	3,196	9,859
Operating costs	(2,313)	(3,681)	(14,669)
Loss before taxation	(1,393)	(485)	(4,810)
Taxation	1,034	18	(46)
Loss attributable to shareholders of the group from discontinued operations	(359)	(467)	(4,856)

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