

AIREA plc

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

Chairman's Statement

The six months ended 30th June 2022 continued to see recovery from the impacts of the COVID-19 pandemic, which had suppressed activity in our key markets. H1 delivered improved sales and operating profit versus the prior year as demand in both our home and export markets continued to recover.

We remain focused on our operational and supply chain processes, which enable us to navigate the challenges from the current economic environment and the Ukrainian conflict both of which continue to put a strain on the availability of labour and raw materials.

The launches of our new products into the market continues with a noted increase in the sales of these products and the continuing specification of our product in the medium and premium sectors.

Net cash (cash less loans and borrowings) increased by £0.3m in the 6 month period to £2.5m as at 30th June 2022 from £2.2m as at 31 December 2021. We continue to have further liquidity available of £1.0m via our unutilised overdraft facility (2021: £1.0m unutilised). Our cash reserves and strong balance sheet enable us to manage the impact of the current economic environment and support our ongoing product development.

Group Results

Revenue for the period was £8.6m, £1.2m above the prior year (2021: £7.4m). In the UK our sales were 7.5% ahead of the prior six month comparative period as home sales recovered to pre-pandemic levels. Export sales were up 45.5% compared to the comparative period, despite the recovery to date export sales are 26% down on the pre-pandemic levels with the general economic environment continuing to impact trading overseas.

The operating profit was £756,000 (2021: £574,000). Excluding inventory absorption impacts, underlying product margins have come under some pressure versus prior year due to significant raw material inflation. After charging pension, lease and loan related interest costs of £108,000 (2021: £114,000) and incorporating the appropriate tax charge the net profit for the period was £611,000 (2021: £440,000). Basic earnings per share were 1.58p (2021: 1.14p).

Operating cash flows before movements in working capital were £0.8m (2021: £0.5m). Working capital remained relatively stable in the period in spite of the increased prices of raw materials. Contributions to the defined benefit pension scheme were £nil (2021: £0.2m) in line with the agreement reached with the scheme trustees following the last triennial valuation as at 1st July 2020. There was capital expenditure of £0.2m on small enhancements to plant and equipment following the major spend in the previous year (2021: £1.2m).

Update on CEO Replacement

The selection process for our new CEO continues, we have made good progress and expect to be in a position to make an announcement in the coming months.

Outlook

The development of our product ranges continues with the launches of new products and the refresh of existing products planned for the second half of the year. Our order book and sales of new products continue to grow as we strengthen our portfolio of products.

Recovery of our UK market has been pleasing with recovery in export sales expected to continue, however it must be noted that the Ukrainian conflict has adversely impacted some of our key export markets.

We have experienced unprecedented pressure on costs over the last 18 months and we have taken numerous actions to mitigate the impact on profitability. Those cost pressures and managing them will continue to be challenging over the remainder of this year and into the future.

Given the continued levels of uncertainty in the market and the wider economy the group will continue to prioritise the preservation of cash. We will therefore not be proposing an interim dividend at this time (2021: nil). We were pleased to have been in a position to declare and pay a final dividend following the 2021 results and we cautiously expect to be in the position to do similar once our 2022 results are finalised.

MARTIN TOOGOOD
Chairman

28th July 2022

Consolidated Income Statement

6 months ended 30th June 2022

	Unaudited 6 months ended 30th June 2022 £000	Unaudited 6 months ended 30th June 2021 £000	Audited 12 months ended 31st December 2021 £000
Revenue	8,551	7,431	15,865
Operating costs	(7,935)	(6,997)	(14,832)
Other operating income	140	140	280
Operating profit before valuation gain	756	574	1,313
Unrealised valuation gain	-	-	275
Operating profit	756	574	1,588
Finance income	8	4	8
Finance costs	(108)	(114)	(305)
Profit before taxation	656	464	1,291
Taxation	(45)	(24)	(249)
Profit attributable to shareholders of the group	611	440	1,042
Earnings per share (basic and diluted) for the group	1.58p	1.14p	2.70p

Consolidated Statement of Comprehensive Income

6 months ended 30th June 2022

	Unaudited 6 months ended 30th June 2022 £000	Unaudited 6 months ended 30th June 2021 £000	Audited 12 months ended 31st December 2021 £000
Profit attributable to shareholders of the group	611	440	1,042
Items that will not be reclassified to profit or loss			
Actuarial gain recognised in the pension scheme	35	1,687	1,599
Related deferred taxation	(7)	(358)	(380)
	28	1,329	1,219
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Revaluation of property	-	-	166
Related deferred taxation	-	-	(32)
	-	-	134
Total other comprehensive income	28	1,329	1,353
Total comprehensive income attributable to shareholders of the group	639	1,769	2,395

Consolidated Balance Sheet

as at 30th June 2022

	Unaudited 30th June 2022 £000	Unaudited 30th June 2021 £000	Audited 31st December 2021 £000
Non-current assets			
Property, plant and equipment	5,307	5,279	5,305
Intangible assets	51	62	55
Investment property	4,000	3,725	4,000
Right-of-use asset	943	1,011	972
Deferred tax asset	682	733	720
	10,983	10,810	11,052
Current assets			
Inventories	6,132	5,877	6,150
Trade and other receivables	2,370	2,093	1,887
Cash and cash equivalents	5,450	6,226	5,688
	13,952	14,196	13,725
Total assets	24,935	25,006	24,777
Current liabilities			
Trade and other payables	(3,683)	(3,679)	(3,258)
Provisions	(175)	(138)	(245)
Lease liabilities	(124)	(145)	(124)
Loans and borrowings	(731)	(1,359)	(935)
	(4,713)	(5,321)	(4,562)
Non-current liabilities			
Deferred tax	(1,047)	(767)	(1,031)
Lease liabilities	(212)	(174)	(183)
Loans and borrowings	(2,226)	(2,911)	(2,592)
	(3,485)	(3,852)	(3,806)
Total liabilities	(8,198)	(9,173)	(8,368)
Net assets	16,737	15,833	16,409
Equity			
Called up share capital	10,339	10,339	10,339
Share premium account	504	504	504
Own Shares	(2,000)	(876)	(555)
Share-based payment reserve	-	161	157
Capital redemption reserve	3,617	3,617	3,617
Revaluation reserve	3,150	3,014	3,150
Retained earnings	1,127	(926)	(803)
Total equity	16,737	15,833	16,409

Consolidated Cash Flow Statement

6 months ended 30th June 2022

	Unaudited 6 months ended 30th June 2022 £000	Unaudited 6 months ended 30th June 2021 £000	Audited 12 months ended 31st December 2021 £000
Cash flow from operating activities			
Profit for the period	611	440	1,042
Depreciation	165	123	276
Depreciation of right-of-use assets	126	128	250
Amortisation	14	16	30
Movement in Provision	(70)	(327)	(220)
Share-based payment (credit)/expenses	(157)	20	16
Net Finance costs	100	110	297
Profit on disposal of property, plant and equipment	(77)	-	-
Tax charge	45	24	249
Unrealised valuation gain	-	-	(275)
Operating cash flows before movements in working capital	757	534	1,665
Decrease/(increase) in inventory	18	(255)	(528)
Increase in trade and other receivables	(483)	(417)	(152)
Increase in trade and other payables	425	784	347
Cash generated from operations	717	646	1,332
Contributions to defined benefit pension scheme	-	(200)	(400)
Net cash generated from operating activities	717	446	932
Cash flows from investing activities			
Payments to acquire intangible fixed assets	(10)	(24)	(31)
Payments to acquire tangible fixed assets	(167)	(1,131)	(1,236)
Receipts from sales of tangible fixed assets	77	-	-
	(100)	(1,155)	(1,267)
Cash flows from financing activities			
Interest paid on lease liabilities	(4)	(6)	(12)
Interest paid on borrowings	(69)	(11)	(83)
Interest received	8	4	8
Proceeds from asset financing	-	934	934
Principal paid on lease liabilities	(67)	(166)	(260)
Repayment of loans and borrowings	(569)	(375)	(1,119)
Equity dividends paid	(154)	-	-
Net cash generated from financing activities	(855)	380	(532)
Net decrease in cash and cash equivalents	(238)	(329)	(867)
Cash and cash equivalents at start of the period	5,688	6,555	6,555
Cash and cash equivalents at end of the period	5,450	6,226	5,688

Consolidated Statement of Changes in Equity

6 months ended 30th June 2022

	Share capital £000	Share premium account £000	Own Shares £000	Share-based payment reserve £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1st January 2021	10,339	504	(1,197)	141	3,617	3,014	(2,420)	13,998
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	1,042	1,042
Actuarial loss recognised on the pension scheme	-	-	-	-	-	-	1,219	1,219
Revaluation of property	-	-	-	-	-	166	(32)	134
Total comprehensive income for the year	-	-	-	-	-	166	2,229	2,395
Contributions by and distributions to owners								
Dividend paid	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	16	-	-	-	16
Own share transfer	-	-	642	-	-	-	(642)	-
Revaluation Reverse Transfer	-	-	-	-	-	(30)	30	-
Total contributions by and distributions to owners	-	-	642	16	-	(30)	(612)	16
At 31st December 2021 and 1st January 2022	10,339	504	(555)	157	3,617	3,150	(803)	16,409
Comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	611	611
Actuarial gain recognised on the pension scheme	-	-	-	-	-	-	28	28
Revaluation of property	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	639	639
Contributions by and distributions to owners								
Dividend paid	-	-	-	-	-	-	(154)	(154)
Share-based payment	-	-	-	(157)	-	-	-	(157)
Own Shares Transfer	-	-	(1,445)	-	-	-	1,445	-
Total contributions by and distributions to owners	-	-	(1,445)	(157)	-	-	1,291	(311)
At 30th June 2022	10,339	504	(2,000)	-	3,617	3,150	1,127	16,737

Notes to the Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information for the six months ended 30th June 2022 and the six months ended 30th June 2021 have not been audited and do not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006.

The financial information relating to the year ended 31st December 2021 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 UK adopted International Accounting Standards 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 UK adopted International Accounting Standards. The accounting policies used are the same as those used in preparing the financial statements for the period ended 31st December 2021. These policies are set out in the annual report and accounts for the period ended 31st December 2021 which is available on the company's website at www.aireaplco.uk.

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

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