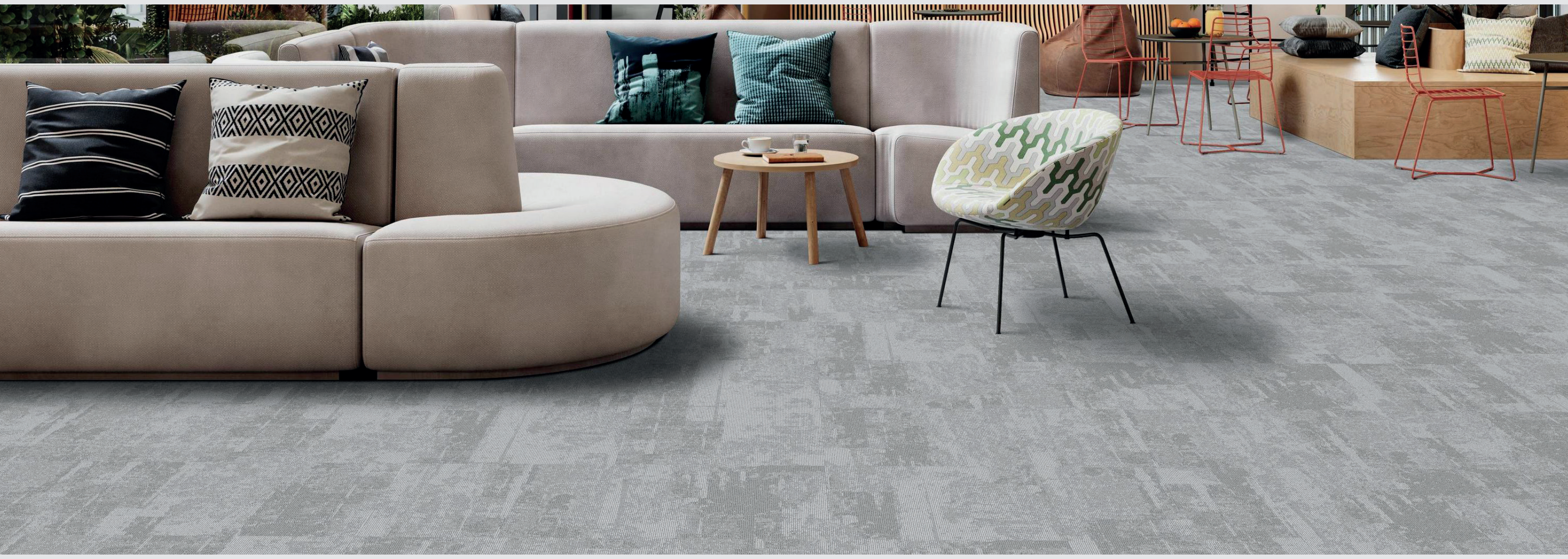
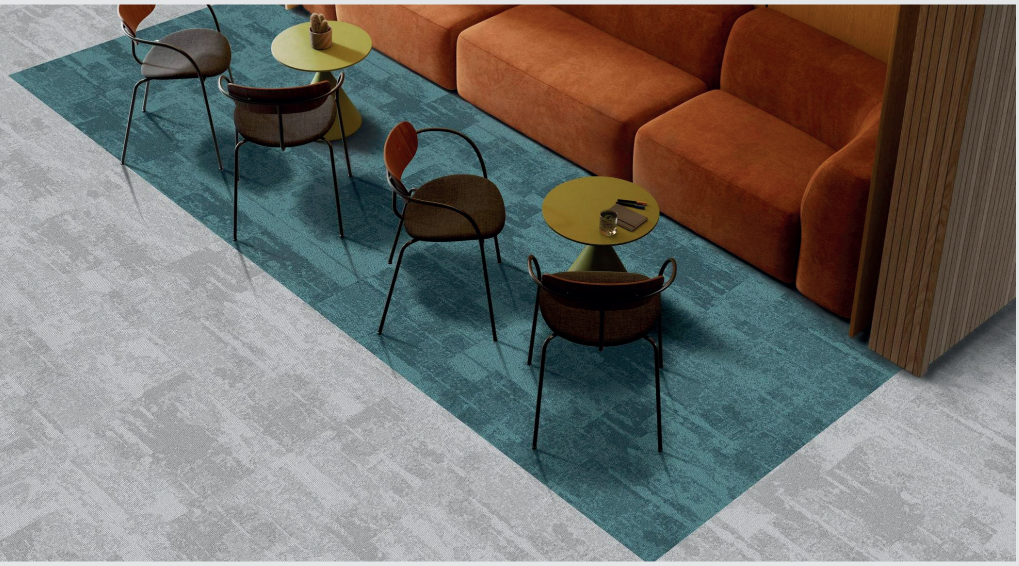
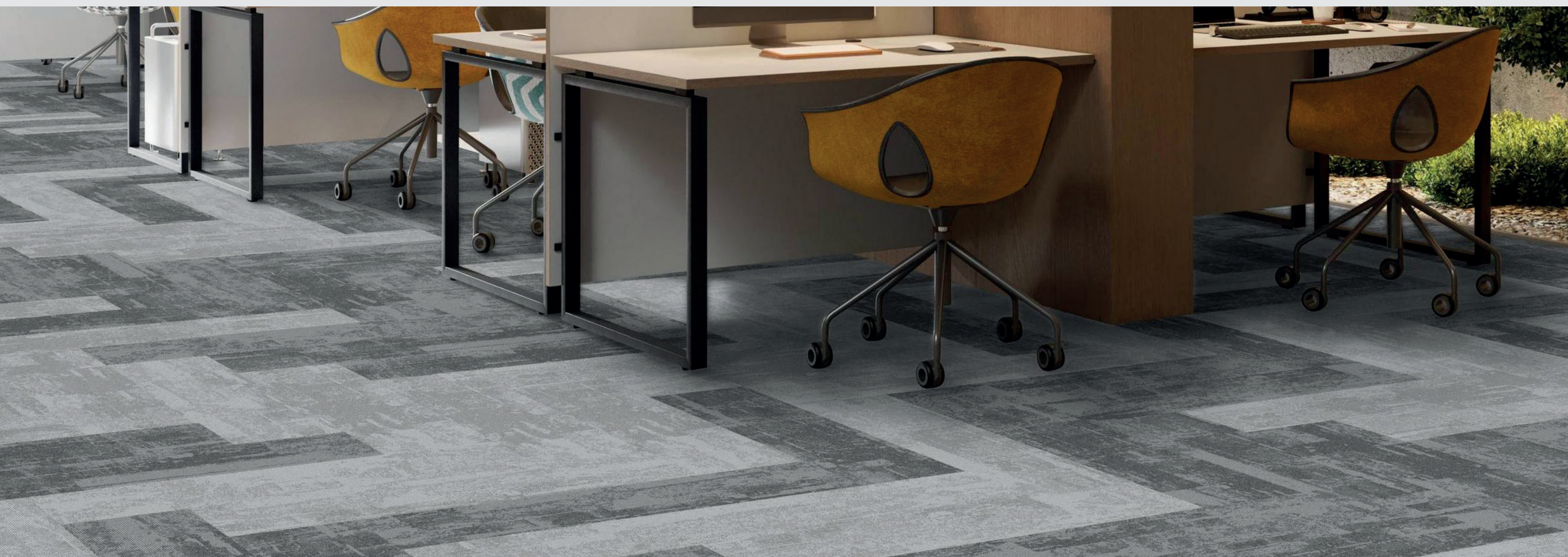
AIREA plc





ANNUAL REPORT & ACCOUNTS 2022



Contents

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About Us

AIREA plc is a UK design-led specialist flooring company listed on the AIM market of the London Stock Exchange, supplying both UK and international markets. Since 2007, the Group has been focused solely on floor coverings and enjoys a strong and growing brand position within the commercial flooring market.

OUR VALUES

Principles: The Group is committed to success with integrity by building and strengthening its reputation through earning our stakeholders' trust. We commit to the principles of being honest, transparent and accountable for the impact that it has.

Agility: The Group strives for continuous improvement, prioritising what matters and making considered decisions in an efficient and timely manner. There is a constant pursuit of innovation and an innate emphasis to connect new ideas with business realities.

Collaboration: The Group wishes colleagues and stakeholders to understand our origins, current position, and future focus and will work together with purpose and pace to achieve the key objectives. Through empowerment, mentorship and encouragement, these goals will be a tangible reality.

Excellence: The Group is passionate about its people, its products and continually improving the quality and service delivered to its customers. The ambition is to continuously develop ourselves and help each other to do the same. The Group seeks to maximise the potential of our people through their talent, passion and hard work.

OUR BRANDS

AIREA's core brand Burmatex® is one of the UK's leading designers and manufacturers of commercial carpet tiles and planks.

Burmatex® focuses on the design and creation of sustainable innovative flooring solutions to meet the needs of architects, specifiers and contractors with a continuously developing range to suit the education, leisure, commercial, hospitality and public sectors.

The brand was acquired by AIREA in 1984.

OUR GROWTH

We have an established brand in a stable marketplace with high barriers to entry, and our in-house manufacture, low-cost base and service proposition provide opportunities for growth.

Financial Summary

Group revenue

£18.5m **+16.5%**

(2021: £15.9m)

Operating profit before valuation gain

£1.7m **+25.8%**

(2021: £1.3m)

Profit before tax

£1.4m **+11.0%**

(2021: £1.3m)

Cash and cash equivalents

£5.8m **+1.3%**

(2021: £5.7m)

Net cash

£2.8m **+53.0%**

(2021:£1.9m)

Strategic Report – Chairman's Statement

Overview
The Group is pleased to report the continued progress from the impacts of the COVID-19 pandemic, where there has been a recovery in demand both in our home and export markets. We do, however, have some key markets that continue to be negatively impacted by the ongoing conflict in Ukraine.

Our continued efforts to enhance our operational and supply chain processes have helped manage the impact of the unprecedented increases in the prices of raw materials, energy and availability of labour. Where possible, increased costs have been mitigated through cost-saving initiatives, consumption reduction actions or increased onward pricing.

The Group continues to maintain its cash reserves and strong balance sheet position to enable us to invest in the future of the business and manage the impact of the continued economic uncertainty and related risks.

"We are optimistic that the Group has been able to minimise our cost pressures and inflationary headwinds in 2022 to ensure margins and profitability are maintained."

Results
AIREA has delivered good revenue growth in the year following the recovery from the COVID-19 pandemic. Underlying volumes remain below pre-pandemic levels with price increases and sales mix being the major contributory factors of the 16.5% revenue growth. The Group's operating profit margins have been maintained despite the increases in raw materials, labour and energy costs.

Dividends
The Group has been cash generative in the period and plans to continue to invest in the future of the business. We also believe in rewarding our loyal shareholder base and therefore propose a final dividend of £0.2m or 0.5p per share for FY22, also representing the total dividend for the year as no interim dividend was paid (2021: £0.2m or 0.4p per share). The final dividend will be paid on 18th May 2023 to shareholders on the register on 21st April 2023. This proposal is subject to shareholder approval at the Group's Annual General Meeting to be held on 10th May 2023.

Environmental, Social and Governance (ESG)
ESG is fundamental to the continued commercial success of AIREA, as evidenced in our values, our actions and our products. We have made excellent progress in 2022 through the launch of our sustainability principles, eco2matters®, which have been laid out to highlight our ongoing commitment in anchoring our business to a sustainable ethos. The Group's focus is, and will continue to be, the promotion of trade responsibility and the active pursuit of achieving a Net Zero business.

We have begun work on the installation of solar panels on the roof of our factory and warehouse as the implementation of this investment is believed to help protect us against energy price volatility, whilst contributing to our sustainable goals.

Our Board
The Board appointed Médéric Payne as Chief Executive Officer and as a member of the Board of Directors on 25th August 2022. Médéric brings his extensive leadership, commercial, supply chain and marketing expertise to the role with a passion for developing people.

The Board's composition continues to evolve based on the required level of skills and experience alongside ensuring the business operates efficiently and is able to react quickly to any issues that may arise.

Our People
We recognise the hard work and dedication of our staff throughout the year and sincerely thank them for the continued contribution they make towards the future of AIREA.

The employee share scheme that was launched in 2019 has lapsed, with none of the 2.8 million shares being held in the employee benefit trust ("EBT") vesting. The scheme has been re-launched to a wider employee pool as the Board recognises the need to retain and reward members of staff for long-term performance. The scheme incentivises employees through nil cost share awards. Awards will vest with beneficiaries over a three-year period ending 31st December 2025 after the achievement of the Group and individual performance conditions.

Outlook
The development of our product ranges is exciting with the launches of new sustainable products and the refresh of existing products with a drive towards sustainability whilst refreshing the colour and design including as appropriate switching to a better more sustainable yarn.

We launched our first carbon neutral range arctic, which has been well received in the market and thus fulfilling the demands of our existing customers.

Even though the Ukrainian conflict has adversely impacted some of our key export markets, the Group has been able to recover in both our UK and export market, along with identifying further export growth opportunities.

We are pleased that cost pressures are beginning to ease and stabilise, however, it should be noted that the cost increases experienced during 2022 will be felt in 2023. In managing these cost pressures, we have taken mitigating actions including the installation of solar panels, increased onward pricing and a continued focus on waste reduction.

Summary
We are optimistic that the Group has been able to minimise our cost pressures and inflationary headwinds in 2022 to ensure margins and profitability are maintained. The Group made significant progress in our ESG ambitions through creating a point of distinction and competitive advantage through the launch of our eco2matters® principle as this will be the foundation to help drive AIREA shareholder growth for FY23 and beyond.

MARTIN TOOGOOD
INDEPENDENT NON-EXECUTIVE CHAIRMAN
4th April 2023

Strategic Report – Chief Executive Officer's Statement

Introduction

2022 for AIREA started off with the sad passing of Neil Rylance, former Chief Executive Officer, in March 2022. Whilst the situation may have caused some initial uncertainty, a recruitment process was put in place and I feel privileged to have taken the role in August 2022 to continue the legacy that Neil achieved.

AIREA has faced many price pressures throughout the year, not least the increase in energy prices which triggered a focused response in trying to address the opportunities available in reducing energy usage across our business. We have made progress towards improving our energy efficiency and the Group is looking to explore alternative methods to improve that further. I am confident that the team will rise to those challenges.

The increasing cost pressures have resulted in us passing on some price increases to customers. However, we have sought to do this in keeping with our value of principles in being honest, transparent and providing notice as early as possible of forthcoming price changes.

As noted in the Chairman's statement, demand is beginning to recover to pre-pandemic levels, with further opportunities in our export markets which we have identified as being key areas of growth.

Products and Planet

Our product offering continues to develop with sustainability, design and quality being key to our success, we have developed our first Carbon neutral range arctic which launched at the beginning of 2023, with more yet to come. Our eco$_2$matters® sustainability principles were launched as we focus on improving all aspects of the way we impact the environment and society.

Our efforts in this area have been well received in the market, particularly by the specifier and architect communities.

People

2022 saw the launch of our new values across the organisation as part of our transformation project of putting our people at the heart of our business, empowering, encouraging and inspiring them to deliver the products to our customers whilst contributing to protecting our planet. These are the fundamentals for us to succeed as a team, driving sustainable shareholder value.

Summary and Outlook

The results for FY22 have shown AIREA is able to continuously provide a high standard of service to our customers, even in the face of economic challenges. As referred to in the Chairman's statement, we have maintained our margins and stable balance sheet.

The Group has a number of opportunities that we are looking to explore, notably on products that are commercially more sustainable, a more customer-orientated business, new markets and appropriate investment to improve manufacturing capabilities.

We are confident in our commitment to our ESG strategy which will deliver shareholder returns in due course. With our focused strategy, we are building a strong platform for growth within the commercial flooring market and will leverage the value of the Burmatex® brand.

Finally, we would like to thank everyone associated with the AIREA Group for their support during the period.

MÉDÉRIC PAYNE
CHIEF EXECUTIVE OFFICER
4th April 2023

"Our product offering continues to develop with sustainability, design and quality being key to our success, we have developed our first Carbon neutral range arctic which launched at the beginning of 2023, with more yet to come. Our eco$_2$matters® sustainability principles were launched as we focus on improving all aspects of the way we impact the environment and society."

Strategic Report – Chief Financial Officer's Review

"Revenue increased 16.5% year on year to £18.5m (2021: £15.9m) with home sales recovering to pre-pandemic levels. Our access to some export markets has been impacted by the Ukraine conflict. We are, however, seeing recovery in markets outside this region."

Group results

Revenue increased 16.5% year on year to £18.5m (2021: £15.9m) with home sales recovering to pre-pandemic levels. Our access to some export markets has been impacted by the Ukraine conflict. We are, however, seeing recovery in markets outside this region. Operating profit before property valuation gain nevertheless increased to £1.7m (2021: £1.3m). Gross profit margins increased marginally year on year despite the cost pressures experienced.

There was no unrealised valuation gain/(loss) on the investment property in the year (2021: £0.3m gain), with the Group recording an operating profit after valuation gains of £1.7m (2021: £1.6m).

Other finance costs relating largely to borrowing costs were £0.2m (2021: £0.3m).

After a tax charge of £0.1m primarily due to deferred tax on property, plant and equipment and changes in the tax rate at which deferred tax is recognised (2021: £0.2m), profit attributable to shareholders of the Group for the year was £1.3m (2021: £1.0m). Earnings per share were 3.36p (2021: 2.70p).

Operating cash flows before movements in working capital and other payables were £1.8m (2021: £1.7m). Working capital increased by £0.1m (2021: £0.3m increase) following an increase in trade and other receivables partially offset by a decrease in inventories coupled with an increase in trade and other payables. Capital expenditure of £0.4m (2021: £1.3m) related to the Group's investment in maintaining the site, plant and machinery.

The Group had £5.8m of cash on hand as of 31st December 2022 (2021: £5.7m). In 2021 the Group borrowed £2.75m under the government Coronavirus Business Interruption Loan Scheme, as of 31st December 2022 the amount outstanding was £1.9m (2021: £2.4m). The Group fully repaid the long-term loan which was taken out to acquire shares for the Employee Benefit Trust. The Group has access to further liquidity of £1.0m via our unutilised banking facility (2021: £1.0m unutilised).

The Group has £2.8m of net cash as of 31st December 2022 (2021: £1.9m).

The value of our investment property was maintained in the year.

The defined benefit pension scheme deficit increased from an unrecognised surplus of £5.1m to a deficit of £1.3m. The Group's contributions to the scheme were £nil (2021: £0.4m) based on the latest agreed schedule of contributions between the Group and the scheme's trustees. There continues to be volatility in global equity markets with the scheme's investment strategy constantly under review to mitigate the scheme's long-term risk profile as much as possible.

Key performance indicators

As part of its internal financial control procedures the Board monitors the key financial metrics of revenue, operating profit, gross margin, working capital (debtor and creditor days), inventory turns and cash. These KPIs are reviewed in comparison to the previous year and the budget and analysis undertaken to establish trends and variances. For the year ended 31st December 2022, operating profit return on sales was 8.9% (2021: 8.3%), return on net operating assets was 8.3% (2021: 6.7%) and working capital to sales percentage was 52.8% (2021: 57.7%).

Principal risks and uncertainties

The Board has responsibility for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives and ensuring that risks are managed effectively across the Group. The Board and the management team meet regularly to discuss the business and the risks that it faces. Risks are identified as being principally based on the likelihood of occurrence and potential impact on the Group. The Group's principal risks, which remain consistent with the prior year, 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 quality, customer service and efficiency to attempt to differentiate from the competition.

The continued unrest in Ukraine with its impact on the wider macro-economy presents significant uncertainty for the upcoming financial year with an unknown impact of the conflict, particularly on international sales performance and on the costs and availability of raw materials and their impact on the Group's performance.

Strategic Report – Chief Financial Officer's Review (continued)

However, the Group is well placed to mitigate these risks through its diversified sales base and by drawing on the experience gained navigating similar supply chain issues during recent years when the Group was able to remain open for business.

Most of the Group's revenue arises from trade with flooring contractors and fit out companies. The activity levels within this customer base are determined by consumer demand which is created through a wide range of commercial refurbishment and new build projects. The general level of activity in these underlying markets has the potential to affect the demand for products supplied by the Group and is subject to seasonal variations and the economic environment. 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 and help negate the impact of seasonality.

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 held. The value of the assets and liabilities may be adversely affected by changes in several factors, including investment returns, long-term interest rate and price inflation expectations and anticipated members' longevity. Adverse changes in the pension scheme position may require the Group to recommence cash contributions to the scheme, thereby reducing cash available to meet the Group's other operating, investing and financing requirements. The performance and risk management of the Group's pension scheme and 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. Following the triennial funding valuation of the Group's pension scheme as at 1st July 2020, a revised deficit recovery plan was agreed. Under the plan the Company is not required to make any annual contributions and to continue a strategy of gradual reduction in investment risk. The next triennial funding valuation will be due up to 1st July 2023.

Section 172
The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to(f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006.

Stakeholder engagement
Investors
The major interests in our shares are set out on page 8 of our Directors' report. Key metrics for our shareholders are the share price, earnings per share and the total dividends paid. Through the publication of our half year and full year financial reports and engagement with shareholders we look to provide insight were possible into the Group strategy and how we look to create value for our shareholders by generating strong and sustainable results that translate into dividends. We seek to promote an investor base that is interested in a long-term holding in the Company.

Investor engagement includes the AGM, one on one investor meetings with the Board of Directors, on site group investor meetings and also discussions with investors when questions are asked. Other than our routine engagement with investors on topics of strategy, governance and performance, specific matters that were engaged during the year included the recovery of sales performance post-pandemic, sustainability and cost pressure.

Suppliers
We have a select group of international suppliers and at a local level partner with several smaller businesses that are fundamental to the quality of our products, the availability of our products and to ensure that as a business we meet the high standards we expect of ourselves. We regularly engage with our suppliers and invite them to our facilities to discuss performance, price and how we can continue to improve our supply chain. Key topics of engagement for the year were sustainability, price and logistics.

Employees
Employees are those individuals who are contracted to work for the Company both full and part time. The Group's success is reliant on the commitment of our employees to our strategy and to maintain and deliver the high standards that the Group sets for itself. We pride ourselves on a friendly and safe working environment. Given the nature of our manufacturing business we take health and safety extremely seriously. We have policies and procedures in place to look after the welfare of our employees. We offer training where it is considered beneficial to the employee and the Company.

Principal decisions
We define principal decisions as both those that are material to the Group, but also those that are significant to any of our key stakeholder groups. For detail as to how we established and defined our key stakeholder groups see page 5. In making the following principal decisions the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

Principal decision 1
Cash and liquidity preservation
Focus on maintaining cash reserves and finance facilities to provide stability through uncertainty and provide the ability to finance capital requirements needed to invest in the future. The Board recognised the need to maximise cash and to ensure that finance facilities were available during the year due to the levels of uncertainty brought about by the pandemic and Ukraine conflict. The Board viewed this as the most sensible course of action to ensure the continued long-term stability of the Group and to position it to take advantage of growth opportunities as and when market conditions improved.

Having taken advantage of the available UK government-backed support and support from its banking partner during 2020, this support continued to be utilised during 2022 with the repayment of loans continuing during the year.

Principal decision 2
Managing inventory levels to safeguard against supply chain and production risks
Managing inventory levels to safeguard against supply chain and production risks. 2022 saw the disruption on business from the pandemic come to an end just as the Ukraine conflict began, the impact of which was difficult to predict.

The Board agreed that it was essential to have the raw materials available to continue production and agreed to maintain higher than normal levels of raw materials held in inventory alongside working closely with suppliers to continue to secure the materials required. The Board also agreed it would

Strategic Report – Chief Financial Officer's Review (continued)

continue to maintain the excellent service to customers and that the inventory holding for finished goods should be sufficient to protect against the risk of production disruption.

Principal decision 3
Rising raw material, labour and energy prices
The increases in cost pressure continued into 2022, the Ukraine conflict had a significant impact on energy costs for everyone. With such cost pressures the Board agreed that a number of measures would need to be taken, we embarked on identifying and implementing actions which would reduce usage, we reviewed the viability of alternative energy generation, subsequently placing the order for Solar panel installation across our site in Ossett and we continued to work with our suppliers and energy providers to ensure certainty of supply and competitive pricing.

The extent of increases were such that the actions above could not mitigate the necessity for the Board deciding on the need for increasing our prices to customers, we communicated the price increases in a fair and transparent manner giving customers as much notice as was possible ahead of implementing the price increase.

The Streamlined Energy & Carbon Reporting (SECR) requirements came into effect for large companies and Groups from 1st April 2020. The Group does not have any large companies that meet the required thresholds and as such no further disclosure is required in line with the SECR requirements.

Other risks
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 utilising foreign currency bank accounts. 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.

The strategic report has been approved by the Board of Directors and signed on behalf of them by:

RYAN THOMAS
CHIEF FINANCIAL OFFICER
AND COMPANY SECRETARY
4th April 2023

Board of Directors

MARTIN TOOGOOD
INDEPENDENT NON-EXECUTIVE CHAIRMAN

Martin Toogood joined the Group as an independent Non-Executive Director on 1st April 2009, and was appointed Independent Non-Executive Chairman on 6th November in the same year. Martin has considerable experience at executive and non-executive level, most recently with ILVA in Scandinavia and the UK, B&Q in the UK, Carpetright in the UK and Europe and Habitat in the UK and internationally.

MÉDÉRIC PAYNE
CHIEF EXECUTIVE OFFICER

Médéric Payne joined the Group on the 25th August 2022 as Chief Executive Officer from Al-Futtaim Group based in the Middle East. He has held a number of key international executive roles, notably within Landmark Group as CEO for Homecentre and at Kingfisher plc as CEO for Castorama RU. In his recent role as Managing Director, his main focus has been the growth, turnaround and digital transformation of a number of well-known brands within his retail portfolio in MENA. Médéric has considerable experience in supply chain, sales and innovation in both mature and developing markets.

RYAN THOMAS
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Ryan Thomas joined the Group on 24th May 2021 and was appointed Chief Financial Officer and Company Secretary on 11th June 2021 having joined from Eco-Bat Technologies, a producer and recycler of Lead where he held various senior finance positions, most recently he was Finance Director of the European Division. Ryan started his career at PwC and qualified as a Chartered Certified Accountant whilst at PwC.

Directors' Report

The Directors present their report for the year ended 31st December 2022.

Dividends
The Directors recommend a final dividend of £0.2m or 0.5p per share, also representing the total dividend for the year as no interim dividend was paid (2021: £0.2m or 0.4p per share). The final dividend will be paid on 18th May 2023 to shareholders on the register on 21st April 2023. This proposal is subject to shareholder approval at the Group's Annual General Meeting to be held on 10th May 2023. This continues the Group's policy of progressive dividends and sharing the success of the business with shareholders whilst maintaining adequate cash to take advantage of opportunities and deal with future uncertainties the business may face.

Directors
The Directors for the year are detailed below.
Martin Toogood
Médéric Payne
Ryan Thomas

Neil Rylance had been leading the business up until he passed away on the 28th March 2022.

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

Directors who held office on 31st December 2022 had the following interests in the Ordinary Shares of the Company:

	2022	2021
Martin Toogood	2,100,361	2,100,361

There were no other changes in Directors' interests between 1st January 2023 and 4th April 2023. None of the Directors have an interest in the share capital of subsidiary companies other than as a nominee of the Company.

Details of dividends paid to Director's in respect of their shareholdings dealings are set out in note 26.

Details of share awards granted to Director's as part of the 2022 LTIP are set out in note 22.

Risks considered by Directors are discussed and disclosed within the strategic report on page 4.

Share capital
Details of the share capital of the Company are set out in note 21 to the financial statements of the Group.

Substantial shareholdings
At 31st December 2022, in addition to the interests of 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	%
Mr. & Mrs. D. Newlands	4,239,000	10.25
Lowland Investment Trust	4,125,000	9.97
Mrs. C. J. Tobin	4,066,952	9.83
AIREA Employee Benefit Trust	2,777,600	6.72
Mr. & Mrs. G. A. Upsdell	1,968,513	4.76
Mr. M. H. Yeadon	1,812,540	4.38

Corporate Governance Chairman's Statement
I am pleased to introduce the corporate governance section of our report. As Chairman it is my responsibility to lead the Board and committee meetings that occur throughout the year during which we review our strategy, performance, responsibilities and corporate governance.

The Directors of AIREA plc are committed to developing and applying high standards of corporate governance appropriate to the Group's size and stage of development, and therefore have elected to adopt the QCA Corporate Governance Code which was published on 25th April 2018. A full version of which is available at the QCA website www.theqca.com.

The QCA Code is constructed around ten broad principles which focus on the pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the Company was created. Full details of the ten principles and the Company's application of the principles including areas where the Company differ from the expectations of the code can be viewed on the AIREA plc website www.AIREAplc.com.

Values and Behaviours
The Board recognises the value of the Code and good governance and as far as is practicable and appropriate for a public Company of the size and nature of AIREA plc, adheres to it. In this regard the Board remains focused on the need for a system of corporate governance which delivers compliance with regulation whilst enhancing the performance of the Group. This includes recognising the need to manage and mitigate the risks faced by the business across all of its activities as noted in the strategic report.

The Board demonstrates and promotes the values of the Group being principles, agility, collaboration and excellence. These values are shared with the employees and have been communicated both formally and informally due to the regular contact between the Directors, management and employees on a day-to-day basis. Meetings take place within departments to discuss both team and personal performance and progress against the values and objectives.

The Group sets clear policy and objectives on its expectations on wider stakeholder and social responsibilities from the Board, to the top of the management team and throughout the organisation. We are proud of our culture, where all staff feel responsible for making a difference in delivering high standards within the organisation and to our customers, stakeholders and local communities. We recognise the need for continual development and improvement in all our standards and measure performance year-on-year.

The Board and its committees
The Group is led by a Board comprising of a non-executive, being the chairman and two executive Directors. Amongst other things it is the Chairman's responsibility to deliver the Group's corporate governance model and to display a clear vision on strategy and values. The time commitment from the chairman and executive Directors is noted in the Directors' report.

The appointed Company secretary is one of the executive Directors who possesses the relevant skills and experience to perform the function whilst providing the lead in both legal and regulatory compliance and ensuring strong corporate governance.

The Board composition is regularly reviewed to ensure it is an appropriate size for the Group and has the effective and appropriate balance of skills and experience to ensure the business operates efficiently and is able to react quickly to any issues that may arise. Day to day operating decisions are made by the executive Directors, supported by the senior leadership team.

Directors' Report (continued)

Each Board member keeps their skills up-to-date through a combination of courses, continuing professional development through professional bodies, reading and on the job experience.

The Board acknowledges that its current composition does not comply with the requirements for a minimum of two independent non-executive directors under the QCA Corporate Governance Code, being the corporate governance code that the Company has chosen to apply. The Board continues to review its structure periodically as the needs of the business change.

Group Board meetings
During the year the PLC Board was chaired by the Chairman accompanied by two executive Directors. The Board does not have a schedule of matters specifically reserved to it for decision-making but its responsibilities include matters such as:
- Strategy;
- Financial issues and trading;
- Risk identification and assessment;
- Corporate Governance;
- Approving statutory accounts and announcements.

The Board met six times during the year with full attendance by all the members. The Board's performance is assessed in terms of the Group's objectives which are to develop products that sell and exploit the strength in our operating model to deliver robust cashflows and shareholder returns. No formal assessment of the Board's performance was undertaken during the year, but the performance is discussed informally in terms of the Group's performance.

Audit committee
The audit committee is chaired by Martin Toogood and there are no other members. This committee met twice during the financial year and was attended by all the Directors of the Company at the invitation of the chairman. 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. There is no report available to be shared in these accounts.

Remuneration committee
The remuneration committee is chaired by Martin Toogood and there are no other members. This committee met once during the financial year and was attended by all the Directors of the Company at the invitation of the chairman. It provides a forum through which Directors' remuneration and employee incentives can be formally reviewed and approved as appropriate. There is no report available to be shared in these accounts.

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, to provide reasonable, but not absolute, assurance of the maintenance of proper accounting records and the consequent reliability of the financial information used within the business to identify and deal with any problems on a timely basis. The monitoring and control procedures include the specification of defined lines of responsibility and authorisation limits, the delegation of authority, the identification of risks and the continual process of the preparation of, and reporting against, annual budgets, forecasts and strategic plans.

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

The Group continues its practice of keeping all 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.

Investor relations
The Group holds an AGM to which all members are invited. The AGM is the main forum for dialogue between the shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The Chairman of the Board and the other Directors attend the AGM.

The Board is always welcoming to investors and shareholders and believes in maintaining good communication with all stakeholders including institutional and private shareholders. This includes making the executive Directors available to meet with institutional shareholders and analysts following the announcement of interim and final results. The Board receives feedback from these meetings and uses this to refine its approach to investor relations.

Charitable and political contributions
Charitable donations of £1,000 were made during the year (2021: £1,000). There were no political contributions made during the year (2021: £nil).

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 (reviewed whilst stress testing the forecasts for worst case scenarios and the impact this would have on the Group's ability to operate) means that it is well placed to manage its business risks successfully. The Directors can reasonably expect that the Group and the Company 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.

Future developments
Details of future developments in the business are included in the strategic report.

Statement of Directors' responsibilities
The Directors are responsible for preparing the annual 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 the Group

Directors' Report (continued)

financial statements in accordance with UK adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law (Section 393, Companies Act 2006) the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that year. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on A.I.M.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK Adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors confirm that:

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

The Directors are responsible for 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

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

RYAN THOMAS
CHIEF FINANCIAL OFFICER
AND COMPANY SECRETARY

Victoria Mills,
The Green
Ossett, WF5 0AN

4th April 2023

Independent Auditor's Report to the Members of AIREA plc

Opinion

We have audited the financial statements of Airea plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2022, which comprise:

- the Group income statement for the year ended 31 December 2022;
- the Group statement of comprehensive income for the year ended 31 December 2022
- the Group and parent company balance sheet as at 31 December 2022;
- the Group statement of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been properly prepared in accordance with the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the groups and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining managements forecasts covering the period 1 January 2023 to 31 December 2024. We have assessed how these forecasts have been prepared, including the appropriateness of management's forecasts and sensitivities to the underlying assumptions, as well as verifying the numerical inputs and accuracy of calculations;
- Challenge the key assumptions used in the forecasts, including the increase in sales and raw material prices and the access to funding for the period under review;
- Reviewing the disclosures made in the financial statements relating to going concern and agreeing it is consistent with management's assessment;
- Challenged management on the stress test scenarios to understand the impact on revenue, funding requirements and profitability

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of Airea plc

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £75,000, based on approximately 5% of profit before tax. The parent company materiality was determined as £50,000 based on a percentage of net assets, which was reduced to reflect its low level of activity.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment and is approximately £52,500. The performance materiality for the company is approximately £35,000.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and Directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £3,750. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The group and its subsidiaries are accounted for at one location, being the parent company's registered office. We performed full scope audits of the complete financial information of Airea plc and the three components, Burmatex Limited, Fope Limited and Airea Floor Coverings Limited. The work was performed directly by the group audit team. The operations that were subject to full-scope audit procedures made up 100% of the consolidated revenues, total profit before tax on continuing operations and total assets and liabilities.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	**How the scope of our audit addressed the key audit matter**
Valuation of defined benefit pension scheme (note 20)	
The group operates a defined benefit pension scheme that provides benefits to a number of current and former employees. At 31 December 2022, the defined benefit pension schemes' net liabilities were £1.3 million. The gross value of pension scheme assets amounted to £34.9 million, with gross liabilities £36.2 million. The valuation of the defined benefit pension scheme net liabilities in accordance with IAS 19 'Employee Benefits' involves significant judgement and is subject to complex actuarial assumptions. Small variations in those actuarial assumptions can lead to a materially different defined benefit pension scheme asset or liability being recognised within the group financial statements. Therefore, we identified the valuation of the defined benefit pension scheme as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit procedures consisted of: • Documenting our understanding of management's processes for evaluating the defined benefit scheme and assessing the design effectiveness of related key controls; • Evaluating the independence and competence of management's actuary; • Benchmarked the key assumptions used by management in the group's valuation using an independent auditor expert actuary, comparing the data used to external market data; • Corroborating the valuation of pension scheme assets to third party statements; • Assessing disclosures made in the financial statements to determine compliance with IAS 19;

Independent Auditor's Report to the Members of Airea plc
(continued)

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The Directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- 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; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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.

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on pages 9 and 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of Airea plc
(continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were relevant company law and taxation legislation in the UK being the principal jurisdiction in which the Group operates.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases in particular where significant judgements are involved (see Key Audit Matters above).

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

A further description of our responsibilities is available on the Financial Reporting Council's website at:
www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with 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.

Mark Evans (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
Black Country House
Rounds Green Road
Oldbury
B69 2DG

4th April 2023

Consolidated Income Statement

for the year ended 31st December 2022

	Note	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Continuing Operations			
Revenue	**2**	**18,483**	**15,865**
Operating costs	3	(17,111)	(14,832)
Other operating income		280	280
Operating profit before valuation gain		1,652	1,313
Unrealised valuation gain	11	–	275
Operating profit		**1,652**	**1,588**
Finance income	5a	32	8
Finance costs	5b	(251)	(305)
Profit before taxation		**1,433**	**1,291**
Taxation	6	(138)	(249)
Profit attributable to shareholders of the Group		**1,295**	**1,042**
Basic and diluted earnings per share for the Group	7	3.36p	2.70p

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Profit attributable to shareholders of the Group			1,295		1,042
Items that will not be classified to profit or loss					
Actuarial (loss)/gain recognised in the pension scheme	20	(1,247)		1,599	
Related deferred taxation	12a	318		(380)	
Revaluation of property	9	(25)		166	
Related deferred taxation	12b	5		(32)	
Total other comprehensive (loss)/income			(949)		1,353
Total comprehensive income attributable to shareholders of the Group			346		2,395

The notes on pages 19 to 42 form part of these financial statements.

Consolidated Balance Sheet

as at 31st December 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Non-current assets					
Property, plant and equipment	9		5,272		5,305
Intangible assets	10		71		55
Investment property	11		4,000		4,000
Deferred tax asset	12a		917		720
Right-of-use-asset	13		879		972
			11,139		11,052
Current assets					
Inventories	14	5,895		6,150	
Trade and other receivables	15	2,351		1,887	
Cash and cash equivalents	16	5,762		5,688	
			14,008		13,725
Total assets			**25,147**		**24,777**
Current liabilities					
Trade and other payables	17	(3,316)		(3,258)	
Provisions	18	(77)		(245)	
Lease liabilities	13	(131)		(124)	
Loans and borrowings	19	(734)		(935)	
			(4,258)		(4,562)
Non-current liabilities					
Deferred tax	12b	(1,040)		(1,031)	
Pension deficit	20	(1,345)		–	
Lease liabilities	13	(202)		(183)	
Loans and borrowings	19	(1,858)		(2,592)	
			(4,445)		(3,806)
Total liabilities			**(8,703)**		**(8,368)**
Net assets			**16,444**		**16,409**
Equity					
Called up share capital	21		10,339		10,339
Share premium account			504		504
Own Shares			(2,000)		(555)
Share-based payment reserve			-		157
Capital redemption reserve			3,617		3,617
Revaluation reserve			3,096		3,150
Retained earnings			888		(803)
Total equity			**16,444**		**16,409**

The financial statements on pages 15 to 42 were approved by the Board of Directors on 4th April 2023 and signed on its behalf by:

Ryan Thomas
Chief Financial Officer
Company number 00526657

The notes on pages 19 to 42 form part of these financial statements.

Consolidated Statement of Cash Flows

as at 31st December 2022

	Note	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Cash flows from operating activities			
Profit for the year		1,295	1,042
Depreciation	9	309	276
Depreciation of right-of-use assets	13	260	250
Amortisation	10	29	30
Movement in provisions		(168)	(220)
Share-based payment expense		(157)	16
Net Finance costs	5	219	297
Tax charge	6	138	249
Unrealised valuation gain	11	–	(275)
Profit on disposal of tangible fixed asset		(77)	–
Operating cash flows before movements in working capital		**1,848**	**1,665**
Decrease / (Increase) in inventories		255	(528)
Increase in trade and other receivables		(464)	(152)
Increase in trade and other payables		66	347
Cash generated from operations		**1,705**	**1,332**
Contributions to defined benefit pension scheme		–	(400)
Net cash generated from operating activities		**1,705**	**932**
Cash flows from investing activities			
Payments to acquire intangible fixed assets		(45)	(31)
Payments to acquire tangible fixed assets		(312)	(1,236)
Receipt from the sale of tangible fixed assets		77	–
Net cash used in investing activities		**(280)**	**(1,267)**
Cash flows from financing activities			
Interest paid on lease liabilities		(11)	(12)
Interest paid on borrowings		(142)	(83)
Interest received		32	8
Proceeds from asset financing		–	934
Principal paid on lease liabilities	13	(141)	(260)
Equity dividend paid		(154)	–
Repayment of loans		(935)	(1,119)
Net cash used in financing activities		**(1,351)**	**(532)**
Net increase/(decrease) in cash and cash equivalents		**74**	**(867)**
Cash and cash equivalents at start of the year		**5,688**	**6,555**
Cash and cash equivalents at end of the year		**5,762**	**5,688**

The notes on pages 19 to 42 form part of these financial statements.

Consolidated Statement of Changes in Equity
as at 31st December 2022

	Share capital £000	Share premium account £000	Own shares £000	Share based payment reserve £000	Capital redemption reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
As 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 gain 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								
Share-based payment	–	–	–	16	–	–	–	16
Own Share Transfer	–	–	642	–	–	–	(642)	–
Revaluation Reserve 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 year								
Profit for the year	–	–	–	–	–	–	1,295	1,295
Actuarial loss recognised on the pension scheme	–	–	–	–	–	–	(929)	(929)
Revaluation of property	–	–	–	–	–	(25)	5	(20)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(25)**	**371**	**346**
Contributions by and distributions to owners								
Dividend Paid	–	–	–	–	–	–	(154)	(154)
Share-based payment	–	–	–	(157)	–	–	–	(157)
Own Share Transfer	–	–	(1,445)	–	–	–	1,445	–
Revaluation Reserve Transfer	–	–	–	–	–	(29)	29	–
Total contributions by and distributions to owners	**–**	**–**	**(1,445)**	**(157)**	**–**	**(29)**	**1,320**	**(311)**
At 31st December 2022	**10,339**	**504**	**(2,000)**	**–**	**3,617**	**3,096**	**888**	**16,444**

The shortfall in the balance between the exercise price of the share options granted and the outstanding loan to the EBT is transferred from own shares to retained earnings over the vesting period note 25.

Notes to the Financial Statements of the Group

1. ACCOUNTING POLICIES OF THE GROUP

The principal Accounting Policies adopted in the preparation of the Group's IFRS Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The Company is a specialist flooring company and a public limited company, listed on the AIM section of London Stock Exchange, incorporated and domiciled in the England and Wales. The address of its registered office is Victoria Mills, The Green, Ossett, West Yorkshire WF5 0AN.

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis in accordance with applicable law and UK adopted International Accounting. The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31st December 2022 remain unchanged from the previous year and are set out below. The preparation of financial statements under IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Significant accounting judgements and estimates

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of AIREA plc and its subsidiaries. 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.

Going Concern

In preparing these financial statements, the Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Group will continue in business. In satisfaction of this responsibility the Directors have considered the Group's ability to meet its liabilities as they fall due for a period of at least twelve months from the signing date of the financial statements.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and will not breach the covenants on the existing borrowings. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of goods in accordance with the Group's primary revenue stream as set out below. Revenue is shown net of Value Added Tax.

Sales of floor coverings

Goods are recognised at the point of acceptance by the customer reflecting fulfilment of the sole performance obligation to the customer.

Contracts with customers are typically fixed price based on agreed amounts and invoiced upon despatch of the goods in line with the standard terms and conditions of the Group. The Group's standard payment terms are 20th of the month following the date of the invoice. There are no long-term contract or financing arrangements in place across the Group.

The Group is assessed operationally and financially under one revenue stream. The Directors do not therefore consider there to be a lower relevant level of revenue disaggregation than that disclosed in note 2, Operating Segments. There are no material concentrations of revenue by customers.

Notes to the Financial Statements of the Group
(continued)

1. ACCOUNTING POLICIES OF THE GROUP (continued)

Other operating income

Other operating income comprises of rent receivable on investment properties that are let outside of the Group. Income on such rent is recognised evenly throughout the year for the period in which it relates.

Government grants

Government grants are set against the relevant cost. In the prior year the Group made use of the Coronavirus job retention scheme.

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 a general meeting prior to the balance sheet date.

Property

Freehold land and buildings are 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 building, over the amount that would have been charged on the historical cost basis (which will continue to be expensed to the income statement) 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% – 10%

Plant and equipment

Plant and equipment are held at cost less accumulated depreciation and impairment charges. Depreciation on assets under the course of construction does not commence until they are completely 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%

Investment property

The Group applies the fair value accounting model to investment property. Investment property comprises property held by the Group 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.

The fair value of investment property reflects among other things the rental income from the operating lease, 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 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 9 and 11).

Impairment testing of property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Notes to the Financial Statements of the Group
(continued)

1. ACCOUNTING POLICIES OF THE GROUP (continued)

Intangible assets

Expenditure on development activities is capitalised if the product or process meets the recognition criteria for development expenditure as set out in IAS 38 'Intangible Assets'. The expenditure capitalised includes all directly attributable costs, from the date that the intangible asset meets the recognition criteria, necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Development expenditure is identified as being capital in nature if the costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditure not meeting these criteria is recognised in profit or loss as incurred. Once the asset is ready for use, the capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Intangible assets not yet ready for use are tested for impairment annually. Amortisation is provided to write off the cost by equal instalments through operating costs in the income statement over their estimated useful economic lives as follows:

Intangible assets 33%

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 assets

Financial assets that are held to collect are categorised as amortised cost under IFRS 9. This includes the Group's trade receivables, and cash and cash equivalents. Financial assets are assigned to this category on initial recognition, depending on the characteristics of the instrument and the corresponding business model (generate cash via sale of manufactured flooring). A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognised in profit or loss or other comprehensive income.

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 and subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement using the expected credit loss model.

The Group recognises all financial assets when the Group becomes party to the contractual provisions of the instrument. Financial assets are recognised initially at fair value plus transaction costs, and subsequently at amortised cost using the effective interest method, less any allowance for impairment. Financial assets are reviewed for impairment under the simplified approach to the expected credit loss model under IFRS 9. This is calculated through the use of a provision matrix by considering default rates by receivable age. A historic 2 year actual impairment loss on receivables, adjusted for management's expectation of future market conditions is utilised within this matrix. The movement in allowances for receivables is charged or credited through the income statement. Discounting of long-term receivables is omitted where the effect is immaterial.

Financial liabilities

The Group's financial liabilities include trade payables, lease liabilities, accruals and other creditors and are all categorised under amortised cost in accordance with IFRS 9. Trade payables are not interest bearing and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

Leases

Where a contract meets IFRS 16's definition of a lease, lease agreements give rise to the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables. Lease costs are recognised in the form of depreciation of the right to use asset and interest on the lease liability.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the statement of comprehensive income under 'finance charges'.

Notes to the Financial Statements of the Group
(continued)

1. ACCOUNTING POLICIES OF THE GROUP (continued)

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

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

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

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.

Employee Benefits Trust (EBT)
As the Company is deemed to have control of its EBT trust, it is treated as a subsidiary and consolidated for the purpose of the consolidated financial statements. The EBT's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The EBT's investment in Company's shares is deducted from equity in the consolidated statement of financial position referred to as 'Own Shares'.

Equity
Equity is broken down into the elements listed below:
- **Share capital** representing the nominal value of equity shares;
- **Share premium** representing the excess over nominal value of the fair value of consideration received for equity shares;
- **Own Shares** representing the weighted average cost of own shares held by the employee benefit trust;
- **Share-based payment reserve** represents the movement in cost of equity settled transactions in relation to long-term incentive plan;
- **Capital redemption reserve** representing the nominal value of the Company's own shares purchased by the company and cancelled;
- **Revaluation reserve** representing the above cost of assets held at fair value; and
- **Retained earnings** representing amounts retained from earnings.

Notes to the Financial Statements of the Group
(continued)

1. ACCOUNTING POLICIES OF THE GROUP (continued)

Software-as-a-Service (SaaS) arrangements

SaaS arrangement are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

New standards and amendments to standards adopted in the period

New standards that have been adopted in the annual financial statements for the year ended 31st December 2022, but have not had a significant effect on the Group are:
- Definition of Accounting Estimates (Amendments to IAS 8)
- Definition of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Standards issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1st January 2023:
- Amendments to IAS 1 Presentation of Financial Statements
  - Non-current Liabilities with Covenants
  - Deferral of Effective Date Amendment (published 15 July 2020)
  - Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) (published 23 January 2020)
- Lease Liabilities in a Sale and Leaseback (Amendments to IFRS 16)

As of the date of authorisation of these financial statements there are several standards that were in issue but not yet effective. The Group has not applied these standards in the preparation of the financial statements, has not adopted any new or amended standards early and does not expect these standards to have any impact on the Group.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the UK endorsement Board. The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods.

2. OPERATING SEGMENTS

The Group presents its results in accordance with internal management reporting information which means that the Group is reported as only one 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.

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

Analysis of revenue by destination

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
United Kingdom	15,077	13,375
Rest of the World	3,406	2,490
	18,483	15,865

Notes to the Financial Statements of the Group
(continued)

3. OPERATING COSTS

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Changes in stocks of finished goods and work in progress	216	(465)
Raw materials and consumables	7,635	6,849
Other external charges	3,970	3,476
Staff costs (note 22)	4,763	4,627
Government grant (note 22)	–	(203)
Depreciation	309	276
Depreciation of right-of-use asset	260	250
Amortisation	29	38
Profit on disposal of fixed asset	(77)	–
Foreign exchange differences	6	(8)
	17,111	14,832

Other external charges include the following amounts payable to the Company's auditor.

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Fees payable to the company's auditor for the audit of the Group's financial statements	34	33
Audit of the financial statements of the Company's subsidiaries		
Pursuant to legislation	27	27
	61	60

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, appropriate key judgements and 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 31st December 2022.

Key Judgements

Deferred tax assets – £917,000 (2021: £720,000)

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 having losses that are available for offset and the ability to generate sufficient future taxable profits. Details of the deferred tax asset are given in note 12.

Accounting estimates

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:

Inventories – £5,895,000 (2021: £6,150,000)

The inventory is carried at the lower of cost and net realisable value. 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. Any items with a cost in excess of the net realisable value are provided against, this provision is based on the market price less cost to sell. Development of new product lines is managed carefully to minimise the level of obsolescence of products to avoid the requirement for provision.

Credit loss provision – £76,000 (2021: £95,000)

Certain debts carry the potential to become uncollectable and the Group calculates a provision for credit losses using a model of expected loss rates detailed in note 15. The provision has decreased year on year to reflect the improvement in general economic conditions following the uncertainty surrounding the COVID-19 pandemic in the prior year which had increased uncertainty over the collectability of trade receivables.

Notes to the Financial Statements of the Group
(continued)

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provisions – £77,000 (2021: £245,000)
The Group carries certain provisions related to ongoing legal matters relating to historic employee claims where the outcome of the proceedings are uncertain. Management uses its judgement to make a best estimate of potential costs and provide for the cost of such matters. These provisions are detailed in note 18.

Investment property – £4,000,000 (2021: £4,000,000)
Investment property is held on the balance sheet at fair value on the basis that the current lease continues to expiry and a further lease is agreed at market rents. The Group is in the process of agreeing a new lease with the existing tenant. The value included in the financial statements is based upon a third party professional valuation. Details of the investment property are given in note 11.

Pension deficit – £1,345,000 (2021: £nil)
The calculation of the pension deficit is subject to a number of assumptions as detailed in note 20. Any difference between actual events and those assumed at the balance sheet date could result in a change in the pension deficit.

5. FINANCE INCOME AND COSTS

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
(a) Finance income		
Other Interest	32	8

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
(b) Finance costs		
Finance costs relating to lease (note 13)	11	12
Finance costs relating to borrowings (note 19)	142	83
Finance costs relating to the pension scheme (note 20)	98	210
	251	305

6. Taxation

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Based on the profit for the year at 19.00% (2021: 19.00%)		
Corporation tax		
– Current year	3	–
– Prior year	–	39
Total current tax	3	39
Deferred tax		
– Current year	153	250
– Relating to pension deficit	(18)	(40)
Total deferred tax (note 12)	135	210
Total tax charge for the year	138	249

Notes to the Financial Statements of the Group
(continued)

6. Taxation (continued)
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 19% (2021: 19%) as follows:

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Profit on ordinary activities before tax	1,433	1.291
Profit on ordinary activities before tax multiplied by standard rate of corporation tax of 19.00% (2021: 19.00%)	272	245
Effects of:		
Disallowed expenditure	84	69
Capital allowance	(112)	(135)
R&D claim	(142)	(52)
Change in deferred tax rate	36	171
Prior year adjustment	–	(39)
Brought forward losses utilised	–	(10)
Total tax charge for the year	138	249

The UK corporation tax rate will change from 19% to 25% on 1st April 2023. The UK deferred tax balances are measured at 19% or 25% as appropriate.

7. EARNINGS PER SHARE
The calculation of basic and earnings per share is based on the following data:

Number of shares	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Weighted average number of Ordinary Shares used in basic and diluted EPS	38,576,753	38,576,753

Earnings	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Earnings used in basic and diluted EPS	1,295	1,042

Group profit per share	Year ended 31st December 2022 pence	Year ended 31st December 2021 pence
Basic and diluted earnings per share for the Group	3.36	2.70

Notes to the Financial Statements of the Group
(continued)

8. NET (CASH)/DEBT

	Cash and cash equivalents £000	Lease Liabilities £000	Loans and borrowings £000	Total £000
At 1st January 2021	(6,555)	431	3,712	(2,412)
Cash flow	867	(260)	(1,119)	(512)
New finance leases in the year	–	136	–	136
New loans in the year	–	–	934	934
At 1st January 2022	(5,688)	307	3,527	(1,854)
Cash flow	(74)	(141)	(935)	(1,150)
New finance leases in the year	–	203	–	203
Disposal of finance lease in the year	–	(36)	–	(36)
New asset financing in the year	–	–	–	–
At 31st December 2022	(5,762)	333	2,592	(2,837)
Balance comprises:				
Current assets	(5,762)	–	–	(5,762)
Current liabilities	–	131	734	865
Non-current liabilities	–	202	1,858	2,060
	(5,762)	333	2,592	(2,837)

9. PROPERTY, PLANT AND EQUIPMENT

	Property £000	Plant and equipment £000	Total £000
Cost or valuation			
At 1st January 2021	3,587	9,215	12,802
Additions	14	1,222	1,236
Disposals	–	(411)	(411)
At 31st December 2021	3,601	10,026	13,627
Additions	117	195	312
Disposals	–	(13)	(13)
At 31st December 2022	3,718	10,208	13,926
Depreciation			
At 1st January 2021	162	8,438	8,600
Charge for year	85	191	276
Disposals	–	(388)	(388)
Revaluation	(166)	–	(166)
At 31st December 2021	81	8,241	8,322
Charge for year	92	217	309
Disposals	–	(2)	(2)
Revaluation	25	–	25
At 31st December 2022	198	8,456	8,654
Net book value			
At 31st December 2021	3,520	1,785	5,305
At 31st December 2022	3,520	1,752	5,272

Notes to the Financial Statements of the Group
(continued)

9. PROPERTY, PLANT AND EQUIPMENT (continued)

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

The Group has assets under construction of £88,000 (2021: £104,000) included within plant and equipment.

The Group has contracts placed for future capital expenditure of £735,000 (2021: £nil) related to property, plant and equipment.
The operating property was valued at 31st December 2022. The valuation was prepared in accordance with the RICS Valuation – Professional Standards, January 2020 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 operating properties in the location held by the Group.

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 £18 per sq ft. The effect of a £5 change in the capital rate per square foot would be a £978,000 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.

10. INTANGIBLE ASSETS

	£000
Cost	
At 1st January 2021	268
Additions	31
At 31st December 2021	299
Additions	45
At 31st December 2022	344
Amortisation	
At 1st January 2021	214
Charge for the year	30
At 31st December 2021	244
Charge for the year	29
At 31st December 2022	273
Net book value	
At 31st December 2021	55
At 31st December 2022	71

The expenditure relates to the introduction of new technology and related products.

11. INVESTMENT PROPERTY

	£000
Valuation at 31st December 2021	4,000
Valuation at 31st December 2022	4,000

Notes to the Financial Statements of the Group
(continued)

11. INVESTMENT PROPERTY (continued)

The investment property was valued at 31st December 2021. The valuation was prepared in accordance with the RICS Valuation – Professional Standards, January 2020 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 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 yield 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 8.63%. The effect of a 1% increase in the yield would be a £416,000 movement in the valuation and a 1% decrease in yield would be a £525,000 movement in 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	Share Scheme £000	Tax losses £000	Total £000
(a) Deferred tax non-current asset				
Balance at 1st January 2021	340	–	580	920
Movement during the year:				
Profit or loss	40	30	110	180
Other comprehensive income	(380)	–	–	(380)
Balance at 31st December 2021	–	30	690	720
Movement during the year:				
Profit or loss	18	(30)	(109)	(121)
Other comprehensive income	318	–	–	318
Balance at 31st December 2022	336	–	581	917

	2022 £000	2021 £000
(b) Deferred tax liability		
Balance brought forward	1,031	609
Movement during the year: Income statement	14	390
Consolidated statement of comprehensive income	(5)	32
Balance at 31st December	1,040	1,031
An analysis of the deferred tax liability is as follows: Property, plant and equipment	857	848
Investment property	183	183
	1,040	1,031

Notes to the Financial Statements of the Group
(continued)

13. LEASES
The Group principally has two types of lease, vehicle leases and the lease of plant and machinery. As at 31st December 2022 the Group held 21 vehicle leases and 1 plant and machinery lease. All leases are of a fixed nature in relation to the payments made and any future outflows, therefore there is no impact in relation to any percentage movement in interest rate or asset value.

The below includes the balance and any movement through the year.

Right of Use Assets	Vehicles £000	PPE £000	Total £000
At 1st January 2021	296	790	1,086
Additions	136	–	136
Depreciation	(131)	(119)	(250)
At 1st January 2022	301	671	972
Additions	203	–	203
Disposal	(36)	–	(36)
Depreciation	(141)	(119)	(260)
At 31st December 2022	327	552	879

Lease Liabilities	Vehicles £000	PPE £000	Total £000
At 1st January 2021	301	130	431
Additions	136	–	136
Payment	(140)	(132)	(272)
Interest Expense	10	2	12
At 1st January 2022	307	–	307
Additions	203	–	203
Disposal	(36)	–	(36)
Payments	(152)	–	(152)
Interest Expense	11	–	11
At 31st December 2022	333	–	333

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Current liabilities	131	124
Long-term liabilities	202	183
	333	307

Below are the future gross outflows related to Group leases.

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Within one year	139	131
In the second to fifth years inclusive	210	189
After five years	–	–
	349	320

Notes to the Financial Statements of the Group
(continued)

13. LEASES (continued)

Receipts	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Lease receipts under operating leases credited to other operating income	280	280

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

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Within one year	270	270
In the second to fifth years inclusive	595	865
	865	1,135

Operating lease receipts represent rentals receivable by the Group from lease of its investment properties.

14. INVENTORIES

	2022 £000	2021 £000
Raw materials and consumables	865	896
Work in progress	334	162
Finished goods	4,696	5,092
	5,895	6,150

The consolidated income statement includes £7,851,000 (2021: £6,384,000) as an expense for inventories. The provision at 31st December 2022 was £258,000 (2021: £356,000).

15. TRADE AND OTHER RECEIVABLES

	2022 £000	2021 £000
Trade receivables	2,043	1,508
Prepayments and accrued income	308	379
	2,351	1,887

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using expected loss rates. The expected loss rates are based on the Group’s historical credit losses experienced over the two-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group’s customers such as GDP or unemployment rates. There is no set time as to when a debt would be written off. Management would make the decision on a debt-by-debt basis and write it off against the credit loss provision when it is no longer deemed as collectable.

Notes to the Financial Statements of the Group
(continued)

15. TRADE AND OTHER RECEIVABLES (continued)
A reconciliation of the movement in the impairment allowance for receivables under the expected credit loss model is shown below.

	2022 £000	2021 £000
Provision for bad and doubtful debts as at 1st January	95	116
Amount Charges	33	60
Amount Released	(52)	(81)
Expected credit loss provision as at 31st December	76	95

£'000	Current	More than 30 days	More than 60 days	More than 90 days	More than 120 days	Specific	Total
Expected credit loss rate	0.92%	1.07%	3.58%	17.98%	100%	100%	
Total gross carrying amount	1,355	641	58	12	3	50	2,119
Lifetime expected credit losses	(12)	(7)	(2)	(2)	(3)	(50)	(76)
Net carrying amount							2,043

16. CASH AND CASH EQUIVALENTS

	2022 £000	2021 £000
Cash at bank and in hand	5,762	5,688

17. TRADE AND OTHER PAYABLES

	2022 £000	2021 £000
Trade payables	2,220	2,396
Social security and other taxes	310	276
Accruals and other creditors	786	586
	3,316	3,258

18. PROVISIONS

	£000
At 1st January 2021	465
Amount utilised	(327)
Provisions charged in the period	107
At 31st December 2021	245
Amount utilised	(168)
Provisions charged in the year	–
At 31st December 2022	77

The provision relates to ongoing legal costs relating to historic employee claims. At this stage it is unknown to management as to the expected timing of outflows of economic benefits.

Notes to the Financial Statements of the Group
(continued)

19. BORROWING

The cash flows relating to borrowing are as follows:

	£000
As at 31st December 2021	3,527
Payments	(1,077)
Interest charge	142
As at 31st December 2022	2,592

Below are the future economic outflows related to company borrowing.

	2022 £000	2021 £000
Within one year	884	1,058
In the second to fifth years inclusive	2,018	2,782
Net cash outflow	2,902	3,840

During the prior period a loan of £934,000 was taken against the purchase of new machinery, which is repayable in 60 equal monthly instalments with an interest rate of 2.84%. Within the above outstanding commitments £35,000 relates to interest that will be payable under the agreement.

During 2020 a Coronavirus Business Interruption Loan ("CBILS") of £2.75m was secured with no fees or interest payable for the initial 12 month period. After the initial 12 month period the loan is repayable in 60 equal monthly instalments with an interest rate of 3.99% above the Bank of England Base rate. Within the above outstanding commitments £275,000 relates to interest that will be payable under the agreement.

The unsecured loan of £1.7m taken during 2019 was repayable in equal quarterly instalments over 3 years with an interest rate of 2.5% above the Bank of England base rate. This loan was fully repaid within the year. At the balance sheet date the Group recognise the following liabilities.

	2022 £000	2021 £000
Current liabilities – due within one year	734	935
Non-current liabilities – not due within one year	1,858	2,592
	2,592	3,527

20. PENSION COMMITMENTS

AIREA PLC and Burmatex Ltd sponsor the Sirdar PLC Benefits Retirement Benefits Plan (1974), 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 the 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.

Responsibility for making good any deficit within the Plan lies with the Companies and this introduces a number of risks. The major risks are: interest rate risk; inflation risk; investment risk and longevity risk. The Companies 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.

Notes to the Financial Statements of the Group
(continued)

20. PENSION COMMITMENTS (continued)
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 2023. 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 2020. The results of that valuation have been projected to 31st December 2022 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

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

	31st December 2022 £000	31st December 2021 £000
Present value of scheme liabilities	(36,272)	(49,968)
Fair value of scheme assets	34,927	55,064
Funded status	(1,345)	5,096
Restriction on asset recognition	–	(5,096)
Net amount recognised at year end (before any adjustment for deferred tax)	(1,345)	–

In the 2021 balance sheet the Group restricted the recognition of an asset to £nil in respect of the IAS 19 surplus in the pension scheme of £5.1m, as the group does not have an unconditional right to derive economic benefit from any surplus.

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.

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Service cost: Administration expenses		
Net interest expense	195	189
Charge recognised in profit or loss within finance costs	(97)	21
Remeasurements of the net liability:	**98**	**210**
Return on scheme assets (excluding amount included in interest expense)		
Loss/(gain) arising from changes in financial assumptions	17,825	(4,432)
Gain arising from changes in demographic assumptions	(11,541)	(2,896)
Loss arising from GMP Equalisation on past transfers	59	633
Restriction on asset recognition	(5,096)	5,096
Charge/(credit) recorded in other comprehensive income	1,247	(1,599)
Total defined benefit cost/(credit)	1,345	(1,389)

Notes to the Financial Statements of the Group
(continued)

20. PENSION COMMITMENTS (continued)
The principal actuarial assumptions used were:

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Liabilities discount rate	4.95%	1.95%
Inflation assumption – RPI	3.30%	3.35%
Inflation assumption – CPI	2.60%	2.65%
Revaluation of deferred pensions		
– benefits accrued prior to 06/04/1997	2.60%	2.65%
– benefits accrued after 06/04/1997	2.60%	2.65%
Rate of increase to pensions in payment		
– benefits accrued prior to 06/04/1997	2.60%	5.00%
– benefits accrued after 06/04/1997	2.60%	2.65%
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	50%	50%
Mortality assumption – pre-retirement	As post-retirement	As post-retirement
Mortality assumption – male post retirement	109% SAPS S3PMA CMI 2021 M 1.00% IA – 0.25%	108% SAPS S3PMA CMI 2020 M 1.00% IA – 0.25%
Mortality assumption – female post retirement	112% SAPS S3PFA CMI 2021 F 1.00% IA – 0.25% W2020 = 7.5% w2021 = 7.5%	108% SAPS S3PFA CMI 2020 F 1.00% IA – 0.25% W2020 = 20%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	86.0	86.1
Female pensioner at age 65:	88.3	88.5
Future expected lifetime of future pensioner at age 65:		
Male aged 45 at year end:	87.0	87.0
Female aged 45 at year end:	89.5	89.7

Notes to the Financial Statements of the Group
(continued)

20. PENSION COMMITMENTS (continued)
Changes in the present value of assets over the year:

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Fair value of assets at start of period	55,064	53,207
Interest income	1,041	671
Return on assets (excluding amount included in net interest expense)	(17,825)	4,432
Contributions from the employer	–	400
Benefits paid	(3,158)	(3,457)
Administration expenses	(195)	(189)
Fair value of assets at end of period	34,927	55,064
Actual return on assets over the period	(16,784)	5,103

Changes in the present value of liabilities over the year:

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Liabilities at start of period	49,968	54,996
Interest cost	944	692
Remeasurement (gains)/losses		
– Actuarial gains and losses arising from changes in financial assumptions	(11,541)	(2,896)
– Actuarial gains and losses arising from changes in demographic assumptions	59	633
Benefits paid	(3,158)	(3,457)
At end of period	36,272	49,968

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

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Active members	–	–
Deferred pensioners	9,543	13,618
Pensions in payment	26,729	36,350
	36,272	49,968
Average duration of the Plan's liabilities at the end of the period (years)	9	13
This can be subdivided as follows:		
Active members	–	–
Deferred pensioners	13	19
Pensions in payment	8	11

Notes to the Financial Statements of the Group
(continued)

20. PENSION COMMITMENTS (continued)

The major categories of scheme assets are as follows:

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Return seeking		
Synthetic Equity	2,683	9,902
Partners Fund	8,458	8,299
Multi Sector Credit	6,242	16,546
Diversified Growth Fund	6,445	10,542
Return seeking subtotal	23,828	45,289
Debt instruments		
LDI funds	7,137	4,890
Other		
Property	2,953	3,368
Cash	1,009	1,517
Total market value of assets	34,927	55,064

All of the equity has quoted prices in active markets. Derivatives and debt instruments are classified as level 2 and property as level 3 in the IFRS 13 fair value hierarchy.

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

No contributions are expected to be paid by the Company during year ending 31st December 2023.

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 £323,000 (increase by £330,000) if all the other assumptions remained unchanged the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the Plan liabilities would increase by £109,000 (decrease by £127,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is 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 £1,966,000 if all the other assumptions remained unchanged.

21. CALLED UP SHARE CAPITAL

	2022 Number	2022 £000	2021 Number	2021 £000
Ordinary shares of 25p each				
Allotted, called up and fully paid	41,354,353	10,339	41,354,353	10,339

The Company holds its own shares under the AIREA Employee Benefits Trust as per note 25.

Notes to the Financial Statements of the Group
(continued)

22. EMPLOYEES

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Staff costs		
Wages and salaries	4,211	4,115
Social security costs	413	394
Other pension costs	139	118
	4,763	4,627

During the year the Group received £nil (2021: £203,000) from the Coronavirus Job Retention Scheme.

	Number	Number
The average monthly number of employees, including Directors, principally in the United Kingdom were:		
Sales and marketing	28	28
Administration	8	9
Manufacturing and operations	69	67
	105	104

Directors' remuneration and key management personnel

	Salary and fees £000	Bonus £000	Taxable benefits £000	Year ended 31st December 2022 (excluding pensions) £000	Year ended 31st December 2021 (excluding pensions) £000	Year ended 31st December 2022 Pension £000	Year ended 31st December 2021 Pension £000
Executive							
Neil Rylance*	74	–	2	76	276	–	–
Médéric Payne*	74	–	5	79		7	–
Paul Stevenson*	–	–	–	–	54	–	4
Ryan Thomas*	121	–	–	121	64	8	1
Non-Executive							
Martin Toogood	62	–	–	62	52	–	–
	331	–	7	338	446	15	5

In addition to the above breakdown social security costs amounted to £35.000 (2021: £50,000) in relation to the Directors.
* Paul Stevenson resigned 11th June 2021 and Ryan Thomas was appointed on the same date.
* Neil Rylance passed away on the 28th March 2022 and Médéric Payne was appointed on the 25th August 2022

On the 15th December 2022, Médéric Payne and Ryan Thomas were awarded nil cost share options, no other Director received such remuneration in the year. The number of options awarded are summarised in the table below:

Option Holder	Number of Ordinary Shares subject to an option
Mederic Payne	500,000
Ryan Thomas	350,000

Notes to the Financial Statements of the Group
(continued)

23. SHARE AWARDS

The Group launched an initial performance-based Long-Term Incentive Plan (LTIP) for all eligible employees in 2019. Awards made under the 2019 LTIP failed to vest as the Group did not achieve the performance-based targets for operating profit.

On the 15th December 2022 the Group re-launched the LTIP plan for all eligible employees. Awards made under the LTIP vest provided the participant remains in the Group's employment during the three-year vesting period to 31st December 2025 and the Group achieves certain performance-based targets.

Movements in LTIP awards outstanding were as follows:

	Year ended 31st December 2022	Year ended 31st December 2021
Outstanding at 1st January	2,045,000	2,592,500
Forfeited	(68,750)	(547,500)
2019 Scheme Lapsed	(1,976,250)	–
2022 Scheme Granted	2,790,000	–
Outstanding at 31st December	2,790,000	2,045,000
Unvested at 31st December	2,790,000	2,045,000

Awards made under the LTIP have a £nil exercise price with the shares being held by the AIREA Employee Benefit Trust until vesting. The term of equity-settled awards is three years unless the performance period is extended as a one-off by the Board of Directors for a further 12 months making the maximum term 4 years. The weighted average remaining life of equity-settled awards at 31st December 2022 is 3.00 years.

At 31st December 2022, the cost recognised in relation to equity settled awards was £nil (2021: £0.1m). At the grant date, the weighted average fair value of the LTIP awards granted during the year was 21.0p (2021: 38.0p). Fair value was measured using the Black-Scholes model discounted for average dividend yield based on the following assumptions:

	2019 issue	2022 issue
Share price on grant date	44.0p	26.0p
Risk free interest rate	1.0%	3.5%
Volatility in company shares	50.8%	18.99%
Expected life of LTIP awards	3 years	3 years

Expected volatility was determined based on the daily share price movement of the Company's share price during the previous 12 month period preceding the grant date.

The shares held under option do not have the right to any dividend payments until they have vested. Compensation expense recognised in the profit or loss in relation to employee share schemes was as follows:

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
LTIP		
Equity settled awards	(157)	16
Total expense	(157)	16

Notes to the Financial Statements of the Group
(continued)

24. 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 daily 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. The Group has 2 unsecured loans repayable over 3 and 5 years. The loans have covenants that are tested bi-annually and reviewed during the plc Board meetings.

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. 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 15.

Financial assets, the carrying values of which are a reasonable approximation to their fair value, are all categorised as amortised cost under IFRS9: Financial Instruments and are included in the consolidated balance sheet within the following headings:

	2022 £000	2021 £000
Current assets		
Trade receivables	2,043	1,508
Cash and cash equivalents	5,762	5,688
	7,805	7,196

Financial liabilities included in the consolidated balance sheet are all financial liabilities measured at amortised costs in the terms of IFRS9 and are included in the consolidated balance sheet within the following headings:

	2022 £000	2021 £000
Current liabilities		
Loans and borrowings	734	935
Lease liabilities	131	124
Trade and other payables	2,220	2,398
	3,085	3,457

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

	2022 £000	2021 £000
Long-term liabilities		
Loans and borrowings (note 19)	1,858	2,592
Lease liabilities (note 13)	202	183

Notes to the Financial Statements of the Group
(continued)

24. FINANCIAL INSTRUMENTS (continued)

Financial assets

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

Financial liabilities

There are lease liabilities of £333,000 (2021: £307,000).

Borrowing facilities

The Group had no undrawn uncommitted borrowing facilities or undrawn committed borrowing facilities at either 31st December 2022 or 31st December 2021. The Group has a £1.0m 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

	2022 £000	2021 £000
Euro	(232)	(838)
US Dollar	–	41
Polish Zlotys	902	367
	670	(430)

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 £67,000 (2021: £43,000). A 1% movement in interest rates would result in a charge or credit to profit of £34,000 (2021: £nil).

25. INVESTMENT IN OWN SHARES

The Group accounts for its own shares held by the trustees of the Employee Benefit Trust (EBT) as a deduction from shareholders' funds. The costs of running the EBT are charged to the Company's profit and loss account as they occur and are financed by the Company.

	At 31st December 2022	At 31st December 2021
Number of shares in the company owned by the EBT	2,777,600	2,777,600
Nominal value of shares held	£694,400	£694,400
Cost price of shares held	£1,999,878	£1,999,878
Prevailing valuation of the shares (pence)	30.00	28.00
Total market value of shares	£833,280	£777,728
Maximum number of shares in the company owned by the EBT during the year	2,777,600	2,777,600
Minimum number of shares in the company owned by the EBT during the year	–	–

Dividends payable on these shares are waived.

Notes to the Financial Statements of the Group
(continued)

25. INVESTMENT IN OWN SHARE (continued)
In addition to the above investments, the Company has loaned funds of £2,000,000 and made contributions to the AIREA Employee Benefits Trust, which in turn has purchased shares in the Company. At 31st December 2022 the assets of the Trust comprised 2,777,600 of the Company's own shares with a nominal value of £694,400 and a market value of £833,280, which were acquired at a cost of £1,999,878. The cost of shares has been deducted from equity. The net assets of the Trust are available for the benefit of AIREA plc and Burmatex Limited employees. Neither the loan from the Company nor the equivalent liability of the Trust is included in debtors or creditors. As a consequence of the exercise price of the share options (note 23) a realised loss will arise on the exercise of the options. This loss is recognised over the vesting period as a transfer to retained earnings.

26. RELATED PARTY TRANSACTIONS
There were no related party transactions during the year other than the dividends paid to directors as detailed below.

Name	Position	Transaction	Quantity	2022 Value	2021 Value
Martin Toogood	Director	Dividend	2,100,361	£8,401	–

27. DIVIDENDS

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Paid during the year:		
Final dividend for the prior year of 0.4p per share (2021: nil per share)	154	–
Interim dividend paid during the year of nil per share (2021: nil per share)	–	–
	154	–
Proposed after the year end (not recognised as a liability):		
Final dividend for the year of 0.5p per share (2021: 0.4 per share)	193	154

Company Balance Sheet
as at 31st December 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Non-current assets					
Investments	3		31,800		31,800
Deferred tax	4		643		486
			32,443		32,286
Current assets					
Trade and other receivables	5	127		132	
Cash and cash equivalents	6	2,569		3,012	
			2,696		3,144
Total assets			35,139		35,430
Current liabilities					
Trade and other payables	7	(8,461)		(11,355)	
Loans and borrowings	13	(550)		(756)	
Provisions	8	(77)		(245)	
			(9,088)		(12,356)
Non-current liabilities					
Loans and borrowings	13		(1,375)		(1,925)
Pension deficit	9		(1,009)		–
Total liabilities			(11,472)		(14,281)
Net assets			23,667		21,149
Equity					
Called up share capital	10		10,339		10,339
Share premium account			504		504
Capital redemption reserve			3,617		3,617
Own Shares			(2,000)		(555)
Share-based Payment Reserve			–		157
Merger reserve			6,902		6,902
Retained earnings			4,305		185
Total equity			23,667		21,149

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The comprehensive profit of the Company for the year was £2,829,000 (2021: £1,410,000).

The financial statements on pages 43 to 55 were approved by the Board of Directors on 4th April 2023 and signed on its behalf by:

RYAN THOMAS
Chief Financial Officer

Company number 00526657

The notes on pages 45 to 55 form part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31st December 2022

	Share capital £000	Share premium account £000	Own shares £000	Share based payment reserve £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000	Total equity £000
As 1st January 2021	**10,339**	**504**	**(1,197)**	**141**	**3,617**	**6,902**	**(583)**	**19,723**
Comprehensive income for the period								
Profit for the year	–	–	–	–	–	–	494	494
Other comprehensive income for the period	–	–	–	–	–	–	916	916
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**1,410**	**1,410**
Contributions by and distributions to owners								
Share-based payment	–	–	–	16	–	–	–	16
Own Share Transfer	–	–	642	–	–	–	(642)	–
Total contributions by and distributions to owners	**–**	**–**	**642**	**16**	**–**	**–**	**(642)**	**16**
At 31st December 2021 and 1st January 2022	**10,339**	**504**	**(555)**	**157**	**3,617**	**6,902**	**185**	**21,149**
Comprehensive income for the year								
Profit for the year	–	–	–	–	–	–	3,527	3,527
Other comprehensive expense for the year	–	–	–	–	–	–	(698)	(698)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2,829**	**2,829**
Contributions by and distributions to owners								
Dividend Paid	–	–	–	–	–	–	(154)	(154)
Share-based payment	–	–	–	(157)	–	–	–	(157)
Own Share Transfer	–	–	(1,445)	–	–	–	1,445	–
Total contributions by and distributions to owners	**–**	**–**	**(1,445)**	**(157)**	**–**	**–**	**1,291**	**(311)**
At 31st December 2022	**10,339**	**504**	**(2,000)**	**–**	**3,617**	**6,902**	**4,305**	**23,667**

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.

The notes on pages 45 to 55 form part of these financial statements.

Notes to the Financial Statements of the Company

1. 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").

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 UK Adopted International Accounting Standards;
- 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;
- 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 periods 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 received

Interest received is recognised in the year in which it arises.

Revenue

Dividends receivable from subsidiary undertakings are recognised in profit or loss when the right to the dividend income has been established. Interim dividends are recognised when paid and any final dividends receivable are recognised when declared at a general meeting.

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.

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).

Notes to the Financial Statements of the Company
(continued)

1. ACCOUNTING POLICIES OF THE COMPANY (continued)

Share capital
The Company'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.

2. KEY AREAS OF ESTIMATION

Provisions – £77,000 (2021: £245,000)
The Company carries certain provisions related to ongoing legal matters relating to historic employee claims where the outcome of the proceedings is uncertain. Management uses its judgement to make a best estimate of potential costs and provide for the cost of such matters. These provisions are detailed in note 8.

Pension deficit – £1,009,000 (2021: £nil)
The calculation of the pension deficit is subject to a number of assumptions as detailed in note 9. Any difference between actual events and those assumed at the balance sheet date could result in a change in the pension deficit.

Impairment of investments – £31,800,000 (2021: £31,800,000)
The impairment of investments is assessed annually. The assessment has been carried out based on a pre-tax interest discount rate of 13.0% and a terminal growth rate of 2%. Sensitivity analysis has been carried out on the assessment showing that the pre-tax interest rate could increase to 16% before triggering a potential impairment.

3. INVESTMENTS

	2022 £000	2021 £000
Shares in Group companies	31,800	31,800

Investments in Group undertakings are stated at cost less amounts written off. The impairment of investments is assessed based on their value in use, the Board approved budgeted cash flows have been extrapolated using future expected growth and discounted at 12%. The growth in future revenue is a critical assumption in the valuation model, this assumption is based on the business growth plan. Details of the Company's subsidiaries at 31st December 2022, 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 at Victoria Mills, The Green, Ossett, WF5 0AN, unless otherwise stated, are set out below:

Burmatex Limited	Design and manufacture of floor coverings
Fope Limited*	Property holding company
Other subsidiary undertakings:	
AIREA Floor Coverings Limited*	Intermediate holding company
The Carpet Tile Company Limited	Dormant

* Held directly

Notes to the Financial Statements of the Company
(continued)

4. DEFERRED TAXATION

	Tax losses £000	Pension deficit £000	Share scheme £000	Total £000
Balance at 1st January 2021	300	255	–	555
Movement during the period	156	(255)	30	(69)
Balance at 31st December 2021	456	–	30	486
Movement during the period	(65)	252	(30)	157
Balance at 31st December 2022	391	252	–	643

5. TRADE AND OTHER RECEIVABLES

	2022 £000	2021 £000
Prepayments and accrued income	127	132
	127	132

Amounts owed by Group undertakings are included under current assets as there are no specific terms as to their repayment. The amount owed by Group companies was reviewed in the year for impairment and it was agreed that no further impairment was required (2021: £nil).

6. CASH AND CASH EQUIVALENTS

	2022 £000	2021 £000
Cash at bank and in hand	2,569	3,012

Amounts owed by Group undertakings are included under current assets as there are no specific terms as to their repayment. The amount owed by Group companies was reviewed in the year for impairment and it was agreed that no further impairment was required (2021: £nil).

7. TRADE AND OTHER PAYABLES

	2022 £000	2021 £000
Accruals and other creditors	100	79
Intercompany Payable	8,361	11,276
	8,461	11,355

Amounts owed by Group undertakings are included under current assets as there are no specific terms as to their repayment. The amount owed by Group companies was reviewed in the year for impairment and it was agreed that no further impairment was required (2021: £nil).

Notes to the Financial Statements of the Company
(continued)

8. PROVISIONS

	£000
At 1st January 2021	465
Amount released	(327)
Provisions charged in the year	107
At 31st December 2021	245
Amount released	(168)
Provisions charged in the year	–
At 31st December 2022	77

The provision relates to ongoing legal costs relating to historic employee claims. At this stage it is unknown to management as to the expected timing of outflows of economic benefits.

9. PENSION COMMITMENTS

AIREA PLC and Burmatex Ltd sponsor the Sirdar PLC Benefits Retirement Benefits Plan (1974), 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 the 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 Companies and this introduces a number of risks. The major risks are: interest rate risk; inflation risk; investment risk and longevity risk. The Companies 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 control 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 2023. 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 2020. The results of that valuation have been projected to 31st December 2022 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

Notes to the Financial Statements of the Company
(continued)

9. PENSION COMMITMENTS (continued)

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

	2022 £000	2021 £000
Present value of Plan liabilities	(27,204)	(37,476)
Fair value of Plan assets	26,195	41,298
Funded status	(1,009)	3,822
Restriction on asset recognition	–	(3,822)
Net amount recognised at year end		
(before any adjustment for deferred tax)	(1,009)	–

In the 2021 balance sheet the Company restricted the recognition of an asset to £nil in respect of the IAS 19 surplus in the pension scheme of £3.8m, as the Company does not have an unconditional right to derive economic benefit from any surplus.

The amounts recognised in comprehensive income are:
The current and past service costs, settlements and curtailments, together with the net interest expense for the period are included within finance costs in the statement of comprehensive income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Service cost:		
Administration expenses	146	142
Net interest expense	(73)	16
Charge recognised in profit or loss within finance costs	73	158
Remeasurements of the net liability:		
Return on Plan assets (excluding amount included in interest expense)	13,369	(3,325)
Gain arising from changes in financial assumptions	(8,655)	(2,172)
Loss arising from changes in financial assumptions	44	475
(Reversal) / Recognition of restriction on asset recognition	(3,822)	3,822
Charge/(credit) recorded in other comprehensive income	936	(1,200)
Total defined benefit cost/(credit)	1,009	(1,042)

Notes to the Financial Statements of the Company
(continued)

9. PENSION COMMITMENTS (continued)

The principal actuarial assumptions used were:

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Liabilities discount rate	4.95%	1.95%
Inflation assumption – RPI	3.30%	3.35%
Inflation assumption – CPI	2.60%	2.65%
Revaluation of deferred pensions		
– benefits accrued prior to 06/04/1997	2.60%	2.65%
– benefits accrued after 06/04/1997	2.60%	2.65%
Rate of increase to pensions in payment		
– benefits accrued prior to 06/04/1997	2.60%	5.00%
– benefits accrued after 06/04/1997	2.60%	2.65%
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	50%	50%
Mortality assumption – pre-retirement	As post-retirement	As post-retirement
Mortality assumption – male post retirement	109% SAPS S3PMA	108% SAPS S3PMA
	CMI 2021 M 1.00%	CMI 2020 M 1.00%
	IA – 0.25%	IA – 0.25%
Mortality assumption – female post retirement	112% SAPS S3PFA	108% SAPS S3PFA
	CMI 2021 F 1.00%	CMI 2020 F 1.00%
	IA – 0.25%	IA – 0.25%
	W2020 = 7.5%, w2021 = 7.5%	W2020 = 20%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	86.0	86.1
Female pensioner at age 65:	88.3	88.5
Future expected lifetime of future pensioner at age 65:		
Male aged 45 at year end:	87.0	87.0
Female aged 45 at year end:	89.5	89.7

Notes to the Financial Statements of the Company
(continued)

9. PENSION COMMITMENTS (continued)
Changes in the present value of assets over the year:

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Fair value of assets at start of period	41,298	39,905
Interest income	781	503
Return on assets (excluding amount included in net interest expense)	(13,369)	3,325
Contributions from the employer	–	300
Benefits paid	(2,369)	(2,593)
Administration expenses	(146)	(142)
Fair value of assets at end of period	26,195	41,298

Actual return on assets over the period	(12,588)	3,828

Changes in the present value of liabilities over the year:

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Liabilities at start of period	37,476	41,247
Interest cost	708	519
Remeasurement (gain)/losses:		
– Actuarial gains and losses arising from changes in financial assumptions	(8,655)	(2,172)
– Actuarial gains and losses arising from changes in demographic assumptions	44	475
Benefits paid	(2,369)	(2,593)
Liabilities at end of period	27,204	37,476

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

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Active members	–	–
Deferred pensioners	7,157	10,213
Pensions in payment	20,047	27,263
	27,204	37,476
Average duration of the Plan's liabilities at the end of the period (years)	9	13
This can be subdivided as follows:		
Active members	–	–
Deferred pensioners	13	19
Pensions in payment	8	11

Notes to the Financial Statements of the Company
(continued)

9. PENSION COMMITMENTS (continued)
The major categories of scheme assets are as follows:

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
Return seeking		
Synthetic Equity	2,013	7,427
Partners Fund	6,344	6,224
Multi Sector Credit	4,682	12,410
Diversified Growth Fund	4,835	7,906
Return seeking subtotal	17,874	33,967
Debt instruments		
LDI funds	5,353	3,668
Other		
Property	2,215	2,526
Cash	757	1,137
Total market value of assets	26,199	41,298

The equity all have quoted prices in active markets. Derivatives can be classed as level 2 instruments and property as level 3 in the IFRS 13 fair value hierarchy.

The scheme has no investments in the Company or in property occupied by the Company.

No contributions are expected to be paid by the Company during year ending 31st December 2023.

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 £242,250 (increase by £247,500) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the Plan liabilities would increase by £81,750 (decrease by £95,250). 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 £1,474,500 if all the other assumptions remained unchanged.

Notes to the Financial Statements of the Company
(continued)

10. CALLED UP SHARE CAPITAL
Changes in the present value of assets over the year:

	2022 Number	2022 £000	2021 Number	2021 £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	41,354,353	10,339

11. SHARE AWARDS
The Group launched an initial performance-based Long-Term Incentive Plan (LTIP) for all eligible employees in 2019. Awards made under the 2019 LTIP failed to vest as the Group did not achieve the performance-based targets for operating profit.

On the 15th December 2022 the Group re-launched the LTIP plan for all eligible employees. Awards made under the LTIP vest provided the participant remains in the Group's employment during the three-year vesting period to 31st December 2025 and the Group achieves certain performance-based targets.

Movements in LTIP awards outstanding were as follows:

	Year ended 31st December 2022	Year ended 31st December 2021
Outstanding at 1st January	2,045,000	2,592,500
Forfeited	(68,750)	(547,500)
2019 Scheme Lapsed	(1,976,250)	–
2022 Scheme Granted	2,790,000	–
Outstanding at 31st December	2,790,000	2,045,000
Unvested at 31st December	2,790,000	2,045,000

(2021: £0.4p). The final dividend amounts to £193,000 and if approved will be paid on 26th May 2023 to those shareholders on the register at the close of business on 26th April 2023.

The Group has been cash generative in the period and plans to continue to invest in the future of the business. We also believe in rewarding our loyal shareholder base and therefore propose a final dividend of £0.2m or 0.5p per share for FY22, also representing the total dividend for the year as no interim dividend was paid (2021: £0.2m or 0.4p per share). The final dividend will be paid on 18 May 2023 to shareholders on the register on 21 April 2023. This proposal is subject to shareholder approval at the Group's Annual General Meeting to be held on 10 May 2023.

Awards made under the LTIP have a £nil exercise price with the shares being held by the AIREA Employee Benefit Trust until vesting. The term of equity settled awards granted is three years unless the performance period is extended as a one-off by the Board of Directors for a further 12 months making the maximum term 4 years. The weighted average remaining life of equity settled awards at 31st December 2022 is 3 years.

At 31st December 2022, the cost recognised in relation to equity settled awards was £nil (2021: £0.1m). At the grant date, the weighted average fair value of the LTIP awards granted during the year was 21.0p (2021: 38.0p). Fair value was measured using the Black-Scholes model discounted for average dividend yield based on the following assumptions:

	2019 issue	2022 issue
Share price on grant date	44.0p	26.0p
Risk free interest rate	1.0%	3.50%
Volatility in company shares	50.8%	18.99%
Expected life of LTIP awards	3 years	3 years

Expected volatility was determined based on the daily share price movement of the Company's share price during the previous 12 month period preceding the grant date.

The shares held under option do not have the right to any dividend payments until they have vested.

Notes to the Financial Statements of the Company
(continued)

11. SHARE AWARDS (continued)

Compensation expense recognised in the profit or loss in relation to employee share schemes was as follows:

	Year ended 31st December 2022 £000	Year ended 31st December 2021 £000
LTIP		
Equity settled awards	(157)	16
Total (income)/expense	(157)	16

12. INVESTMENT IN OWN SHARES

The Company accounts for its own shares held by the trustees of the Employee Benefit Trust (EBT) as a deduction from shareholders' funds. The costs of running the EBT are charged to the Company's profit and loss account as they occur and are financed by the Company.

	Year ended 31st December 2022	Year ended 31st December 2021
Number of shares in the company owned by the EBT	2,777,600	2,777,600
Nominal value of shares held	£694,400	£694,400
Cost price of shares held	£1,999,878	£1,999,878
Prevailing valuation of the shares (pence)	30.00	28.00
Total market value of shares	£833,280	£777,728
Maximum number of shares in the company owned by the EBT during the year	2,777,600	2,777,600
Minimum number of shares in the company owned by the EBT during the year	–	–

Dividends payable on these shares are waived.

In addition to the above investments, the Company has loaned funds of £2,000,000 and made contributions to the AIREA Employee Benefits Trust, which in turn has purchased shares in the Company. At 31st December 2022 the assets of the Trust comprised 2,777,600 of the Company's own shares with a nominal value of £694,400 and a market value of £833,280, which were acquired at a cost of £1,999,878. The cost of shares has been deducted from equity. The net assets of the Trust are available for the benefit of AIREA plc and Burmatex Limited employees. Neither the loan from the Company nor the equivalent liability of the Trust is included in debtors or creditors. As a consequence of the exercise price of the share options (note 11) a realised loss will arise on the exercise of the options. This loss is recognised over the vesting period as a transfer to retained earnings.

Notes to the Financial Statements of the Company
(continued)

13. BORROWING
The cash flows relating to borrowing are as follows:

	£000
As at 31st December 2021	2,681
Payments	(876)
Interest charge	120
As at 31st December 2022	1,925

Below are the future economic outflows related to company borrowing:

	2022 £000	2021 £000
Within one year	683	857
In the second to fifth years inclusive	1,517	2,080
After five years		
Net cash outflow	2,200	2,937

Within the above outstanding commitments £275,000 relates to interest that will be payable under the agreement at the balance sheet date the Group recognise the following liabilities.

	2022 £000	2021 £000
Current liabilities – due within one year	550	756
Non-current liabilities – not due within one year	1,375	1,925
	1,925	2,681

Notice of Annual General Meeting

Notice is hereby given that the sixty ninth annual general meeting ("Annual General Meeting") of Airea plc (the "Company") will be held at Victoria Mills, The Green, Ossett, Wf5 0AN on 10th May 2023, at 2.00 p.m. to consider and vote on the resolutions below.

Resolutions 1 to 5 will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution.

Ordinary Resolutions

1. To receive the Company's financial statements for the year ended 31st December 2022 together with the reports of the Directors and auditors thereon.
2. To declare a final dividend for the year ended 31st December 2022, of an amount of 0.5 p per ordinary share, to be paid on 18th May 2023 to those shareholders on the register at the close of business on 21st April 2023.
3. 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 30th March 2023.
4. To re-elect Mr. M. Payne who retires by rotation as a Director of the Company in accordance with article 113 of the Company's articles of association.
5. To re-appoint Crowe U.K. LLP as auditor of the Company to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and to authorise the Directors to fix the auditor's remuneration.

Special Resolution

6. To authorise the Company generally and unconditionally, pursuant to section 701 of the Companies Act 2006 (the "Act"), 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 authorised to be purchased is 4,100,000 (representing approximately 10.0% of the Company's issued share capital);
   (ii) the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is 25p per share;
   (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is not more than the higher of: (i) 5% above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and (ii) the price stipulated by Article 3(2) of Delegated Regulation (EU) 2017/1052 of 8th March 2016 relating to the conditions applicable to buy-back programmes and stabilisation measures;
   (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
RYAN THOMAS
Company Secretary

Registered Office:
Victoria Mills, The Green,
Ossett, WF5 0AN
4th April 2023

Company Registration Number: 526657

Explanatory Notes to the Notice of Annual General Meeting

Resolution 6 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 the London Stock Exchange of its Ordinary Shares, subject to certain limitations set out below.

Your Board has no immediate plans for the Company to make purchases of its 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 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 6 in the Notice of Annual General Meeting.

The proposed new general authority will be limited, by the terms of resolution 6 in the Notice of Annual General Meeting, to purchases of up to 4,100,000 Ordinary Shares, representing approximately 10.0% of the current issued share capital of the Company. The minimum price per Ordinary Share payable by the Company (exclusive of expenses) will be 25p. The maximum to be paid on the exercise of such new general authority (exclusive of expenses) will be an amount not exceeding the higher of (i) 5% above the average of the middle-market quotation for Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of each purchase, and (ii) the price stipulated by Article 3(2) of the Commission Delegated Regulation (EU) 2017/1052 of 8th March 2017 relating to the conditions applicable to buy-back programmes and stabilisation measures (being the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out).

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 carefully consider 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 Ordinary Shares in issue will accordingly be reduced.

The maximum number of Ordinary 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 Ordinary 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 Ordinary 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, the requirements of the London Stock Exchange prevent the Company from purchasing its own shares during the period of two months before the announcement of its half-year or full-year results (or, if shorter, the period from the end of the Company's relevant financial period up to and including the time of the relevant announcement), or at any other time when the Directors are in a possession of unpublished price sensitive information in relation to the Company's shares.

The general authority set out in resolution 6 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.

Recommendation
Your Directors consider that the resolutions to be proposed at the annual general meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend shareholders vote in favour of the resolutions set out in the Notice of Annual General Meeting, as the Directors propose to do so in respect of their own shareholdings.

Administrative Notes to the Notice of Annual General Meeting
(continued)

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 5th May 2023 or, in the event that the annual general meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote in respect of the number of Ordinary Shares registered in their name at the relevant time. Changes to entries in the register of members after close of business on 5th May 2023 or, in the event that the annual general meeting is adjourned, less than 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the annual general meeting.

A member of the Company entitled to attend and vote at the annual general 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 annual general 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.

In order to reduce the Company's environmental impact, our intention is to remove paper from the voting process as far as possible. You are therefore asked to vote and submit your proxy in one of the following ways:

- Register your vote on line through our registrar's portal – www.signalshares.com. You will need your investor code which is printed on your share certificate or may be obtained by emailing the registrar at shareholderenquiries@linkgroup.co.uk or by calling the Company's registrar, Link Group, on +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00 – 17.30, Monday to Friday excluding public holidays in England and Wales.
- If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 2:00pm on 5th May 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
- CREST members may use the CREST electronic proxy appointment service as detailed below.
- You may request a hard copy form from Link using the numbers shown above and return it to Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

All proxy appointments, whether electronic or hard copy, must be received by the Company's registrar no later than 2.00 p.m. on 5th May 2023 (or, in the event that the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she wishes. If a shareholder has appointed a proxy and attends the annual general meeting in person, his/her proxy appointment will be automatically terminated.

You will need to state clearly the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to, or specifying a number of shares in excess of those held by the member, will result in the proxy appointment being invalid.

To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy card and would like to change the instructions using another hard-copy proxy card, please contact Link Group by email at shareholderenquiries@linkgroup.co.uk or by phone on +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00 – 17.30, Monday to Friday excluding public holidays in England and Wales.

In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's Registrars, Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

The revocation notice must be received by Link Group no later than 2.00 p.m. on 5th May 2023. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Administrative Notes to the Notice of Annual General Meeting
(continued)

CREST proxy voting
CREST users should note that they can lodge their proxy votes for the annual general 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 Link Group is RA10.

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 7.

The register of Directors' share interests and copies of the service contracts of the executive Directors of the Company and letters of appointment of the non-executive Directors of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekends and public holidays) until the date of the annual general meeting and will be available at that meeting for a period of at least 15 minutes prior to and during that meeting.

Members who have general queries about the annual general meeting should contact the Company's registrars, Link Group by email at shareholderenquiries@linkgroup.co.uk or by phone on +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00 – 17.30, Monday to Friday excluding public holidays in England and Wales.

Members are invited to submit questions on any business to be dealt with at the annual general meeting in advance of the meeting via email at shareholders@aireaplc.co.uk by no later than 2.00 p.m. on 5th May 2023. When submitting questions by email, please include your investor code, which can be found on your share certificate or may be obtained by calling the Company's registrar, Link Group, on +44 (0) 371 664 0300. The Board will endeavour to answer any questions so submitted at the annual general meeting.

A member attending the annual general meeting has the right to ask questions in relation to the business of the meeting. The Company must answer any such questions unless:

- Answering the question would interfere unduly with the preparation of the meeting or involve the disclosure of confidential information;
- The answer has already been given on a website in the form of an answer to a question; or
- It is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Notes

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