

AIREA plc

("AIREA", the "Group" or the "Company")

Interim results for the six months ended 30 June 2023

AIREA plc (AIM: AIEA), the UK design-led specialist flooring company, supplying both the UK and international markets, is pleased to announce its interim results for the six months ended 30 June 2023.

Financial highlights

| | 30 June 2023 (£) | 30 June 2022 (£) | Change (%) |
|---|---------------------|---------------------|---------------|
| Group revenue | 9,825k | 8,551k | 14.9 |
| Operating profit before valuation | 836k | 756k | 10.5 |
| Profit before tax | 620k | 656k | (5.4) |
| EBITDA (Earnings before interest tax depreciation and amortisation) | 1,010k | 1,016k | (0.1) |
| Cash and cash equivalents | 4,919k | 5,450k | (9.7) |
| Net cash | 2,694k | 2,493k | 8.1 |

Operational highlights

- Continued focus on sales growth in existing and new territories, with key wins in export markets.
- Successful launch of carbon-neutral products in line with market trends and demand for low-carbon products.
- Installation and commissioning of solar panels, reducing exposure to energy price volatility.
- Appointment of Tanya Ashton, Non-Executive Director, in May 2023.

Martin Toogood, Non-Executive Chairman of AIREA plc, commented:

"The first half of 2023 has seen continued growth in our sales fuelled by a focus on refreshing our product offering and taking advantage of new markets. The current economic environment continues to put a strain on the cost of labour, energy, and raw materials. We do however continue to take actions to manage these risks with investments for the future such as the installation of our renewable energy solutions, all with a view to capitalising on the opportunities in our markets as and when wider macro conditions improve."

- Ends -

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This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

Notes to Editors

AIREA plc is a UK design-led specialist flooring company, 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.

The Group'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.

The Group was admitted to trading on AIM of the London Stock Exchange on 12 December 2007.

For further information, please visit: <https://aireapl.com/>.

Chief Executive Officer's Statement

Introduction

I am pleased to report the Group's interim results for the six months ended 30 June 2023. During this period, AIREA has made good progress and maintained momentum in both its home and export markets. We have made a positive start to the year and the Group's performance during the period is in line with management expectations.

In May 2023, the Company seized the opportunity to exhibit at the renowned Clerkenwell Design Week, which gave us the platform to showcase our new ranges and promote the Burmatex® brand to the market and engage with our target customer audience in this setting for the first time in over ten years.

Results

Revenue for the period increased by 15% to £9.8m (2022: £8.6m). In the UK, our sales were 9.8% ahead of the prior six-month comparative period, largely driven by a combination of cost increases being passed onto customers combined with an improved sales mix. Export sales were up 36% compared to the comparative period as demand recovered in most of our target export markets, with good progress being made in new markets. The UK market remains challenging given the economic backdrop, however, performance is encouraging as our sales mix moves towards more design-led products.

The Group's operating profit was £0.8m (2022: £0.8m). Our underlying product margins faced downward pressures due to increased energy, raw materials, and labour costs. We were restricted in passing on these cost increases in a price-sensitive market. Net finance costs increased by £0.1m largely because of the increased pension interest charge. After charging net finance costs of £0.2m (2022: £0.1m) and incorporating the appropriate tax charge, the net profit for the period was £0.5m (2022: £0.6m). Basic earnings per share were 1.18p (2022: 1.58p).

Operating cash flows before movements in working capital were £1.2m (2022: £0.8m). Working capital increased in the period to £0.5m due to an increase in inventory for new lines and higher receivables from customers (2022: £0.0m). Contributions to the defined benefit pension scheme were £0.0m (2022: £0.0m) in line with the agreement reached with the scheme trustees following the last triennial valuation as of 1 July 2023. Capital expenditure of £0.9m (2022: £0.2m) was spent renewing and enhancing the manufacturing plant and equipment, with an important investment in our new solar panels.

Net cash (cash less loans and borrowings) decreased by £0.5m in the six-month period to £2.7m as of 30 June 2023, from £3.2m as of 31 December 2022. We continue to have further liquidity available of £1.0m via our unutilised overdraft facility (2022: £1.0m unutilised). Our cash reserves and strong balance sheet enable us to invest in the future of the business and manage the impact of the continued economic uncertainty and related risks.

Update on Board composition

The Board appointed Tanya Ashton as Non-Executive Director to the Board on 10 May 2023. Tanya's appointment signals the importance that we attach to good standards of corporate governance at AIREA.

We have commenced the selection process for our new Chief Financial Officer following the resignation of Ryan Thomas on 4 July 2023. We have made good progress and expect to be in a position to make an announcement in the coming months.

We acknowledge the importance of reviewing Board composition on an ongoing basis to ensure that the Group has the required level of skills and experience to enable the business to operate efficiently and react quickly to any issues that may arise.

Outlook

The development of our sustainable products indicates the transformational change the Group is focused on to enable AIREA to be more competitive, innovative, and agile. Our marketing and sales strategy is not only UK-focused but also on growing our international sales in both existing and new territories.

As the cost pressures persist, we continue to adapt our processes and procedures to mitigate and manage the impact on the business. In some areas, this has and will continue with the need to invest in our facilities such that we reduce waste, improve productivity, and utilise energy efficiently.

Given the plans to continue to invest in the future of the business coupled with the continued levels of uncertainty in the market and the wider economy, the Group will continue to prioritise the preservation of cash. We will therefore not be proposing an interim dividend at this time (2022: £nil). We were pleased to have been able to declare and pay a final dividend following the 2022 results and we cautiously expect to be in the position to do similar once our 2023 results are finalised.

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

Médéric Payne

Chief Executive Officer

26 July 2023

Consolidated Income Statement

6 months ended 30 June 2023

| | Unaudited 6 months ended 30 June 2023 £000 | Unaudited 6 months ended 30 June 2022 £000 | Audited 12 months ended 31 December 2022 £000 |
|---|---|---|--|
| Revenue | 9,825 | 8,551 | 18,483 |
| Operating costs | (9,301) | (7,935) | (17,111) |
| Other operating income | 312 | 140 | 280 |
| Operating profit before valuation gain | 836 | 756 | 1,652 |
| Unrealised valuation gain | – | – | – |
| Operating profit | 836 | 756 | 1,652 |
| Finance income | 39 | 8 | 32 |
| Finance costs | (255) | (108) | (251) |
| Profit before taxation | 620 | 656 | 1,433 |
| Taxation | (130) | (45) | (138) |
| Profit attributable to shareholders of the Group | 490 | 611 | 1,295 |
| Earnings per share (basic and diluted) for the Group | 1.18p | 1.58p | 3.36p |

Consolidated Statement of Comprehensive Income

6 months ended 30 June 2023

| | Unaudited 6 months ended 30 June 2023 £000 | Unaudited 6 months ended 30 June 2022 £000 | Audited 12 months ended 31 December 2022 £000 |
|---|---|---|--|
| Profit attributable to shareholders of the Group | 490 | 611 | 1,295 |
| Items that will not be reclassified to profit or loss | | | |
| Actuarial gain/(loss) recognised in the pension scheme | 513 | 35 | (1,247) |
| Related deferred taxation | (128) | (7) | 318 |
| | 385 | 28 | (929) |
| Items that will be reclassified subsequently to profit or loss when specific conditions are met | | | |
| Revaluation of property | – | – | (25) |
| Related deferred taxation | – | – | 5 |
| | – | – | (20) |
| Total other comprehensive income/(loss) | 385 | 28 | (949) |
| Total comprehensive income attributable to shareholders of the Group | 875 | 639 | 346 |

Consolidated Balance Sheet

as at 30 June 2023

| | Unaudited 30 June 2023 £000 | Unaudited 30 June 2022 £000 | Audited 31 December 2022 £000 |
|--------------------------------|--------------------------------------|--------------------------------------|--|
| Non-current assets | | | |
| Property, plant and equipment | 5,976 | 5,307 | 5,272 |
| Intangible assets | 59 | 51 | 71 |
| Investment property | 4,000 | 4,000 | 4,000 |
| Right-of-use asset | 754 | 943 | 917 |
| Deferred tax asset | 763 | 682 | 879 |
| | 11,552 | 10,983 | 11,139 |
| Current assets | | | |
| Inventories | 6,560 | 6,132 | 5,895 |
| Trade and other receivables | 2,871 | 2,370 | 2,351 |
| Cash and cash equivalents | 4,919 | 5,450 | 5,762 |
| | 14,350 | 13,952 | 14,008 |
| Total assets | 25,902 | 24,935 | 25,147 |
| Current liabilities | | | |
| Trade and other payables | (3,986) | (3,683) | (3,316) |
| Provisions | (74) | (175) | (77) |
| Lease liabilities | (127) | (124) | (131) |
| Loans and borrowings | (736) | (731) | (734) |
| | (4,923) | (4,713) | (4,258) |
| Non-current liabilities | | | |
| Deferred tax | (1,144) | (1,047) | (1,040) |
| Pension deficit | (1,000) | – | (1,345) |
| Lease liabilities | (140) | (212) | (202) |
| Loans and borrowings | (1,489) | (2,226) | (1,858) |
| | (3,773) | (3,485) | (4,445) |
| Total liabilities | (8,696) | (8,198) | (8,703) |
| Net assets | 17,206 | 16,737 | 16,444 |
| Equity | | | |
| Called up share capital | 10,339 | 10,339 | 10,339 |
| Share premium account | 504 | 504 | 504 |
| Own Shares | (1,805) | (2,000) | (2,000) |
| Share-based payment reserve | 80 | – | – |
| Capital redemption reserve | 3,617 | 3,617 | 3,617 |
| Revaluation reserve | 3,096 | 3,150 | 3,096 |
| Retained earnings | 1,375 | 1,127 | 888 |
| Total equity | 17,206 | 16,737 | 16,444 |

Consolidated Cash Flow Statement

6 months ended 30 June 2023

| | Unaudited 6 months ended 30 June 2023 £000 | Unaudited 6 months ended 30 June 2022 £000 | Audited 12 months ended 31 December 2022 £000 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Profit for the period | 490 | 611 | 1,295 |
| Depreciation | 165 | 165 | 309 |
| Depreciation of right-of-use assets | 124 | 126 | 260 |
| Amortisation | 15 | 14 | 29 |
| Movement in Provision | (3) | (70) | (168) |
| Share-based payment expense/(credit) | 80 | (157) | (157) |
| Net Finance costs | 216 | 100 | 219 |
| Profit on disposal of property, plant and equipment | – | (77) | (77) |
| Tax charge | 130 | 45 | 138 |
| Operating cash flows before movements in working capital | 1,217 | 757 | 1,848 |
| (Increase)/decrease in inventory | (665) | 18 | 255 |
| Increase in trade and other receivables | (520) | (483) | (464) |
| Increase in trade and other payables | 670 | 425 | 66 |
| Cash generated from operations | 702 | 717 | 1,705 |
| Contributions to defined benefit pension scheme | – | – | – |
| Net cash generated from operating activities | 702 | 717 | 1,705 |
| Cash flows from investing activities | | | |
| Payments to acquire intangible fixed assets | (4) | (10) | (45) |
| Payments to acquire tangible fixed assets | (868) | (167) | (312) |
| Receipts from sales of tangible fixed assets | – | 77 | 77 |
| Net cash used in investing activities | (872) | (100) | (280) |
| Cash flows from financing activities | | | |
| Interest paid on lease liabilities | (5) | (4) | (11) |
| Interest paid on borrowings | (82) | (69) | (142) |
| Interest received | 39 | 8 | 32 |
| Principal paid on lease liabilities | (66) | (67) | (141) |
| Repayment of loans and borrowings | (366) | (569) | (935) |
| Equity dividends paid | (193) | (154) | (154) |
| Net cash used in financing activities | (673) | (855) | (1,351) |
| Net (decrease)/increase in cash and cash equivalents | (843) | (238) | 74 |
| Cash and cash equivalents at start of the period | 5,762 | 5,688 | 5,688 |
| Cash and cash equivalents at end of the period | 4,919 | 5,450 | 5,762 |

Consolidated Statement of Changes in Equity
6 months ended 30 June 2023

| | Share capital £000 | Share premium account £000 | Own Shares £000 | Share-based payment reserve £000 | Capital redemption reserve £000 | Revaluation reserve £000 | Profit and loss account £000 | Total equity £000 |
|---|-----------------------|-------------------------------|--------------------|-------------------------------------|------------------------------------|-----------------------------|---------------------------------|----------------------|
| At 1 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 Reverse Transfer | – | – | – | – | – | (29) | 29 | – |
| Total contributions by and distributions to owners | – | – | (1,445) | (157) | – | (29) | 1,320 | (311) |
| At 31 December 2022 and 1 January 2023 | 10,339 | 504 | (2,000) | – | 3,617 | 3,096 | 888 | 16,444 |
| Comprehensive income for the period | | | | | | | | |
| Profit for the period | – | – | – | – | – | – | 490 | 490 |
| Actuarial gain recognised on the pension scheme | – | – | – | – | – | – | 385 | 385 |
| Revaluation of property | – | – | – | – | – | – | – | – |
| Total comprehensive income for the period | – | – | – | – | – | – | 875 | 875 |
| Contributions by and distributions to owners | | | | | | | | |
| Dividend paid | – | – | – | – | – | – | (193) | (193) |
| Share-based payment | – | – | – | 80 | – | – | – | 80 |
| Own Shares Transfer | – | – | 195 | – | – | – | (195) | – |
| Total contributions by and distributions to owners | – | – | 195 | 80 | – | – | (388) | (113) |
| At 30 June 2023 | 10,339 | 504 | (1,805) | 80 | 3,617 | 3,096 | 1,375 | 17,206 |

Notes to the Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information for the six months ended 30 June 2023 and the six months ended 30 June 2022 have not been audited and do not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006.

The financial information relating to the year ended 31 December 2022 does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006. This information is based on the Group's statutory accounts for that period. The statutory accounts were prepared in accordance with UK adopted International Accounting Standards and received an unqualified audit report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006. These financial statements have been filed with the Registrar of Companies.

These interim financial statements have been prepared using the recognition and measurement principles of UK adopted International Accounting Standards. The accounting policies used are the same as those used in preparing the financial statements for the period ended 31 December 2022. These policies are set out in the annual report and accounts for the period ended 31 December 2022 which is available on the Company's website at www.aireaplco.co.uk.

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