Airea PLC - Interim Results

Airea PLC
18 March 2008

AIREA plc (the 'Company')
18 March 2008

Interim results

The Company is pleased to announce its interim results for the six months ended 31st December 2007.

For enquiries, please contact:

AIREA PLC 01924 203 742
Kevin Henry - Group Finance Director

Brewin Dolphin Investment Banking 0845 270 8610
Andrew Kitchingman
Sean Wyndham-Quin

OPERATING REVIEW

INTRODUCTION

In the six months to 31st December 2007 significant progress has been made on a number of major strategic projects. These include the sale of the specialist yarns division, the sale of surplus properties, re-engineering manufacturing of residential carpets and creating a single management team for both commercial and residential products. As a consequence of the disposal of the Sirdar specialist yarns business the company changed its name to AIREA plc in December 2007.

The results

The results are presented under International Financial Reporting Standards for the first time. There are a number of presentational changes, the most significant of which is the analysis of the results between continuing operations and discontinued operations on the face of the consolidated income statement. Further details of this and the other presentational changes are set out in the notes to the accompanying financial statements.

The only significant change to the results reported previously is that goodwill is no longer amortised and the amounts previously amortised since 1st July 2006 have now been reinstated in the consolidated balance sheet. A provision for impairment of the goodwill associated with the subsidiary yarn dyeing business has then been included in the income statement for the current period.

Continuing Operations

Sales of floor covering products reduced by 1% to £25.8m (2006: £26.1m) in the period with modest growth in commercial products being offset by a slight decline in residential products. Operating profit was £9.0m (2006: £0.4m) but the period to 31st December 2007 includes an exceptional profit on sale of property of £9.6m (2006: £nil). After excluding this exceptional profit, a provision for impairment of goodwill of £0.8m (2006: £nil) and other exceptional costs of £0.3m (2006: £0.5m), operating profit before exceptional items was £0.5m (2006: £0.9m).

Earnings per share from continuing operations were 20.80p (2006: loss per share 0.22p) and adjusted earnings per share, excluding the effect of the exceptional profit on sale of property, the related release of deferred tax, the provision for impairment of goodwill and the other exceptional costs, was 0.75p (2006: 0.49p).

Discontinued Operations

The specialist yarns business was sold on 2nd November 2007. Sales to the date of disposal were £5.7m (2006: £8.1m). The operating loss was £2.3m (2006: profit £1.1m) but this includes a loss on disposal of £2.7m (2006: £nil). After excluding this item, operating profit was £0.4m (2006: £1.1m).

Discontinued operations generated a loss per share of 4.98p (2006: earnings per share 1.22p). Adjusted earnings per share, excluding the effect of the loss on disposal, were 0.79p (2006: 1.22p).

Group results

Profit for the period was £7.3m (2006: £0.5m). This includes the exceptional profit on sale of property, the loss on sale of the specialist yarns business and other exceptional items as detailed above. Earnings per share were 15.82p (2006: 1.00p) and adjusted earnings per share, after excluding the effect of the exceptional profit on sale of property, the related release of deferred tax, the provision for impairment of goodwill, the loss on sale of the specialist yarns business and other exceptional costs, were 1.54p (2006: 1.71p).

There was a cash outflow from operating activities of £4.3m (2006: £2.2m inflow), due to a combination of an increase in working capital and increased contributions to the defined benefit pension scheme. As a result of the property disposals and the sale of the specialist yarns division, there was an increase in cash and cash equivalents of £7.8m (2006: decrease £1.0m). Total cash and cash equivalents at the end of the period amounted to £6.3m compared to total net debt at the start of the period of £5.2m.

The board has declared an interim dividend of 0.80p per share (2006: 0.80p). This dividend is payable on 6th May 2008 to those shareholders on the register of members at the close of business on 4th April 2008.

Management and personnel

Following completion of a number of specific projects, Steve Harrison, the former Chief Operating Officer, left the group on 29th February 2008. A process of recruitment for a managing director is underway and we have appointed an experienced manager to lead the floor coverings business in the interim.

The board would like to thank all personnel for their dedication and commitment to the business during this period of change.

Current trading and future prospects

Like-for-like sales in the early part of 2008 are in line with last year with growth in commercial products compensating for a decline in residential products.

The commercial market appears to be growing but the residential market is more challenging due to economic uncertainty and subdued consumer spending.

Increased resources are being devoted to new product development and innovation and, combined with a lower cost base, we believe this will lead to improved performance in the future.

18th March 2008

Consolidated Income Statement
6 months ended 31st December 2007

	Unaudited 6 months ended 31st December 2007	Unaudited 6 months ended 31st December 2006	Unaudited year ended 30th June 2007

	Note	£000	£000	£000
Continuing operations				
Revenue		25,781	26,138	50,304
Operating costs		(26,376)	(25,756)	(49,672)
Exceptional profit on sale of property		9,616	-	-
Operating profit after exceptional items		9,021	382	632
Analysed between:				
Operating profit before exceptional items		500	850	1,379
Exceptional operating costs	2	(250)	(468)	(747)
Impairment of goodwill		(845)	-	-
Exceptional profit on sale of property		9,616	-	-
Net interest payable and similar charges		(135)	(198)	(477)
Other finance costs		-	(150)	(186)
Profit/(loss) before taxation		8,886	34	(31)
Taxation		733	(135)	(100)
Profit/(loss) from continuing operations		9,619	(101)	(131)
Discontinued operations				
Revenue		5,694	8,122	15,026
Operating costs		(5,322)	(7,046)	(14,032)
Operating profit before exceptional item		372	1,076	994
Loss on disposal of discontinued operation	10	(2,668)	-	-
Operating/(loss) profit		(2,296)	1,076	994
Net interest receivable/(payable) and similar charges		166	(39)	(50)
Other finance costs		-	(100)	(124)
(Loss)/profit before taxation		(2,130)	937	820
Taxation		(174)	(373)	(219)
(Loss)/profit from discontinued operations		(2,304)	564	601
Profit for the period		7,315	463	470
Earnings per share				
Basic and diluted	4	15.82p	1.00p	1.02p
Earnings/(loss) per share from continuing activities				
Basic and diluted	4	20.80p	(0.22)p	(0.28)p
(Loss)/earnings per share from discontinued activities				
Basic and diluted	4	(4.98)p	1.22p	1.30p

There is no difference between the profit before taxation and the profit for the period stated above and their historical cost equivalents.

Consolidated Balance Sheet
as at 31st December 2007

	Note	Unaudited 31st December 2007 £000	Unaudited 31st December 2006 £000	Unaudited 30th June 2007 £000
Non-current assets				
Property, plant and equipment		9,828	15,226	10,086
Goodwill		12,012	12,857	12,857
Deferred tax asset	5	1,163	1,749	416
		23,003	29,832	23,359
Current assets				
Inventories		10,084	14,613	13,312
Trade and other receivables		7,821	9,236	9,597
Prepayments and accrued income		1,396	1,086	1,085
Cash and cash equivalents		6,272	770	176
		25,573	25,705	24,170
Non-current assets classified as held for resale		140	-	5,643
Total assets		48,716	55,537	53,172
Current liabilities				
Trade and other payables		(6,078)	(7,696)	(8,788)
Tax liabilities		-	(243)	-
Accruals and deferred income		(2,604)	(3,535)	(3,061)
Bank overdrafts and loans		-	(5,705)	(5,394)
		(8,682)	(17,179)	(17,243)
Non-current liabilities				
Pension deficit		(5,930)	(13,000)	(8,400)
Total liabilities		(14,612)	(30,179)	(25,643)
		34,104	25,358	27,529
Equity				
Called up share capital		11,561	11,561	11,561
Share premium account		504	504	504
Capital redemption reserve		2,395	2,395	2,395
Profit and loss account	6	19,644	10,898	13,069
		34,104	25,358	27,529

Consolidated Cash Flow Statement
6 months ended 31st December 2007

	Note	Unaudited 6 months ended 31st December 2007 £000	Unaudited 6 months ended 31st December 2006 £000	Unaudited year ended 30th June 2007 £000
Operating activities				
Cash (used in)/from operations	8	(4,342)	3,006	4,482
Interest received/(paid)		37	(224)	(602)
Income tax paid		(9)	(553)	(635)
		(4,314)	2,229	3,245
Investing activities				
Purchase of property, plant and equipment		(1,603)	(1,282)	(2,574)
Proceeds on disposal of property, plant and equipment		15,738	295	658
Disposal of subsidiary undertaking	10	2,409	-	-
		16,544	(987)	(1,916)

	Note			
Financing activities				
Equity dividends paid	3	(740)	(740)	(1,110)
Redemption of loan notes		(88)	-	(80)
(Decrease)/increase in bank loans		(3,652)	(1,519)	86
		(4,480)	(2,259)	(1,104)
Net increase/(decrease) in cash and cash equivalents		7,750	(1,017)	225
Cash and cash equivalents at start of period		(1,478)	(1,703)	(1,703)
Cash and cash equivalents at end of period		6,272	(2,720)	(1,478)

Statement of Recognised Income and Expense
6 months ended 31st December 2007

	Unaudited 6 months ended 31st December 2007 £000	Unaudited 6 months ended 31st December 2006 £000	Unaudited year ended 30th June 2007 £000
Profit attributable to shareholders of the group	7,315	463	470
Actuarial gains recognised in the pension scheme	-	-	2,534
Total recognised income and expense relating to the period	7,315	463	3,004

NOTES

1. Accounting Policies

Accounting policies adopted under IFRS

These interim financial statements have been prepared using the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ('IFRS').

The basis of preparation and accounting policies used in preparing the interim financial statements for the six months ended 31st December 2007 are set out below. The basis of preparation describes how IFRS have been applied under IFRS 1, the assumptions made by the group about the Standards and Interpretations expected to be effective, and the policies expected to be adopted, when the group issues its first complete set of IFRS financial statements for the year ending 30th June 2008.

Basis of preparation

The financial information for the six months ended 31st December 2007, six months ended 31st December 2006 and the year ended 30th June 2007 is unreviewed and unaudited and, within the meaning of section 240 of the Companies Act 1985, such accounts do not constitute full statutory accounts of the group.

The accounting policies which follow set out those policies which are expected to apply in preparing the financial statements for the year ending 30th June 2008. These policies have been followed in producing these interim financial statements.

The comparative figures for the financial year ended 30th June 2007 are not the statutory financial statements of AIREA plc for that financial year. Those financial statements, which were prepared under UK Generally Accepted Accounting Principles ('UK GAAP'), have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

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 accompanying notes to the financial statements.

Revenue recognition

Revenue, for all classes of business, comprises the invoice value, after discounts and customer credits and excluding value added tax, of goods supplied to customers and is recognised when the risks and rewards of ownership pass to the customer. Transactions between members of the group are excluded.

Exceptional items

The group seeks to highlight certain items as exceptional operating income or costs. These are considered to be exceptional in size and/or nature rather than indicative of the underlying trading of the group. These may include items such as restructuring costs, material profits or losses on disposal of property, plant and equipment and profits or losses on the disposal of subsidiaries. All of these items are charged or credited before calculating operating profit or loss. Material profits or losses on disposal of property, plant and equipment and profits or losses on the disposal of subsidiaries are shown as separate items in arriving at operating profit or loss whereas other exceptional items are charged or credited within operating costs and highlighted by analysis. The Directors apply judgement in assessing the particular items, which by virtue of their size and nature are disclosed separately in the income statement and the notes to the financial statements as exceptional items. The Directors believe that the separate disclosure of these items is relevant to understanding the group's financial performance.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of AIREA plc and its subsidiaries. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. The results of subsidiaries are included from the effective date of their acquisition to the effective date of their sale. Any difference between the fair value of assets acquired and the consideration paid is treated as goodwill in the consolidated balance sheet.

Goodwill and business combinations

Goodwill results from the acquisition of subsidiary and associated undertakings and equates to the amount by which the consideration for the subsidiary or associated undertaking differs from the fair value of net assets acquired. Goodwill written off to reserves prior to the date of transition to IFRS has not been reinstated on the balance sheet. This goodwill is not written back to profit or loss on disposal.

Impairment testing of goodwill and 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. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors the related cash flows.

Goodwill is not amortised but is tested for impairment at least annually. 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 asset's 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. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

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 of a trading nature are dealt with in the income statement.

Financial instruments

The group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates. Derivative instruments utilised are forward currency contracts. The fair value of forward currency contracts is assessed at the balance sheet date and any profit or loss is recognised in the income statement.

Financial assets

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any required allowances for uncollectible amounts.

Financial liabilities

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Taxation

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

Deferred income tax is calculated using the liability method on temporary differences arising between the carrying value of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill. Deferred tax liabilities are provided in full with no discounting.

A deferred income tax asset is recognised only to the extent that it is probable that there will be future taxable profits on which this asset can be charged. Deferred income tax assets are reduced to the extent that it is no longer likely that a sufficient taxable benefit will arise.

Deferred taxation is shown on the balance sheet separately from current tax assets and liabilities and is categorised among non-current items. Changes in deferred tax balances are recognised as a component of the tax expense in the income statement.

Pensions

The current service cost of providing retirement pensions and related benefits under the group defined benefit scheme is charged against operating profit as part of operating costs and the expected return on pension scheme assets and the interest on pension scheme liabilities is included in other finance costs. Actuarial gains and losses, net of the related deferred taxation, are recognised in the statement of total income and expense. Other amounts paid to defined contribution schemes are charged against operating profit as part of operating costs as incurred.

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.

Discontinued operations

A discontinued operation is a cash-generating unit, or a group of cash-generating units, that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. The disclosures for discontinued operations in prior periods relate to all operations that have been discontinued by the balance sheet date for the latest period presented.

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are split into land and buildings elements according to the relative fair values of the leasehold interests at the date the asset is initially recognised.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

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.

2. EXCEPTIONAL OPERATING COSTS

	6 months ended 31st December 2007 £000	6 months ended 31st December 2006 £000	Year ended 30th June 2007 £000
Severance payments and incentives	215	315	746
Relocation costs	12	68	191
Loss/(profit) on disposal of plant and equipment	-	85	(190)
Legal and professional expenses	23	-	-
	250	468	747

The severance payments and incentives, relocation costs and the loss/(profit) on disposal of plant and equipment relate to the reorganisation of the residential floor coverings operation. The legal and professional expenses in the period relate to the change of name of the company.

3. DIVIDENDS

	6 months ended 31st December 2007 £000	6 months ended 31st December 2006 £000	Year ended 30th June 2007 £000
Paid during the period:			
Final dividend for the year ended 30th June 2007 - 1.60p per share	740	-	-
Interim dividend for the year ended 30th June 2007 - 0.80p per share	-	-	370
Final dividend for the year ended 30th June 2006 - 1.60p per share	-	740	740
	740	740	1,110
Proposed after the period end (not recognised as a liability):			
Interim dividend for the year ending 30th June 2008			

- 0.80p per share	370	-	-
Final dividend for the year ended 30th June 2007			
- 1.60p per share	-	-	740
Interim dividend for the year ended 30th June 2007			
- 0.80p per share	-	370	-
	370	370	740

The interim dividend will be paid on 6th May 2008 to members registered at the close of business on 4th April 2008.

4. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings of £7,315,000 (31st December 2006: £463,000, 30th June 2007: £470,000) and on 46,242,455 (31st December 2006: 46,242,455, 30th June 2007: 46,242,455) ordinary shares, being the number in issue during the period. Adjusted earnings per share is calculated after excluding exceptional profit on sale of property, the related release of deferred tax, exceptional operating costs, impairment of goodwill and the loss on disposal of discontinued operations as set out below.

	6 months ended 31st December 2007		6 months ended 31st December 2006		Year ended 30th June 2007	
	£000	pence	£000	pence	£000	pence
Earnings and basic earnings per share	7,315	15.82	463	1.00	470	1.02
Exceptional profit on sale of property (net of tax)	(8,982)	(19.42)	-	-	-	-
Release of deferred tax provision on sale of property	(1,310)	(2.83)	-	-	-	-
Exceptional operating costs (net of tax)	175	0.38	328	0.71	523	1.13
Impairment of goodwill	845	1.82	-	-	-	-
Loss on disposal of discontinued operations	2,668	5.77	-	-	-	-
Adjusted earnings and basic earnings per share	711	1.54	791	1.71	993	2.15

Continuing operations

The calculation of basic earnings per share from continuing operations is based on earnings of £9,619,000 (31st December 2006: loss £101,000, 30th June 2007: loss £131,000) and on 46,242,455 (31st December 2006: 46,242,455, 30th June 2007: 46,242,455) ordinary shares, being the number in issue during the period. Adjusted earnings per share from continuing operations is calculated after excluding the exceptional profit on sale of property, the related release of deferred tax, exceptional operating costs and impairment of goodwill as set out below.

	6 months ended 31st December 2007		6 months ended 31st December 2006		Year ended 30th June 2007	
	£000	pence	£000	pence	£000	pence
Earnings/(loss) and basic earnings/(loss) per share	9,619	20.80	(101)	(0.22)	(131)	(0.28)
Exceptional profit on sale of property (net of tax)	(8,982)	(19.42)	-	-	-	-
Release of deferred tax provision on sale of property	(1,310)	(2.83)	-	-	-	-
Exceptional operating costs (net of tax)	175	0.38	328	0.71	523	1.13
Impairment of goodwill	845	1.82	-	-	-	-
Adjusted earnings and basic earnings per share	347	0.75	227	0.49	392	0.85

Discontinued operations

The calculation of basic earnings per share from discontinued operations is based on a loss of £2,304,000 (31st December 2006: earnings £564,000, 30th June 2007: earnings £601,000) and on 46,242,455 (31st December 2006: 46,242,455, 30th June 2007: 46,242,455) ordinary shares, being the number in issue during the period. Adjusted earnings per share from discontinued operations is calculated after excluding the loss on disposal of discontinued operations as set out below.

	6 months ended 31st December 2007		6 months ended 31st December 2006		Year ended 30th June 2007	
	£000	pence	£000	pence	£000	pence
(Loss)/earnings and basic (loss)/earnings per share	(2,304)	(4.98)	564	1.22	601	1.30
Loss on disposal of discontinued operations	2,668	5.77	-	-	-	-
Adjusted earnings and basic earnings per share	364	0.79	564	1.22	601	1.30

5. DEFERRED TAX

	31st December 2007 £000	31st December 2006 £000	30th June 2007 £000
Deferred tax asset brought forward	416	2,039	2,039
Profit and loss account	1,387	(80)	(33)
Movement on deferred tax on pension deficit	(740)	(210)	(1,590)
Disposal of subsidiary undertaking	100	-	-
Deferred tax asset carried forward	1,163	1,749	416

6. PROFIT AND LOSS ACCOUNT

	31st December 2007 £000	31st December 2006 £000	30th June 2007 £000
Brought forward	13,069	11,175	11,175
Profit for the period	7,315	463	470
Other recognised gains	-	-	2,534
Equity dividends paid	(740)	(740)	(1,110)
Carried forward	19,644	10,898	13,069

7. STATEMENT OF CHANGE IN EQUITY

	31st December 2007 £000	31st December 2006 £000	30th June 2007 £000
Equity brought forward	27,529	25,635	25,635
Profit for the period	7,315	463	470
Other recognised gains	-	-	2,534
Equity dividends paid	(740)	(740)	(1,110)
Equity carried forward	34,104	25,358	27,529

8. RECONCILIATION OF OPERATING PROFIT TO NET CASH (USED IN)/FROM OPERATIONS

	6 months ended 31st December 2007 £000	6 months ended 31st December 2006 £000	Year ended 30th June 2007 £000
Operating profit	6,725	1,458	1,626
Depreciation	749	877	1,720
Impairment of goodwill	845	-	-
(Profit)/loss on disposal of property, plant and equipment	(9,632)	71	(245)
Loss on disposal of discontinued operation	2,668	-	-
Current service pension cost	130	130	180
Decrease in inventories	153	1,904	3,205
(Increase)/decrease in receivables	(2,289)	(23)	26
(Decrease)/increase in payables	(1,091)	(331)	140
Contributions to defined benefit pension scheme	(2,600)	(1,080)	(2,170)
Net cash (used in)/from operations	(4,342)	3,006	4,482

9. TRANSITION TO IFRS

Restatement of Income Statement for the 6 months ended 31st December 2006

	UK GAAP 6 months ended 31st December 2006 £000	Reversal of goodwill amortisation 6 months ended 31st December 2006 £000	IFRS 6 months ended 31st December 2006 £000
Revenue	34,260	-	34,260
Operating costs	(32,774)	440	(32,334)
Exceptional costs	(468)	-	(468)
Total operating costs	(33,242)	440	(32,802)
Operating profit	1,018	440	1,458
Net interest payable and similar charges	(237)	-	(237)
Other finance costs	(250)	-	(250)
Profit before taxation	531	440	971
Taxation	(508)	-	(508)
Profit for the period	23	440	463
Earnings per share (basic and diluted)	0.05p	0.95p	1.00p

In addition to the above adjustment, the results have been analysed between continuing operations and discontinued operations on the face of the consolidated income statement.

Restatement of Statement of Recognised Income and Expense for the 6 months ended 31st December 2006

UK GAAP	Reversal of goodwill	IFRS

	6 months ended 31st December 2006 £000	amortisation 6 months ended 31st December 2006 £000	6 months ended 31st December 2006 £000
Profit attributable to shareholders of the group	23	440	463
Actuarial gains recognised in the pension scheme	-	-	-
Total recognised gains relating to the period	23	440	463

Restatement of Income Statement for the year ended 30th June 2007

	UK GAAP year ended 30th June 2007 £000	Reversal of goodwill amortisation year ended 30th June 2007 £000	Reclassification of profit on sale of property year ended 30th June 2007 £000	IFRS year ended 30th June 2007 £000
Revenue	65,330	-	-	65,330
Operating costs	(63,838)	881	-	(62,957)
Exceptional costs	(937)	-	190	(747)
Total operating costs	(64,775)	881	190	(63,704)
Operating profit	555	881	190	1,626
Exceptional profit on sale of property	190	-	(190)	-
Net interest payable and similar charges	(527)	-	-	(527)
Other finance costs	(310)	-	-	(310)
(Loss)/profit before taxation	(92)	881	-	789
Taxation	(319)	-	-	(319)
(Loss)/profit for the period	(411)	881	-	470
(Loss)/earnings per share (basic and diluted)	(0.89)p	1.91p	0.00p	1.02p

In addition to the above adjustments, the results have been analysed between continuing operations and discontinued operations on the face of the consolidated income statement.

Restatement of Statement of Recognised Income and Expense for the year ended 30th June 2007

	UK GAAP year ended 30th June 2007 £000	Reversal of goodwill amortisation year ended 30th June 2007 £000	Reclassification of profit on sale of property year ended 30th June 2007 £000	IFRS year ended 30th June 2007 £000
(Loss)/profit attributable to shareholders of the group	(411)	881	-	470
Actuarial gains recognised in the pension scheme	2,534	-	-	2,534
Total recognised gains relating to the period	2,123	881	-	3,004

Restatement of Balance Sheet as at 31st December 2006

	UK GAAP 31st December 2006 £000	Reversal of goodwill amortisation 31st December 2006 £000	Reclassification of deferred tax 31st December 2006 £000	IFRS 31st December 2006 £000
Non-current assets				
Property, plant and equipment	15,226	-	-	15,226
Goodwill	12,417	440	-	12,857
Deferred tax asset	-	-	1,749	1,749
	27,643	440	1,749	29,832
Current assets				
Inventories	14,613	-	-	14,613
Trade and other receivables	9,236	-	-	9,236
Prepayments and accrued income	1,086	-	-	1,086
Cash and cash equivalents	770	-	-	770
	25,705	-	-	25,705
Total assets	53,348	440	1,749	55,537
Current liabilities				
Trade and other payables	(7,696)	-	-	(7,696)
Tax liabilities	(243)	-	-	(243)
Accruals and deferred income	(3,535)	-	-	(3,535)
Bank overdrafts and loans	(5,705)	-	-	(5,705)
	(17,179)	-	-	(17,179)
Non-current liabilities				
Deferred taxation	(2,151)	-	2,151	-
Pension deficit	(9,100)	-	(3,900)	(13,000)
	(11,251)	-	(1,749)	(13,000)
Total liabilities	(28,430)	-	(1,749)	(30,179)
	24,918	440	-	25,358
Equity				
Called up share capital	11,561	-	-	11,561
Share premium account	504	-	-	504
Capital redemption reserve	2,395	-	-	2,395
Profit and loss account	10,458	440	-	10,898
	24,918	440	-	25,358

Restatement of Balance Sheet as at 30th June 2007

	UK GAAP	Reversal of goodwill amortisation	Reclassification of deferred tax	Reclassification of assets held for resale	IFRS
	30th June 2007	30th June 2007	30th June 2007	30th June 2007	30th June 2007
	£000	£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	15,729	-	-	(5,643)	10,086
Goodwill	11,976	881	-	-	12,857
Deferred tax asset	-	-	416	-	416
	27,705	881	416	(5,643)	23,359
Current assets					
Inventories	13,312	-	-	-	13,312
Trade and other receivables	9,597	-	-	-	9,597
Prepayments and accrued income	1,085	-	-	-	1,085
Cash and cash equivalents	176	-	-	-	176
	24,170	-	-	-	24,170
Non-current assets classified as held for resale	-	-	-	5,643	5,643
Total assets	51,875	881	416	-	53,172
Current liabilities					
Trade and other payables	(8,788)	-	-	-	(8,788)
Tax liabilities	-	-	-	-	-
Accruals and deferred income	(3,061)	-	-	-	(3,061)
Bank overdrafts and loans	(5,394)	-	-	-	(5,394)
	(17,243)	-	-	-	(17,243)
Non-current liabilities					
Deferred taxation	(2,104)	-	2,104	-	-
Pension deficit	(5,880)	-	(2,520)	-	(8,400)
	(7,984)	-	(416)	-	(8,400)
Total liabilities	(25,227)	-	(416)	-	(25,643)
	26,648	881	-	-	27,529
Equity					
Called up share capital	11,561	-	-	-	11,561
Share premium account	504	-	-	-	504
Capital redemption reserve	2,395	-	-	-	2,395
Profit and loss account	12,188	881	-	-	13,069
	26,648	881	-	-	27,529

Restatement of Balance Sheet as at 30th June 2006

	UK GAAP	Reclassification of deferred tax	IFRS
	30th June 2006	30th June 2006	30th June 2006
	£000	£000	£000
Non-current assets			
Property, plant and equipment	15,107	-	15,107
Goodwill	12,857	-	12,857
Deferred tax asset	-	2,039	2,039
	27,964	2,039	30,003
Current assets			
Inventories	16,517	-	16,517
Trade and other receivables	9,150	-	9,150
Prepayments and accrued income	1,266	-	1,266
Cash and cash equivalents	537	-	537
	27,470	-	27,470
Total assets	55,434	2,039	57,473
Current liabilities			
Trade and other payables	(7,945)	-	(7,945)
Tax liabilities	(570)	-	(570)
Accruals and deferred income	(3,649)	-	(3,649)
Bank overdrafts and loans	(5,235)	-	(5,235)
	(17,399)	-	(17,399)
Non-current liabilities			
Bank loans and loan notes	(739)	-	(739)
Deferred taxation	(2,071)	2,071	-
Pension deficit	(9,590)	(4,110)	(13,700)
	(12,400)	(2,039)	(14,439)
Total liabilities	(29,799)	(2,039)	(31,838)
	25,635	-	25,635
Equity			
Called up share capital	11,561	-	11,561
Share premium account	504	-	504
Capital redemption reserve	2,395	-	2,395
Profit and loss account	11,175	-	11,175
	25,635	-	25,635

10. DISPOSAL OF SUBSIDIARY UNDERTAKING

On 2nd November 2007 the group disposed of its interest in the entire issued share capital of Sirdar Spinning Limited which comprised the whole of the group's specialist yarns division. Net assets disposed of comprised:

	£000
Plant and equipment	721
Inventories	3,075
Receivables	3,871
Cash and cash equivalents	150
Payables	(2,152)
Corporation tax	(188)
Deferred tax	(100)
	5,377
Loss on disposal	(2,668)
Proceeds of disposal (net of expenses of £91,000)	2,709

The disposal proceeds consisted of £2,500,000 paid in cash at completion plus £300,000 of loan notes.
In the consolidated balance sheet these loan notes are included in trade and other receivables.

The results of the subsidiary disposed of are presented as discontinued activities in the income statement.
Operations of discontinued activities used cash of £3,145,000 in the period (31st December 2006: generated £527,000, 30th June 2007: generated £1,086,000) and investing activities of discontinued activities used cash of £3,000 in the period (31st December 2006: £435,000, 30th June 2007: £624,000).

OTHER INFORMATION
The interim results are unaudited.
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.

ENDS