BRAIME
GROUP PLC
2019

Braime Group PLC
(formerly T.F & J.H Braime (Holdings) P.L.C.)
Annual Report & Accounts 2019

Braime Group PLC...A rich heritage

The Group has a rich heritage, tracing back its origins to the 19th century, when oilcans made in a small workshop by Thomas Braime quickly gained a reputation for quality. Thomas, the eldest son of a veterinary surgeon, was apprenticed to McLaren, an engineering company manufacturing steam traction engines, but after losing his thumb in an accident, was inspired to look for effective ways to apply oil to machinery. In 1888, he set up production in Hunslet, Leeds, using the new pressings technology. His younger brother Harry, also a skilled engineer joined him as partner. The rise of the motor industry increased demand for metal pressings and larger premises were soon needed for the expanding business. The current Braime buildings, with its attractive red brick and terracotta frontage, was constructed between 1911 and 1914. During the First World War, the Company played an important role in armament provision, training women as skilled munition workers. The Group's headquarters remains its listed buildings on Hunslet Road, the beautiful interiors are often used in film sets. However, today, the Group is truly international with subsidiaries in North America, Europe, China, South East Asia, Africa and Australia.

1888 Thomas Braime sets up production of steel pressings in Hunslet

1909 Braime introduces the first seamless steel bucket

1971 Foundation of 4B Braime Components, to serve the bucket elevator & conveyor market

1984 Launch of 4B's electronic components range
Foundation of 4B's first international subsidiary: 4B Elevator Components, near Chicago, USA

1991 4B acquires the French elevator company SETEM, which becomes known as 4B France

2003 The Group opens regional office in Thailand: 4B Asia Pacific

2005 The Group moves into Germany with 4B Deutschland

2008 The Group opens a subsidiary in South Africa to serve the subsaharian market: 4B Africa

2010 The Group establishes operations in Brisbane, Australia

2018 The Group establishes Chinese operations in Changzhou, China

2019 Commemoration of 130 years of "Engineering Excellence"

Contents

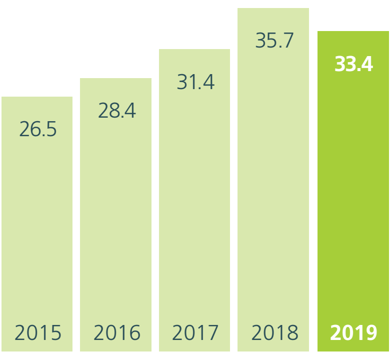
"We are in unknown territory with Covid-19. Whilst the Group is currently in a relatively fortunate position, we are taking the necessary steps to ensure we remain flexible."

Nicholas Braime, Chairman
12th May 2020

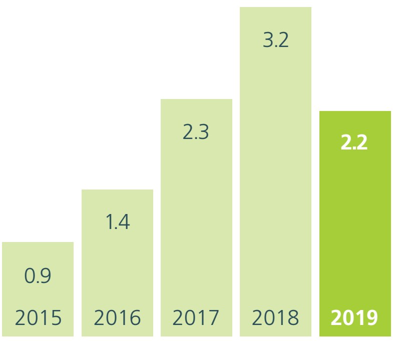
Pressed steel elevator buckets
Signature Braime product for over 100 years.
This model "Super Starco" can lift 500 tons per hour of grain

Financial Highlights 2019

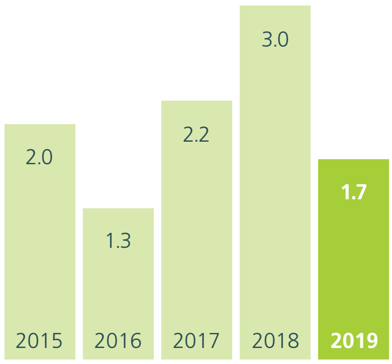
Turnover (£m)



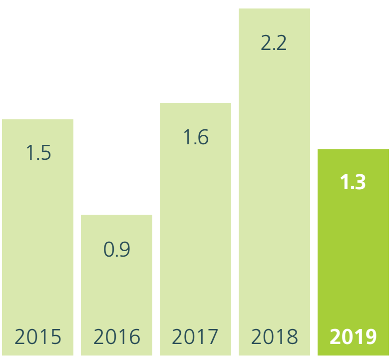
Profit from operations (£m)



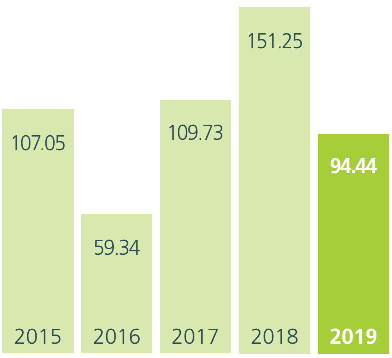
Profit before tax (£m)



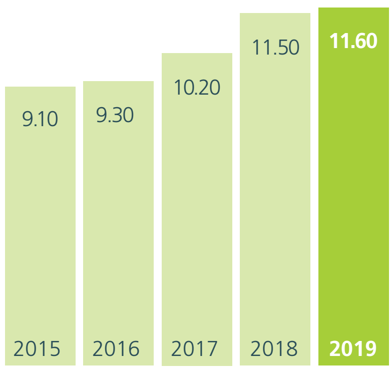
Profit after tax (£m)



Basic and diluted earnings per share (pence)



Dividend per share (pence)



Group at a glance

Principal activities

The Group manufactures deep drawn metal presswork and distributes material handling components and monitoring equipment. Manufacturing activity is delivered through Braime Pressings Limited and the distribution activity is through the 4B division.

Our strategy

The main area of the business is the supply of goods and services for handling and processing industrial, and in particular, agricultural commodities. This sector is currently a growth industry with a global market. Our strategy is to invest in increasing our market reach while continuing to develop new products. We recently launched our latest subsidiary, 4B China, in Changzhou, Jiangsu province of China having closely consulted on local opportunities with our key customers in the region.

We continue to enhance features of our secure, cloud based industrial monitoring solution, Hazardmon which is revolutionary for introducing greater levels of transparency and record keeping.

We will continue to investigate new geographical markets.

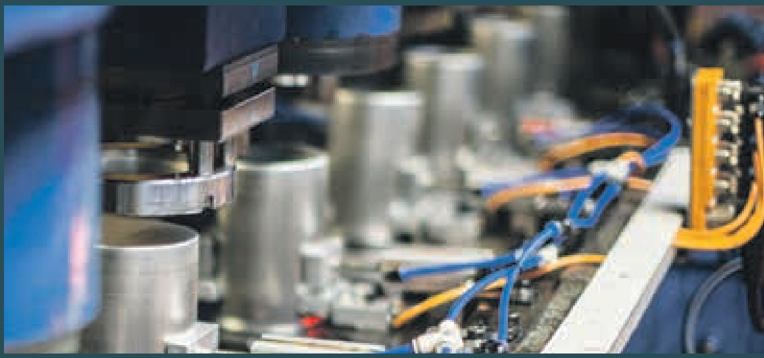
BRAIME PRESSINGS

Braime Pressings specialises in metal presswork, including deep drawing, multi-stage progression and transfer presswork.

Braime Pressings has 130 years of manufacturing experience and a proven record of world class supply to the automotive industry and a range of other markets. It offers innovative solutions to customer requirements and exceed expectations on cost, quality and delivery.

We specialise in the manufacture of the following:

- Deep Drawn Presswork
- Multi Stage Progression
- Transfer Presswork
- Robot Technology
- Sub Assembly



Braime Pressings prides itself on the maintenance and continual improvement of a full quality management system and is accredited to IATF-ISO.

For more information please visit:
www.braimepressings.com

4B GROUP "Better by design"

The 4B division consists of the following companies

- 4B Braime Components Limited, operating from Leeds, UK
- 4B Elevator Components Limited, operating from Morton, Illinois, USA
- 4B-France sarl, operating from Lamotte Warfusee, France
- 4B Africa Elevator Components (Pty) Limited, operating from Johannesburg, South Africa
- 4B Australia Pty Limited, operating from Queensland, Australia
- 4B Asia Pacific Company Limited, operating from Samutprakam, Thailand
- Most recently, the Group opened a new operation, 4B Braime (Changzhou) Industrial Control Equipment Co Limited, operating from Changzhou, China.

The 4B division is an industry leader in developing high quality, innovative and dependable material handling components for the agricultural and industrial sector, from elevator buckets to forged conveyor chain and level monitors to hazard monitors. 4B works in close partnership with its customers on new designs and on the upgrade of existing elevators and conveyors machines.

For more information please visit: **www.go4b.com**

Chairman's statement

Nicholas Braime
Chairman

A big thank you to all our staff

I want to begin this year's Statement by thanking our staff in the UK and overseas for their support. At a time when everyone is naturally worried for themselves and for their families, our staff have shown courage, resilience, and a willingness to learn new skills so they can cover for their colleagues. Their ongoing support has been amazing.

Variously they have been working from home or coming into work on a rota basis, and where necessary, many staff at all levels have continued to work on site in both office and manufacturing settings. In turn, we have tried our very best in all our locations to create a safe environment and to enable social-distancing.

Our current trading position

As a result of our staff's huge efforts, we have been able to continue processing, manufacturing and shipping customer orders. Demand for our products has remained high in the UK and globally. Our manufacturing business supplies oil filters that have to be replaced four times a year to keep modern commercial vehicles on the road; equally our material handling components are essential to distribute and process the cereals used to produce food.

To meet this demand, we have had to re-introduce manufacturing on a 24-hour basis, which is particularly challenging in the current circumstance. It is only possible because of the flexibility shown by our staff. Some of our overseas subsidiaries were forced to shut temporarily but have all now re-opened, including 4B China. Other subsidiaries, which were initially closed, have reopened with certificates exempting them from local "lockdowns" due to the importance of maintaining their supplies.

We are increasingly confident that by continuing to support our customers, we will be able to pull through, survive as a business, maintain long term employment and achieve a positive future for us all.

Summary of 2019 results

The world has changed and 2019 now seems a particularly long time ago. In 2019, the Group's sales revenue fell by 6.4% from £35.7m to £33.4m but the operating profit fell from £3.2m to £2.2m. After deducting interest charges and tax, the net profit in 2019 was down £0.9m to £1.3m.

In last year's Statement on the 2018 result, I indicated that the results were exceptional due to high demand in the US market. In an already exceptional year for sales, margins had been further boosted by the steep fall in sterling which substantially increased the local gross margins of goods exported from the UK, which make up the majority of Group sales. The results in 2018 were then further enhanced when overseas profits were consolidated back into sterling.

In my Chairman's Statement for 2018 and my Interim Statement in 2019, I also warned that revenues in the year in progress had already been effected by much weaker global demand due to the reduction in investment following the severe droughts in South America and Australia in late 2018, by the general economic slowdown in the European market in 2019, and by the negative effect on the US Agricultural market caused by Trump's Trade War with China. Additionally, sterling strengthened when the UK left the EU, reversing some of the FX gains which had contributed to the very strong results in 2018.

The Group's concentration on the agricultural market, a long-term growth sector, is one of our strengths but it does expose our business to the year on year fluctuations in the agricultural market. This is an area where we can find a way of reducing our future dependence, but our vulnerability to large fluctuations in the exchange rate is not. We hold funds in a spread of key currencies, but hedging is expensive and ultimately unwinds.

The lower result in 2019, while slightly disappointing, remains a relatively good year when put in context, and falls within the pattern of a long-term increase in the profitability of the Group.

Braime Pressings Limited specialises in the manufacture of deep drawn presswork concentrated on supplies to the commercial vehicle industry. In 2019, we were forced to concede "cost downs" and additionally sales revenue in the year was lower than in 2018. Volume in manufacturing is critical in order to cover high fixed costs, so a small decrease in external revenues resulted in a disproportionate loss of £250,000 in 2019.

The 4B material handling division markets its products through exclusive distributors in approximately 50 countries, 6 regional overseas subsidiaries and 2 overseas branches. The division's niche products, both mechanical and electrical, are focused on providing innovative engineering solutions. External sales in 2019 were £1.4m lower, and together with the other factors explained earlier, this resulted in a reduction in profit of £0.6m in this division.

Capital expenditure

In 2019, the Group invested £1.7m in new plant and machinery compared to £1.8m in 2018. Major investment has gradually transformed the Group's manufacturing facilities. The increase in the outstanding balance of depreciation is a drag on the results, but without steady improvements in taking cost out, the ability to compete in the long term is lost permanently. The investments in 2019 were principally in new manufacturing equipment installed in the UK and USA. More detail is given in the Strategic Report. In the current year, we have no major planned investment in new machinery and the focus is on completing existing projects.

In January, we announced an investment in a new 2,200m^2 facility to enable 4B France to relocate from their outdated and inadequate premises. The decision to construct a modern office and warehouse unit for 4B France, our European distribution business, was a major part of our strategy to mitigate against the potential negative effects of a "No deal" Brexit but remains an essential step to maintain and grow our sales in the European market.

Leasing proved difficult and cost prohibitive and would have necessitated moving to a more expensive location, in Amiens, 25km away, and also required us to compensate our staff for an increase in their commuting distance. Instead, we purchased land from an adjacent commune, Villers Bretonneux, and are constructing new bespoke premises, which will improve operating efficiencies and have the additional benefit of almost immediate access to the French motorway network. The total project cost is €2.2m, financed by a cash investment of €0.5m and bank loans of €1.7m borrowed at 1.3% per annum. Relocation is planned for February 2021.

Cash and financial position

After funding capital investments, expenditure and working capital, cash outflow at the end of 2019 was £0.8m. More detail follows in the Strategic Review. Currently, the Group has available headroom of £2.3m which we believe is more than sufficient to operate the business, even allowing for the current exceptional circumstances.

Free Trade Agreement with the EU

After three years wasted by internal fighting, and following the clear result of the last UK election, the UK finally left the EU on the 31st January 2020. Hopefully this painful chapter is finally closed and the position of the UK Government is unambiguous. Although the UK and EU have not yet reached agreement on the terms of a Free Trade Deal, given that it remains in their mutual self-interest, and even more so now in the dire economic circumstances caused by the Coronavirus epidemic, a failure to do so is almost unimaginable. No doubt, as usual, final agreement will only be achieved at the very last moment.

Dividend

In October 2019 the first interim dividend was increased from 3.5p to 3.6p. It had been the Board's intention to increase the second interim dividend but after careful thought, the directors have decided it is no longer appropriate to do so and instead have decided to maintain last year's dividend of 8.0p, making a total dividend for the year of 11.6p. The second interim dividend of 8.0p will be paid on the 5th June 2020 to the holders of Ordinary and 'A' Ordinary Shares on the 22nd May 2020.

2020 AGM

At the time of writing, the UK government has prohibited public gatherings and non-essential travel. The 2020 AGM will therefore be run as a closed meeting and shareholders will unfortunately not be able to attend in person. Shareholders are strongly encouraged to submit a proxy vote in advance of the meeting and details of how to do this can be found on the notes to the Notice on page 61. Shareholders are encouraged to appoint the Chairman of the meeting as their proxy rather than a named person who will not be permitted to attend the meeting. This will ensure your votes are cast in accordance with your wishes.

Cold-drawn headed bolts
Elevator bucket bolts in production

Longer-term outlook and strategy

In both March and April, we have achieved sales revenues very close to our original budget set in December 2019 and demand is likely to remain at similar levels for the next few months. While forward orders have now fallen very slightly, our customers advise us that they currently have several months backlog for projects for completion in 2020, which has built up due to the temporary closure of construction sites. So, our subsidiaries are hopeful of a "bounce" once manufacturing and construction sites re-open.

It is important to emphasise that this is all subject to change, as we are in unknown territory and whilst the Group is currently in a relatively fortunate position, we are taking the necessary steps to ensure we remain flexible, carefully managing our cashflow, and keeping expenditure under constant review.

Going further forward, a decline in the new build of commercial vehicles is a strong possibility as demand for new commercial vehicles is likely to fall in the current climate. Similarly, while our OEM customers who manufacturing new handling and processing facilities, currently have full order books for projects to be completed in 2020, it is likely that order books will not be refilled quickly by new equipment for projects in 2021, as the appetite for risk and investment declines and finance becomes less available.

We need to start immediately on finding new ways of working for all our staff, both those on site and those working from home. At the same time, we must prepare ourselves for the likelihood of lower demand while the world economy struggles to recover and concentrate ourselves on reducing cost and increasing efficiency.

Our policy has always been to stay close to our customers and we will have to find innovative ways of achieving this. Above all we need to refocus on our long-term strategy of introducing new products and new customers to compensate for the decline in existing products if we are to maintain the recent growth of the Braime Group.

Nicholas Braime, Chairman
12th May 2020

Group strategic report

The directors present their strategic report of the Company and the Group for the year ended 31st December 2019.

Principal activities

The principal activities of the Group during the year under review was the manufacture of deep drawn metal presswork and the distribution of material handling components and monitoring equipment. Manufacturing activity is delivered through the Group's subsidiary Braime Pressings Limited and the distribution activity through the Group's 4B division.

Braime Pressings specialises in metal presswork, including deep drawing, multi-stage progression and transfer presswork. Founded in 1888, the business has over 130 years of manufacturing experience. The metal presswork segment operates across several industries including the automotive sector and supplies external as well as group customers.

The subsidiaries within the 4B division are industry leaders in developing high quality, innovative and dependable material handling components for the agricultural and industrial sectors. They provide a range of complementary products including elevator buckets, elevator and conveyor belting, elevator bolts and belt fasteners, forged chain, level monitors and sensors and controllers for monitoring safety and providing preventative maintenance systems which facilitate handling and minimise the risk of explosion in hazardous areas. The 4B division has operations in the Americas, Europe, Asia, Australia and Africa and export to over fifty countries. The US subsidiary also has a new injection-molding plant. All injection-molded products are made wholly for internal consumption and this is classed as 4B division activity rather than included in the manufacturing segment.

Performance highlights

For the year ended 31st December 2019, the Group generated revenue of £33.4m, down £2.3m from prior year. Profit from operations was £2.2m, down £1.0m from prior year. EBITDA was £3.5m. At 31st December 2019, the Group had net assets of £14.3m. The full year results are in line with expectations at the half-year, when there were indications that the agricultural markets globally were seeing a reduction in activity, in part due to the continuing US-Sino tariff retaliations.

Cash flow

Inventories increased by £0.7m and trade and other receivables decreased by £1.0m reflecting the reduced sales activity. These were partly offset by a decrease in our trade and other payables of £1.5m. In total the business generated funds from operations of £1.7m (2018 – £2.4m). The group maintained its programme of investment during the year, spending £1.7m on capital items. After the payment of other financial costs and the dividend, the cash balance (net of overdraft) was £0.7m, a decrease of £0.8m from the prior year.

Bank facilities

The Group's operating banking facilities are renewed annually. The arrangements with HSBC provide sufficient headroom to the Group and have allowed us to make the necessary investments in the year. The business has good relations with its bankers who are cognizant of the general economic uncertainties facing the business as a result of the corona virus outbreak and the yet unknown trading rules that will apply when transitional arrangements for Brexit terminate at the end of the year. The Group has kept abreast of government backed loans and grants and will apply for relevant funding as appropriate to its needs.

Taxation

The tax charge for the year was £0.4m, with an effective rate of tax of 23% (2018 – 26%). The effective rate is higher than the standard UK tax rate of 19% (2018 – 19%), this results from the blending effect of the different rates of tax applied by each of the countries in which the Group operates, in particular, our operations in the US less group reliefs available from losses. In any financial year the effective rate will depend on the mix of countries in which profits are made, however the Group continues to review its tax profile to minimise the impact.

Capital expenditure

In 2018, the Group invested £1.7m (2018 – £1.8m) in plant and equipment. £0.3m relates to the purchase of a new injection molding machine in the USA. Other major investments relate to installation of two hydraulic presses and a bolt forming machine in the UK, as well as a 190KW solar panel system which will provide circa 25% of the UK businesses' electricity requirements. The Group also introduced an automated components washer. Our chief investment plan in 2020 is the set-up of a new warehouse for 4B France at a cost of €2.2m. This will be partly funded from existing cash resources and bank facilities. In addition, Bank of Credit du Nord and BPI-France are jointly providing a loan of €1.7m repayable over 15 years at an interest rate of 1.3%. In the light of the Covid-19 pandemic we are keeping a careful review of the timing of funds draw-down.

Balance sheet

Net assets of the Group have increased to £14.3m (2018 – £13.3m). A foreign exchange loss of £0.3m (2018 – gain of £0.2m) was recorded on the re-translation of the net assets of the overseas operations, which has decreased retained earnings in the year.

Principal exchange rates

The Group reports its results in sterling, its presentational currency. The Group operates in six other currencies and the principal exchange rates in use during the year and as at 31st December 2018 are shown in the table below. Following the exit of the UK from the EU, sterling strengthened against many of the currencies in which we operate and consequently as mentioned above the Group's reserves decreased by £0.3m from losses in foreign currency translations.

Currency	Symbol	Average rate Full year 2019	Average rate Full year 2018	Closing rate 31st Dec 2019	Closing rate 31st Dec 2018
Australian Dollar	AUD	1.8399	1.787	1,8834	1.809
Chinese Renminbi (Yuan)	CNY	8.8096	8.700	9.1501	8.676
Euro	EUR	1.1443	1.130	1.1765	1.115
South African Rand	ZAR	18.4531	17.627	18.5475	18.364
Thai Baht	THB	39.5778	42.962	39.3460	41.301
United States Dollar	USD	1.2807	1.332	1.3210	1.277

STRATEGY DRIVERS

ENGINEERING LED	IDENTIFY OPPORTUNITIES	STRONG RELATIONSHIPS	LONG TERM	VALUED EMPLOYEES
Engineering led business focussed on the needs of the end user	Identify opportunities to suit local conditions and local markets	Strong relationships with long term partners	Long term outlook – continuing to invest in designs and new machinery	Place value on employee engagement – loyalty and creativity and entrepreneurship

Our business model

The two segments of the Group are very different operations and serve different markets, however together they provide diversification, strength and balance to the Group and their activities.

The focus of the manufacturing business is to produce quality, technically demanding components. The use of automated equipment allows us to produce in high volumes whilst maintaining flexibility to respond to customer demands.

The material handling components business operates from a number of locations around the globe allowing us to be close to our core markets. The focus of the business is to provide innovative solutions drawing on our expertise in material handling and access to a broad product range.

Performance of Braime Pressings Limited, manufacturer of deep drawn metal presswork

Braime Pressings Limited sales fell by £1.3m compared to prior year. Intercompany sales and external sales were £3.4m each as compared to £3.9m and £4.3m respectively in 2018. This has resulted in a loss for the period of £0.3m (2018 – profit £0.1m). The manufacturing arm continues to face pricing pressures in a highly competitive environment, however the board believes the business continues to add strategic value through its supply to the 4B division and complementary engineering expertise.

Performance of the 4B division, world wide distributor of components and monitoring systems for the material handling industry

Revenues fell from £37.9m to £36.2m, with external sales down £1.4m. The 4B group sales were affected by the US-Sino trade war but a significant reduction in sales was in the UK and European market which fell by £1.4m compared to 2018. Last year's sales were particularly high due to stock build in anticipation of Brexit. Profit for the period fell by £0.6m to £1.8m as a result of reduced sales.

We continue to invest in product development and enhance features of our secure, cloud based industrial monitoring solution, Hazardmon which is revolutionary for introducing greater levels of transparency and record keeping.

The Covid-19 pandemic casts a long shadow over the global economy and all businesses. It is too early to assess its impact on the Group's performance in 2020 and revenues and profits may be affected over the coming months. The Group's underlying business model is on a solid base and its wide geographical presence in the agricultural equipment sector, which is essential for the maintenance of food supply, provides it with some buffer in the current turbulent economic climate. With the continuing support of its bankers, the loyalty of its dedicated employees and its longstanding customers and partners, the Group remains positive it will weather these adversities.

Key performance indicators

The Group uses the following key performance indicators to assess the performance of the Group as a whole and of the individual businesses:

Key performance indicator	Note	2019	2018
Turnover growth	1	(6.4%)	13.6%
Gross margin	2	49.1%	48.4%
Operating profit	3	£2.21m	£3.24m
Stock days	4	176 days	141 days
Debtor days	5	57 days	56 days

Notes to KPI's

1. Turnover growth

The Group aims to increase shareholder value by measuring the year on year growth in Group revenue. Whilst 2019 is down on the prior year, 2018 was an exceptional year, with sales increasing from stock-build up by customers in anticipation of Brexit.

2. Gross margin

Gross profit (revenue plus change in inventories less raw materials used) as a percentage of revenue is monitored to maximise profits available for reinvestment and distribution to shareholders. The year on year improvement in margin has resulted from operational efficiencies in the supply chain.

3. Operating profit

Sustainable growth in operating profit is a strategic priority to enable ongoing investment and increase shareholder value. Reduced turnover has impacted operating profit which has also been affected by sterling strengthening. The Group's investment in new plant and machinery over the past two years has increased its depreciation expense.

4. Stock days

The average value of inventories divided by raw materials and consumables used and changes in inventories of finished goods and work in progress expressed as a number of days is monitored to ensure the right level of stocks are held in order to meet customer demands whilst not carrying excessive amounts which impacts upon working capital requirements. Stockholding has increased in part due to the timing of orders in the UK close to the year end.

5. Debtor days

The average value of trade receivables divided by revenue expressed as a number of days. This is an important indicator of working capital requirements. Debtor days still average within the standard payment terms of 60 days, however senior management are focused on reducing this to improve cash.

Other metrics monitored weekly or monthly include quality measures (such as customer complaints), raw materials buying prices, capital expenditure, line utilisation, reportable accidents and near-misses.

Group strategic report (continued)

Adoption of new standard IFRS 16

The Group adopted IFRS 16 at 1st January 2019. Please refer to note 9 for details.

Principal risks and uncertainties

Coronavirus Covid-19

At the time of writing, the Covid-19 pandemic presents by far the largest risk and uncertainty facing all businesses world-wide. The risk presents itself in various forms, including but not limited to the threat of continuity of supplies, the health of our employees, the ability of customers to meet payments, and currency fluctuations resulting from government interventions.

The Group supplies essential components parts into the agricultural materials handling sector and it is anticipated that governments will take all necessary steps to protect the food supply chain. Consequently, the Group does not expect that governments will shut down its operations (at least not for any length of time) as has been the case with the hospitality and leisure industries. Early indications are that demand for staple milled products such as rice and flour is on the increase. Nevertheless, threats emerge from key personnel becoming infected with the virus, suppliers being unable to fulfil orders, be it raw materials or inventory supplies or logistics partners unable to conduct deliveries. The Group has invoked its Business Continuity Plan and as far as possible put in place contingency measures to maintain operations, including the retraining of personnel in key processes, social distancing and reviewing alternative suppliers. The Group's key objective is to ensure the safety and well-being of our employees, while continuing to trade as normally as possible. The Group is closely monitoring developments with its various subsidiaries as new announcements unfold, to ensure that the businesses can respond with agility to guidance and mandates, and in order to avail itself of the relevant government support as they become available.

General risks

The market remains challenging for our manufacturing division, due to pricing pressures throughout the supply chain. The maintenance of the TS16949 quality standard is important to the Group and allows it to access growing markets within the automotive and other sectors. A process of continual improvement in systems and processes reduces this risk as well as providing increased flexibility to allow the business to respond to customer requirements.

Our 4B division maintains its competitive edge in a price sensitive market through the provision of engineering expertise and by working closely with our suppliers to design and supply innovative components of the highest standard. In addition, ranges of complementary products are sold into different industries. The monitoring systems are developed and improved on a regular basis.

The directors receive monthly reports on key customer and operational metrics from subsidiary management and review these. The potential impact of business risks and actions necessary to mitigate the risks, are also discussed and considered at the monthly board meetings. During the year the directors undertook a formal business continuity planning exercise with respect to its UK operations. The more significant risks and uncertainties faced by the Group are set out below:-

- **Raw material price fluctuation:-** The Group is exposed to fluctuations in steel and other raw material prices and to mitigate this volatility, the Group fixes its prices with suppliers where possible.
- **Reputational risk:-** As the Group operates in relatively small markets any damage to, or loss of reputation could be a major concern. Rigorous management attention and quality control procedures are in place to maximise right first time and on time delivery. Responsibility is taken for ensuring swift remedial action on any issues and complaints.
- **Damage to warehouse or factory:-** Any significant damage to a factory or warehouse will cause short-term disruption. To mitigate these risks, the Group has arrangements with key suppliers to step up supply in the event of a disruption.
- **Brexit impact:-** The Group, along with other businesses, faces economic and political uncertainty in the future resulting from the UK leaving the EU as the trade deal with the EU is yet to be determined when the transitional arrangements end on 31st December 2020. However, the directors consider that its operations in Europe provide the group with further trading options and the fact that three-quarters of the Group's revenues are derived from markets outside the EU provides the Group with some resilience to any impact.
- **Economic fluctuations:-** The Group derives a significant proportion of its profits from outside the UK and is therefore sensitive to fluctuations in the economic conditions of overseas operations including foreign currency fluctuations.

Financial instruments

The operations expose the Group to a variety of financial risks including the effect of changes in interest rates on debt, foreign exchange rates, credit risk and liquidity risk.

The Group's exposure in the areas identified above are discussed in note 17 of the financial statements.

The Group's principal financial instruments comprise sterling and foreign cash and bank deposits, bank loans and overdrafts, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from operations. The main risks arising from the Group's financial instruments can be analysed as follows:

Price risk

The Group has no significant exposure to securities price risk, as it holds no listed equity instruments.

Foreign currency risk

The Group has a centralised treasury function which manages the Group's banking facilities and all lines of funding. Forward contracts are on occasions used to hedge against foreign exchange differences arising on cash flows in currencies that differ from the operational entity's reporting currency.

Credit risk

The Group's principal financial assets are bank balances, cash and trade receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. Credit risk is mitigated by a stringent management of customer credit limits by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The Group also has credit insurance in place. The amounts presented in the balance sheet are net of allowance for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Group's policy has been to ensure continuity of funding through acquiring an element of the Group's fixed assets under finance leases and arranging funding for operations via medium-term loans and overdrafts to aid short term flexibility.

Cash flow interest rate risk

Interest rate bearing assets comprise cash and bank deposits, all of which earn interest at a fixed rate. The interest rate on the bank overdraft is at market rate and the Group's policy is to keep the overdraft within defined limits such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows. The Group's policy is to maintain other borrowings at fixed rates to fix the amount of future interest cash flows.

The directors monitor the level of borrowings and interest costs to limit any adverse effects on the financial performance of the Group.

Health and safety

We maintain healthy and safe working conditions on our sites and measure our ability to keep employees and visitors safe. We continuously aim to improve our working environments to ensure we are able to provide safe occupational health and safety standards to our employees and visitors. The directors receive monthly H&S reports and we carry out regular risk management audits to identify areas for improvement and to minimise safety risks. Our H&S manager has been involved in formulating plans and procedures in the event of an outbreak of the Covid-19 virus in our premises. As part of our precautionary measures we have introduced social distancing and hand sanitisers in our factory and those able to work from home are enabled to do so. As a global business, the Group is able to tap into the experience of its various international locations to share best practice and learning points.

Research and development

The Group continues to invest in research and development and regularly liaises with university engineering groups with a view to improving features of its products. This has resulted in innovations in the products which will benefit the Group in the medium to long term.

Duties to promote the success of the Company

Section 172 of the Companies Act 2006 requires the directors to act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the most likely consequences of any decision in the long term;
- the interest of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between the members of the Company.

The Board confirms that, during the year, it has had regard to the matters set out above.

Further details as to how the directors have fulfilled their duties are set out below and in the Governance Report which in particular, expands on directors' duties and stakeholder liaison.

Business ethics and human rights

The Board is respectful of the Company's long history, and considers the long-lasting impact of its decisions. We are committed to conducting our business ethically and responsibly, and treating employees, customers, suppliers and shareholders in a fair, open and honest manner. As a business, we receive audits by both our independent auditors and by our customers and we look to source from suppliers who share our values. We encourage our employees to provide feedback on any issues they are concerned about and have a whistle-blowing policy that gives our employees the chance to report anything they believe is not meeting our required standards.

The Group is similarly committed to conducting our business in a way that is consistent with universal values on human rights and complying with the Human Rights Act 1998. The Group gives appropriate consideration to human rights issues in our approach to supply chain management, overseas employment policies and practices. Where appropriate, we support community partnering.

Employees

The quality and commitment of our people has played a major role in our business success. This has been demonstrated in many ways, including improvements in customer satisfaction, the development of our product lines and the flexibility they have shown in adapting to changing business requirements. Employee performance is aligned to the achievement of goals set within each subsidiary and is rewarded accordingly. Employees are encouraged to use their skills to best effect and are offered training either externally or internally to achieve this. As a global business, the Group fully recognises and seeks to harness the benefits of diversity within its work force. The Group is grateful to its employees for continuing to come to work in what is a worrying time for themselves and their families.

Environment

The Group's policy with regard to the environment is to understand and effectively manage the actual and potential environmental impact of our activities. Operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. The Group continuously looks for ways to harness energy reduction (electricity and gas) and water. In 2019, the Company installed a 190KW solar system on its UK premises, this green energy will provide 25% of the UK's current electricity requirements. During the period of this report the Group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

Social and community matters

We recognise our responsibility to work in partnership with the communities in which we operate and we encourage active employee support for their community in particular, in aid of technical awareness and training. During the year, we participated in a number of education events encouraging interest in engineering in young people. It is our policy not to provide political donations.

On behalf of the board

Cielo Cartwright, Group Finance Director
12th May 2020

The Board

Nicholas Braime

Chairman

Nicholas Braime was appointed Chairman in 1987. He joined the Group in 1972 and was instrumental in the set-up of the 4B division's USA business in 1984, where he spent a number of years before returning as Sales Director for Braime Pressings Limited. Nicholas is also the Group Managing Director and is responsible for overseeing the overseas subsidiaries, with the managing directors of these businesses reporting to Nicholas. Nicholas has built close relationships with the company's key suppliers over several decades and has a clear vision of expansion for the business in strategic locations.

Alan Braime

Group Commercial Director

Alan Braime is the Group Commercial Director. Alan qualified as a chartered accountant with KPMG where he worked for four years before joining the Group. Alan joined the board in 2010. Alan oversees the commercial operations of Braime Pressings Limited and is also responsible for the Group's IT operations and strategy. Alan has spent considerable time on the implementation and development of the Group's ERP systems, giving him a unique perspective into the impact of technology on the group's business drivers.

Carl Braime

Group Sales Director

Carl Braime is the Group Sales Director. Carl joined the Group in 2003 and spent a number of years in South America with the Group prior to being appointed to the board in 2010. He is responsible for overseeing strategic customer relationships, as well as the management of key supply chains in the 4B division. Carl has built up a strong expertise and know-how of the group's product offerings and technologies, and their interdependencies.

Cielo Cartwright

Group Finance Director

Cielo Cartwright, Group Finance Director, joined the Group in January 2018. Cielo qualified as a chartered accountant with EY and has been divisional finance director in various public listed companies including KCOM plc and NEXT plc. She was Group FD of Chaucer Foods, a private-equity owned multinational manufacturer and before joining the Group, she was at Froneri, a JV of Nestle SA. Cielo's extensive experience in international businesses makes her fully attuned to the cultural issues of global operations and their impact on financial management. Cielo is on the board of governors of Leeds Becketts University and is a member of the regional advisory board of Make UK for Yorkshire and the Humber.

Andrew Walker

Non-executive

Andrew Walker, non-executive, is a corporate lawyer. He was the Managing Partner of Simpson Curtis, Senior Partner of Pinsent Curtis, Leeds and former President of the Leeds Chamber of Commerce. Andrew has held a number of non-executive and trustee roles. Andrew is particularly interested in governance matters and his legal training makes his contribution to the discussion of risks particularly valuable.

Peter Alcock

Non-executive

Peter Alcock, non-executive, is a mechanical engineer and brings a deep understanding of engineering processes having been, for 32 years, director of Hunslet Holdings PLC, a key manufacturer of locomotives, mining equipment and machine tools originally founded in 1864 and whose operations now form part of the Wabtec Corporation in the US. Peter is the Senior Independent Director.

Corporate governance report

Chairman's statement on corporate governance

At Braime we recognise that high standards of corporate governance underpin our continuing success.

We continually review the framework within which we operate and the processes implemented to ensure that they reflect the complexities of our business and, whilst acknowledging our size, are also capable of adding value as the business grows to ensure that the stakeholders interests are always aligned with the Company. The Company seeks guidance from the Quoted Companies Alliance, as set out in their 2018 publication, "The QCA Corporate Governance Code".

The board sets out the overall strategic direction for the Group, regularly reviews management performance and ensures that the Group has the right level of resources available to support our strategic goals. The board is satisfied that the necessary controls and resources are in place such that these responsibilities can be properly addressed.

Within the Group we promote a culture of good governance in dealing with all key stakeholders: our employees, our customers and our shareholders. The following report describes our corporate governance structures and processes and how they have been applied throughout the year ended 31st December 2019. The board considers that it has complied with the recommendations of the QCA Code throughout the year with the exception of the role of Chairman and chief executive being fulfilled by a single individual, this is commented on further below.

Principles and approach

As an AIM company, Braime Group PLC is not required to comply with the UK Corporate Governance Code (the 'Code') which applies only to fully listed UK companies and adherence to which requires the commitment of significant resources and cost. However high standards of corporate governance are a key priority of the board and details of how the Company addresses key governance issues are set out in the Corporate Governance section of the Group website by reference to the 10 Principles of Corporate Governance developed by the Quoted Companies Alliance (QCA).

Strategy and risks

The Strategic Report on pages 6 to 9 sets out our strategy, which focuses on increasing our geographical reach in global markets, and developing new products to enhance our offering, particularly in the agricultural commodities sector. Our strategy setting includes review of the principal risks pertaining to the business and the extent to which the Group is able and willing to bear these risks. During the year, the executive directors undertook a business continuity planning exercise to understand its exposure to loss of key staff, suppliers, customers and other natural catastrophic events, enabling the generation of a risk register. The principal risks facing the business are set out in pages 8 and 9 of the Strategic Report. Insurance of key risks is an integral part of the group's risk management framework, and the board actively reviews its cover requirements on an ongoing, and at least annual, basis.

The duties of the board of directors

The board is responsible for the overall operations of the Group, including strategic planning, approval of the annual budget, changes to the Group's financing arrangements, acquisition and disposals, material contract and significant capital expenditure. It meets monthly to discuss reports from the overseas operations and to assess and action areas of significant change, risks and opportunities for the Group.

The board's time can be grouped into six key areas as outlined below. A portion of their time is also spent on administrative matters.

Strategy	• Setting strategic targets. • Reviewing new business developments, including potential acquisitions. • Research and technology.
Risk	• Group's risk and internal control framework.
Governance	• Legal updates and new disclosure requirements. • Internal board review. • Succession planning.
Finance	• Budget approval. • Oversight of the preparation and management of the financial statements. • Dividend policy. • Pensions strategy.
Stakeholder engagement	• AGM and other shareholder feedback. • Investor calls and meetings.
Safety	• Health & safety monthly updates and management.

The powers of the directors are set out in the Company's Articles of Association. In addition, the directors have responsibilities and duties under legislation, in particular the Companies Act 2006.

Composition of the board

During the year ended 31st December 2019 the board comprised 4 executive directors and 2 non-executive directors. The Group Financial Director also serves as Company Secretary to the board.

The board members' experience and areas of expertise can be found in the board biography section on page 10. The board is committed to the promotion of gender balance and diversity within its workforce. There are currently three male executive members and one female executive board member and two male non-executive independent board members.

The Company has periodically held briefings for directors covering regulations that are relevant to their role as directors of an AIM quoted company. Historically, these briefings have coincided with significant changes in regulations and accounting standards, however going forward, the Company proposes that such briefings should be held at a minimum on an annual basis. The Company has not sought external advice on keeping directors' skills up to date but the directors believe that their blend of formal qualifications, past and ongoing experience provides them with the relevant up-to-date skills needed to act as board members for a company of its size.

Corporate governance report (continued)

Board committees

The board operates a number of committees as set out below, these are also available on the Group website.

Remuneration committee

The executive directors' pay is subject to the decision of the whole board and not of a separate committee. However, a separate meeting takes place annually whereby the non-executives receive and consider recommendations from the Chairman of proposed pay for key personnel including executive directors. Any significant awards to senior management are also discussed by the whole board. The Company's policy on directors' remuneration is discussed further in the directors' remuneration report. The directors believe this is adequate for a group of this size.

Audit and risk committee

The whole board formally receives presentation of audit and risk matters from the Group's independent statutory auditors at least once a year. The consideration of business risks is a standing item on the board's agenda. The board considers that the size of the Group does not justify an internal audit function but continues to assess the requirement for an internal audit function under review.

Nomination committee

The Company uses the whole board to consider matters of nomination and succession. The nomination committee ensures there is a robust process for the appointment of new board directors, and works to identify the skills, experience, personal qualities and capabilities required for the next stage in the Company's development, linking the Company's strategy to future changes. The nomination committee also discusses the appointment and replacement of senior management within the Group.

The board members are collectively and legally responsible for promoting the interests of the Company and for defining corporate governance arrangements. Ultimately, the quality of and approach to governance lies with the chair. The QCA Code recommends that there should be a clear division of responsibility between the running of the board and executive responsibilities for running the Company.

The Chairman is responsible for:

- setting the board agenda;
- the leadership of the board and ensuring its effectiveness on all aspects of its role;
- providing strategic insight from his long business experience in the industry and with the Company; and
- providing a sounding board for the executives on key business decisions and challenging proposals where appropriate.

The executive directors are responsible for:

- the day-to-day management of the Group's business;
- leading the business and the rest of the management team in accordance with the strategy agreed by the board;
- leading the development of the Group's strategy with input from the rest of the board;
- leading the management team in the implementation of the Group's strategy; and
- bringing matters of particular significance to the board for discussion and consideration by the board if appropriate.

The roles of Chairman and chief executive are fulfilled by Nicholas Braime. This is a departure from the recommendation of the QCA code however the board considers this practical arrangement enables the Group to utilise Nicholas' deep knowledge of the business and his extensive relationships with key stakeholders, whilst at the same time benefiting from his strategic vision. Given the size of the business, the board believes Nicholas is currently best placed to lead the development and execution of the Group strategy. In his role as Chairman, he is ably supported by the two non-executive directors who actively participate in the development of governance structures. The board will continue to assess these structures as the Group grows.

The role of Company Secretary is fulfilled by Cielo Cartwright, the Group Finance Director. The Company Secretary liaises with the Chairman and the independent directors in the preparation of board meetings, including the timely provision of information. The Company Secretary also acts as a link between the Company and shareholders on matters of governance and investor relations. The Company is aware that at certain times, it may become necessary to separate the role of executive and secretary and should such events occur, takes the appropriate steps to do so.

Board attendance and agenda

The board met 12 times throughout the year. In addition to the regular scheduled meetings throughout the year, unscheduled supplementary meetings may also take place as and when necessary. Directors who are unable to attend a particular meeting receive relevant briefing papers and are given the opportunity to discuss any issues with the Chairman or the Group Finance Director.

To enable the directors of the board to carry out their responsibilities all directors are provided access to all relevant information. The board has a schedule of matters for its discussion, which is reviewed against best practice. A summary of matters reserved for the schedule is available on the Group's website.

In advance of all board meetings the directors are supplied with papers covering the Group's strategy and operations. Members of the executive management team can attend and make presentations as appropriate at meetings of the board.

Details of the number of meetings of the board during the period are set out in the table below. There were no new appointments to the board during the period.

Meeting attendance during 2019

Director	Board (12)	Audit & Risk Committee (1)	Remuneration Committee (1)
O. N. A. Braime	11	1	1
A. Q. Braime	12	1	—
C. O. Braime	10	1	—
C. Cartwright	12	1	—
A. W. Walker	11	1	1
P. J. O. Alcock	11	1	1

Board evaluation

The board continues to evaluate improvements to its conduct of business. Improvements have continued to be implemented throughout the year. During 2019, presentations from MD's of key subsidiaries have taken place to provide the non-executive directors with a greater opportunity to hear the diverse nature of the Group's operations first hand and there is a rolling programme of such presentations set out for 2020.

Performance targets are set as part of the budgeting process. Evaluation of the performance of the board has historically been implemented in an informal manner whereby the Chairman appraised the individual performance of the directors and the non-executives met and appraised the performance of the executives. Going forward, the board will formally review and consider the performance of each director using a process which is currently under development. The process and its results will be published at a future date.

On an ongoing basis, board members maintain a watching brief to identify relevant internal and external candidates who may be suitable additions to or backup for current board members. However, the directors consider that the company is too small to either have an internal succession plan and it would not be cost effective to maintain an external candidate list prior to the need arising. Key performance indicators are set out in the Strategic Report.

Support

Directors can obtain independent professional advice at the Company's expense in performance of their duties as directors. None of the directors obtained independent professional advice in the period under review. All directors have access to the advice and the services of the Company Secretary. In addition to these formal roles, the non-executive directors have access to senior management of the business either by telephone or via involvement at informal meetings. At least annually, our nominated advisor (NOMAD) is invited to a board meeting to provide training updates on directors' duties and any legislative changes.

Directors' conflict of interests

The Companies Act 2006 and the Company's Articles of Association require the board to consider any potential conflicts of interest. The board has procedures for managing and, where appropriate, authorising actual or potential conflicts of interest.

Elevator belts being slit and punched to order
PLC controlled belt slitting and punching operations

Under those procedures, directors are required to declare at board meetings all directorships or other appointments to organisations that are not part of the Group and which could result in actual or potential conflicts of interest, as well as other situations which could result in a potential conflict of interest.

The board is required to review directors' actual or potential conflicts of interest at least annually. Directors are required to disclose proposed new appointments to the Chairman before taking them on, to ensure that any potential conflicts of interest can be identified and addressed appropriately. Any potential conflicts of interest in relation to proposed directors are considered by the board prior to their appointment. In this financial year there have been no declared conflicts of interest.

Elections

The Company's Articles of Association provide that one third of the directors retire by rotation each year at the AGM.

Relations with stakeholders

As required under by Section 172 of the Companies Act 2006, directors preside over the Group for the benefit of all stakeholders. Decisions taken by the board are always cognizant of the impact of each stakeholder group. Fundamentally, the goal is the long-term sustainable growth of the business, which will see returns to shareholders increasing, enable employees to realise their ambitions, and support customers in achieving their goals.

The directors consider the key stakeholders of the Group to fall into the following categories: its employees, its shareholders, customers, suppliers and other business-related parties.

Employees as stakeholders

The directors are committed to providing a working environment that promote employee's wellbeing whilst facilitating their performance. Further details of employee engagement can be found in the Group Strategic Report.

Corporate governance report (continued)

Shareholders as stakeholders

The board recognises and values the importance of good communications with all shareholders. The Company engages with shareholders through the Group's website and at the AGM. At the AGM, a presentation of the business activity and outlook is presented by the Chairman. The feedback from shareholders attending the most recent AGM has been very positive. Responsibility for shareholder liaison rests with the Chairman, and in his absence, with the Company Secretary. All reports and updates are made available on the Group's website.

The AGM provides all shareholders with the opportunity to develop further their understanding of the Company. It is the principal forum for all the directors to engage in dialogue with private investors. All shareholders are given the opportunity to raise questions on any matter at the meeting. The Group aims to send notices of Annual General Meetings to shareholders at least 21 clear days before the meeting. Notices of the AGM are available on the Group's website. Following the AGM the voting results for each resolution are published and are available on the Group's website. The Group's website www.braimegroup.com provides all historical RNS announcements, interim reports and annual reports.

Customers and other stakeholders

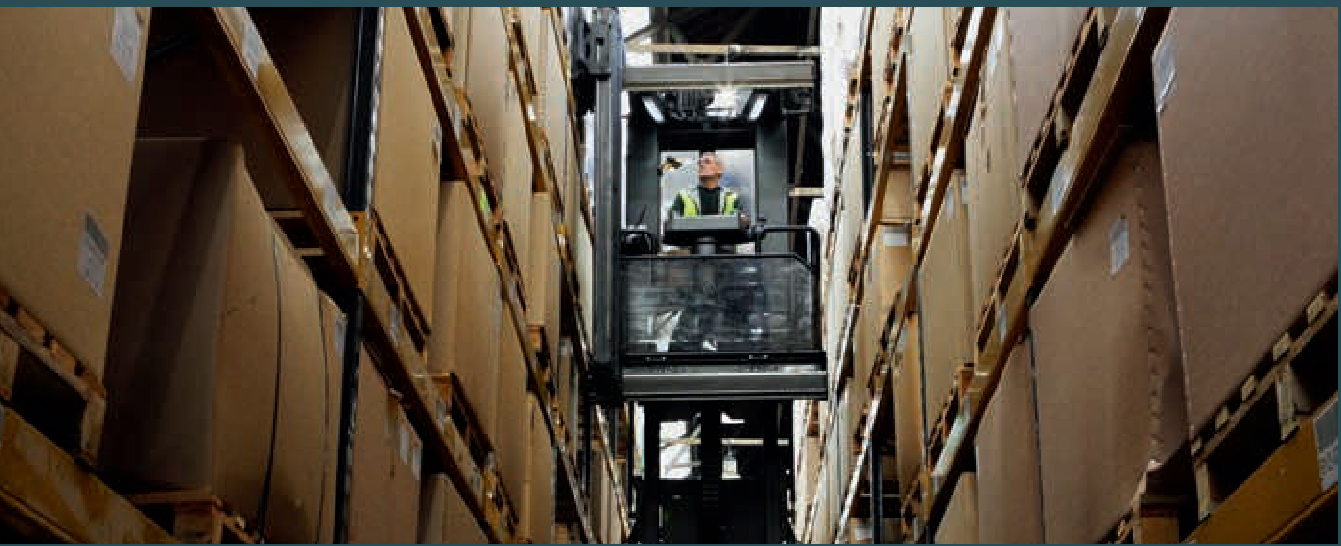
The directors ensure that stakeholder management plans are in place for key customers and key suppliers. Directors ensure that appropriate levels of management time is afforded to meet with customers to understand their needs and with key suppliers to forge a strong, mutually beneficial partnership built on the principles of respect and long-term outlook.

Maintaining a reputation for high standards of business conduct

The board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. The companies in the Group maintain handbooks which include clear guidance on what is expected of every employee and officer of the Company and further development of this guidance is being undertaken to continually strive for high standards. Staff matters are discussed at every board meeting and the board considers examples of behaviours that either aligns with or are at odds with the Group's stated values. The directors believe that the Company's culture encourages collaborative, ethical behaviour which benefits employees, clients and stakeholders. It is committed to conducting business ethically and responsibly, treating employees, customers, suppliers and shareholders in a fair, open and honest manner. We aim to maintain healthy and safe working conditions on all our sites and measure our ability to keep employees and visitors safe. We encourage our employees to provide feedback on any issues they are concerned about and the directors maintain a culture of accessibility and fair play and travel extensively to keep in touch with all areas of the business. The directors believe that all employees and contractors have worked in line with the Group's values during this financial year.

Fair, balanced and understandable

The directors have also reviewed the financial statements and taken as a whole consider them to be fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy and have considered the need to act fairly as between the members of the Company.



VNA racking
Maximising warehouse efficiency and capacity

Directors' report

The directors present their annual report and financial statements for the year ended 31st December 2019.

Results and dividends

The profit for the year after taxation and transferred to reserves was £1,349,000 (2018 – £2,229,000). No dividend is to be proposed at the Annual General Meeting, but the interim dividends will be confirmed.

Change of name

The Company changed its name from T.F. & J.H. Braime (Holdings) P.L.C. to Braime Group PLC on 9th August 2019.

Directors

The directors who served during the year and their beneficial interests in the shares of the Company are detailed below:

	31st December 2019	1st January 2019
Peter Alcock		
Ordinary shares	1,000	1,000
'A' Ordinary shares	5,000	5,000
Alan Braime		
Ordinary shares	35,175	35,175
Carl Braime		
Ordinary shares	35,175	35,175
Nicholas Braime		
Ordinary shares	143,400	143,400
Cielo Cartwright		
Ordinary shares	—	—
Andrew Walker		
Ordinary shares	100	100
'A' Ordinary shares	300	300

In accordance with the Company's Articles of Association O. N. A. Braime retires by rotation and, being eligible, offers himself for re-election.

In accordance with the Company's Articles of Association P. J. O. Alcock retires by rotation and, being eligible, offers himself for re-election.

None of the directors had a beneficial interest in any contract to which the Company or a subsidiary company was a party during the financial year.

The Company has made qualifying third party indemnity provisions for the benefit of its directors and officers. The indemnity was in force throughout the tenure of each director during the year and is currently in force. The Company also maintains Directors' and Officers' liability insurance in respect of itself and its directors.

Substantial shareholdings

The Company has been notified that as at 16th April 2020, apart from the directors, only the following persons are beneficially interested in more than 3% of the Ordinary shares of the Company:

	Ordinary shares held	Percentage
CGWL Nominees Limited A/C GC1	72,500	15.10%
Hargreaves Lansdown (Nominees) Limited A/C HLNOM	31,447	6.55%
Mrs P. V. Smith	27,500	5.73%
Ferlim Nominees Limited Des. POOLED	26,063	5.43%
W B Nominees Limited A/C ISAMAX	21,600	4.50%
Mrs A. Barnes	16,655	3.47%

Internal controls

The board is responsible for the Group's system of internal control and reviewing its effectiveness. Identification and evaluation of risks is an integral part of the board's planning process. Controls within the Group are designed to provide the board with reasonable assurance regarding the maintenance of proper accounting records, the reliability of financial information and the safeguarding of assets. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material loss or misstatement. The board considers that the size of the Group does not justify an internal audit function, but continues to keep the need for an internal audit function under review. The board has conducted a review of the effectiveness of the Company's risk management and internal control systems.

Section 172 statement

The board states its compliance with s172(1) of the Companies Act 2006. Details as to how the directors have fulfilled their duties can be found in the Group Strategic Report and the Governance Report.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report on pages 6 to 9, in particular the risks surrounding the Covid-19 pandemic. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Group Strategic Report. Note 1 to the accounts expands on the directors' rationale for the preparation of the financial statements on a going concern basis in the light of the Covid-19 post balance sheet event. In addition, note 17 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

Directors' report (continued)

Going concern (continued)

As noted in its strategic report, the Group operates in a number of currencies other than sterling, its principal currency. The exchange rate between sterling, the US dollar and the euro and the price of raw materials creates inherent uncertainty over the future gross margin of the Group.

The Group's net cash figure decreased from an opening figure of £1.5m to £663,000 as at 31st December 2019.

During the period the Group funding of working capital increased by £1.2m principally arising from an increase in inventory and a decrease in trade and other payables which were only partly offset by decreases in trade and other receivables. Inventories increased by £701,000. Overall cash derived from operating activities generated £1.8m (2018 – £2.4m) net of the increased working capital funding.

At 31st December 2019, the available headroom within the Group's borrowing facilities amounted to £1.5m. The directors are of the continued view that through its Group banking partner it has sufficient access to financial resources. At the time of writing, the Company has obtained additional £1.0m of overdraft facility to reduce exposure to liquidity risks that may arise from Covid-19.

The Group has contracts with a number of customers and suppliers across different geographic areas and industries which act to mitigate the volatility in any one area. The Group's forecasts and projections, taking account reasonably possible changes in trading performance, show that there is no substantial risk that the Group will not be able to operate within the level of its current facilities.

After due consideration, the directors confirm that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Company's and the Group's financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report, the directors' report, the directors' remuneration report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the rules of the London Stock Exchange for companies trading on the AIM. The directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice. Under Company law 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 period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed by the parent Company and applicable IFRSs as adopted by the European Union have been followed by the Group, 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 Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors at the date of this report confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

Subscriptions and donations

Charitable donations amounting to £10,000 (2018 – £10,000) were paid during the year. There were no donations to political organisations.

Post balance sheet event

Details of post balance sheet events are given in note 24 in the financial statements.

Auditors

A resolution proposing Kirk Newsholme be re-appointed as auditors of the Company will be put to the Annual General Meeting.

By order of the board

Cielo Cartwright, Secretary
12th May 2020

Directors' remuneration report

INFORMATION NOT SUBJECT TO AUDIT

The purpose of this report is to inform shareholders of the Company's policy with regard to executive remuneration and to provide full details of the salary and other benefits received by individual directors. The directors have adopted the principles of good governance as set out in the Combined Code and the Directors' Remuneration Report Regulations 2002. However, following the Company's move to AIM compliance with this report is no longer mandatory.

Remuneration committee

Executive directors' pay is subject to the decision of the whole board and not of a separate remuneration committee. The directors believe that this is adequate for a Group of this size.

Statement of Company's policy on directors' remuneration

The board's policy is that the remuneration of the directors should reflect market rates applicable to a business of its size and complexity. This information is assessed by the board based on their commercial contacts within the industry and the local business community. It is intended that this policy will remain in place for the following financial year and subsequent periods.

There are no formal performance related elements, entitlements to share options or entitlements under long-term incentive plans in directors' remuneration. All employees of the Group, including directors, may however receive a discretionary bonus which reflects the results of the Group.

The only elements of directors' remuneration that are pensionable are salaries.

There are no performance conditions relating to the non-executive directors' fees.

As set out in the Corporate Governance report, the Company is considering ways that board performance can be evaluated.

Service contracts

Other than Cielo Cartwright, the executive directors do not have service contracts with the Company or its subsidiaries. The executive directors are subject to election by the shareholders at the first Annual General Meeting following their appointment and thereafter at least at every third subsequent Annual General Meeting. No compensation other than that prescribed by legislation is payable on termination of their employment.

INFORMATION SUBJECT TO AUDIT

Directors' remuneration

The remuneration of the individual directors who served during the period was as follows:

	Fees £'000	Salary £'000	Estimated taxable value of benefits in kind £'000	**Total 2019 £'000**	Total 2018 £'000	**Pension contributions 2019 £'000**	Pension contributions 2018 £'000
Executive directors							
Nicholas Braime	—	211	6	**217**	211	**—**	—
Alan Braime	—	119	2	**121**	112	**18**	16
Carl Braime	—	119	1	**120**	112	**18**	16
Cielo Cartwright	—	117	1	**118**	82	**8**	5
Peter Alcock	29	—	—	**29**	28	**—**	—
Andrew Walker	29	—	—	**29**	28	**—**	—
	58	566	10	**634**	573	**44**	37
Paid by the Company	58	447	9	**514**	56	**26**	—

The estimated taxable value of benefits in kind includes private medical cover. Pension contributions represent amounts paid to defined contribution pension schemes. Cielo Cartwright was appointed to the board on 30th April 2018 and her remuneration in 2018 reflects the period from 1st May 2018.

Approval

The directors' remuneration report was approved by the board on 12th May 2020.

Nicholas Braime, Director

Independent auditors' report

to the members of Braime Group PLC

Opinion on financial statements of Braime Group PLC

We have audited the financial statements of Braime Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated cash flow statement, the Consolidated and Company statements of changes in equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and as regards the group financial statements, Article 4 of the IAS Regulation.

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 and parent company 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 SME listed entities and we have fulfilled our 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

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:	• the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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) we identified, including 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.

Carrying value of Inventories

Risk description

This risk concerns the carrying value of inventories of £8,573,000 (2018 – £7,872,000) as shown in note 10.

Management judgement is applied to determining the cost of inventories in order to accurately reflect the manufacturing costs incurred in bringing them to their current location and physical condition in the manufacturing segment of the business. This primarily relates to the assessment of direct labour costs and manufacturing overheads to be absorbed and other relevant production costs. The total value of work-in-progress and finished goods inventory held by the manufacturing segment of the group into which such costs would have been absorbed amounted to £231,000 (2018 – £337,000).

As described in note 1.19 inventories are carried at the lower of cost and net realisable value. Establishing impairment provisions for slow-moving, obsolete and damaged inventories to reduce inventories to their net realisable value involves judgements and estimates to be made by management. The group has consistently adopted a policy of making impairment provisions based upon the ageing of inventories. The income statement for the year ended 31 December 2019 includes an inventory impairment reversal credit of £116,000 (2018 – £57,000 inventory provision charge) as disclosed in note 10.

Given the level of judgement and estimation involved in determining cost and net realisable value this risk was identified by us as one of the most significant risks of material misstatement.

Our response

We performed the following audit procedures:

- on a sample basis agreed the cost of raw materials (manufacturing segment) and bought in components (distribution segment) to third party invoices and where these were denominated in foreign currencies reviewed the reasonableness of the exchange rates used to translate these invoices.
- for work in progress and finished goods held in the manufacturing segment we have for a sample of items obtained the product costings and tested the underlying costs within each item selected. We also challenged the key assumptions concerning overhead absorption by assessing the appropriateness of costs included in the calculation.
- reviewed the overheads absorbed by the manufacturing segment to determine whether they were allowable under IAS 2 and appropriately recognised. We agreed the estimated overheads to actual overheads incurred in the year to assess whether they were materially different.
- assessed the net realisable value (NRV) of a sample of inventory items by agreeing their subsequent sales price to customer invoices to ensure that the items were being held at the lower of cost and net realisable value.
- observed the condition of inventories when we and the firms we instructed to assist us attended stock counts (see existence of inventory risk section below).
- gained an understanding of the movements in the inventory impairment provision year on year and assessed the scale of the provision in comparison to gross inventory value to determine whether there were any unusual movements.
- performed procedures to ensure that inventory impairment provisions were calculated in line with the group's inventory provisioning policy. Procedures included reviewing the provisions and verifying ageing data.

Key observations

From the work performed we consider that the inventory shown in the group financial statements is appropriately valued and that the impairment provision in respect of inventories has been consistently applied and is appropriate.

Independent auditors' report

to the members of Braime Group PLC (continued)

Existence of inventories

Risk description	This risk concerns the existence of inventories of £8,573,000 (2018 – £7,872,000) as shown in note 10. £2,474,000 (2018 – £2,221,000) representing 29% (2018 – 28%) of the group's inventories are held in the USA (4B Elevator Components Limited) where no year-end physical count is undertaken for all items of inventory. Instead a rolling perpetual count system is employed; however whilst a formal system to ensure the regular counting of significant balances and to ensure that all lines of inventory are counted at least once a year has been in place for the whole of the year some documentation of these counts have been mislaid and there was also no documentary evidence that adjustments have been made following the perpetual counts or that all items of stock have been counted at least once a year. Given the significance of this level of inventory to the group and the factors above we have assessed the existence of inventories in the USA as being one of significance to our audit.
Our response	We instructed a firm of Certified Public Accountants (CPAs) based in the USA to attend the premises in the USA at the year-end to carry out agreed upon procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants. This included physically test counting a sample of items selected in advance by ourselves from 4B Elevator Components Limited's inventory system together with the selection of additional items chosen by them to physically count and compare to that company's inventory records. We followed through the test counts carried out by ourselves and the firm of CPAs to that company's final inventory valuations.
Key observations	From the work performed we consider that the inventory shown in the group financial statements relating to 4B Elevator Components Limited mentioned above exists.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality £334,000 (2018 – £357,000)

Basis for determining materiality	1% of group turnover
Rationale for the benchmark applied	As a trading group this reflects the level of activity. We believe that this measure and the percentage applied are widely used for groups of this size and nature.
Component materiality	For each component in our audit scope, we allocated a materiality that is less than our overall group materiality. The range of materiality across components ranged from £69,000 to £158,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

Performance materiality to drive the extent of our testing for each component in our audit scope was set at 75% of component materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £13,050 (2018 – £15,900) as well as 'clearly trivial' misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

Braime Group PLC, Braime Pressings Limited, 4B Elevator Components Limited and 4B Braime Components Limited are companies incorporated in England and Wales on which we are engaged to perform an audit under ISAs (UK). These components comprised 71% of group turnover, 92.3% of group profit before tax and 74.5% of group gross assets.

4B Africa Elevator Components (Proprietary) Limited and 4B Asia Pacific Company Limited have had audits performed by component auditors in accordance with local legislation. These components were not individually significant enough to require an audit for group reporting purposes but a review was performed by us appropriate to the size and risk profile of these components. This included obtaining and reviewing an audit procedures questionnaire for 4B Africa Elevator Components (Proprietary) Limited and analytical review procedures in relation to 4B Asia Pacific Company Limited. These components comprised 7.9% of group turnover, -0.4% of group profit before tax and 8.5% of group gross assets.

Neither 4B France Sarl, 4B Australia PTY Limited nor 4B Braime (Changzhou) Industrial Control Equipment Co. Ltd. are required by local legislation to have audits performed. We carried out our own detailed audit procedures on these components sufficient to conclude that there were no significant risks of material misstatement in the group financial statements. These components comprised 21.1% of group turnover, 8.1% of group profit before tax and 17% of group gross assets.

We engaged a firm of CPAs in USA to attend the stock count of 4B Elevator Components Limited and a firm of Chartered Accountants in Australia to attend the stock count of 4B Australia PTY Limited.

At the parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of components that were not subject to audit by us.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report and accounts set out on pages 1 to 5, 10 to 14, 17 (except where indicated) and 59 to 64, 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 thereon.

In connection with the audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 the light of the knowledge and understanding of the group and the parent company and its 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 in relation to which the Companies Act 2006 requires us to report to you if, 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.

Independent auditors' report

to the members of Braime Group PLC (continued)

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 16, 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 the parent company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other matters

The company voluntarily prepares a directors' remuneration report in accordance with the provisions of the Companies Act 2006. The directors have requested that we audit the part of the directors remuneration report specified by the Companies Act 2006 to be audited as if the company were a listed company. In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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 a Report of the Auditors 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.

Neill Rayland BA FCA (Senior Statutory Auditor)
For and on behalf of **Kirk Newsholme**
Chartered Accountants and Statutory Auditors
4315 Park Approach, Thorpe Park
Leeds LS15 8GB
12th May 2020

Consolidated income statement

For the year ended 31st December 2019

	Note	2019 £'000	2018 £'000
Revenue	3	**33,433**	35,718
Changes in inventories of finished goods and work in progress		**959**	1,229
Raw materials and consumables used		**(17,986)**	(19,677)
Employee benefits costs	6	**(8,530)**	(8,300)
Depreciation and amortisation expense		**(1,236)**	(788)
Other expenses		**(4,737)**	(4,940)
Other operating income	2	**318**	—
Profit from operations	2	**2,221**	3,242
Finance expense	4	**(477)**	(227)
Finance income	4	**2**	2
Profit before tax		**1,746**	3,017
Tax expense	5	**(397)**	(788)
Profit for the year		**1,349**	2,229
Profit attributable to:			
Owners of the parent		**1,360**	2,178
Non-controlling interests		**(11)**	51
		1,349	2,229
Basic and diluted earnings per share	18	**94.44p**	151.25p

The notes on pages 28 to 50 form part of these financial statements.

1. The Group has initially applied IFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, comparative information is not re-stated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Refer to note 9 for further details.

Consolidated statement of comprehensive income

For the year ended 31st December 2019

	Note	**2019 £'000**	2018 £'000
Profit for the year		**1,349**	2,229
Items that will not be reclassified subsequently to profit or loss			
Net pension remeasurement gain on post employment benefits	19.3	**178**	76
Items that may be reclassified subsequently to profit or loss			
Foreign exchange (losses)/gains on re-translation of overseas operations		**(323)**	206
Other comprehensive income for the year		**(145)**	282
Total comprehensive income for the year		**1,204**	2,511
Total comprehensive income attributable to:			
Owners of the parent		**1,231**	2,481
Non-controlling interests		**(27)**	30
		1,204	2,511

Consolidated balance sheet

As at 31st December 2019

	Note	**2019 £'000**	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	**6,824**	6,232
Intangible assets	8	**48**	61
Right of use assets (see note below)	9	**278**	—
Total non-current assets		**7,150**	6,293
Current assets			
Inventories	10	**8,573**	7,872
Trade and other receivables	11	**5,697**	6,820
Cash and cash equivalents		**1,679**	2,313
Total current assets		**15,949**	17,005
Total assets		**23,099**	23,298
Liabilities			
Current liabilities			
Bank overdraft		**1,016**	832
Trade and other payables	12	**3,808**	5,493
Other financial liabilities	13	**2,163**	1,870
Corporation tax liability		**19**	249
Total current liabilities		**7,006**	8,444
Non-current liabilities			
Financial liabilities	14	**1,384**	1,256
Deferred income tax liability	15	**360**	265
Total non-current liabilities		**1,744**	1,521
Total liabilities		**8,750**	9,965
Total net assets		**14,349**	13,333
Share capital	16	**360**	360
Capital reserve		**257**	257
Foreign exchange reserve		**(6)**	301
Retained earnings		**14,084**	12,734
Total equity attributable to the shareholders of the parent		**14,695**	13,652
Non-controlling interests		**(346)**	(319)
Total equity		**14,349**	13,333

1. The Group has initially applied IFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, comparative information is not re-stated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Refer to note 9 for further details.

The financial statements on pages 23 to 50 were approved and authorised for issue by the board of directors on 12th May 2020 and were signed on its behalf by:

Nicholas Braime, Chairman **Cielo Cartwright,** Group Finance Director

The notes on pages 28 to 50 form part of these financial statements.

Company Registration Number 488001

Consolidated cash flow statement

For the year ended 31st December 2019

	Note	2019 £'000	2018 £'000
Operating activities			
Net profit		**1,349**	2,229
Adjustments for:			
Depreciation and amortisation	7, 8 & 9	**1,236**	788
Foreign exchange (losses)/gains		**(255)**	158
Finance income	4	**(2)**	(2)
Finance expense	4	**477**	227
Loss on sale of land and buildings, plant, machinery and motor vehicles		**(12)**	15
Adjustment in respect of defined benefits scheme		**93**	158
Income tax expense	5	**397**	788
Income taxes paid		**(451)**	(871)
		1,483	1,261
Operating profit before changes in working capital and provisions		**2,832**	3,490
Decrease/(increase) in trade and other receivables		**1,044**	(580)
Increase in inventories		**(701)**	(1,441)
(Decrease)/increase in trade and other payables		**(1,499)**	977
		(1,156)	(1,044)
Cash generated from operations		**1,676**	2,446
Investing activities			
Purchases of property, plant, machinery and motor vehicles and intangible assets		**(1,660)**	(1,767)
Sale of land and buildings, plant, machinery and motor vehicles		**27**	32
Interest received		**2**	2
		(1,631)	(1,733)
Financing activities			
Proceeds from long term borrowings		**728**	792
Repayment of borrowings		**(459)**	(349)
Repayment of hire purchase creditors		**(281)**	(276)
Repayment of lease liabilities		**(210)**	—
Bank interest paid		**(426)**	(198)
Lease interest paid		**(48)**	—
Hire purchase interest paid		**—**	(29)
Dividends paid		**(167)**	(153)
		(863)	(213)
(Decrease)/increase in cash and cash equivalents		**(818)**	500
Cash and cash equivalents, beginning of period		**1,481**	981
Cash and cash equivalents, end of period	20	**663**	1,481

The notes on pages 28 to 50 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31st December 2019

	Note	Share Capital £'000	Capital Reserve £'000	Foreign Exchange Reserve £'000	Retained Earnings £'000	Total £'000	Non-Controlling Interests £'000	Total Equity £'000
Balance at 1st January 2018		360	257	74	10,633	11,324	(349)	10,975
Comprehensive income								
Profit		—	—	—	2,178	2,178	51	2,229
Other comprehensive income								
Net pension remeasurement gain recognised directly in equity	19.3	—	—	—	76	76	—	76
Foreign exchange losses on re-translation of overseas subsidiaries consolidated operations		—	—	227	—	227	(21)	206
Total other comprehensive income		—	—	227	76	303	(21)	282
Total comprehensive income		—	—	227	2,254	2,481	30	2,511
Transactions with owners								
Dividends	18	—	—	—	(153)	(153)	—	(153)
Total transactions with owners		—	—	—	(153)	(153)	—	(153)
Balance at 1st January 2019		**360**	**257**	**301**	**12,734**	**13,652**	**(319)**	**13,333**
Impact of change in accounting standard – IFRS 16		—	—	—	**(21)**	**(21)**	—	**(21)**
Re-stated total equity at 1st January 2019		**360**	**257**	**301**	**12,713**	**13,631**	**(319)**	**13,312**
Comprehensive income								
Profit		—	—	—	**1,360**	**1,360**	**(11)**	**1,349**
Other comprehensive income								
Net pension remeasurement gain recognised directly in equity	19.3	—	—	—	**178**	**178**	—	**178**
Foreign exchange losses on re-translation of overseas subsidiaries consolidated operations		—	—	**(307)**	—	**(307)**	**(16)**	**(323)**
Total other comprehensive income		—	—	**(307)**	**178**	**(129)**	**(16)**	**(145)**
Total comprehensive income		—	—	**(307)**	**1,538**	**1,231**	**(27)**	**1,204**
Transactions with owners								
Dividends	18	—	—	—	**(167)**	**(167)**	—	**(167)**
Total transactions with owners		—	—	—	**(167)**	**(167)**	—	**(167)**
Balance at 31st December 2019		**360**	**257**	**(6)**	**14,084**	**14,695**	**(346)**	**14,349**

The capital reserve arose on the listing of the Company's shares on the London Stock Exchange and the cancellation of the 180,000 5% Cumulative Preference shares at a redemption price of £1.125 per share. The foreign exchange reserve relates to the differences arising on the re-translation of overseas subsidiaries consolidated within the Group financial statements. The retained earnings reserve includes the accumulated profit and losses of the Group.

There was no movement in the share capital of the Company.

Notes to the accounts

For the year ended 31st December 2019

1. ACCOUNTING POLICIES

1.1 General Company information

Braime Group PLC ('the Company') and its subsidiaries (together 'the Group') manufacture metal presswork and handle the distribution of bulk material handling components through trading from locations in Australia, China, England, France, South Africa, Thailand and the United States.

The Company is incorporated and domiciled in the UK. The Company's registered number is 488001. The address of its registered office is Hunslet Road, Leeds, LS10 1JZ. The Company is a public limited company and has its primary listing on the AIM division of the London Stock Exchange.

The Group consolidated financial statements were authorised for issue by the board on 12th May 2020.

1.2 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in paragraph 1.3 below entitled critical accounting estimates and assumptions.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 51 to 58.

Going concern

The financial statements have been prepared using the going concern basis. The Covid-19 pandemic will have an impact on all businesses globally and how it might affect the Group is detailed in its strategic report on page 8. What this impact will be is difficult to determine at this stage and the Group has invoked its businesses continuity plans.

During the pandemic, our objectives are firstly, to protect our workforce to ensure that they are fit and healthy, and secondly, to continue trading as normally as possible. The Group continues to have the support of its bankers who have expressed their willingness to provide additional funds should this be required, and the Group will take advantage of relevant government backed finance schemes to draw on additional cash flow options available to it. The Group is also able to pool resources within the Braime Group should this be needed and the wide geographical spread of its operations provide a spread of its risks. Given this, the going concern basis of accounting is appropriate as the directors believe the Group and its subsidiaries will be able to trade for the foreseeable future.

1.3 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Inventory

Inventories are stated at the lower of cost and net realisable value. The group establishes an impairment provision for inventory estimated to realise a lower value than cost. When calculating the impairment provision, management considers the nature and condition of the inventory as well as applying assumptions around the saleability of stock and its estimated selling value less cost expected to be incurred and sell the item. The directors also consider the purchase history of the inventory items to assess whether the items remain in use.

Cost of work in progress and finished goods

The Group values the work in progress and finished goods inventory of its manufacturing segment at the cost of direct materials and labour plus attributable overheads and certain administrative costs based on normal levels of activity. When calculating overhead absorption rates, management considers the percentage of costs that are directly attributable to bringing inventory to its present location and condition, and estimated wastage based on historical experience and through knowledge of the business.

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Retirement benefit obligations

The Group operates a defined benefit pension scheme (note 19). Asset valuations are based on the fair value of the assets. The valuation of the liabilities of the scheme are based on statistical and actuarial calculations, using various assumptions including discount rates, future salary and pension increases, life expectancy of scheme members and cash commutations. The actuarial assumptions may differ materially from actual experience due to changes in economic and market conditions, variations in actual mortality, higher or lower cash withdrawal rates and other changes in factors assessed. Any of these differences could impact the assets or liabilities recognised in the balance sheet in future periods.

1.4 Changes to accounting policy and disclosure

(a) New and amended standards adopted by the Group.

The Group has adopted the following new and amended IFRS's as of 1st January 2019:

- IFRS 16, 'Leases'; effective on or after 1st January 2019.
- Amendments to IAS 19, 'Plan amendment, curtailment or settlement'; effective on or after 1st January 2019.
- IFRIC Interpretation 23, 'Uncertainty over income tax treatments'; effective on or after 1st January 2019.
- Amendments to IAS 28, 'Long-term interest in associates and joint ventures'; effective on or after 1st January 2019.
- IFRS 17, 'Insurance contracts'; effective on or after 1st January 2019.
- Amendments to IFRS 9, 'Prepayment features with negative compensation'; effective on or after 1st January 2019.

With the exception of IFRS 16, the impact of these new and amended IFRS's has not had a material impact on these financial statements. The impact of IFRS 16 is discussed further below as well as in note 9.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January 2020 and not early adopted.

- Amendments to IFRS3 – Definition of a Business – clarifies whether a transaction should be accounted for as a business combination or an asset acquisition – effective on or after 1st January 2020
- Amendments to IAS1 and IAS8 – Definition of Material – aligns definitions across IFRS and other IASB publications – effective on or after 1st January 2020
- Conceptual Frameworks for Financial reporting – provides concepts to help preparers develop consistent accounting policies when no standard applies or there is a choice of policies – effective on or after 1st January 2020
- Amendments to Conceptual frameworks – minor amendments to various standards to reflect the revised issue – effective from 1 January 2020
- IFRS 17 Insurance Contracts – principles of insurance contracts issued – effective on or after 1st January 2021
- Amendments to IFRS 10 and IAS28 – accounting for sale of assets between investor and its associate or joint venture – deferred indefinitely

The application and interpretations surrounding the new or amended standards is not expected to have a material impact on the Group's reported financial performance or position. However, they may give rise to additional disclosures being made in the financial statements.

IFRS 16, 'Leases'. This accounting standard became mandatory for financial years commencing on or after 1st January 2019. It results in almost all leases being recognised on the balance sheet as from a lessee perspective, the distinction between operating and finance lease is removed. Under the new standard, an asset (the right to use the lease item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The Group has elected to apply the modified retrospective approach with the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as at 1st January 2019. As a consequence of this, there is a material impact on the balance sheet with a lease liability and a corresponding right of use asset being recognised on the balance sheet, so the impact on the net assets of the Group at the date of adoption is limited. There is an increase in the Group's operating profit as operating lease costs are replaced by a lower depreciation charge. There will also be an additional interest charge, however, there has been no material effect on the overall income statement. The changes do not impact the overall cash flow of the Group.

The Group currently leases properties, vehicles and software under a series of operating lease contracts which are impacted by the new standard. These types of lease can no longer be recognised as operating leases and have been brought onto the Group's balance sheet from the date of adoption of the new standard. The Group has elected to apply the following practical expedients:

- In determining whether existing contracts meet the definition of a lease, the Group will not reassess those contracts previously identified as leases and will not apply the standard to those contracts not previously identified as leases.
- Short-term leases (leases of less than 12 months and leases with less than 12 months remaining) as at the date of adoption of the new standard will not be within the scope of IFRS 16.
- Leases for which the asset is of low value, for example IT equipment, will not be within the scope of IFRS 16.

The Group has recognised right of use assets of £325,000 and lease liabilities of £346,000 as at 1st January 2019. The liabilities are calculated from the present values of the lease rentals, and the present values are based on the Group's incremental borrowing rate of 10%. A change of ± 5% to the implied discount rate does not result in a material change to the estimates.

Notes to the accounts

For the year ended 31st December 2019 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

1.5 Revenue recognition

IFRS 15 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and related interpretations with effect from 1st January 2018. Under IFRS 15, revenue recognition is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Where sale of goods occur, revenue is recognised at a point in time when goods are delivered to customers. For the Group, the transfer of control under IFRS 15 and satisfaction of performance obligations therefore remains consistent with the transfer of risks and rewards to the customer under IAS18. Revenue represents the fair value of consideration received or receivable for the sale of goods in the ordinary course of the Group's activities, and is stated exclusive of VAT, similar taxes and after eliminating sales within the Group. Payment is typically due within 60 days. Interest receivable on bank deposits and other items such as rentals, insurance proceeds, and receipts to fund capital assets are not classed as revenue but included within finance income and other operating income respectively. The breakdown of revenue from ordinary activities used within the Group to assess the performance is presented, by operating segment, in the segment analysis (see note 3).

1.6 Basis of consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The consolidated financial statements of Braime Group PLC incorporate the financial statements of the parent company as well as those entities controlled by the Group by full consolidation.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Where losses are accumulated, all earnings and losses of the subsidiaries are attributed to the parent and the non-controlling interest in proportion to their ownership.

1.7 Foreign currency

Braime Group PLC consolidated financial statements are presented in sterling (£), which is also the functional currency of the Company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the month end exchange rates as an approximation to that prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at year-end exchange rates are recognised in the income statement under 'other income' or 'other expenses', respectively.

In the consolidated financial statements, all separate financial statements of subsidiaries originally presented in a currency different from the Group's presentation currency, have been converted into sterling. Assets and liabilities have been translated into sterling at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency using average rates of exchange. Any differences arising from this procedure have been charged/(credited) to the currency translation reserve in equity.

1.8 Financial assets

The Group considers that its financial assets comprise loans and receivables only. These assets are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables) but also incorporate other types of contractual monetary assets. They are carried at cost less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial assets are recognised when the Group enters into a contractual agreement with a third party through an instrument. All interest received is recognised as finance income in the income statement.

1.9 Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, other loans, trade and other payables, finance leasing liabilities and forward currency contracts. They are included in balance sheet line items 'bank overdraft', 'trade and other payables', 'long-term financial liabilities' and 'other financial liabilities'.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'finance cost' in the income statement.

Bank loans are raised for support of long term funding of the Group's operations. They are recognised at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Forward currency contracts are held at fair value and are used to hedge exchange risk arising on foreign currency transactions denominated in a currency other than the transacting entities' functional currency. No adjustment is made for the fair value of forward currency contracts where such adjustment is clearly not material to the results presented in the financial statements (note 17).

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments such as money market instruments and bank deposits. For the purposes of the cash flow statement cash and cash equivalents include bank overdrafts.

1.11 Borrowing costs

All borrowing costs are expensed as incurred.

1.12 Pension obligations and short term employee benefits

Pensions to employees are provided through a defined benefit plan as well as a defined contribution plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension plan remains with the Group, even if the plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long term benefit fund as well as qualifying insurance policies.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The asset or liability recognised in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, together with adjustments for past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurement gains and losses are recognised immediately and in full in other comprehensive income. Past service costs are recognised immediately in the consolidated income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

If the Group will not benefit from a scheme surplus in the form of refunds from the plan or reduced future contributions, an adjustment is made in respect of the minimum funding requirement and no asset resulting from the above policy is recognised.

The contribution recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

Short-term employee benefits are recognised for the number of paid leave days (usually holiday entitlement) remaining at the balance sheet date. They are included in current pension and other employee obligations at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Notes to the accounts

For the year ended 31st December 2019 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

1.13 Right of use assets and lease liabilities

Where a contract is deemed to contain a lease, a lease liability is initially recognised at the commencement day and measured at an amount equal to the present value during the lease term (the non-cancellable period that are not yet paid). Further details are provided in note 9.

Where substantially all of the risks and rewards incidental to ownership of a lease asset have been transferred to the Group as is the case in a hire purchase contract, the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Assets held under hire purchase contracts are classified as property, plant and equipment.

1.14 Impairment of non-financial assets

The Group's property, plant and equipment are subject to impairment testing.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced.

Individual assets or cash-generating units with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All 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. Impairment losses are charged pro-rata to the assets in the cash-generating unit. All assets are subsequently re-assessed for indications that an impairment loss previously recognised may no longer exist.

1.15 Research and development

Costs associated with research activities are expensed in the consolidated income statement as they occur.

1.16 Income taxes

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the consolidated income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. This applies also to temporary differences associated with shares in subsidiaries 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 where material are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, 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.

Most changes in deferred tax assets or liabilities are recognised as components of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged or credited directly to equity are charged or credited directly to equity.

1.17 Dividends

Equity dividends are recognised when they become legally payable. In the case of dividends to equity shareholders, they are recognised when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

1.18 Property, plant and equipment

Property, plant and equipment (other than freehold land) are carried at acquisition cost less subsequent depreciation and impairment losses. No depreciation has been charged in respect of certain land and buildings as the directors have assessed that those assets have residual values equal to or greater than current carrying values.

The useful lives of property, plant and equipment can be summarised as follows:

• Land and buildings	25 – 50 years
• Plant, machinery and motor vehicles	3 – 5 years on a straight line basis

1.19 Inventories

Inventories comprise raw materials, supplies and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

1.20 Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Group.

Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention has been satisfied, the deferred income balance is released to the consolidated income statement or netted against the asset purchased as appropriate.

1.21 Other provisions, contingent liabilities and contingent assets

Other provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the consolidated balance sheet. These contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

2. PROFIT FROM OPERATIONS

	Note	**2019 £'000**	2018 £'000
This has been arrived at after charging/(crediting):			
Depreciation and amortisation	7, 8 & 9	**1,236**	788
Foreign exchange differences		**(22)**	(280)
Research and development costs		**124**	65
Write-down of inventory to net realisable value	10	**(116)**	57
Inventory recognised as an expense		**17,027**	18,448
Impairment of trade receivables	11	**(130)**	221
Fees payable to the Company's auditor:			
• for the audit of the Company's annual accounts		**19**	8
• the audit of the Company's subsidiaries, pursuant to legislation		**47**	56
• other services pursuant to legislation		**12**	11
Fees payable to overseas auditors		**19**	8
(Profit)/Loss on disposal of fixed assets		**(12)**	14
Release of provision against funds advanced on capital assets	13	**(291)**	—

Notes to the accounts

For the year ended 31st December 2019 (continued)

3. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure as at 31st December 2019.

The chief operating decision-maker has been identified as the board of directors ('the board'). The board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and on the internal reporting structure.

The board assesses performance based on a measure of earnings before tax. Other information provided to the board is measured in a manner consistent with that in the financial statements. Total segment assets exclude assets and liabilities that are managed on a central basis. These balances are part of the reconciliation to the total balance sheet assets and liabilities. Inter-segment pricing is determined on an arms-length basis.

The Group comprises the following segments: the manufacture of metal presswork and the distribution of bulk material handling components.

	Central 2019 £'000	Manufacturing 2019 £'000	Distribution 2019 £'000	Total 2019 £'000
Revenue				
External	**—**	**3,416**	**30,017**	**33,433**
Inter Company	**2,104**	**3,440**	**6,224**	**11,768**
Total	**2,104**	**6,856**	**36,241**	**45,201**
Profit				
EBITDA	**851**	**(244)**	**2,850**	**3,457**
Finance costs	**(305)**	**(27)**	**(145)**	**(477)**
Finance income	**—**	**—**	**2**	**2**
Depreciation and amortisation	**(607)**	**(18)**	**(611)**	**(1,236)**
Tax expense	**(114)**	**39**	**(322)**	**(397)**
(Loss)/profit for the period	**(175)**	**(250)**	**1,774**	**1,349**
Assets				
Total assets	**5,529**	**3,657**	**13,913**	**23,099**
Additions to non current assets	**1,138**	**76**	**607**	**1,821**
Liabilities				
Total liabilities	**852**	**1,768**	**6,130**	**8,750**

	Central 2018 £'000	Manufacturing 2018 £'000	Distribution 2018 £'000	Total 2018 £'000
Revenue				
External	—	4,291	31,427	35,718
Inter company	695	3,891	6,452	11,038
Total	695	8,182	37,879	46,756
Profit				
EBITDA	387	187	3,456	4,030
Finance costs	(116)	(36)	(75)	(227)
Finance income	—	—	2	2
Depreciation	(464)	—	(324)	(788)
Tax expense	(19)	(55)	(714)	(788)
(Loss)/profit for the period	(212)	96	2,345	2,229
Assets				
Total assets	5,009	3,202	15,087	23,298
Additions to non current assets	650	—	1,149	1,799
Liabilities				
Total liabilities	3,713	2,127	4,125	9,965

Geographical analysis

The Group is domiciled in the UK. Analysis of revenues from external customers by continent is provided below:

	Revenue 2019 £'000	**Non-current assets 2019 £'000**	Revenue 2018 £'000	Non-current assets 2018 £'000
UK	**6,155**	**4,103**	6,530	3,499
Rest of Europe	**8,040**	**178**	9,072	124
Americas	**14,407**	**2,415**	14,562	2,340
Africa	**1,584**	**101**	1,566	116
Australia and Asia	**3,247**	**353**	3,988	214
	33,433	**7,150**	35,718	6,293

There was one Group customer which accounted for 10% of the Group's revenues.

4. FINANCE INCOME AND EXPENSE

	2019 £'000	2018 £'000
Finance expense		
Bank borrowings	**429**	198
Lease interest	**48**	—
Hire purchase interest	**—**	29
	477	227
Finance income		
Bank interest received	**2**	2
	2	2

5. TAX EXPENSE

	Note	**2019 £'000**	2018 £'000
Current tax expense			
UK corporation tax			
UK tax expense on profits for the year		**191**	233
Prior year adjustment		**(42)**	(3)
Double tax relief		**(170)**	—
		(21)	230
Foreign corporation tax			
Foreign tax expense on profits for the year		**337**	340
Prior year adjustment		**(14)**	40
		323	380
Current tax charge		**302**	610
Deferred tax			
Origination and reversal of timing differences	15	**95**	178
Total tax charge		**397**	788

Notes to the accounts

For the year ended 31st December 2019 (continued)

5. TAX EXPENSE (CONTINUED)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2019 £'000	2018 £'000
Profit before tax	**1,746**	3,017
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2018 – 19%)	**332**	573
Expenses not deductible for tax purposes	**21**	59
Tax credits on research and development	**(23)**	(26)
Items charged to reserves	**34**	(3)
Foreign tax	**88**	125
Deferred tax not provided	**(27)**	28
Prior year items	**(17)**	37
Rate differences	**(11)**	(5)
	397	788

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1st April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31st December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax liability would have been £18,000 higher.

No deferred tax asset arising on tax losses, accelerated depreciation in excess of capital allowances or deferred tax liability in respect of the pension provision has been recognised as their future realisation is relatively uncertain. The amounts not recognised are estimated at £nil, £25,000 and £nil respectively (2018 – £nil, £74,000 and £14,000) calculated at a rate of 17% (2018 – 17%).

6. EMPLOYEES

The average number of employees of the Group during the year was made up as follows:

	2019 No.	2018 No.
Office and management	**48**	50
Sales and distribution	**55**	50
Manufacturing	**68**	74
	171	174

Staff costs (including directors) comprise:

	Note	2019 £'000	2018 £'000
Wages and salaries		**7,325**	7,053
Defined contribution pension cost		**310**	247
Defined benefit pension cost	19.3	**71**	179
Other long-term employee benefits		**56**	59
Employer's national insurance contributions and similar taxes		**768**	765
		8,530	8,303
Included in other expenses		**—**	(3)
		8,530	8,300
Directors' remuneration:			
Emoluments of qualifying services		**634**	573
Company pension contributions to money purchase schemes		**44**	37
		678	610

The number of directors for whom retirement benefits accrued under money purchase pension schemes amounted to 3 (2018 – 3) and under defined benefit pension schemes amounted to nil (2018 – nil). Further details of directors remuneration are included in the remuneration report.

7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 31st December 2019			
Cost	**3,190**	**12,300**	**15,490**
Accumulated depreciation	**234**	**8,432**	**8,666**
Net book value	**2,956**	**3,868**	**6,824**
At 31st December 2018			
Cost	3,198	11,212	14,410
Accumulated depreciation	235	7,943	8,178
Net book value	2,963	3,269	6,232
Year ended 31st December 2019			
Opening net book value	**2,963**	**3,269**	**6,232**
Additions	**—**	**1,660**	**1,660**
Disposals	**—**	**(15)**	**(15)**
Depreciation	**(5)**	**(1,015)**	**(1,020)**
Reclassification	**—**	**—**	**—**
Exchange differences	**(2)**	**(31)**	**(33)**
Closing net book value	**2,956**	**3,868**	**6,824**
Year ended 31st December 2018			
Opening net book value	2,909	2,329	5,238
Additions	42	1,744	1,786
Disposals	—	(47)	(47)
Depreciation	(6)	(769)	(775)
Reclassification	18	(21)	(3)
Exchange differences	—	33	33
Closing net book value	2,963	3,269	6,232

The net book value of tangible fixed assets includes an amount of £715,000 (2018 – £493,000) in respect of assets held under hire purchase contracts. The related depreciation charge on these assets for the year was £200,000 (2018 – £259,000). Additions include £551,000 of assets held under finance leases and hire purchase contracts.

Assets in the course of construction which have not been depreciated total £710,000 (2018 – £701,000).

The total cost of non-depreciable assets included in freehold land and buildings was £2,923,000 (2018 – £2,923,000).

Notes to the accounts

For the year ended 31st December 2019 (continued)

8. INTANGIBLE ASSETS

	Total £'000
At 31st December 2019	
Cost	**149**
Accumulated amortisation	**101**
Net book value	**48**
At 31st December 2018	
Cost	154
Accumulated amortisation	93
Net book value	61
Year ended 31st December 2019	
Opening net book value	**61**
Additions	**1**
Amortisation	**(13)**
Exchange differences	**(1)**
Closing net book value	**48**
Year ended 31st December 2018	
Opening net book value	58
Additions	13
Amortisation	(13)
Reclassifications	3
Closing net book value	61

Intangible assets relate to purchased goodwill and software. Additions in the year relate to software.

9. RIGHT OF USE ASSETS

	Total £'000
At 31st December 2019	
Cost	**708**
Accumulated amortisation	**(430)**
Net book value	**278**
Year ended 31st December 2019	
Opening net book value	**325**
Additions	**161**
Depreciation	**(203)**
Exchange differences	**(5)**
Closing net book value	**278**

The Group has initially applied IFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach comparative information is not re-stated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

Adoption of IFRS 16 Leases

Adoption method

On adoption of IFRS 16 (effective 1st January 2019) the Group has elected to grandfather the assessment of which arrangements are leases. Contracts not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

Under the transition rules, the Group has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of applying the standard recognised in retained earnings on 1st January 2019. Comparative information presented for 2018 has not been restated.

Under transition rules for leases classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at 1st January 2019.

Right of use assets are measured at cost, which comprised the initial amount of the lease liability adjusted for any lease payments made at or before the adoption date, less any lease incentives received at or before the adoption date and less any onerous lease provisions (reclassified on the opening balance sheet).

For some material long term leases the Group has measured the carrying amount of the right of use asset as if the standard had been applied since the lease commencement date, discounted at the group's incremental borrowing rate at the date of initial application.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases:

- applied the exemption not to recognise right-of-use assets and liabilities for leases of low value or for which the lease term ends within 12 months of the date of initial application. on a lease-by-lease basis
- relied on previous assessments on whether leases are onerous for impairment of right-of-use assets
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease
- applied the exemption not to separate non-lease components such as service charges from lease rental charges

At 1st January 2019 the Group had no lease commitments previously classified as finance leases under IAS 17.

The Group is not required to make any adjustments on transition to IFRS 16 for which it acts as a lessor, except for subleases. Under IFRS 16, the Group assessed the classification of subleases with reference to the right-of-use asset, not the underlying asset. This resulted in certain leases being classified as finance leases under IFRS 16 and recognition of a finance lease receivable (recorded within line item financial assets on the consolidated balance sheet).

10. INVENTORIES

	2019 £'000	2018 £'000
Raw materials	**368**	429
Work in progress	**109**	154
Finished goods	**7,875**	6,871
Goods in transit	**221**	418
	8,573	7,872

During the twelve months ended 31st December 2019 the Group released charges against finished goods inventories of £116,000 (2018 – charge of £57,000) following reassessment of the saleability of certain stock items (note 2).

11. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Trade receivables	**4,778**	5,692
Other receivables	**571**	746
Prepayments	**348**	382
	5,697	6,820

Included in other receivables is £249,000 of corporation tax repayable and £226,000 in relation to a VAT claim.

Where possible credit insurance is obtained and sales to customers kept within agreed credit limits. In general, the risk in relation to credit risk is considered low and is supported by the low level of bad debts experienced, both pre and post credit insurance claims, by the Group in any one year. In 2018 the Group provided for certain untypically overdue balances which have subsequently been recovered and this has resulted in £130,000 being credited in the year (note 2).

Notes to the accounts

For the year ended 31st December 2019 (continued)

12. TRADE AND OTHER PAYABLES – CURRENT

	2019 £'000	2018 £'000
Trade payables	**2,349**	3,426
Other taxes and social security costs	**229**	212
Other payables	**125**	396
Accruals	**1,105**	1,459
	3,808	5,493

13. OTHER FINANCIAL LIABILITIES – CURRENT

	Note	**2019 £'000**	2018 £'000
Bank loans – secured	14b	**351**	420
Hire purchase	14a	**—**	203
Lease liabilities	14c	**379**	—
Other creditors		**1,433**	1,247
		2,163	1,870

An analysis of the interest rate payable on financial liabilities and information about fair values is given in note 17.

Other creditors comprise of an invoice discounting facility which has been secured by a fixed and floating charge over certain assets of certain Group companies. In 2018, other creditors also included £291,000 of funds advanced for capital assets which were deemed potentially refundable. This balance has now been credited to the profit and loss account as other operating income (note 2).

Following the adoption of IFRS 16 at 1st January 2019, hire purchase liabilities are recognised as lease liabilities (see also note 14, 14a and 14c).

14. FINANCIAL LIABILITIES – NON-CURRENT

	Note	**2019 £'000**	2018 £'000
Bank loans – secured	14a	**839**	1,008
Hire purchase	14b	**—**	166
Lease liabilities	14c	**513**	—
Other creditors (non-current)		**32**	82
		1,384	1,256

14a. Obligations under hire purchase contracts comprise amounts payable as follows:

	2019 £'000	2018 £'000
In one year or less, or on demand	**—**	203
In more than one year but not more than five years	**—**	166
	—	369

14b. Obligations under bank loan agreements comprise amounts payable as follows:

	2019 £'000	2018 £'000
Within one year	**351**	420
One to two years	**347**	306
Two to five years	**492**	702
	1,190	1,428

Terms and conditions of outstanding loans were as follows:

	Interest rate %	Year of maturity	2019 £'000	2018 £'000
US dollar bank loan	**4.00% fixed**	2018	**562**	751
US dollar bank loan	**2.50% fixed**	2022	**53**	72
US dollar unsecured bank loan	**3.00% fixed**	2022	**16**	26
US dollar term loan	**2.25% over LIBOR**	2023	**341**	458
US dollar term loan	**3.74% fixed**	2024	**204**	—
GBP term loan	**2.50% over Bank of England base rate**	2019	**—**	43
GBP term loan	**2.75% over Bank of England base rate**	2020	**14**	78

The 4.00%, 2.50% and 3.74% fixed US dollar bank loans are secured on specific plant and equipment held by 4B Elevator Components Limited. The US dollar term loan and the GBP term loans form part of the Group funding arrangements. These loans are secured by a fixed and floating charge over certain assets of certain Group companies. Other loans are unsecured. In April 2020 the Group took advantage of a very favourable early repayment discount and paid off the 2020 term loans.

14c. Lease liabilities are as follows:

	2019 £'000	2018 £'000
Within one year	**379**	—
One to two years	**201**	—
Two to five years	**312**	—
	892	—

15. DEFERRED INCOME TAX LIABILITY

	2019 £'000	2018 £'000
Accelerated capital allowances in excess of depreciation	**303**	207
Rolled over capital gains	**57**	58
	360	265

The increase in deferred tax liability relates primarily to newly opened facilities in the US.

	Deferred tax £'000
Balance at 1st January 2019	**265**
Charge to income statement during the year	**95**
Balance at 31st December 2019	**360**

Deferred tax has been recognised at a blended rate of 29% (2018 – 29%) on accelerated capital allowances in 4B Elevator Components Limited and 17% (2018 – 17%) in respect of the Company and Braime Pressings Limited. Please refer to note 5 for changes in the Finance Bill post-year end.

Notes to the accounts

For the year ended 31st December 2019 (continued)

16. SHARE CAPITAL

	2019 £'000	2018 £'000
Authorised:		
480,000 Ordinary shares of 25p each	**120**	120
1,200,000 'A' Ordinary shares of 25p each	**300**	300
	420	420
Allotted, called up and fully paid:		
480,000 Ordinary shares of 25p each	**120**	120
960,000 'A' Ordinary shares of 25p each	**240**	240
	360	360

The 'A' Ordinary shares rank pari passu in all respects with Ordinary shares except that the holders of 'A' Ordinary shares are not entitled to vote at general meetings. Holders of Ordinary shares are entitled to one vote for every four shares held.

17. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

The Group holds financial instruments in order to finance its operations and to manage the interest rate and currency risks arising from those operations.

All financial assets and liabilities are initially measured at transaction price (including transaction costs). If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other receivables net of impairment losses, cash and bank balances, trade and other payables are subsequently measured at the amortised cost equivalent to the undiscounted amount of cash or other consideration expected to be paid or received.

Bank loans are initially measured at the present value of future payment, discounted at a market rate of interest and subsequently measured at amortised costs using the effective interest method.

Whilst hire purchase and lease liabilities within note 13 and 14 are included within financial liabilities they do not constitute a financial instrument.

There is no formal policy for matching foreign currency cash flows, or matching exposure to foreign currency net assets or liabilities although a careful watch is kept on the positions. As shown below the Group's currency exposure at the year end is £1,836,000 (2018 – £3,055,000) and is primarily euros and US dollars to sterling.

The Group's policy is to ensure a balance of financial instruments to meet its operating requirements. This has been achieved during the period. Unutilised committed borrowing facilities have been maintained in order to provide flexibility in the management of liquidity.

Fair values

There is no material difference between the carrying value and the fair value of the Group's financial assets and liabilities. Financial instruments carried at fair value are required to be measured by reference to 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 (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to one fair value measurement. The only instruments entered into by the Group are included in level 2 and consist of fixed interest term loans and foreign currency forward contracts.

Forward contracts

There were no forward currency contracts outstanding at 31st December 2019 (31st December 2018 – £nil).

Fixed interest term loans

As at 31st December 2019 fixed interest rate US dollar term loans amounted to £835,000 (2018 – £849,000) (see note 14b).

Maturity analysis

Other than is disclosed in note 14 regarding bank loans, obligations under leases and hire purchase agreements all financial instruments fall due within one year.

In addition to the maturity analysis disclosed in note 14 the interest due on hire purchase agreements repayable within one year totals £12,000 (2018 – £22,000), the interest due on hire purchase agreements after one year but not more than five years totals £31,000 (2018 – £16,000). Likewise the interest due on bank loans repayable within one year totals £43,000 (2018 – £52,000), the interest due on bank loans repayable after one year but not more than five years totals £45,000 (2018 – £72,000), and the interest due on bank loans repayable after more than five years totals £nil (2018 – £nil).

Interest due on lease liabilities within one year totals £20,000, and interest due on lease liabilities falling due after one year but not more than five years totals £35,000. In prior years, lease liabilities were not classed as financial instruments.

Interest rate and currency of financial assets and liabilities

The currency and interest rate profile of the Group's interest bearing financial assets is shown below:

	Floating rate financial assets £'000	**Fixed rate financial assets £'000**	**Financial assets Total £'000**
Currency As at 31st December 2019			
Sterling	**(805)**	—	**(805)**
Euro	**260**	—	**260**
US dollar	**1,596**	—	**1,596**
Other	**628**	—	**628**
	1,679	—	**1,679**

Negative sterling floating rate financial assets relate to bank overdrafts available for offset against credit currency balances where a legal right of set-off exists.

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets Total £'000
Currency As at 31st December 2018			
Sterling	16	—	16
Euro	111	—	111
US dollar	1,063	—	1,063
Other	1,123	—	1,123
	2,313	—	2,313

The currency and interest rate profile of the Group's interest bearing financial liabilities is shown below:

	Floating rate financial liabilities £'000	**Fixed rate financial liabilities £'000**	**Financial liabilities Total £'000**
Currency As at 31st December 2019			
Sterling	**(2,284)**	**(659)**	**(2,943)**
Euro	**(179)**	**(9)**	**(188)**
US dollar	**(341)**	**(843)**	**(1,184)**
Other	**—**	**(216)**	**(216)**
	(2,804)	**(1,727)**	**(4,531)**

Notes to the accounts

For the year ended 31st December 2019 (continued)

17. FINANCIAL INSTRUMENTS (CONTINUED)

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities Total £'000
Currency As at 31st December 2018			
Sterling	7,440	320	7,760
Euro	(2,678)	—	(2,678)
US dollar	(2,463)	1,267	(1,196)
Other	(100)	49	(51)
	2,199	1,636	3,835

Floating rate financial liabilities comprise bank borrowings and lease assets. Negative balances in financial liabilities denote credit balances available for offset against bank overdrafts.

Currency exposure

The Group operates in a number of currencies and the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit concerned are shown below.

Non interest bearing financial assets/(liabilities)

	Sterling £'000	**Euro £'000**	**US dollar £'000**	**Other currencies £'000**	**Total £'000**
Functional currency As at 31st December 2019					
Sterling	**—**	**863**	**(1,163)**	**2,436**	**2,136**
Euro	**—**	**—**	**—**	**—**	**—**
US dollar	**(540)**	**(12)**	**—**	**—**	**(552)**
Other	**(655)**	**—**	**66**	**(6)**	**(595)**
	(1,195)	**851**	**(1,097)**	**2,430**	**989**

Non interest bearing financial assets/(liabilities)

	Sterling £'000	Euro £'000	US dollar £'000	Other currencies £'000	Total £'000
Functional currency As at 31st December 2018					
Sterling	—	903	(117)	2,995	3,781
Euro	—	—	—	—	—
US dollar	(970)	(7)	—	—	(977)
	(970)	896	(117)	2,995	2,804

Risk sensitivity

Interest rate sensitivity

Based on the year end balance of floating rate assets and liabilities, a change in interest rates of 1% in the monetary assets and liabilities mentioned above invested or borrowed will not affect the income statement by a figure greater or less than £11,000 (2018 – £3,000).

Currency rate sensitivity

A weakening in the value of sterling by 10% will benefit the operating profit by a figure not exceeding £204,000 (2018 – £554,000).
A strengthening of sterling by 10% will reduce the operating profit by a figure not greater than £167,000 (2018 – £677,000).

These amounts are estimates. Actual results in the future may differ materially from these due to development in the global financial markets which may cause fluctuations in interest and exchange rates to vary. The amounts stated above should not be considered a projection of likely future events and losses.

Borrowing facilities

The Group has the following undrawn committed borrowing facilities:

	2019 £'000	2018 £'000
Expiring in one year or less	**1,519**	1,110

These facilities are for the purposes of working capital flexibility and are reviewed annually.

Group bank loans and overdrafts and invoice discounting facilities have been secured by a fixed and floating charge over certain assets of certain Group companies.

Foreign currency risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the Group's primary functional currency (sterling). Although its global market penetration arguably reduces the Group's risk in that it has diversified into several markets, the net assets from such overseas operations are exposed to currency risk giving rise to gains or losses on re-translation into sterling. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations as generally it does not consider that the cash flow risk created from such hedging techniques warrants the reduction in volatility in consolidated net assets.

Foreign exchange risk also arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. It is Group policy that all such transactions should be hedged locally by entering into forward contracts with Group treasury. Where it is considered that the risk to the Group is significant, Group treasury will enter into a matching forward contract with a reputable bank.

It is Group policy that transactions between Group entities are generally denominated in the selling entity's functional currency thereby giving rise to foreign exchange risk in the income statement of both the purchasing entity and the Group. The exception to this are charges made by the UK, since it is deemed to control treasury risks. Although the selling entity might hedge this exposure with Group treasury, no external hedge is entered into at Group level as there is no exposure to consolidated net assets from intra-Group transactions.

Liquidity risk

The liquidity risk of each Group entity is managed centrally by the Group treasury function. Each operation has a facility with Group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board annually in advance, enabling the Group's cash requirements to be anticipated. Where facilities of Group entities need to be increased, approval must be sought from the Group finance director. Where the amount of the facility is above a certain level agreement of the board is needed.

All surplus cash is held centrally to maximize the returns on deposits through economics of scale. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements. The Group maintains a draw down facility with a major banking corporation to manage any unexpected short-term cash shortfalls.

Interest rate risk

The Group finances its operations through a mixture of retained profit, bank borrowings and finance lease arrangements. The Group generally borrows at floating rates but some borrowing arrangements provide fixed interest payments for a proportion of its debt over a specified period. This enables the Group to forecast borrowing costs with a degree of certainty.

Credit risk

The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to insure sales when insurance cover is available.

Quantitative disclosures have been made in note 11.

The Group does not enter into complex derivatives to manage credit risk.

Capital risk

The Group's objective when maintaining capital, being the share capital and capital reserves, is to safeguard the Group's ability to continue as a going concern so that it is able to provide returns for shareholders and benefits for other stakeholders.

Notes to the accounts

For the year ended 31st December 2019 (continued)

18. EARNINGS PER SHARE AND DIVIDENDS

Both the basic and diluted earnings per share have been calculated using the net results attributable to shareholders of Braime Group PLC as the numerator.

The weighted average number of outstanding shares used for basic earnings per share amounted to 1,440,000 shares (2018 – 1,440,000). There are no potentially dilutive shares in issue.

Dividends paid

	2019 £'000	2018 £'000
Equity shares		
Ordinary shares		
Interim of 8.00p (2018 – 7.10p) per share paid on 17th May 2019	**38**	34
Interim of 3.60p (2018 – 3.50p) per share paid on 18th October 2019	**17**	17
	55	51
'A' Ordinary shares		
Interim of 8.00p (2018 – 7.10p) per share paid on 17th May 2019	**77**	68
Interim of 3.60p (2018 – 3.50p) per share paid on 18th October 2019	**35**	34
	112	102
Total dividends paid	**167**	153

An interim dividend of 8.00p per Ordinary and 'A' Ordinary share will be paid on 5th June 2020.

19. PENSION COSTS

19.1 Scheme summary

The Group operates a number of defined contribution schemes, the cost of which are disclosed in note 6. Additionally the Group operates a funded defined benefit pension scheme, the Braime Pressings Limited Retirement Benefits Scheme (the Scheme). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death on behalf of certain companies in the Group. The Scheme is closed to new members. The assets of the Scheme are held separately from those of the Group, being predominantly invested with an insurance company. The Scheme is funded to cover future pension liabilities. The following disclosures refer only to the Scheme.

The Scheme is managed by a board of trustees appointed in part by the Group and part from elections by members of the Scheme. The trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The trustees delegate some of these functions to their professional advisers where appropriate.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Group must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective, and contributions to pay for future accrual of benefits. A qualified actuary determines the contributions payable to the Scheme. The most recent actuarial valuation was conducted at 6th April 2019. The market value of Scheme assets at 6th April 2019 was £9,463,000. The funding level at 6th April 2019 was 104% on an ongoing basis. The Statutory Funding Objective does not currently impact on the recognition of the Scheme in these accounts.

The next valuation of the scheme is due as at 6th April 2022. In the event that the actuarial valuation reveals a larger deficit than expected the Company may be required to increase contributions above those set out in the existing schedule of contributions. Conversely, if the position is better than expected contributions may be reduced.

The Group expects to pay contributions of around £49,000 during the year to 31st December 2020. The weighted average duration of the defined benefit obligation is approximately 16 years.

19.2 Risks

The cost of the Scheme to the Group depend upon a number of assumptions about future events. Future contributions may be higher (or lower) than those currently agreed if the assumptions are not borne out in practice or if different assumptions are agreed in the future.

- Investment risk. The Scheme holds investments in asset classes such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities and annuity policies the value of the assets and liabilities may not move in the same way.
- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide some hedging against inflation over the long-term, movements over the short-term could lead to deficits emerging.
- Mortality risk. In the event that members live longer than assumed a deficit will emerge in the Scheme.

19.3 Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation		Fair value of scheme assets		Net defined scheme liability	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Balance at 1st January	**8,828**	9,038	**(8,746)**	(9,128)	**82**	(90)
Service cost – current	**71**	74	**—**	—	**71**	74
Service cost – past	**—**	105	**—**	—	**—**	105
Administration costs	**—**	—	**65**	26	**65**	26
Interest cost/(income)	**240**	219	**(237)**	(221)	**3**	(2)
Interest effect of asset ceiling	**—**	—	**—**	—	**—**	2
Included in profit or loss	**311**	398	**(172)**	(195)	**139**	205
Effect of asset ceiling	**—**	—	**—**	—	**228**	90
Remeasurement loss/(gain)						
a) Actuarial loss/(gain) from:						
– Financial assumptions	**851**	(405)	**—**	—	**851**	(76)
– Demographic assumption	**(421)**	—	**—**	—	**(421)**	—
– Adjustments (experience)	**(59)**	—	**—**	—	**(59)**	—
b) Return on plan asset (excluding interest)	**—**	—	**(777)**	421	**(777)**	—
Included in other comprehensive income	**371**	(405)	**(777)**	421	**(178)**	(76)
Employers contributions	**—**	—	**(43)**	(47)	**(43)**	(47)
Employees contributions	**10**	9	**(10)**	(9)	**—**	—
Benefits paid	**(220)**	(212)	**220**	212	**—**	—
Other movements	**(210)**	(203)	**167**	156	**(43)**	(47)
Balance at 31st December	**9,300**	8,828	**(9,528)**	(8,746)	**—**	82

The asset ceiling arises as based on the assumptions adopted there is a pension scheme asset of £228,000 at 31st December 2019 but as Braime Pressings Limited does not have an unconditional right to any surplus of the scheme the surplus of £228,000 has not been recognised in the group balance sheet and therefore assets have been reduced by £228,000 to £9,300,000 so as to equal scheme liabilities at that date.

The effect of GMP equalisation has been allowed as a past service cost in 2018. Other than this, there were no plan amendments, curtailments or settlements during the period. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised within the consolidated statement of comprehensive income. Included in remeasurement gains are the effect of asset ceiling of £228,000 (2018 – £90,000) but the interest effect of asset ceiling are recognised in the profit for the year.

Notes to the accounts

For the year ended 31st December 2019 (continued)

19. PENSION COSTS (CONTINUED)

19.4 Analysis of fair value of plan assets between asset categories

	2019 % of total assets	2018 % of total assets	**2019 £'000**	2018 £'000
Annuity policies in payment	**55.8%**	57.8%	**5,317**	5,055
Equities – quoted – overseas	**12.1%**	10.7%	**1,153**	936
Equities – quoted – UK	**2.5%**	2.3%	**238**	201
Cash	**2.6%**	2.8%	**248**	245
With profit deferred annuities	**27.0%**	26.4%	**2,572**	2,309
Total	**100%**	100%	**9,528**	8,746

The assets do not include any investment in shares of the Company.

19.5 Reconciliation of effect of asset ceiling

	2019 £'000	2018 £'000
Effect of asset ceiling at start	**—**	90
Interest on effect of asset ceiling	**—**	2
Actuarial losses/(gains)	**228**	(92)
Effect of asset ceiling at end	**228**	—

19.6 Key assumptions and sensitivities

The key actuarial assumptions at balance sheet date are shown below:

	2019	2018
Discount rate	**2.00%**	2.75%
Inflation (RPI)	**3.40%**	3.65%
Salary increases	**3.40%**	4.65%
Pension increase (LP15)	**3.30%**	3.50%
Post retirement mortality	**115% of the S3NA tables with CMI 2018 projections using a long-term improvement rate of 1.00% pa**	110% of S2NA tables with CMI 2015 projections with a long-term rate of improvement of 1% pa
Commutation	**No allowance has been made for members to take tax free cash**	No allowance has been made for members to take tax free cash
Zurich with-profits deferred annuity policy	**70% future income value, 30% market value**	70% future income value, 30% market value

The impact on the defined benefit obligation to changes in the significant principal assumptions are shown below.

The sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same. The sensitivity analysis shown has been determined using the same method as per the calculation of liabilities for the balance sheet disclosures, but using assumptions adjusted as detailed below.

	Approximate effect on liability £'000
Adjustments to assumptions	
Discount rate	
Plus 0.50%	160
Minus 0.50%	(182)
Inflation	
Plus 0.50%	(274)
Minus 0.50%	274
Salary increase	
Plus 0.50%	(63)
Minus 0.50%	61
Life expectancy	
Plus 1.0 years	(27)
Minus 1.0 years	34
% With-profit deferred annuities converted on retirement using guaranteed annuity rates	
Plus 10.00% (i.e. 80%)	229
Minus 10.00% (i.e. 60%)	(229)

20. NOTES SUPPORTING CONSOLIDATED CASH FLOW STATEMENT

	2019 £'000	2018 £'000
Cash and cash equivalents		
Cash at bank and in hand	**1,679**	2,313
Bank overdraft	**(1,016)**	(832)
	663	1,481

Major non-cash transaction

During the year the Group acquired tangible assets of £551,000 subject to finance (2018 – £30,000) under hire purchase agreements.

21. CAPITAL COMMITMENTS

There were capital commitments of £544,000 (2018 – £362,000) which are contracted but not provided for in these financial statements.

Notes to the accounts

For the year ended 31st December 2019 (continued)

22. SUBSIDIARIES

Subsidiary	Principal activity	Proportion of shares held 2019 and 2018 Ordinary Shares	Preference Shares
i Registered in and operating from Hunslet Road, Leeds, West Yorkshire, LS10 1JZ, England:			
Braime Pressings Limited	Manufacture of metal presswork	100%	100%
4B Braime Components Limited	Distribution of bulk material handling components	100%	—
T.F. & J.H. Braime (Holdings) P.L.C.	Dormant	100%	—
ii Registered as above and operating from 625 Erie Avenue, Morton, Illinois, USA:			
4B Elevator Components Limited	Distribution of bulk material handling components	100%	—
iii Incorporated in and operating from 9 Route de Corbie, 80800 Lamotte Warfusee, France:			
4B-France sarl	Distribution of bulk material handling components	100%	—
iv Incorporated in and operating from 899/1 Moo 20, Soi Chongsiri, Bangplee-Tam Ru Road, Samutprakam, 10540, Thailand:			
4B Asia Pacific Company Limited	Distribution of bulk material handling components	48%	—
v Incorporated in and operating from 14 Newport Business Park, Mica Drice, Kya Sand, 2163 Johannesburg, South Africa:			
4B Africa Elevator Components (Pty) Limited	Distribution of bulk material handling components	100%	—
vi Incorporated in and operating from Unit 1, 18 Overlord Place, Acacia Ridge, Queensland, 4110, Australia:			
4B Australia Pty Limited	Distribution of bulk material handling components	100%	—
vii Incorporated in and operating from 18 Xinya Road, Wujin State High & New Technology Development Zone, Changzhou, Jiangsu, China:			
4B Braime (Changzhou) Industrial Control Equipment Company Limited	Distribution of bulk material handling components	100%	—

While only 48% of the ordinary shares are held in 4B Asia Pacific Company Limited the Company controls 89% of the voting rights. As a consequence no single investor directly controls the investee however, given the operational management that the company demonstrates, it has the ability to direct the relevant activities and the decision making process such that it has power over the investee.

23. RELATED PARTY TRANSACTIONS

The total remuneration for key management personnel for the year including directors totalled £1,344,000 (2018 – £1,098,000). There were no other related party transactions during the year.

24. POST BALANCE SHEET EVENT

The Coronavirus (Covid-19) pandemic, which began as an outbreak in China in January 2020, very quickly spread across to Europe and the rest of the world and is affecting all businesses for an indeterminate period. In common with all other businesses in its sector, the Group's trading subsidiaries in all locations have been impacted by the pandemic.

At the date of approval of the financial statements it has not been possible to quantify or ascertain with any certainty the financial impact of Covid-19. As it is a non-adjusting event occurring after the year end, no adjustments have been made to any figures in the financial statements as a result of the pandemic.

Company balance sheet

As at 31st December 2019

	Note	**2019 £'000**	2018 £'000
Fixed assets			
Intangible assets	3	**25**	36
Tangible fixed assets	4	**6,679**	6,084
Investments	5	**1,978**	1,978
		8,682	8,098
Current assets			
Debtors: due within one year	8	**979**	1,429
		979	1,429
Creditors: amounts falling due within one year			
Amounts owed to group undertakings		**4,074**	2,175
Other creditors falling due within one year	9	**1,839**	3,514
		5,913	5,689
Net current (liabilities)/assets		**(4,934)**	(4,260)
Total assets less current liabilities		**3,748**	3,838
Creditors: amounts falling due after more than one year	10	**358**	142
Provisions for liabilities	11	**237**	149
		3,153	3,547
Capital and reserves			
Called up share capital	12	**360**	360
Revaluation reserve		**85**	85
Capital redemption reserve		**180**	180
Retained earnings		**2,528**	2,922
Shareholders' funds		**3,153**	3,547

Company's loss for the financial year		**(227)**	(317)

These financial statements were approved and authorised for issue by the board of directors on 12th May 2020 and signed on its behalf by:

Nicholas Braime, Chairman

Cielo Cartwright, Group Finance Director

The notes on pages 53 to 58 form part of these financial statements.

Company statement of changes in equity

For the year ended 31st December 2019

	Called up Share Capital £'000	Revaluation Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1st January 2018	360	85	180	3,392	4,017
Comprehensive income for the financial year – profit	—	—	—	(317)	(317)
Dividends paid	—	—	—	(153)	(153)
Balance at 31st December 2018	**360**	**85**	**180**	**2,922**	**3,547**
Comprehensive income for the financial year – loss	**—**	**—**	**—**	**(227)**	**(227)**
Dividends paid	**—**	**—**	**—**	**(167)**	**(167)**
Balance at 31st December 2019	**360**	**85**	**180**	**2,528**	**3,153**

The revaluation reserve represents the fair value uplift in the Company's freehold property.

The capital redemption reserve represents the nominal value of preference share capital repurchased by the Company.

The retained earnings represents cumulative profit or losses net of dividends and other adjustments. Included within retained earnings is a non-distributable amount of £71,000.

Notes to the Company accounts

For the year ended 31st December 2019

1. COMPANY INFORMATION

Braime Group PLC is a Company limited by shares, incorporated in England & Wales. Its registered office is Hunslet Road, Leeds, LS10 1JZ. The Company is a holding company. Details of the Group's activities are provided on page 6.

2. ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared in accordance with Financial Reporting Standard 102 March 2018 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, as described below.

As a consequence the Company has elected to measure freehold land and buildings leased to other group companies, previously measured at fair value, under the historical cost convention. The fair value at the date of transition has been used as its deemed cost at this date.

Investment properties fair valued at 31st December 2016 of £4,533,000 have been redesignated as freehold property and the difference between the deemed cost and its historic cost treated as a revaluation reserve. As at 1st January 2016 this resulted in the creation of a revaluation reserve of £85,000, with a corresponding decrease in retained earnings.

The functional currency of the Company is considered to be pounds sterling.

2.2 Financial Reporting Standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements as permitted by FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

- The requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17 (d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

2.3 Intangible assets

Acquired bespoke software is included at cost and amortised in equal annual instalments over a period of 5 years which is its estimated useful economic life. Provision is made for any impairment.

2.4 Property, plant and equipment

Property, plant and equipment is stated at purchase cost together with any incidental expenses of acquisition, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible assets, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life.

- Plant and machinery — 4 – 5 years on a straight line basis
- Fixtures and fittings — 4 – 5 years on a straight line basis
- Motor vehicles — 4 – 5 years on a straight line basis

Depreciation has not been charged on freehold land and buildings in the year as the directors consider their residual value to be higher than their net book value.

Residual value represents the estimated amount which would currently be obtained from the disposal of an asset after deducting estimated costs of disposal, if the asset were already at an age and in the condition expected at the end of its estimated useful life.

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the assets against the higher of realisable value and value in use.

The gain or loss arising on the disposal of an asset is determined on the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

Notes to the Company accounts

For the year ended 31st December 2019 (continued)

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs). If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The following assets and liabilities are classified as basic financial instruments – cash and bank balances, trade creditors, accruals, bank loans and inter-company balances.

Cash and bank balances, trade creditors, accruals and inter-company balances (being repayable on demand) are measured at the amortised cost equivalent to the undiscounted amount of cash or other consideration expected to be paid or received.

Bank loans are initially measured at the present value of future payments, discounted at a market rate of interest and subsequently measured at amortised cost using the effective interest method.

2.6 Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss as described below.

Non financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less osts to sell and its value in use.

Financial assets

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had the impairment loss not been recognised.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities, except where a legal right of set off exists.

2.8 Investments

Investments in subsidiaries are measured at cost less impairment.

2.9 Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and that give rise to an obligation to pay more tax or a right to pay less tax in the future. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in different periods from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to the reversal of the timing difference. Deferred tax relating to the Company's properties are measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

2.10 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are reported at the rate of exchange ruling at the balance sheet date. Exchange differences are recognised in the income statement in the period in which they arise.

2.11 Hire purchase and leasing commitments

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the lease asset (or, if lower the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

2.12 Critical accounting judgements and sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements that the directors have made in applying the Company's accounting policies and the key sources of estimation uncertainty that have had the most significant effect on the financial statements are described below:

Carrying value of freehold land and buildings

As described in notes 2.1 and 2.4 to the financial statements the Company's freehold land and buildings are now carried at deemed cost with reference to a previous independent valuation as at 31st December 2015. Having given consideration to current property values the directors have considered that the properties residual values exceed their net book values, hence no depreciation need be charged.

Useful economic lives of plant and machinery

The annual depreciation charge for plant and machinery is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

3. INTANGIBLE ASSETS

	Software £'000
Cost	
At 1st January 2019	**52**
Additions	**—**
At 31st December 2019	**52**
Amortisation	
At 1st January 2019	**16**
Provided for the year	**11**
At 31st December 2019	**27**
Net book value	
At 31st December 2019	**25**
At 31st December 2018	36

Notes to the Company accounts

For the year ended 31st December 2019 (continued)

4. TANGIBLE FIXED ASSETS

	Freehold Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1st January 2019	**4,323**	**3,415**	**148**	**2**	**7,888**
Additions	**—**	**1,080**	**58**	**—**	**1,138**
Transfer from subsidiary undertaking	**—**	**317**	**—**	**—**	**317**
Disposals	**—**	**—**	**—**	**—**	**—**
At 31st December 2019	**4,323**	**4,812**	**206**	**2**	**9,343**
Depreciation					
At 1st January 2019	**10**	**1,726**	**66**	**2**	**1,804**
Provided for the year	**—**	**614**	**47**	**—**	**661**
Transfer from subsidiary undertaking	**—**	**199**	**—**	**—**	**199**
Disposals	**—**	**—**	**—**	**—**	**—**
At 31st December 2019	**10**	**2,539**	**113**	**2**	**2,664**
Net book value					
At 31st December 2019	**4,313**	**2,273**	**93**	**—**	**6,679**
At 31st December 2018	4,313	1,689	82	—	6,084

The net book value of tangible fixed assets includes an amount of £651,000 (2018 – £420,000) in respect of assets under finance leases and hire purchase contracts. The related depreciation on these assets for the year was £183,000 (2018 – £199,000). Assets in the course of construction which have not been depreciated total £710,000 (2018 – £701,000).

The historical cost of the freehold land and buildings is £2,855,000.

5. INVESTMENTS

Subsidiary undertakings

	£'000
At 1st January 2019 and 31st December 2019	**1,978**

The list of subsidiaries is disclosed in note 22 of the consolidated financial statements.

6. EMPLOYEES

	2019 No.	2018 No.
Office and management	**7**	—

	2019 £'000	2018 £'000
Directors remuneration		
Emoluments for qualifying service	**540**	56

Certain directors and central administration team are paid directly by the Company with effect from 1st January 2019. Further details of directors' remuneration are included in the remuneration report.

7. PROFIT FOR THE FINANCIAL YEAR

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements.

8. DEBTORS: AMOUNTS RECEIVABLE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Other taxes	**61**	215
Prepayments	**142**	149
Amounts owed by group undertakings	**776**	1,065
	979	1,429

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Bank overdraft	**1,499**	2,737
Bank loan – secured	**14**	105
Corporation tax	**6**	6
Trade creditors	**2**	91
Accruals	**133**	126
Other creditors	**—**	291
Hire purchase – secured	**185**	158
	1,839	3,514

Cross guarantees exist in respect of all Group company bank borrowings. At 31st December 2019 the borrowings guaranteed by the Company amounted to £nil (2018 – £nil).

Funds advanced for capital assets which were deemed potentially refundable in 2018 have been recognised in the profit and loss account in 2019.

Notes to the Company accounts

For the year ended 31st December 2019 (continued)

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Bank loan – secured	**—**	16
Hire purchase creditor – secured	**358**	126
	358	142

The bank loan and hire purchase creditors are secured by fixed charges over certain assets of the Company.

11. PROVISIONS FOR LIABILITIES

	2019 £'000	2018 £'000
Deferred tax liability		
Accelerated capital allowances	**97**	—
Rolled over capital gains	**58**	58
Property fair value adjustment	**82**	91
	237	149

	Deferred tax £'000
Balance at 1st January 2019	**149**
Charge to income statement during the year	**88**
Balance at 31st December 2019	**237**

Deferred tax has been recognised at a rate of 17% (2018 – 17%) based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1st April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31st December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax liability would have been £28,000 higher.

12. SHARE CAPITAL

	2019 £'000	2018 £'000
Authorised:		
480,000 Ordinary shares of 25p each	**120**	120
1,200,000 'A' Ordinary shares of 25p each	**300**	300
	420	420
Allotted, called up and fully paid:		
480,000 Ordinary shares of 25p each	**120**	120
960,000 'A' Ordinary shares of 25p each	**240**	240
	360	360

The 'A' Ordinary shares rank pari passu in all respects with Ordinary shares except that the holders of 'A' Ordinary shares are not entitled to vote at general meetings. Holders of Ordinary shares are entitled to one vote for every four shares held.

Five year record

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Turnover	**33,433**	35,718	31,449	28,415	26,470
Profit from operations	**2,221**	3,242	2,341	1,394	897
Profit before tax	**1,746**	3,017	2,201	1,274	1,950
Profit after tax	**1,349**	2,229	1,580	855	1,542
Basic and diluted earnings per share	**94.44p**	151.25p	109.73p	59.34p	107.05p

Notice of meeting

Notice is hereby given that the SEVENTIETH Annual General Meeting of the members of Braime Group PLC (the 'Company') will be held at the registered office of the Company at Hunslet Road, Leeds, LS10 1JZ on 29th June 2020 at 11.45am.

Important Information regarding the AGM

The Company has been closely monitoring developments relating to the Coronavirus pandemic, including the related public health guidance and legislation issued by the UK Government. At the time of writing, the UK Government has prohibited public gatherings of more than two people and non-essential travel, save in certain limited circumstances. In light of these measures, the 2020 AGM will be run as a closed meeting and shareholders will not be able to attend in person. The Company will make arrangements such that the legal requirements to hold the meeting can be satisfied through the attendance of a minimum number of people and the format of the meeting will be purely functional.

Shareholders are therefore strongly encouraged to submit a proxy vote in advance of the meeting. Details on how to do this are set out in the accompanying notes to the Notice. Shareholders are encouraged to appoint the Chairman of the Meeting as their proxy rather than a named person who will not be permitted to attend the meeting. This will ensure your votes are cast in accordance with your wishes.

Ordinary Resolutions

1. To receive and adopt the report of the directors, the statement of accounts and the directors' remuneration report, for the year ended 31st December 2019, and the report of the auditors thereon.

2. To confirm the dividends paid on 18th October 2019 and 5th June 2020 on the Ordinary and 'A' Ordinary shares.

3. a) To re-appoint as a director O. N. A. Braime, who is retiring by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

b) To re-appoint as a director P. J. O. Alcock, who is retiring by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

4. To re-appoint Kirk Newsholme as auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at which accounts are laid.

5. To authorise the directors to set the remuneration of the auditors.

By order of the board,
Cielo Cartwright Secretary
Hunslet Road, Leeds, LS10 1JZ

12th May 2020

ACCOMPANYING NOTES

1. A member entitled to vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not also be a member of the Company. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice.

2. To be valid, the form of proxy must be received at the Company's registered office at Hunslet Road, Leeds LS10 1JZ by no later than 11:45am on 27th June 2020.

3. The return of a completed form of proxy will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

4. In accordance with the Company's Articles of Association, holders of the 'A' Ordinary shares are entitled to attend, but not to vote at this meeting.

5. There will be available for inspection at the registered office during the Company's usual business hours (Saturdays, Sundays and public holidays excluded) from the date of this notice until the date of the Annual General Meeting and for at least fifteen minutes prior to and during the meeting:

   A statement for the period of twelve months to 31st December 2019 of all transactions of each director and, so far as he/she can reasonably ascertain, of his/her family interests in the Ordinary shares of the Company.

   The service contract of each executive director, where applicable and the letter of appointment of each non-executive director.

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA11) by 11.45am on 27th June 2020 For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Explanatory notes of resolutions

The following notes give an explanation of the proposed resolutions. Resolutions 1 to 5 inclusive are proposed as Ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

The directors consider that all of the resolutions to be proposed at the AGM are in the best interests of the Company and its shareholders as a whole and unanimously recommend that shareholders vote in favour of all of the resolutions, as the directors intend to do in respect of their own beneficial holdings.

BUSINESS TO BE TRANSACTED AT THE AGM

Details of the resolutions which are to be proposed at the AGM are set out below.

Ordinary resolutions

1. To receive and adopt the report and accounts

The directors are required to present the accounts for the year ended 31st December 2019 to the meeting.

2. Confirmation of dividends

To confirm the interim dividend on the Ordinary and 'A' Ordinary shares of 3.60p per share paid on 18th October 2019 and 8.00p per share paid on 5th June 2020.

3. Re-appointment of directors

The Articles of Association of the Company require the nearest number to one third of the directors to retire at each Annual General Meeting. Accordingly, O. N. A. Braime and P. J. O. Alcock are retiring by rotation in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election.

4. Re-appointment of auditors

The Company is required to appoint auditors at each Annual General Meeting to hold office until the next such meeting at which accounts are presented.

5. Remuneration of auditors

The resolution proposes the reappointment of the Company's existing auditors, Kirk Newsholme, and authorises the directors to agree their remuneration.

Directors and Advisers

Directors	Nicholas Braime, MA (Oxon), MBIM (Chairman) Peter Alcock, B. Eng. (Non-executive director) Andrew Walker, MA (Cantab) (Non-executive director) Alan Braime, BA (Hons), FCA Carl Braime, BSc (Hons), MSc, MBA Cielo Cartwright, BSc (Hons), FCA
Secretary	Cielo Cartwright, BSc (Hons), FCA
Registered office	Hunslet Road Leeds LS10 1JZ
Independent auditors	Kirk Newsholme Chartered Accountants and Statutory Auditors 4315 Park Approach Thorpe Park Leeds LS15 8GB
Bankers	HSBC Leeds City Branch 33 Park Row Leeds LS1 1LD
Stockbrokers	W H Ireland 3rd Floor, Royal House 28 Sovereign Street Leeds LS1 4BJ
Company registration Number	488001 (England and Wales)

Notes

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Braime Group PLC

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