Interim Report
for the six months ended
30th June 2019

Management commentary

Performance

Group sales revenue for the first six months of 2019 is down 5.5% to £17.1m compared to £18.1m for the same period in 2018, while profit before tax fell to £1.1m compared to £1.2m for the same period in 2018. Performance for the first half of the year is less than we had hoped for based on our growth in previous years, but it is better than we feared, given the current uncertainties in the global and local economic and political environment. In particular, the USA operation, which is a very significant contributor to Group profitability, has seen a significant softening in the agricultural market, from customers, end users and equipment manufacturers, unprecedented in recent times, caused by the deterioration in US-Sino trade relations.

Dividends

It is the Group's policy to maintain dividend growth, balanced alongside the Group's requirement for investment in capital to support long term growth. The directors have decided to increase the interim dividend to 3.60p per share. This dividend will be paid on 18th October 2019 to the Ordinary and 'A' Ordinary shareholders on the register on the 4th October 2019. The associated ex-dividend date is 3rd October 2019.

Braime Pressings Limited

External sales revenue fell to £1.9m in the first 6 months of 2019, as compared to £2.6m for the same period last year, which had been boosted by an exceptional order, albeit with a low margin. We have continued to improve operating efficiencies and productivity and this has led to a rise in profit for the period to £116,000 from £62,000 for the equivalent period last year. We are continuing to look for further ways to improve efficiencies and we are pleased to report we have recently installed a 190KW solar PV on our property on Hunslet Road, Leeds. This will generate around 25% of our current electricity requirements, and is of course, good for the environment.

4B Division

Our distribution division's external sales revenue fell slightly to £15.2m compared to £15.3m for the same period last year. Intercompany trading rose by 26.8% to £2.9m (£2.3m for the same period in 2018) buoyed up by Brexit preparations. We are pleased to see strong growth in 4B Africa which is 28% above the same period last year. However, the African market is a relatively small proportion of our total market and cannot compensate for the lack of growth experienced elsewhere. Our new subsidiary in China has also been adversely affected by the US-Sino trade wars and will require time before it makes a positive contribution to the Group financially, but we believe it is strategically placed to provide significant long-term growth. Profit for the division for the six-month period was £883,000 as compared to £1.0m for the same period last year. This stems from new costs arising from additional depreciation due to our recent investment our new moulding facilities and the strengthening of some sectors of our management structure, necessary to maintain future growth.

Balance Sheet

Total net assets as at 30th June 2019 amount to £13.9m (30th June 2018 - £11.8m). Inventory has increased by £2.0m when compared to 30th June 2018 and by £1.1m when compared to 31st December 2018, partly due to the Group's contingency planning for Brexit and the slower than expected sales, mentioned above. Trade receivables are in line with the 2018 year end, and reduced compared to 30th June 2018. The increase in long-term borrowings since June 2018 relates primarily to new loans taken up to fund our moulding plant in the USA in the second half of 2018.

Included for the first time in the accounts are a new category of non-current assets called Right of Use (RoU) assets. These arise from the new accounting standard for Leases, IFRS 16, which came into force on 1st January 2019. The standard requires that certain leases, such as property rentals, which were previously accounted for as operating expenses in the profit and loss account, are now capitalised in the balance sheet as RoU assets and then depreciated. However, the changes in the IFRS standard does not have any material impact on the reported operating profit of the Group, because the total cost of operating lease rentals of £103,000 is materially the same as the total depreciation charge on the RoU assets.

Cash flow

Net profit generated after tax was £756,000 compared to £822,000 for the same period last year. However, our Brexit preparations have seen our inventories increase by £1.1m over the six-month period from 31st December 2018, and a corresponding decrease in our trade payables of £381,000. We continue to invest in capital projects, this year adding three new presses in the UK, as well as items of new equipment in our overseas operations. The Group is committed to making further substantial investments and cash flow is expected to remain tight in the second half of the year. The Group continues to operate within its bank facility agreed with HSBC.

As the business continues to expand, the directors remain focused in ensuring that working capital requirements, particularly for stock, are carefully monitored and controlled.

Management commentary (continued)

Principal exchange rates

The Group reports its results in sterling, its presentational currency. The Group operates in six other currencies and the average of the principal exchange rates in use during the half year and as at the 30th June 2019 are shown in the table below, along with comparatives.

Currency	Symbol	Avg rate HY 2019	Avg rate HY 2018	Avg rate FY 2018	Closing rate 30th Jun 2019	Closing rate 30th Jun 2018	Closing rate 31st Dec 2018
Australian Dollar	*AUD*	1.832	1.788	1.787	1.814	1.788	1.809
Chinese Renminbi (Yuan)	*CNY*	8.770	8.743	8.700	8.711	8.731	8.676
Euro	*EUR*	1.148	1.137	1.130	1.118	1.131	1.115
South African Rand	*ZAR*	18.319	16.989	17.627	17.950	18.105	18.364
Thai Baht	*THB*	40.808	43.604	42.962	39.069	43.649	41.301
United States Dollar	*USD*	1.297	1.372	1.332	1.273	1.320	1.277

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	Half year 2019	Half year 2018	Full year 2018
Turnover growth	1	(5.5%)	16.3%	13.6%
Gross margin	2	45.4%	45.9%	48.4%
Operating profit	3	£1.29m	£1.18m	£3.24m
Stock days	4	165 days	125 days	141 days
Debtor days	5	60 days	62 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. Revenues are down due to the current global economic climate.

2. Gross margin

Gross profit (revenue less change in inventories and raw materials used) as a percentage of revenue is monitored to maximise profits available for reinvestment and distribution to shareholders. Gross margin is in line with the same period last year.

3. Operating profit

Sustainable growth in operating profit is a strategic priority to enable ongoing investment and increase shareholder value. Despite the fall in revenues, operating profits have improved as a result of the efficient cost control over operating expenses.

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. Stock days have increased in part due to contingency planning for Brexit and slower sales take up.

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, and better than the same period last year. Management remain 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.

Management commentary (continued)

Outlook for the second half of 2019

Last year's very positive economic environment boosted our growth, however this year, indications are that the second half of the year will remain very challenging. This is due to uncertainties surrounding the ongoing trade conflict between the US and China, and the escalating tariff war, which is not only affecting America and China but also reverberating around the global markets, so we do not currently anticipate repeating the strong results seen in the second half of last year.

Closer to home, Brexit remains frustratingly, an unknown quantity. We have prepared as well as any business can under the circumstances, but the actual impact is difficult to ascertain, not just with regards to trading but also to foreign currency fluctuations. As much of our income derives from overseas earnings, a weak sterling will boost reported earnings when retranslated. However, should sterling strengthen significantly, the converse would apply. Depending on the form Brexit finally takes, as a major exporter, the actual event is likely to cause some degree of short-term disruption. However, we consider that as the majority of our sales presence and projected growth is already outside the EU, the long-term effects are unlikely to be significant for the Group.

Consolidated income statement
For the six months ended 30th June 2019

	Note	**Unaudited 6 months to 30th June 2019 £'000**	Unaudited 6 months to 30th June 2018 £'000	Audited year to 31st December 2018 £'000
Revenue		**17,077**	18,069	35,718
Changes in inventories of finished goods and work in progress		**1,174**	558	1,229
Raw materials and consumables used		**(10,501)**	(10,332)	(19,677)
Employee benefits costs		**(3,719)**	(3,287)	(8,300)
Depreciation expense (see Note below)		**(536)**	(305)	(788)
Other expenses		**(2,209)**	(3,522)	(4,940)
Profit from operations		**1,286**	1,181	3,242
Finance costs		**(216)**	(19)	(227)
Finance income		**1**	-	2
Profit before tax		**1,071**	1,162	3,017
Tax expense		**(315)**	(340)	(788)
Profit for the period		**756**	822	2,229
Profit attributable to:				
Owners of the parent		**751**	830	2,178
Non-controlling interests		**5**	(8)	51
		756	822	2,229
Basic and diluted earnings per share	2	**52.49p**	57.08p	154.79p

Note: The Group has initially applied IFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. The IFRS does not have any material impact on the reported operating profit of the Group, because the total cost of operating lease rentals of £103,000 is materially the same as the total depreciation charge on the Right of use (RoU) assets.

Consolidated statement of comprehensive income
For the six months ended 30th June 2019

	Unaudited 6 months to 30th June 2019 £'000	Unaudited 6 months to 30th June 2018 £'000	Audited year to 31st December 2018 £'000
Profit for the period	**756**	822	2,229
Items that will not be reclassified subsequently to profit or loss			
Net pension remeasurement gain on post-employment benefits	**-**	-	76
Items that may be reclassified subsequently to profit or loss			
Foreign exchange (losses)/gains on re-translation of overseas operations	**(13)**	85	206
Other comprehensive income for the period	**(13)**	85	282
Total comprehensive income for the period	**743**	907	2,511
Total comprehensive income attributable to:			
Owners of the parent	**756**	918	2,481
Non-controlling interests	**(13)**	(11)	30
	743	907	2,511

The foreign currency movements arise on the re-translation of overseas subsidiaries' opening balance sheets at closing rates.

Consolidated balance sheet
At 30th June 2019

	Unaudited 6 months to 30th June 2019 £'000	Unaudited 6 months to 30th June 2018 £'000	Audited year to 31st December 2018 £'000
Non-current assets			
Property, plant and equipment	**6,485**	5,921	6,232
Intangible assets	**56**	71	61
Right of use assets (see Note below)	**213**	-	-
Total non-current assets	**6,754**	5,992	6,293
Current assets			
Inventories	**8,968**	6,989	7,872
Trade and other receivables	**6,605**	7,512	6,820
Cash and cash equivalents	**935**	938	2,313
Total current assets	**16,508**	15,439	17,005
Total assets	**23,262**	21,431	23,298
Current liabilities			
Bank overdraft	**508**	-	832
Trade and other payables	**4,881**	5,847	5,493
Other financial liabilities	**2,219**	3,363	1,870
Corporation tax liability	**1**	331	249
Total current liabilities	**7,609**	9,541	8,444
Non-current liabilities			
Financial liabilities	**1,449**	39	1,256
Deferred income tax liability	**266**	71	265
Total non-current liabilities	**1,715**	110	1,521
Total liabilities	**9,324**	9,651	9,965
Total net assets	**13,938**	11,780	13,333
Capital and reserves			
Share capital	**360**	360	360
Capital reserve	**257**	257	257
Foreign exchange reserve	**306**	162	301
Retained earnings	**13,347**	11,361	12,734
Total equity attributable to the shareholders of the parent company	**14,270**	12,140	13,652
Non-controlling interests	**(332)**	(360)	(319)
Total equity	**13,938**	11,780	13,333

Note: The Group has initially applied IFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. The impact of IFRS 16 on these accounts is to recognise £311,000 of opening net book value of Right of use (RoU) assets and £334,000 of lease liabilities.

Consolidated cash flow statement
For the six months ended 30th June 2019

	Note	**Unaudited 6 months to 30th June 2019 £'000**	Unaudited 6 months to 30th June 2018 £'000	Audited year to 31st December 2018 £'000
Operating activities				
Net profit		**756**	822	2,229
Adjustments for:				
Depreciation		**536**	305	788
Foreign exchange (losses)/gains		**(17)**	61	158
Finance income		**(1)**	-	(2)
Finance expense		**216**	19	227
Gain on sale of plant, machinery and motor vehicles		**-**	-	15
Adjustment in respect of defined benefit scheme		**-**	-	158
Income tax expense		**315**	340	788
Income taxes paid		**(243)**	(216)	(871)
Operating activities before changes in working capital and provisions		**1,562**	1,331	3,490
Increase in trade and other receivables		**(107)**	(1,602)	(580)
Increase in inventories		**(1,096)**	(558)	(1,441)
(Decrease)/increase in trade and other payables		**(381)**	1,817	977
		(1,584)	(343)	(1,044)
Cash generated from operations		**(22)**	988	2,446
Investing activities				
Purchases of property, plant, machinery and motor vehicles		**(679)**	(990)	(1,767)
Sale of plant, machinery and motor vehicles		**-**	10	32
Interest received		**1**	-	2
		(678)	(980)	(1,733)
Financing activities				
Proceeds from long term borrowings		**-**	-	792
Proceeds from new hire purchase borrowings		**421**	-	-
Repayment of Right of use liability (see Note below)		**(103)**	-	-
Repayment of borrowings		**(199)**	254	(349)
Repayment of hire purchase creditors		**(142)**	(184)	(276)
Interest paid		**(216)**	(19)	(227)
Dividends paid		**(115)**	(102)	(153)
		(354)	(51)	(213)
Decrease in cash and cash equivalents		**(1,054)**	(43)	500
Cash and cash equivalents, beginning of period		**1,481**	981	981
Cash and cash equivalents (including overdrafts), end of period	**3**	**427**	938	1,481

Note: Prior to the adoption of IFRS 16, repayment of lease liabilities were deemed operating as opposed to financing activities.

Consolidated statement of changes in equity
For the six months ended 30th June 2019

	Share Capital £'000	Capital Reserve £'000	Foreign Exchange Reserve £'000	Retained Earnings £'000	Total £'000	Minority Interests £'000	Total Equity £'000
Balance at 31st December 2018	**360**	**257**	**301**	**12,734**	**13,652**	**(319)**	**13,333**
Impact of change in accounting standard - IFRS 16	**-**	**-**	**-**	**(23)**	**(23)**	**-**	**(23)**
Restated total equity at 1st January 2019	**360**	**257**	**301**	**12,711**	**13,629**	**(319)**	**13,310**
Comprehensive income							
Profit	**-**	**-**	**-**	**751**	**751**	**5**	**756**
Other comprehensive income							
Foreign exchange gain/(loss) on re-translation of overseas operations	**-**	**-**	**5**	**-**	**5**	**(18)**	**(13)**
Total other comprehensive income							
Total comprehensive income	**-**	**-**	**5**	**751**	**756**	**(13)**	**743**
Transactions with owners							
Dividends	**-**	**-**	**-**	**(115)**	**(115)**	**-**	**(115)**
Total transactions with owners	**-**	**-**	**-**	**(115)**	**(115)**	**-**	**(115)**
Balance at 30th June 2019	**360**	**257**	**306**	**13,347**	**14,270**	**(332)**	**13,938**

Consolidated statement of changes in equity (continued)
Comparative for the six months ended 30th June 2018

	Share Capital £'000	Capital Reserve £'000	Foreign Exchange Reserve £'000	Retained Earnings £'000	Total £'000	Minority Interests £'000	Total Equity £'000
Balance at 1st January 2018	360	257	74	10,633	11,324	(349)	10,975
Comprehensive income							
Profit	-	-	-	830	830	(8)	822
Other comprehensive income							
Foreign exchange losses on re-translation of overseas operations	-	-	88	-	88	(3)	85
Total other comprehensive income	-	-	88	-	88	(3)	85
Total comprehensive income	-	-	88	830	918	(11)	907
Transactions with owners							
Dividends	-	-	-	(102)	(102)	-	(102)
Total transactions with owners	-	-	-	(102)	(102)	-	(102)
Balance at 30th June 2018	360	257	162	11,361	12,140	(360)	11,780

Consolidated statement of changes in equity
Comparative for the year ended 31st December 2018

	Share Capital £'000	Capital Reserve £'000	Foreign Exchange Reserve £'000	Retained Earnings £'000	Total £'000	Minority 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	-	-	-	76	76	-	76
Foreign exchange gains on re-translation of overseas 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	-	-	-	(153)	(153)	-	(153)
Total transactions with owners	-	-	-	(153)	(153)	-	(153)
Balance at 31st December 2018	360	257	301	12,734	13,652	(319)	13,333

Notes to the interim financial report

1. Accounting policies

Basis of preparation

The interim financial report has been prepared using accounting policies that are consistent with those used in the preparation of the full financial statements to 31st December 2018 and those which management expects to apply in the Group's full financial statements to 31st December 2019.

This interim financial report is unaudited. The comparative financial information set out in this interim financial report does not constitute the Group's statutory accounts for the period ended 31st December 2018 but is derived from the accounts. Statutory accounts for the period ended 31st December 2018 have been delivered to the Registrar of Companies. The auditors have reported on those accounts. Their audit report was unqualified and did not contain any statements under Section 498 of the Companies Act 2006.

The Group's condensed interim financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for the use in the European Union and in accordance with IAS 34 'Interim Financial Reporting' and the accounting policies included in the Annual Report for the year ended 31st December 2018, which have been applied consistently throughout the current and preceding periods. The Group has adopted the following new and amended standards as of 1st January 2019.

- IFRS 16, 'Leases'; 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.

Other than in respect of the application of IFRS 16, the application and interpretations surrounding the other standards has not had a material impact on the Group's reported financial performance or position.

IFRS 16, 'Leases'. This accounting standard became mandatory for financial years commencing on or after 1st January 2019. Under the new standard, an asset (the right to use the leased item, known as Right of use (RoU) asset) and a financial liability to pay rentals are recognised in the balance sheet. 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 1st January 2019. The Group has elected to apply permitted 'practical expedients' with respect to the following types of leases: Short-term leases (leases of less than 12 months) and leases with less than 12 months remaining as at 1st January 2019 and leases for which the asset is of low value, have not been included within the scope of the new standard.

The adoption of IFRS 16 affects the reported balance sheet assets and liabilities only. There is no material impact on the reported profit of the Group, as a result of the new standard.

Notes to the interim financial report (continued)

2. 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 (2018 – 1,440,000). There are no potentially dilutive shares in issue.

	6 months to 30th June 2019 £'000
Dividends paid on equity shares	
Ordinary shares	
Interim of 8.00p per share paid on 17th May 2019	**38**
'A' Ordinary shares	
Interim of 8.00p per share paid on 17th May 2019	**77**
Total dividends paid	**115**

	Year to 31st December 2018 £'000
Dividends paid on equity shares	
Ordinary shares	
Interim of 7.10p per share paid on 18th May 2018	34
Interim of 3.50p per share paid on 19th October 2018	17
	51
'A' Ordinary shares	
Interim of 7.10p per share paid on 18th May 2018	68
Interim of 3.50p per share paid on 19th October 2018	34
	102
Total dividends paid	153

Notes to the interim financial report (continued)

3. Cash and cash equivalents

	Unaudited 6 months to 30th June 2019 £'000	Unaudited 6 months to 30th June 2018 £'000	Audited year to 31st December 2018 £'000
Cash at bank and in hand	**935**	938	2,313
Bank overdrafts	**(508)**	-	(832)
	427	938	1,481

4. Segmental information

				Unaudited 6 months to 30th June 2019
	Central £'000	**Manufacturing £'000**	**Distribution £'000**	**Total £'000**
Revenue				
External	**-**	**1,913**	**15,164**	**17,077**
Inter company	**997**	**1,427**	**2,877**	**5,301**
Total	**997**	**3,340**	**18,041**	**22,378**
Profit				
EBITDA	**115**	**133**	**1,574**	**1,822**
Finance costs	**(110)**	**(9)**	**(97)**	**(216)**
Finance income	**-**	**-**	**1**	**1**
Depreciation	**(248)**	**(8)**	**(280)**	**(536)**
Tax expense	**-**	**-**	**(315)**	**(315)**
(Loss)/profit for the period	**(243)**	**116**	**883**	**756**
Assets				
Total assets	**5,668**	**1,994**	**15,600**	**23,262**
Additions to non-current assets	**560**	**-**	**119**	**679**
Liabilities				
Total liabilities	**1,332**	**2,916**	**5,076**	**9,324**

In 2019, we revised PLC intercompany charges across the Group to align recharges with the business activity resulting in a larger recharge to 4B division.

Notes to the interim financial report (continued)

4. Segmental information – continued

	Central £'000	Manufacturing £'000	Distribution £'000	Unaudited 6 months to 30th June 2018 Total £'000
Revenue				
External	-	2,641	15,428	18,069
Inter company	347	1,589	2,269	4,205
Total	347	4,230	17,697	22,274
Profit				
EBITDA	(1)	76	1,411	1,486
Finance costs	(38)	(14)	33	(19)
Finance income	-	-	-	-
Depreciation	(228)	-	(77)	(305)
Tax expense	-	-	(340)	(340)
(Loss)/profit for the period	(267)	62	1,027	822
Assets				
Total assets	4,789	2,331	14,311	21,431
Additions to non-current assets	211	-	769	980
Liabilities				
Total liabilities	2,826	3,653	3,172	9,651

	Central £'000	Manufacturing £'000	Distribution £'000	Audited year to 31st December 2018 Total £'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

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