



Interim Report
for the six months ended
30th June 2020

Management commentary

Performance

Group sales revenue for the first six months of 2020 fell 5.6% to £16.1m when compared to £17.1m for the same period in 2019, while profit before tax decreased to £372,000 compared to £1.1m for the same period in 2019. In view of the havoc that the Covid-19 pandemic has wreaked on the global economy, the directors are pleased to report that sales volumes have held up better than expected. In the first quarter of the year, as country after country went into lockdown, our subsidiaries resolutely found ways to maintain operations, where necessary at times operating remotely from home. We have thus as a Group remained open throughout the pandemic and continued to serve and supply our customers. However, there is not much scope for reducing our base costs without cutting into our core business, and therefore the reduction in sales has had a direct consequence on our profitability. During this difficult time, we have carefully sought to avoid short-term cost-stripping which we consider would harm future strategic growth, whilst tactically managing our cashflow which has remained positive.

Dividends

In line with 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 4.00p per share. This dividend will be paid on 16th October 2020 to the Ordinary and 'A' Ordinary shareholders on the register on the 2nd October 2020. The associated ex-dividend date is 1st October 2020.

Braime Pressings Limited

External sales revenue of £2.0m in the first 6 months of 2020 was slightly up on the same period last year as customers increased orders for replacement parts. Intercompany sales also increased by £268,000. The manufacturing division made a small loss of £34,000 for the period as price competition remains high in the automotive sector. At the beginning of the year the business recruited a new sales manager to develop new markets however his activities were severely curtailed as a result of the lockdown restrictions and prospecting has only just recommenced.

4B Division

Our distribution division's external sales revenue of £14.2m fell by 6.6% when compared to £15.2m for the same period last year. Nonetheless, management consider this to be very positive results, given the economic upheaval of the Covid-19 pandemic. Intercompany trading reduced by 17.2% to £2.4m (£2.9m for the same period in 2019). This downturn is partly a result of the impact of Covid-19 but also due to the fact that the prior year sales were boosted by additional trading in the light of Brexit preparations. We are pleased to see strong growth in 4B Australia which is 10% above the same period last year. The freeze in US-Sino relations has continued to affect our subsidiary in China but we believe in its strategic location for future growth. The £1.0m reduction in external sales has directly impacted profit, with profit after tax for the 4B division for the six-month period reduced to £307,000 as compared to £883,000 for the same period last year.

Balance sheet

Total net assets as at 30th June 2020 amount to £14.9m (30th June 2019 - £13.9m). Capital asset additions of £855,000 during the period relate primarily to the land purchased in Villers Bretonneux together with the warehouse under construction of £548,000 for 4B France, as announced earlier in the year. Other additions relate to the purchase of a 400-ton capacity press in the UK, various quality monitoring systems and tooling. Inventory has increased by £159,000 when compared to 30th June 2019 and by £554,000 when compared to 31st December 2019. Trade receivables of £6.6m is in line with 30th June 2019 but increased by £915,000 when compared to 31st December 2019. The increase in long-term borrowings during the year relates primarily to the take up of new loans; firstly £455,000 in the USA where our subsidiary has successfully applied for funding from the government Paycheck Protection Program (PPP) for Covid-19. The PPP aid, granted in the form of a loan on 16th April 2020, carries an interest rate of 1% and matures two years from the date of receipt, however the loan may be forgiven if employees are retained. Secondly £300,000 relates to the partial draw-down of the €1.7m loan facility in 4B France with Credit du Nord and BPI-France which as mentioned in 2019 annual report was obtained to fund the warehouse construction.

Cash flow

Cash at the end of the period was £822,000. Cash generated from operations before working capital movements was £1.4m during the period. An increase in trade receivables of £915,000 and an increase in inventories of £554,000 saw working capital reduce by £682,000 since the year end. These are a consequence of the reduced sales volume during the period. Investment in capital projects mentioned above gave rise to capital outflows of £855,000 and new loans of £755,000 in the USA and France mentioned above provided proceeds from borrowings. Overall, net cash increased by £159,000 during the six months to 30th June 2020. Management remains 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 2020 are shown in the table below, along with comparatives. Since a significant proportion of the Group revenues are in the USA, the Group has benefitted from the weakening of sterling against the US dollar since 31st December 2019. However, at the time of writing, the sterling has rallied strongly, and we expect to see the gains in the first half of the year reversing in the second half.

Currency	Symbol	Avg rate HY 2020	Avg rate HY 2019	Avg rate FY 2019	Closing rate 30th Jun 2020	Closing rate 30th Jun 2019	Closing rate 31st Dec 2019
Australian Dollar	AUD	1.922	1.832	1.840	1.795	1.814	1.883
Chinese Renminbi (Yuan)	CNY	8.857	8.770	8.810	8.714	8.711	9.150
Euro	EUR	1.140	1.148	1.144	1.100	1.118	1.177
South African Rand	ZAR	21.334	18.319	18.453	21.468	17.950	18.548
Thai Baht	THB	39.993	40.808	39.578	38.152	39.069	39.346
United States Dollar	USD	1.259	1.297	1.281	1.236	1.273	1.321

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 2020	Half year 2019	Full year 2019
Turnover growth	1	(5.6%)	(5.5%)	(6.4%)
Gross margin	2	47.4%	48.9%	49.1%
Operating profit	3	£0.45m	£1.29m	£2.21m
Stock days	4	191 days	165 days	176 days
Debtor days	5	63 days	60 days	57 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. The directors consider the results positive in the light of the current global crisis.

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 has decreased slightly over the same period last year. The directors continue to monitor the margins carefully for further movement.

3. Operating profit

Sustainable growth in operating profit is a strategic priority to enable ongoing investment and increase shareholder value. Operating profits have reduced as a direct result of the reduction in sales which is primarily due to the economic uncertainty following the Covid 19 pandemic.

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 a slow-down of sales compared to prior period.

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 at 63 days are slightly above the standard payment terms of 60 days. Management remain focused on reducing this to improve cash.

Management commentary (continued)

Notes to KPI's - continued

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.

Impact of Covid-19 pandemic

At our year end announcement, we noted the need to prepare for the likelihood of lower demand while the world economy struggles to recover from the pandemic. Our businesses have not been as harshly affected, in the way that certain sectors such as travel, retail, the hospitality and entertainment sectors, have been. We are therefore heartened that sales revenues are only 5.6% down compared to the same period last year but we are very mindful that small changes in volume have a more significant impact on our profits.

The pandemic has required all our businesses to adapt to new ways of working; we are very alert to the health risks posed by the virus and we have therefore taken all necessary steps to protect our employees including providing equipment for homeworking, implementing and observing stringent social distancing and extensive disinfecting and sanitizing measures on-site. Many of these provisions have the unintended consequence of reducing operational efficiencies particularly in the factory and warehouse. Staying close to our customers is at the heart of our policy and this is made more challenging when site visits have been restricted or banned. The costs of these new distancing, hygiene and risk reduction measures may not in isolation appear significant when quantified directly but without doubt they indirectly contribute to the overall reduction in profitability. We have received some government aid but the benefit to our profit for the period is minimal, being £35,000 in respect of furloughed employees in the UK who were shielding, and £13,000 in France. The government assistance received in the USA mentioned above has been booked as a loan and thus has not improved or impacted our reported profit.

Outlook for the second half of 2020

Given the current exceptional situation, it is even more difficult than usual to comment on the outlook for the Group. Our forward order books and the current level of enquiries in all parts of the Group are at unusually low levels. Nevertheless, each month our actual sales have exceeded our expectations and, in some parts of the Group, have exceeded last year's figures for the same period, and offset shortfalls elsewhere in the Group. On average we continue to achieve over 85% of our original budget set last year, but as in most businesses, our profits come from the top slice of our revenue, so our net earnings are likely to remain weak in the short term.

The Group is fortunate that a large part of our sales is made to the supply chain involved in handling and processing food related product and the demand for spares still remains strong. However, we expect that investment in new facilities and in new processing machinery in this sector, which have both driven our recent growth, is likely to be subdued until confidence returns to the general economy. If and when business confidence returns, we expect the sector to return rapidly to previous levels of investment because the food sector remains a growth area of the global economy although there will inevitably be a delay while new orders for the components that we supply start to flow through to us. Despite the current climate, our finances remain strong and we continue to invest resource to find new ways of marketing, and in developing new product, so we remain optimistic about the long-term prospect for the Group.

Our employees at all levels and in all parts of the group have coped admirably with the considerable additional challenges and stress created by the epidemic. Thanks to the fortitude and flexibility shown by our staff, our manufacturing and distribution businesses have been able to find new ways of working and enabled us to continue to supply our customers almost without interruption. In some important respects, this experience has brought our local teams and our group as a whole, closer together and revealed new and better ways of working. We plan to maintain and build on the changes we have made which will benefit the group in the long term.

Consolidated income statement For the six months ended 30th June 2020

	Unaudited 6 months to 30th June 2020 £'000	Unaudited 6 months to 30th June 2019 £'000	Audited year to 31st December 2019 £'000
Revenue	16,114	17,077	33,433
Changes in inventories of finished goods and work in progress	492	1,174	959
Raw materials and consumables used	(8,954)	(9,901)	(17,986)
Employee benefits costs	(4,406)	(4,090)	(8,530)
Depreciation expense	(646)	(536)	(1,236)
Other expenses	(2,146)	(2,438)	(4,737)
Other operating income	-	-	318
Profit from operations	454	1,286	2,221
Finance costs	(82)	(218)	(477)
Finance income	-	1	2
Profit before tax	372	1,069	1,746
Tax expense	(114)	(315)	(397)
Profit for the period	258	754	1,349
Profit attributable to:			
Owners of the parent	242	749	1,360
Non-controlling interests	16	5	(11)
	258	754	1,349
Basic and diluted earnings per share	16.81p	52.00p	94.44p

Consolidated statement of comprehensive income For the six months ended 30th June 2020

	Unaudited 6 months to 30th June 2020 £'000	Unaudited 6 months to 30th June 2019 £'000	Audited year to 31st December 2019 £'000
Profit for the period	258	754	1,349
Items that will not be reclassified subsequently to profit or loss			
Net pension remeasurement gain on post-employment benefits	-	-	178
Items that may be reclassified subsequently to profit or loss			
Foreign exchange gains/(losses) on re-translation of overseas operations	404	(13)	(323)
Other comprehensive income for the period	404	(13)	(145)
Total comprehensive income for the period	662	741	1,204
Total comprehensive income attributable to:			
Owners of the parent	656	754	1,231
Non-controlling interests	6	(13)	(27)
	662	741	1,204

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

Consolidated balance sheet At 30th June 2020

	Unaudited 6 months to 30th June 2020 £'000	Unaudited 6 months to 30th June 2019 £'000	Audited year to 31st December 2019 £'000
Non-current assets			
Property, plant and equipment	7,246	6,485	6,824
Intangible assets	44	56	48
Right of use assets	190	213	278
Total non-current assets	7,480	6,754	7,150
Current assets			
Inventories	9,127	8,968	8,573
Trade and other receivables	6,554	6,605	5,697
Cash and cash equivalents	1,558	935	1,679
Total current assets	17,239	16,508	15,949
Total assets	24,719	23,262	23,099
Current liabilities			
Bank overdraft	736	508	1,016
Trade and other payables	4,586	4,881	3,808
Other financial liabilities	2,042	2,219	2,163
Corporation tax liability	47	1	19
Total current liabilities	7,411	7,609	7,006
Non-current liabilities			
Financial liabilities	2,031	1,449	1,384
Deferred income tax liability	382	266	360
Total non-current liabilities	2,413	1,715	1,744
Total liabilities	9,824	9,324	8,750
Total net assets	14,895	13,938	14,349
Capital and reserves			
Share capital	360	360	360
Capital reserve	257	257	257
Foreign exchange reserve	408	306	(6)
Retained earnings	14,211	13,347	14,084
Total equity attributable to the shareholders of the parent Company	15,236	14,270	14,695
Non-controlling interests	(341)	(332)	(346)
Total equity	14,895	13,938	14,349

Consolidated cash flow statement For the six months ended 30th June 2020

	Unaudited 6 months to 30th June 2020 £'000	Unaudited 6 months to 30th June 2019 £'000	Audited year to 31st December 2019 £'000
Operating activities			
Net profit	258	754	1,349
Adjustments for:			
Depreciation	646	536	1,236
Foreign exchange gains/(losses)	299	(17)	(255)
Finance income	-	(1)	(2)
Finance expense	82	218	477
Gain on sale of plant, machinery and motor vehicles	-	-	(12)
Adjustment in respect of defined benefit scheme	-	-	93
Income tax expense	114	315	397
Income taxes paid	(8)	(243)	(451)
Operating profit before changes in working capital and provisions	1,391	1,562	2,832
(Increase)/decrease in trade and other receivables	(915)	(107)	1,044
Increase in inventories	(554)	(1,096)	(701)
Increase/(decrease) in trade and other payables	787	(381)	(1,499)
	(682)	(1,584)	(1,156)
Cash generated from operations	709	(22)	1,676
Investing activities			
Purchases of property, plant, machinery and motor vehicles	(855)	(679)	(1,660)
Sale of plant, machinery and motor vehicles	8	-	27
Interest received	-	1	2
	(847)	(678)	(1,631)
Financing activities			
Proceeds from long term borrowings	900	-	728
Proceeds from new hire purchase borrowings	-	421	-
Repayment of lease liabilities	(172)	(101)	(210)
Repayment of borrowings	(116)	(199)	(459)
Repayment of hire purchase creditors	(118)	(142)	(281)
Interest paid	(63)	(204)	(426)
Lease interest paid	(19)	(14)	(48)
Dividends paid	(115)	(115)	(167)
	297	(354)	(863)
Increase/(decrease) in cash and cash equivalents	159	(1,054)	(818)
Cash and cash equivalents, beginning of period	663	1,481	1,481
Cash and cash equivalents (including overdrafts), end of period	822	427	663

Consolidated statement of changes in equity For the six months ended 30th June 2020

	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 2019	360	257	(6)	14,084	14,695	(346)	14,349
Comprehensive income							
Profit	-	-	-	242	242	16	258
Other comprehensive income							
Foreign exchange gain/(loss) on re-translation of overseas operations	-	-	414	-	414	(11)	403
Total other comprehensive income	-	-	414	-	414	(11)	403
Total comprehensive income	-	-	414	242	656	5	661
Transactions with owners							
Dividends	-	-	-	(115)	(115)	-	(115)
Total transactions with owners	-	-	-	(115)	(115)	-	(115)
Balance at 30th June 2020	360	257	408	14,211	15,236	(341)	14,895

Consolidated statement of changes in equity (continued) Comparative 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	-	-	-	(21)	(21)	-	(21)
Restated total equity at 1st January 2019	360	257	301	12,713	13,631	(319)	13,312
Comprehensive income							
Profit	-	-	-	749	749	5	754
Other comprehensive income							
Foreign exchange gain/(loss) on re-translation of overseas operations	-	-	5	-	5	(18)	(13)
Total other comprehensive income	-	-	5	-	5	(18)	(13)
Total comprehensive income	-	-	5	749	754	(13)	741
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 Comparative for the year ended 31st December 2019

	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 2019	360	257	301	12,734	13,652	(319)	13,333
Impact of change in accounting standard - IFRS 16	-	-	-	(21)	(21)	-	(21)
Restated 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	-	-	-	178	178	-	178
Foreign exchange gains on re-translation of overseas 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	-	-	-	(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

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 2019 and those which management expects to apply in the Group's full financial statements to 31st December 2020.

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 2019 but is derived from the accounts. Statutory accounts for the period ended 31st December 2019 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 2019, 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 2020 –

- 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

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.

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 (2019 – 1,440,000). There are no potentially dilutive shares in issue.

	6 months to 30th June 2020 £'000
Dividends paid on equity shares	
Ordinary shares	
Interim of 8.00p per share paid on 5th June 2020	38
'A' Ordinary shares	
Interim of 8.00p per share paid on 5th June 2020	77
Total dividends paid	115

	Year to 31st December 2019 £'000
Dividends paid on equity shares	
Ordinary shares	
Interim of 8.00p per share paid on 17th May 2019	38
Interim of 3.60p per share paid on 18th October 2019	17
	55
'A' Ordinary shares	
Interim of 8.00p per share paid on 17th May 2019	77
Interim of 3.60p per share paid on 18th October 2019	35
	112
Total dividends paid	167

Notes to the interim financial report (continued)

3. Cash and cash equivalents

	Unaudited 6 months to 30th June 2020 £'000	Unaudited 6 months to 30th June 2019 £'000	Audited year to 31st December 2019 £'000
Cash at bank and in hand	1,558	935	1,679
Bank overdrafts	(736)	(508)	(1,016)
	822	427	663

4. Segmental information

	Central £'000	Manufacturing £'000	Distribution £'000	Unaudited 6 months to 30th June 2020 Total £'000
Revenue				
External	-	1,953	14,161	16,114
Inter company	1,016	1,695	2,381	5,092
Total	1,016	3,648	16,542	21,206
Profit				
EBITDA	352	(18)	767	1,101
Finance costs	(53)	(15)	(14)	(82)
Finance income	-	-	-	-
Depreciation	(300)	(11)	(335)	(646)
Tax expense	(14)	10	(111)	(115)
(Loss)/profit for the period	(15)	(34)	307	258
Assets				
Total assets	5,449	4,551	14,719	24,719
Additions to non-current assets	242	2	634	878
Liabilities				
Total liabilities	926	2,384	6,514	9,824

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

	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)	(11)	(97)	(218)
Finance income	-	-	1	1
Depreciation	(248)	(8)	(280)	(536)
Tax expense	-	-	(315)	(315)
(Loss)/profit for the period	(243)	114	883	754
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
	Audited year to 31st December 2019			
	Central £'000	Manufacturing £'000	Distribution £'000	Total £'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	(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

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