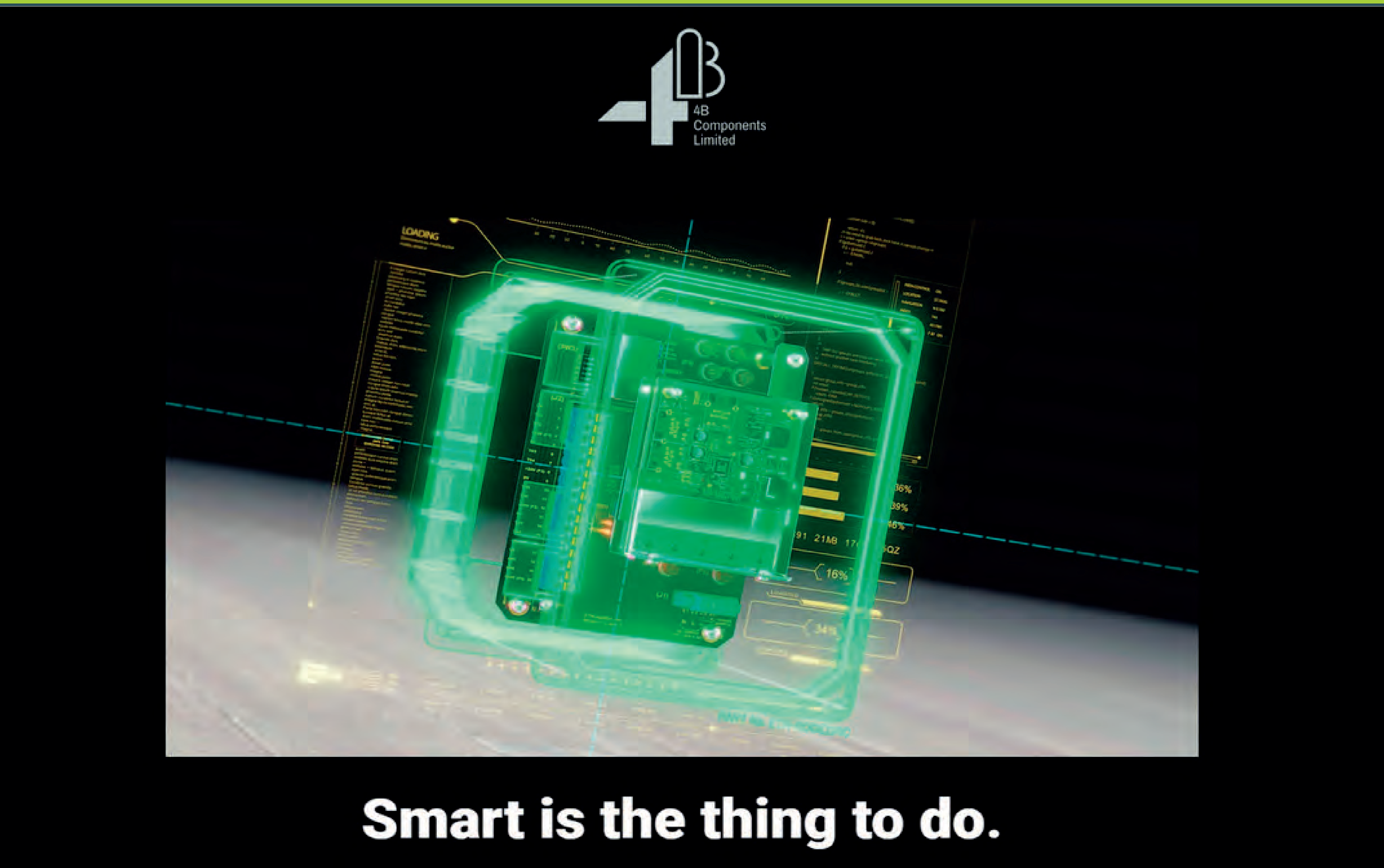
BRAIME
GROUP PLC
2021

Annual Report & Accounts 2021

Braime Group PLC

The Group is involved in the manufacture of metal presswork and the distribution of bulk material handling components. Our electronics division specialises in level controls, intelligent sensors and safety control systems for bucket elevators and conveyors.

The Group is headquartered in Leeds, United Kingdom, but also trades from locations in France, South Africa, Australia, Thailand, China and the United States.



OVER 130 YEARS OF ENGINEERING EXCELLENCE

BETTER BY DESIGN

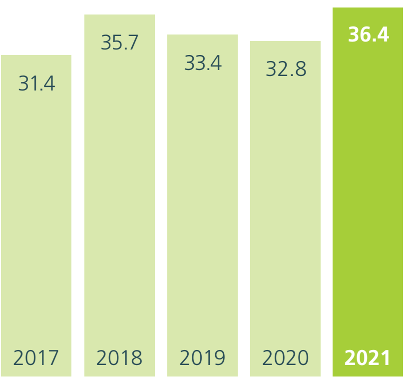
Front cover: Cement kiln elevator steel cord belt installation, Martinsburg, West Virginia, USA.
Above: Inside the IE-Node: remote sensor monitoring interface for PLCs and automation systems.

"We expected 2021 to be challenging. Instead, all our subsidiaries across the Group exceeded both their budget and their prior year sales."

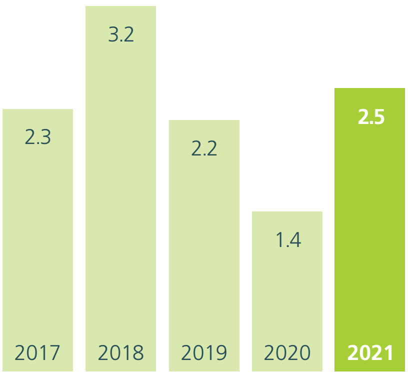
Nicholas Braime, Chairman
27th April 2022

Financial Highlights 2021

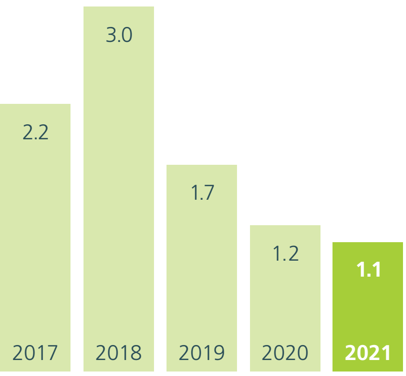
Turnover (£m)



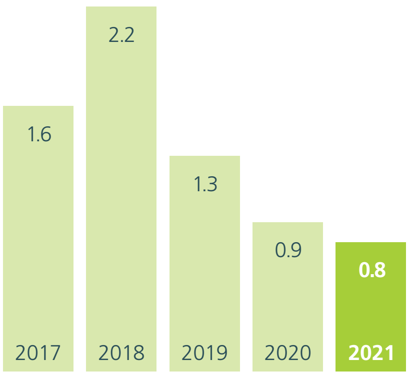
Profit from operations (£m) before exceptional item



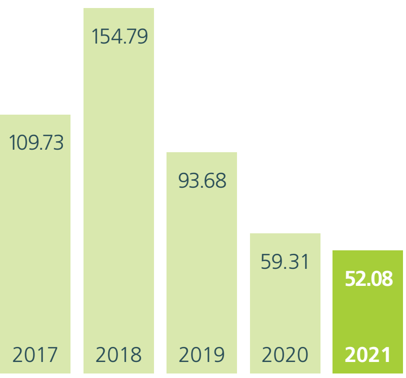
Profit before tax (£m)



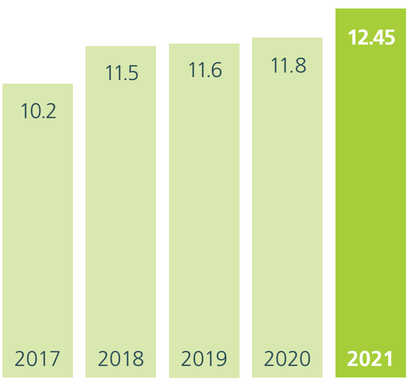
Profit after tax (£m)



Basic and diluted earnings per share (pence)



Dividend per share (pence)



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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. Our latest subsidiary, 4B China, in Changzhou, Jiangsu province of China, was launched in 2018, 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. The business manufactures precision stamped components for the automotive and industrial sectors, with automation capabilities such as pick and place, roll threading, washing and robotic welding.

Braime Pressings has over 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 which exceed expectations on cost, quality and delivery.

- 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

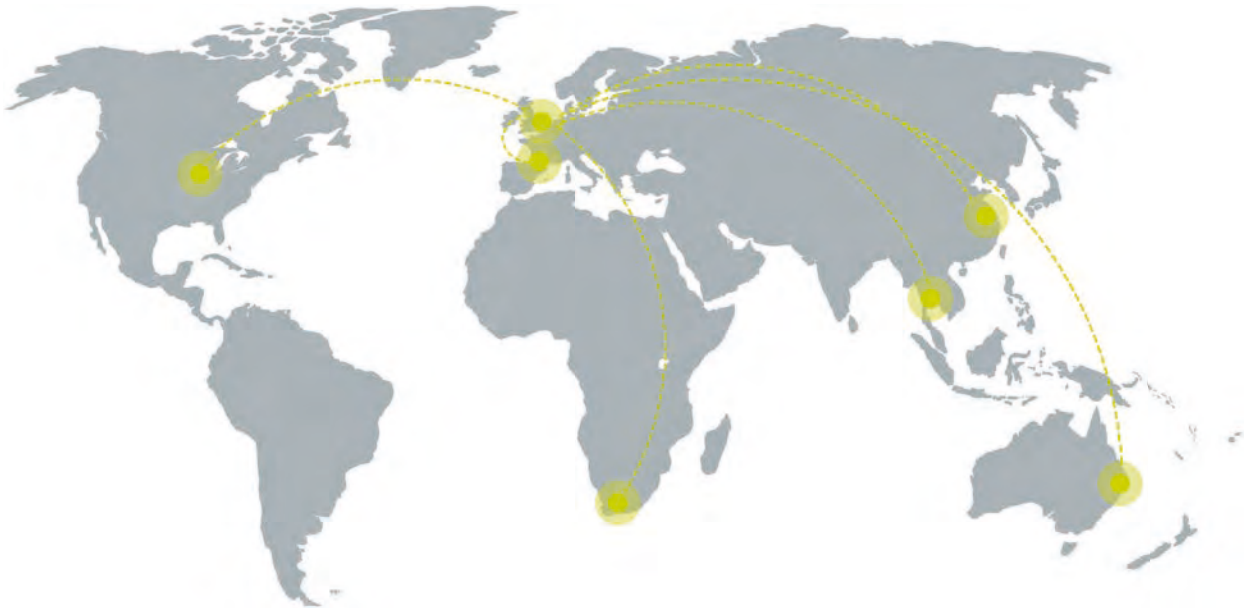
4B Group "Better by design"

The 4B division 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 conveyor machines.

The 4B division consists of the following companies:

- 4B Braime Components Limited, based in Leeds, UK
- 4B Elevator Components Limited, based in Morton, Illinois, USA
- 4B-France sarl, based in Villers-Bretonneux, France
- 4B Africa Elevator Components (Pty) Limited, based in Johannesburg, South Africa
- 4B Australia Pty Limited, based in Queensland, Australia
- 4B Asia Pacific Company Limited, based in Samutprakam, Thailand
- 4B Braime (Changzhou) Industrial Control Equipment Co Limited, based in Changzhou, China

For more information please visit: www.go4b.com



Seamless Steel Buckets

Braime Pressings have manufactured pressed seamless steel buckets and supplied them worldwide to the bulk material handling sector for over 120 years. The buckets, including the Company's "Starco™" and "Super Starco™" models, have been designed after extensive research and development and offer a range of alternative styles to suit the different individual materials being conveyed and achieve the optimum fill, effective discharge and throughput over a wide speed range.

Pressings

Braime Pressings is equipped with 5 transfer presses, each with up to 8 stations, as well as numerous single station and progression presses, fed by coil, and including robotic transfer of product where appropriate. The range of equipment includes both mechanical and hydraulic presses with capacities up to 500T, as well as ancillary forming and welding machinery.

Deep Seamless Enclosures and Large Panels

Production includes deep drawn pressings up to 500mm deep, as well as large panels up to 2.4 meters long. The Company manufactures to the highest quality standards required by the automotive and other industry sectors and holds annual accreditation to:

IATF 16949:2016
ISO 9001:2015

Elevator Bolts

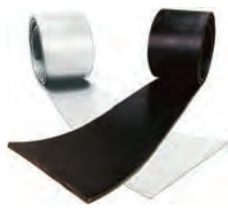
Braime Pressings manufactures bolts and fasteners, used in bulk material handling to attach elevator buckets to vertical conveyors which are used in the storage and processing of agricultural products, such as cereals, animal feed, and sugar, and equally for moving industrial commodities, such as aggregates, cement, coal and glass cullet. The bolts are cold forged making them exceptionally strong.

Elevator Buckets

4B has the world's largest range of elevator buckets used for conveying bulk materials. With over 400 different sizes and styles, 4B supplies steel and plastic elevator buckets for both agricultural applications such as grain, feed, seeds, and sugar and industrial applications such as cement, glass, aggregates and coal.

Electronic Monitoring

4B offers an extensive range of monitoring equipment and sensors for bucket elevators, belt and chain conveyors, screw conveyors and silos. 4B's sensors and monitors have worldwide approvals for use in dust hazardous environments. Our sensors and hazard monitoring systems are designed to reduce the risk of fires and explosions, and prevent breakdowns that result in costly down time.



Elevator Belting

4B has a wide range of elevator belting to suit all applications. Belt types include anti-static, abrasion-resistant, high temperature, oil resistant and flame retardant and steel web belting for the toughest environments. Belts are supplied slit, cut to length and punched to customer requirement.

Dropped Forged Conveyor Chain

4B is a manufacturer of drop forged chain for agricultural and industrial applications. 4B's superior heat treatment technique provides the optimum chain link with a more resilient ductile core for shock resistance, and an extremely hard exterior surface for superior wear resistance, ideal for handling ash, cement, gypsum, coal and wood chips. 4B offers a range of conveyor sprockets and trailers and nylon or welded flights.

Chairman's statement

Nicholas Braime
Chairman

Overview

We expected 2021 to be challenging. Instead, all our subsidiaries across the Group exceeded both their budget and their prior year's sales. In particular, the revenues of Braime Pressings increased substantially due to exceptionally high demand from its external customers for commercial vehicle components, as well as increased demand from its internal customers in the Group for the supply of material handling components to the 4B division, due to a surprising increase in infrastructure projects globally. The combined effect was to lift the annual revenue of Braime Pressings by 38%. In consequence, the manufacturing business made a very significant contribution to the Group operating profit for the first time in recent years.

Across the Group in 2021, sales increased from £32.8m in 2020 to £36.4m in 2021, and the overall gross margin rose from 46.7% to 48.4%. Meanwhile the effect of exchange rate movements on overseas margins and earnings was marginally positive in 2021. So the Group operating profit increased from £1.4m to £2.5m before exceptional costs, an excellent result in the context of the pandemic.

However, the results include £1.2m of exceptional costs, £1.0m of which the directors have set aside as a provision to cover the costs of re-building part of the UK facility, which had to be demolished in December. This issue is discussed further later in the statement. After deducting both the finance expense of £0.2m and the exceptional cost of £1.2m the profit before tax, is £1.1m, similar to the figure in 2020.

Dividends

The Company paid an interim dividend of 4.25p in October 2021. Based on the positive result for 2021, and strong current trading, the directors propose paying a second dividend of 8.20p on the 8th June to the holders of the Ordinary and "A" Ordinary Shares on the Share Register on the 20th May 2022. (The ex-dividend date is the 19th May 2022). This brings the total dividend paid in relation to 2021 to 12.45p, compared to 11.8p in 2020.

Strategy

The business has continued to pursue its longstanding strategy of aiming to achieve growth in sales and profit by consistently investing in 3 key areas:-

- new machinery and equipment to achieve ongoing improvements in productivity and efficiency;
- product development to add further innovative products for existing and new customers;
- developing new markets which offer opportunities to expand the customer base.

This strategy is pursued through a policy of maintaining low central overheads, and by limiting central control to the areas of finance, capital expenditure, product development and marketing support. Control over other areas of the business is delegated to the subsidiaries, who are best placed to develop policies to suit their own local markets.

Capital Investment

In 2021 the Group made capital investments totalling £2.1m, repeating the level of investment made in 2020. Of this, £0.7m was invested in production equipment, £0.5m in the completion of the new operating and distribution facility for 4B France, and £0.7m spent towards the cost of the new warehouse being constructed for our UK manufacturing facility.

The new premises at 4B France, completed in May 2021, provide larger and more modern office and storage facilities, significantly improve the ability to serve existing customers, support future growth, and enable it to provide support, where necessary post Brexit, to other European customers still supplied primarily from the UK.

The new climate controlled warehouse in Leeds will provide Braime Pressings with additional centralised climate-controlled storage for both raw materials and finished parts. The new warehouse, dispatch area, and extra employee parking were scheduled for completion in October 2021 but have been seriously delayed by the issue in the Chain Cell and the unexpected discovery of a 30m deep water well at a point where the new building joins the existing facility, as announced in February 2022.

The well, not marked on any current or historical maps, and missed by the ground survey and exploratory bore holes, was probably part of Union Foundry, built around 1850, occupying part of the current manufacturing site prior to its acquisition by T.F. & J.H. Braime in 1910. The cost of plugging and securing the well beneath the foundations, and the resulting delay to the building program, have added around £300,000 to the cost of this project. Completion is finally expected in the summer of this year.

New Product Development

In 2021, we brought to market a number of new innovative products and continued our investment in product development. The long process from original concept, through the assessment of the technical and commercial feasibility of the idea, detailed design, gaining the relevant approvals standard and certification, carrying out field trials, to final product launch, takes a minimum of 3 years and sometimes much more. Devoting current time to continuously progressing a stream of new product development is crucial to the future of the business.

Repairs to the UK Facility

In July 2021, following a major storm, bricks under a beam supporting the roof of the North-East corner of the Leeds facility, fell to ground in the Chain Cell. Very fortunately nobody was hurt, but the drop of a structural beam by 300mm, caused another supporting beam to rotate off its location in the opposite chimney wall and pushed out the top of an external wall running adjacent to Sayner Lane, forcing the wall to bow outwards and the public highway had to be closed.

Our structural engineers advised that the building would inevitably deteriorate further, cause the roof to collapse and, when it did so, would pull down further areas of roofing over the main workshops and that the only option was full demolition. We reserved £250,000 for this at the interim results stage.

The Leeds facility is a Grade II Listed Building. Under the 1990 Listed Buildings Act, it is a criminal offence to demolish or materially alter a Listed Building without the prior consent of the local authority, in our case Leeds City Council (LCC). Prior to granting their consent for demolition, LCC required that our structural engineers justified the demolition and that our architects submitted a planning application for the demolition and the restoration of the building, which included important features of the historic structure deemed of particular value. These features included rebuilding the original facade of the building adjacent to Sayner Lane re-using the original bricks and restoring the original fireplace and chimney, which dominated the rear of the property and formed an important part of the Union Foundry, built in the mid-19th Century, during the early industrial revolution in Leeds.

Following an application for demolition and re-building, the Planning Application was granted in mid-January 2022. The current best estimate from specialist advisors is that the total cost will be in the region of £850,000 which will have to be financed from internal resources. However, we are still in discussion with LCC planners, architects, and potential contractors to minimise the cost of the re-construction, including the costly features required by the council but creating a new low maintenance building designed to increase efficiency, reduce operational costs and provide additional usable space for storage and production. We hope to receive firm pricing in early May and complete the works in 2022. Further updates will be provided.

4B France's new facility, located near Amiens

This unexpected event forced Braime Pressings to temporarily relocate and condense some of its manufacturing operation in another part of the UK facility, causing additional stress at a time when resources were already fully stretched. The only mitigating factors are that it involved the oldest part of the facility, dating from 1850, was in poor condition, badly designed, and built on clay without foundations. Despite these setbacks, the overall results to date have remained positive.

Risk

Business risks are set out in the strategic report but the two principal risks to the Group are its exposure to currency fluctuations, and its exposure to claims for compensation linked to product failure. These primary risks are due respectively, to the very high proportion of the Group products which are sold overseas, and to the specific nature of the markets in which it is engaged.

The Group also buys part of its raw materials in overseas currencies, and this partly offsets the fact that around 80% of Group revenues are made in overseas markets and currencies. The business holds substantial funds in key foreign currencies and, to the limited extent to which this is possible, it minimises the risk by reacting to currency fluctuations. This involves both judgement and luck and the risk, inherent in the Groups profile, remains unavoidable in the long-term.

Chairman's statement (continued)

A large proportion of the Group's products are sold into the material handling market, primarily to storage and processing facilities. In the case of the mechanical components, the parts are used in physically transporting the granular product; in the case of the electronic components, they are designed to help reduce the risk that the combination of the dust and oxygen present in moving high volumes of combustible product, triggers a fire or dust explosion. As a result, the business is exposed periodically to claims for financial compensation although no such claims have been made in the financial year.

Great care is taken in the design and manufacture of our products in order to meet and maintain a multitude of complex international Standards and Approvals. This process involves significant ongoing cost. Nevertheless, the risk cannot be entirely eliminated so the Group carries insurance to enable it to defend itself against any claims that may arise.

New Business Opportunity

In April 2022, the Group purchased the exclusive sales rights, and customer list, for an additional range of electrical components used in the bulk material handling industry. This product range will be re-labelled and integrated with our own "4B" brand and the purchase increases our current small UK market, expands our customer base and creates potential for further growth.

Staff

In my 2020 Report, we praised our staff for their courage in working through the pandemic and their willingness to change their patterns of work to meet the much higher demand from our customers and compensate for those employees who became ill or who needed to be furloughed. The large degree of flexibility shown by our staff in coping with the additional problems outlined above has continued through 2021.

Just as everyone thought the pandemic was finally over and normality was slowly returning, the workload of many of our staff has been massively increased by further new challenges. As always, the continued success of the business depends almost entirely on the efforts and enthusiasm of our staff at all levels of the business.

Current Trading and Outlook

The first quarter of 2022 has begun very positively. Sales across the Group are currently running well ahead of the same period in 2021, as customers continue to enjoy a post pandemic bounce.

Group sales are diversified by product and industry and are sold in a wide spread of overseas markets, some of which will be less affected by any recession. In some cases, these markets will actually benefit from the steep rise in grain and other commodity prices. Currently though, the immediate future is uncertain and a major recession in the UK, and Europe is widely anticipated.

The invasion of Ukraine by Russia has tragic and unimaginable humanitarian consequences. It has also largely closed, for the moment, two very significant markets for agro-industrial components supplied both directly, and especially indirectly, by Group subsidiaries.

The Group is being badly affected by huge increases in the cost of our main raw materials, steel, plastic resin and rubber. In 2022, these increases have already averaged 50% and are unprecedented in peacetime. Meanwhile, the over 600% increase in the cost of sea freight, and the doubling of delivery times during 2021 has shown no sign of abating. On occasions, the shipping cost now exceeds the ex-works cost of the products. The size of the increases, and the long and unreliable delivery times, are very disruptive for a Group dependent on trading globally.

These problems seriously affect purchasing, production and sales and create a huge increase in the stress and the daily work of our employees. Above all, the knock-on effect of this instability puts every order and every customer perpetually "at risk". We therefore look to the year ahead with concern, and anticipate difficult times ahead, although historically, the diversity of our product range and the global nature of our sales have together helped us weather such challenges.

Nicholas Braime, Chairman

27th April 2022

Group strategic report

The directors present their strategic report of the Company and the Group for the year ended 31st December 2021.

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 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 in 2021 traded in ninety countries. The US subsidiary also has an 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

The board is pleased to report a significant improvement in the underlying results of the Group. For the year ended 31st December 2021, the Group generated revenues of £36.4m, up £3.6m from prior year. Profit from operations before exceptional costs was £2.5m, up £1.1m from prior year and EBITDA before exceptional costs was £3.8m up £1.2m from prior year. As mentioned in the Chairman's Statement, exceptional costs of £1.2m relate to extensive repairs to the chain cell area of our Hunslet Road property, following the discovery of a series of structural faults along three walls. As at the year end, we had spent £0.2m demolishing the walls, dismantling a large area of roofing and securing the surrounding area.

However, because the property is Grade II listed, the external walls will require careful restoration of original features using materials agreed with the local authority conservation officers. At the time of writing, we have provided for additional costs of £0.85m being our best estimate of the required cost of restoration. The chain cell repair has also contributed to £0.2m of delays to the completion of our warehouse which is not now expected to be completed until the summer and this is also included in our provision. Profit before tax is £1.1m including exceptional costs is in line with prior year (2020 – £1.2m).

At 31st December 2021, the Group had net assets of £15.7m.

Cash flow

Inventories increased by £1.3m as the Group planned for increased demand partly as a result of the easing of Covid-19 restrictions on world economies, and partly to reduce the impact of anticipated inflation on raw materials. Trade and other receivables increased by £0.3m reflecting increased customer activity close to the year end for the same reason. These were largely offset by an increase in our trade and other payables of £0.2m and an increase in provisions of £1.1m. In total the business generated funds from operations of £1.9m (2020 – £2.7m). The Group continued its investment programme during the year, spending £2.1m on capital items; £0.7m of this was on the construction of the new warehouse in the UK announced in the summer of 2021 and a further £0.5m to complete the new warehouse in France which was officially opened in May 2021. After the payment of other financial costs and the dividend, the cash balance (net of overdraft) was £1.0m, a decrease of £0.2m from the prior year.

Bank facilities

The Group's operating banking facilities are renewed annually. As announced last year, the new UK warehouse construction is being funded largely through the procurement of a development loan of £0.9m from HSBC. The development loan will be converted to a five year term loan when construction of the warehouse is completed. Our facility with HSBC provides ample headroom for the Group to make the necessary investments in the year and to carry out the repairs mentioned above to the chain cell operations. The business continues to enjoy good relations with its bankers.

Taxation

The tax charge for the year was £0.3m, with an effective rate of tax of 29.9% (2020 – 28.5%). The effective rate is higher than the standard UK tax rate of 19% (2020 – 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 US operations' tax charge affects the blended rate. 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 2021, the Group invested £2.1m (2020 – £2.1m) in property, plant and equipment. In addition to £1.2m spent on both the UK and French warehouse construction, the Group has made improvements to its employee facilities and enhanced its engineering capabilities, purchasing equipment in welding, bolt threading and pointing, and has continued to expand its bucket tooling portfolio.

Balance sheet

Net assets of the Group have increased to £15.7m (2020 – £15.0m). A foreign exchange gain of £0.1m (2020 – £0.1m loss) was recorded on the re-translation of the net assets of the overseas operations, which has increased retained earnings in the year.

Group strategic report (continued)

STRATEGY DRIVERS

ENGINEERING LED	IDENTIFY OPPORTUNITIES	STRONG RELATIONSHIPS	LONG TERM	VALUED EMPLOYEES
Engineering led business focused 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

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 the comparative figures for the year ending 31st December 2020 are shown in the table below.

Currency	Symbol	Average rate Full year 2021	Average rate Full year 2020	Closing rate 31st Dec 2021	Closing rate 31st Dec 2020
Australian Dollar	AUD	1.838	1.867	1.859	1.763
Chinese Renminbi (Yuan)	CNY	8.875	8.880	8.606	8.890
Euro	EUR	1.165	1.126	1.191	1.112
South African Rand	ZAR	20.490	21.309	21.494	20.030
Thai Baht	THB	44.073	40.404	44.690	40.838
United States Dollar	USD	1.374	1.290	1.348	1.365

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 of £9.5m were up £2.7m on prior year. Intercompany sales and external sales were £4.3m and £5.2m as compared to £3.0m and £3.8m respectively in 2020. Profit for the period was £0.8m (2020 – loss £0.2m). The manufacturing arm benefitted from strong demand from the automotive sector and from stronger intercompany sales as world economies started to recover from the pandemic. 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 increased from £34.2m to £37.9m, with external sales up £2.2m. The 4B Group saw revenue growth as the world economies started to recover from the Covid pandemic. Revenue in the European market increased by £0.1m compared to 2020 with the Americas increasing by £0.6m and China by £0.5m. Profit for the period fell by £0.2m to £1.3m with the prior year benefitting from the forgiveness of £0.4m of a government loan received by our US subsidiary.

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	2021	2020
Turnover growth	1	11.0%	(1.9%)
Gross margin	2	48.4%	46.7%
Operating profit before exceptional item	3	2.49m	1.38m
Stock days	4	184 days	182 days
Debtor days	5	54 days	56 days

Notes to KPIs

1. **Turnover growth**
The Group aims to increase shareholder value by measuring the year on year growth in Group revenue. The board is pleased with the significant turnaround of Group revenues following the global pandemic.

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 increase in gross margin is the result of recovery from the pandemic.

3. **Operating profit**
Sustainable growth in operating profit is a strategic priority to enable ongoing investment and increase shareholder value. The increase in operating profit before exceptional items reflects recovery from the 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. Stockholding has increased due to inventory build-up in December 2021 to mitigate the impact of anticipated increases in raw materials costs in 2022.

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 have continued to improve and management are focusing on reducing this to improve cashflows given the significant outlays for the chain cell rebuild.

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.

Principal risks and uncertainties

In the current economic, political and physical climate, the only certainty is uncertainty. As the global economy emerges from the impact of the Covid pandemic, increased demand and shortage of raw materials has placed upward inflationary pressure on supply chains.

The recent invasion of Ukraine and consequent sanctions placed by the West on Russia has increased political tensions worldwide. This is creating volatility in the energy and commodities markets. Prior to this, the COP26 summit saw the UK government commit to ambitious targets to cut greenhouse emissions, and this commitment is being passed onto businesses. The UK's transition arrangements with the EU ended at the end of 2021. A trade agreement with the EU has been struck but the finer details of the agreement remain to be negotiated. The directors consider that these events all pose business threats but may well create other opportunities. The Company's short reporting lines of management means it can remain nimble footed to sudden and/or large changes in the business landscape.

The two principal risks associated with our particular business model are discussed in the Chairman's statement.

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. The directors have put in place formal business continuity and disaster recovery plans with respect to its UK and US operations.

Group strategic report (continued)

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.
- **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. As the Covid-19 pandemic has demonstrated, economies are greatly intertwined and reverberations feed through the supply chain.
- **Cyber security:** All businesses now rely almost totally on computers, networks and systems with 'data' information held on them, and require privacy and integrity of this data. The likelihood of cyber security attacks and security threats are key risks for every organisation. The Group reviews its security measures regularly with its IT providers.

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 19 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 direct exposure to securities price risk, as it holds no listed equity instruments. The Group maintains a defined benefit scheme, the asset valuations are subject to market changes (note 21).

Foreign currency risk

The Group operates 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 medium term loans and finance leases and arranging funding for operations via bank 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. 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. The experience of the past two years has improved our plans and procedures in the event of future pandemics.

Research and development

The Group continues to invest in research and development and from time to time 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 has been 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. The Company already has a 190KW solar system on its UK premises and is currently seeking permission from the national grid to extend our installation of solar panels. During the year, the Group conducted an energy audit of its principal plant and property with the help of energy consultants and has been implementing the findings to reduce our energy consumption. During the period of this report the Group has not incurred any fines or penalties or been investigated for any breach of environmental regulations. The board is cognizant that climate change will change the business landscape for the future and is working to understand its wide-ranging impact on the Group's activities and operations.

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. We regularly participate 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

27th April 2022

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 strategy and operations. 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 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 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 2021. 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. Details of how the Company addresses key governance issues by reference to the 10 Principles of Corporate Governance as developed by the Quoted Companies Alliance (QCA) are discussed further in this report and set out in the Corporate Governance section of the Group website www.braimegroup.com/corporate-governance. These principles are as follows:

1. Establish a strategy and business model which promote long-term value for shareholders
2. Seek to understand and meet shareholder needs and expectations
3. Take into account wider stakeholder and social responsibilities and their implications for long term success
4. Embed effective risk management considering both opportunities and threats
5. Maintain the board as a well functioning balanced team led by the chair
6. Ensure that between them the directors have the necessary up to date experience, skills and capabilities
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
8. Promote a culture that is based on ethical values and behaviours
9. Maintain governance structures and processes that are fit for purpose and support good decision making
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Strategy and risks

The Strategic Report on pages 7 to 11 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. The board has put into place formal business continuity plans in its larger operations to understand its exposure to loss of key staff, suppliers, customers and other natural catastrophic events, enabling the generation of a risk register. The existence of this plan was particularly helpful at the onset of the Covid-19 pandemic. The principal risks facing the business are set out in pages 9 to 10 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, acquisitions 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 and safety monthly updates and management.

Corporate governance report (continued)

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 2021 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 12. 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.

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 the executive directors as shown in the meeting attendance table. Any significant changes to awards to senior management are 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 regular 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.

Responsibilities of the board

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 formally 12 times throughout the year. During the year, as a result of continuing Covid-19 restrictions, some board meetings were held on-line and briefing papers were circulated electronically. In addition to the regular scheduled meetings throughout the year, unscheduled supplementary meetings 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 2021

Director	Board (12)	Audit & Risk Committee (1)	Remuneration Committee (1)
O. N. A. Braime	12	1	1
A. Q. Braime	12	1	–
C. O. Braime	12	1	–
C. B. Cartwright	12	1	–
A. W. Walker	11	1	1
P. J. O. Alcock	12	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 2021, presentations from MD's of all 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 2022.

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 executives. The board supports and encourages all directors to undertake the necessary training and take up opportunities for professional and personal development.

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. 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.

Corporate governance report (continued)

Employees as stakeholders

Employees are key internal stakeholders with significant time and financial investment in the business. The Group provides both formal and informal communications through letters and notices, as well as regular visits by the directors to sites to meet with employees. During the year overseas trips were curtailed as a result of the pandemic, however, the directors continued to communicate regularly using on-line video conferencing. The directors are committed to providing a working environment that promote employees' wellbeing whilst facilitating their performance. Further details of employee engagement can be found in the Group Strategic Report.

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 our AGM has been 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/investor-information 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

Grain terminal, Port of Tilbury, London.

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.

Directors' report

The directors present their annual report and financial statements for the year ended 31st December 2021.

Results and dividends

The profit for the year after taxation and transferred to reserves was £750,000 (2020 – £854,000). No dividend is to be proposed at the Annual General Meeting, but the interim dividends will be confirmed.

Directors

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

	31st December 2021	1st January 2021
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 C. O. Braime retires by rotation and, being eligible, offers himself for re-election.

In accordance with the Company's Articles of Association A. Q. Braime 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 13th April 2022, 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	**31,633**	**6.59%**
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%**
Lion Nominees Limited A/C RB	**20,000**	**4.17%**
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

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 £1,198,000 to £974,000 as at 31st December 2021.

During the period the Group funding of working capital decreased by £314,000 principally arising from an increase in trade and other payables (including provisions) which were partially offset by increases in trade and other receivables. Inventories increased by £1,259,000. Overall cash derived from operating activities generated £1,876,000 (2020 – £2,686,000) net of the increased working capital funding.

Directors' report (continued)

At 31st December 2021, the available headroom within the Group's borrowing facilities amounted to £3,348,000. The directors are of the continued view that through its Group banking partner it has sufficient access to financial resources.

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 UK 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 UK 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 £15,000 (2020 – £10,000) were paid during the year. There were no donations to political organisations.

Streamlined Energy and Carbon Reporting ("SECR")

The directors are of the opinion that the disclosure required by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 are not required because whilst the Group met two of the threshold criteria for the year ended 31st December 2021, it did not meet the threshold criteria for the year ended 31st December 2020.

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

27th April 2022

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

As noted in the Corporate Governance report, Executive directors' pay is subject to the decision of the whole board and not of a formal 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.

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 2021 £'000**	Total 2020 £'000	**Pension contributions 2021 £'000**	Pension contributions 2020 £'000
Executive directors							
Nicholas Braime	–	223	9	**232**	229	**–**	–
Alan Braime	–	126	2	**128**	126	**17**	17
Carl Braime	–	126	2	**128**	126	**17**	17
Cielo Cartwright	–	116	1	**117**	118	**11**	11
Non-executive directors							
Peter Alcock	30	–	–	**30**	30	**–**	–
Andrew Walker	30	–	–	**30**	30	**–**	–
	60	591	14	**665**	659	**45**	45
Paid by the Company	60	465	12	**537**	533	**28**	28

The estimated taxable value of benefits-in-kind includes private medical cover. Pension contributions represent amounts paid to defined contribution pension schemes. Cielo Cartwright is provided with an electric company car which carries a benefit-in-kind in the current tax year of zero.

Approval

The directors' remuneration report was approved by the board on 27th April 2022.

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 2021 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 UK. 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 2021 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 UK;
- 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.

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 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt about the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our evaluation of the directors' assessment of the entity's ability to adopt the going concern basis of accounting included:

- Obtaining the directors' integrated profit and loss account, balance sheet and cash flow forecasts which are prepared for individual subsidiary undertakings and consolidated at group level for the period to 31 December 2023;
- Understanding and evaluating the key assumptions to the forecast being forecasts of sales, gross profit margin, administrative costs, level of capital expenditure, inventory, trade debtors and trade creditor days, anticipated new borrowings and repayment profiles of new and existing borrowings. The evaluation made reference to historic figures and the relative accuracy of past performance against past forecasts and based on our knowledge of the business the reasonableness of sales forecasts;
- Checking the mathematical accuracy of the forecasts and calculations used in the forecast model such as inventory, debtor and creditor days and gross profit margins;
- Agreeing financial facilities to facility letters or other appropriate evidence;
- Assessing the level of headroom in available facilities throughout the whole forecast period; and
- Assessing the sensitivity of forecasts to matters such as reductions in sales, and gross profit margins and whether there would still be sufficient headroom in facilities.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 £10,124,000 (2020 – £8,864,000) as shown in note 11.

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 £481,000 (2020 – £371,000).

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 2021 includes an inventory impairment provision credit of £(72,000) (2020 – £283,000 charge) as disclosed in note 11.

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 manufactured work in progress and finished goods 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 in the process of manufacturing 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.
- 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.
- challenged the assumptions adopted by management in arriving at the group's inventory provisioning policy by reviewing the sales activity of impaired and previously impaired lines of inventory.

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)

Key audit matters (continued)

Provision for building repair costs

Risk description	This risk concerns the determination and quantification of the provision for liabilities of £1,054,000 as referred to in notes 3 and 17. Management judgement is applied in determining whether a provision is necessary in order to settle obligations created as a result of past events and the quantification of the payments required to settle those obligations. At the point of approving the financial statements those future payments cannot be fully quantified and therefore the provision and liabilities of £1,054,000 represents management's best estimate based on all available information. As described in note 1.3 and note 17 management have carefully considered whether as a consequence of events within the period a present obligation has been created at the balance sheet date. Having established that certain legal and constructive obligations exist that give the company no realistic alternative but to settle those obligations then based on all available information management have made their best estimate of the total expected costs. The income statement for the year ended 31 December 2021 includes costs of £1,217,000 relating to the building restoration of which £1,054,000 is included in provisions for liabilities, as disclosed in notes 3 and 17. Given the level of judgement and estimation involved in determining whether a provision exists and the sums involved, this risk was identified by us as one of the most significant risks of material misstatement.
Our response	We performed the following audit procedures: • reviewed the relevant events and conditions in order to establish whether appropriate considerations have been undertaken by management in determining whether a provision is necessary in order to settle obligations created as a result of past events, and whether the company has no realistic alternative but to settle them. • we have agreed the costs incurred to date, and the accounting treatment of those costs, and reviewed the contractual terms of the ongoing building development project, which having been delayed as a consequence of the events referred to in note 3, could see penalties levied against the company. • critically reviewed the information used by management in quantifying the value of the provision required in order to settle the company's obligations. • checked that appropriate disclosures have been included within the financial statements as required by IAS 37.
Key observations	From the work performed we consider that management have taken all necessary steps to consider that the company has no realistic alternative but to settle the obligations created as a result of past events and that the sums included within provisions for liabilities shown in the Group financial statements represent management's best estimate based on all available information and all required disclosures have been correctly included in the notes to the financial statements.

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 £364,000 (2020 – £328,000).

Basis for determining materiality:	1% of Group turnover.

Rationale for benchmark applied:	As a trading Group this reflects the level of activity. We believe that this measure and the percentage applied appropriately reflect both the size of the Group and the key driver behind its financial performance.
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 £95,000 to £176,000. 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 £13,650 (2020 – £12,300) 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 70.9% of Group turnover, 58.8% of Group profit before tax and 68.4% of Group gross assets.

4B Africa Elevator Components (Proprietary) Limited, 4B Braime (Changzhou) Industrial Control Equipment Co. Ltd. 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 Braime (Changzhou) Industrial Control Equipment Co. Ltd and 4B Asia Pacific Company Limited. These components comprised 10.6% of group turnover, 7.3% of group profit before tax and 13.3% of group gross assets.

4B Australia PTY Limited is not required by local legislation to have an audit performed. 4B France Sarl does have a statutory audit performed but this was not completed by the time the Group audit is signed off. 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 18.5% of group turnover, 33.9% of group profit before tax and 18.3% of group gross assets.

We engaged a firm of CPAs in USA to attend a year-end inventory count of 4B Elevator Components Limited, a firm of Chartered Accountants in Australia to attend a year-end inventory count of 4B Australia PTY Limited and a Chartered Accountant in France to attend the year-end inventory count of 4B France Sarl.

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 other information comprises the information included in the report and accounts set out on pages 1 to 6, 12 to 16, and 19 (except where indicated) and 66 to 69, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 other 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.

Independent auditors' report

to the members of Braime Group PLC (continued)

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, 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 18, 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 Report of the Auditors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- We identified the laws and regulations applicable to the Group through discussions with directors and other management, and from our commercial knowledge and sector experience;
- We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group, including the Companies Act 2006 and taxation legislation. The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on the financial statements, for instance through the imposition of fines, penalties or litigation such as health and safety law, in particular manual handling and power press regulations 1998 (PUWER), REACH regulations, waste disposal regulations, GDPR and employment law;
- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

Auditors' responsibilities for the audit of the financial statements (continued)

We assessed the susceptibility of the Group and company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and

To address the risk of fraud through management bias and override of controls, we:

- Performed analytical procedures to identify any unusual or unexpected relationships;
- Tested journal entries to identify unusual transactions;
- Assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- Investigated the rationale behind any significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation;
- Reading the minutes of meetings of those charged with governance;
- Enquiring of management as to actual and potential litigation and claims;
- Reviewing any correspondence with HMRC, US tax authorities and relevant regulators websites for notices of any breaches; and
- Review of relevant legal or professional costs within the accounting records for any evidence of previously un-detected or un-reported instances of non-compliance

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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.

Andrew Thomas 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
27th April 2022

Consolidated income statement

For the year ended 31st December 2021

	Note	**2021 £'000**	2020 £'000
Revenue	4	**36,406**	32,803
Changes in inventories of finished goods and work in progress		**869**	(63)
Raw materials and consumables used		**(19,656)**	(17,428)
Employee benefits costs	7	**(8,930)**	(8,408)
Depreciation and amortisation expense		**(1,334)**	(1,280)
Other expenses		**(4,954)**	(4,277)
Other operating income	2	**88**	30
Profit from operations before exceptional item	2	**2,489**	1,377
Exceptional item	3	**(1,217)**	–
Profit from operations		**1,272**	1,377
Finance expense	5	**(205)**	(191)
Finance income	5	**3**	9
Profit before tax		**1,070**	1,195
Tax expense	6	**(320)**	(341)
Profit for the year		**750**	854
Profit attributable to:			
Owners of the parent		**665**	823
Non–controlling interests		**85**	31
		750	854
Basic and diluted earnings per share	20	**52.08p**	59.31p

The notes on pages 31 to 58 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31st December 2021

	Note	2021 £'000	2020 £'000
Profit for the year		**750**	854
Items that will not be reclassified subsequently to profit or loss			
Net pension remeasurement gain on post employment benefits	21.3	**90**	66
Items that may be reclassified subsequently to profit or loss			
Foreign exchange gain/(loss) on re-translation of overseas operations		**87**	(133)
Other comprehensive income/(loss) for the year		**177**	(67)
Total comprehensive income for the year		**927**	787
Total comprehensive income attributable to:			
Owners of the parent		**817**	744
Non–controlling interests		**110**	43
		927	787

Consolidated balance sheet

As at 31st December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	**8,713**	7,830
Intangible assets	9	**25**	37
Right of use assets	10	**632**	487
Total non-current assets		**9,370**	8,354
Current assets			
Inventories	11	**10,124**	8,864
Trade and other receivables	12	**6,211**	5,855
Cash and cash equivalents		**1,463**	1,533
Total current assets		**17,798**	16,252
Total assets		**27,168**	24,606
Liabilities			
Current liabilities			
Bank overdraft		**489**	335
Trade and other payables	13	**4,895**	4,744
Other financial liabilities	14	**2,902**	2,133
Corporation tax liability		**41**	78
Total current liabilities		**8,327**	7,290
Non-current liabilities			
Financial liabilities	15	**2,046**	2,075
Deferred income tax liability	16	**24**	278
Provision for liabilities	17	**1,054**	–
Total non-current liabilities		**3,124**	2,353
Total liabilities		**11,451**	9,643
Total net assets		**15,717**	14,963
Share capital	18	**360**	360
Capital reserve		**257**	257
Foreign exchange reserve		**(89)**	(151)
Retained earnings		**15,382**	14,800
Total equity attributable to the shareholders of the parent		**15,910**	15,266
Non-controlling interests		**(193)**	(303)
Total equity		**15,717**	14,963

The financial statements on pages 26 to 58 were approved and authorised for issue by the board of directors on 27th April 2022 and were signed on its behalf by:

Nicholas Braime, Chairman

Cielo Cartwright, Group Finance Director

Company Registration Number 488001

The notes on pages 31 to 58 form part of these financial statements.

Consolidated cash flow statement

For the year ended 31st December 2021

	Note	2021 £'000	2020 £'000
Operating activities			
Net profit		**750**	854
Adjustments for:			
Depreciation and amortisation	8, 9 & 10	**1,334**	1,280
Foreign exchange gains/(losses)		**210**	(170)
Finance income	5	**(3)**	(9)
Finance expense	5	**205**	191
(Gain)/loss on sale of land and buildings, plant, machinery and motor vehicles		**(38)**	1
Adjustment in respect of defined benefit scheme		**91**	71
Income tax expense	6	**320**	341
Income taxes paid		**(679)**	(168)
		1,440	1,537
Operating profit before changes in working capital and provisions		**2,190**	2,391
Increase in trade and other receivables		**(288)**	(356)
Increase in inventories		**(1,259)**	(291)
Increase in trade and other payables		**179**	942
Increase in provisions		**1,054**	–
		(314)	295
Cash generated from operations		**1,876**	2,686
Investing activities			
Purchases of property, plant, machinery and motor vehicles and intangible assets		**(2,074)**	(2,057)
Sale of land and buildings, plant, machinery and motor vehicles		**73**	13
Interest received		**2**	4
		(1,999)	(2,040)
Financing activities			
Proceeds from long term borrowings		**1,145**	1,117
Repayment of borrowings		**(452)**	(419)
Repayment of hire purchase creditors		**(182)**	(217)
Repayment of lease liabilities		**(234)**	(228)
Bank interest paid		**(124)**	(124)
Lease interest paid		**(65)**	(38)
Hire purchase interest paid		**(16)**	(29)
Dividends paid		**(173)**	(173)
		(101)	(111)
(Decrease)/increase in cash and cash equivalents		**(224)**	535
Cash and cash equivalents, beginning of period		**1,198**	663
Cash and cash equivalents, end of period	22	**974**	1,198

The notes on pages 31 to 58 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31st December 2021

	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 2020		360	257	(6)	14,084	14,695	(346)	14,349
Comprehensive income								
Profit		–	–	–	823	823	31	854
Other comprehensive income								
Net pension remeasurement gain recognised directly in equity	21.3	–	–	–	66	66	–	66
Foreign exchange losses on re-translation of overseas subsidiaries consolidated operations		–	–	(145)	–	(145)	12	(133)
Total other comprehensive income		–	–	(145)	66	(79)	12	(67)
Total comprehensive income		–	–	(145)	889	744	43	787
Transactions with owners								
Dividends	20	–	–	–	(173)	(173)	–	(173)
Total transactions with owners		–	–	–	(173)	(173)	–	(173)
Balance at 1st January 2021		**360**	**257**	**(151)**	**14,800**	**15,266**	**(303)**	**14,963**
Comprehensive income								
Profit		**–**	**–**	**–**	**665**	**665**	**85**	**750**
Other comprehensive income								
Net pension remeasurement gain recognised directly in equity	21.3	**–**	**–**	**–**	**90**	**90**	**–**	**90**
Foreign exchange gains on re-translation of overseas subsidiaries consolidated operations		**–**	**–**	**62**	**–**	**62**	**25**	**87**
Total other comprehensive income		**–**	**–**	**62**	**90**	**152**	**25**	**177**
Total comprehensive income		**–**	**–**	**62**	**755**	**817**	**110**	**927**
Transactions with owners								
Dividends	20	**–**	**–**	**–**	**(173)**	**(173)**	**–**	**(173)**
Total transactions with owners		**–**	**–**	**–**	**(173)**	**(173)**	**–**	**(173)**
Balance at 31st December 2021		**360**	**257**	**(89)**	**15,382**	**15,910**	**(193)**	**15,717**

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 2021

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 27th April 2022.

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 UK (IFRSs as adopted by the UK), 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 59 to 65.

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.

Provisions

A provision is raised where management consider a liability exists as a result of past events but where its timing and amount are uncertain. When considering whether a provision should be raised, the directors assess the probability that an outflow of cash or other economic resource will be required to settle the provision and whether the liability can be measured reliably. Liabilities which cannot be measured reliably or where settlement is not probable are not provided for. The directors make external enquiries and seek evidence that a legal obligation to settle the liability exists, or that actions of entities within the group have created an expectation that the Group will accept and discharge certain responsibilities and the Group has no alternative but to settle those obligations. They also consider the source of the information to determine if the evidence can provide a reliable measure of the liability.

Notes to the accounts

For the year ended 31st December 2021 (continued)

1.3 Critical accounting estimates and assumptions (continued)

Retirement benefit obligations

The Group operates a defined benefit pension scheme (note 21). 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 2021:

- Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16 – Interest rate benchmarks – introduces practical expedient and exemptions from hedge accounting requirements – effective accounting periods beginning on or after 1st January 2021
- Amendments to IFRS16 – Covid-19 related rent concessions beyond 30th June 2021 – Extend the time period over which the practical expedient introduced by earlier amendments is available for use to 30th June 2022 – effective accounting period beginning on or after 1st April 2021

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January 2021 and not early adopted.

- Annual improvements to IFRS Standards 2018-2020 cycle – Minor amendments to IFRS1, IFRS9 and IAS41 – effective accounting period beginning on or after 1st January 2022
- Amendments to IFRS3 – Reference to the Conceptual Framework – Updates certain references to the Conceptual Framework for financial reporting without changing the accounting requirements for business combinations – effective accounting periods beginning on or after 1st January 2022
- Amendments to IAS16 – Property, plant and equipment: Proceeds before intended use – Requires amounts received from selling items produced while the company is preparing the asset for its intended use to be recognised in profit or loss, and not as an adjustment to the cost of the asset – effective accounting periods beginning on or after 1st January 2022
- Amendment to IAS37 – Onerous contracts: Cost of fulfilling a contract – Specifies which costs to include when assessing whether a contract will be loss-making – effective accounting periods beginning on or after 1st January 2022
- Amendments to IAS1 – Classification of liabilities as current or non-current – Clarifies that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period – effective accounting periods beginning on or after 1st January 2023
- Amendments to IAS1 and IFRS Practice Statement 2 – Disclosure of accounting policies – Changes requirements from disclosing 'significant' to 'material' accounting policies and provides explanations and guidance on how to identify material accounting policies – effective accounting periods beginning on or after 1st January 2023
- Amendments to IAS8 – Definition of accounting estimates – Clarifies how to distinguish changes in accounting policies from changes in accounting estimates – effective accounting periods beginning on or after 1st January 2023
- Amendments to IAS12 – Deferred tax related to assets and liabilities arising from a single transaction – Introduces an exception to clarify that the 'initial recognition exemption' does not apply to transactions that give rise to equal taxable and deductible timing differences – effective accounting periods beginning on or after 1st January 2023
- IFRS17 Insurance contracts – Establishes new principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and qualifying investment contracts with discretionary participation features issued – effective accounting periods beginning on or after 1st January 2023

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.

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 4).

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.

Notes to the accounts

For the year ended 31st December 2021 (continued)

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 and 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.

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.

1.13 Right of use assets and lease liabilities

The Group as a lessee

The Group makes the use of leasing arrangements principally for the provision of warehouses and related facilities, office space, IT equipment, fork lift trucks, and motor vehicles. The rental contracts for warehouses and offices are typically negotiated for terms of between 3 and 5 years and some of these have extension terms. Lease terms for office and IT equipment, fork lift trucks and motor vehicles typically have lease terms of between 1 and 6 years without any extension terms. The Group does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management services at offices and servicing and repair contracts in respect of motor vehicles. The Group has elected to not separate its leases for offices into lease and non-lease components and instead accounts for these contracts as a single lease component. For its other leases, the lease components are split into their lease and non-lease components based on their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its consolidated balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Notes to the accounts

For the year ended 31st December 2021 (continued)

1.13 Right of use assets and lease liabilities (continued)

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of office equipment such as desks, chairs, and certain IT equipment. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

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 non-current assets 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.

Notes to the accounts

For the year ended 31st December 2021 (continued)

2. PROFIT FROM OPERATIONS

	Note	2021 £'000	2020 £'000
Profit from operations before exceptional item has been arrived at after charging/(crediting):			
Depreciation and amortisation	8, 9 & 10	**1,334**	1,280
Foreign exchange differences		**468**	(144)
Research and development costs		**64**	92
(Credit to)/write-down of inventory to net realisable value	11	**(72)**	283
Inventory recognised as an expense		**18,859**	17,208
Impairment of trade receivables	12	**(66)**	(12)
Fees payable to the Company's auditor:			
• for the audit of the Company's annual accounts		**19**	19
• the audit of the Company's subsidiaries, pursuant to legislation		**61**	46
• other services pursuant to legislation		**–**	11
Fees payable to overseas auditors		**20**	21
(Profit)/loss on disposal of fixed assets		**(38)**	1
Other operating income		**(50)**	(30)

3. EXCEPTIONAL COST

In the latter part of 2021, a series of structural faults were discovered along three of the supporting walls of the Group's UK chain cell operations. As the property is Grade II listed, the walls and part of the roofing have to be carefully dismantled, and the external wall will require careful restoration of its original heritage features, in line with conditions set by the local authority conservation officers. The Group has already incurred £163,000 of expenditure of demolition and scaffolding costs in 2021. At the time of writing the directors have estimated the cost of rebuilding the area to be £850,000, which has been provided for in the accounts. The demolition of the wall has also impacted the completion of the adjacent warehouse construction resulting in extension of time costs of £204,000 which are included in the provision (see note 17). The total cost of the unforeseen and exceptional event is £1,217,000.

4. 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 2021.

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.

4. SEGMENTAL INFORMATION (CONTINUED)

	Central 2021 £'000	Manufacturing 2021 £'000	Distribution 2021 £'000	Total 2021 £'000
Revenue				
External	–	5,166	31,240	36,406
Inter Company	2,038	4,287	6,704	13,029
Total	2,038	9,453	37,944	49,435
Profit				
EBITDA	(740)	807	2,539	2,606
Finance costs	(69)	(37)	(99)	(205)
Finance income	–	1	2	3
Depreciation and amortisation	(608)	(34)	(692)	(1,334)
Tax expense	144	30	(494)	(320)
(Loss)/profit for the period	(1,273)	767	1,256	750
Assets				
Total assets	5,839	6,402	14,927	27,168
Additions to non current assets	1,219	11	1,298	2,528
Liabilities				
Total liabilities	2,109	2,525	6,817	11,451

	Central 2020 £'000	Manufacturing 2020 £'000	Distribution 2020 £'000	Total 2020 £'000
Revenue				
External	–	3,762	29,041	32,803
Inter Company	1,772	3,068	5,159	9,999
Total	1,772	6,830	34,200	42,802
Profit				
EBITDA	309	(163)	2,511	2,657
Finance costs	(105)	(31)	(55)	(191)
Finance income	–	7	2	9
Depreciation	(592)	(28)	(660)	(1280)
Tax expense	32	–	(373)	(341)
(Loss)/profit for the period	(356)	(215)	1,425	854
Assets				
Total assets	5,178	4,200	15,228	24,606
Additions to non current assets	415	54	2,020	2,489
Liabilities				
Total liabilities	801	2,025	6,817	9,643

Notes to the accounts

For the year ended 31st December 2021 (continued)

4. SEGMENTAL INFORMATION (CONTINUED)

Geographical analysis

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

	Revenue 2021 £'000	**Non-current assets 2021 £'000**	Revenue 2020 £'000	Non-current assets 2020 £'000
UK	**7,743**	**4,624**	5,913	3,958
Rest of Europe	**8,908**	**2,214**	8,828	1,702
Americas	**14,017**	**1,989**	13,424	2,170
Africa	**1,486**	**214**	1,161	60
Australia and Asia	**4,252**	**329**	3,477	464
	36,406	**9,370**	32,803	8,354

There was one Group customer of the manufacturing segment which accounted for 13% of the Group's revenues.

5. FINANCE INCOME AND EXPENSE

	2021 £'000	2020 £'000
Finance expense		
Bank borrowings	**124**	124
Lease interest	**65**	38
Hire purchase interest	**16**	29
	205	191
Finance income		
Other interest received	**3**	9
	3	9

6. TAX EXPENSE

	2021 £'000	2020 £'000
Current tax expense		
UK corporation tax		
UK tax expense on profits for the year	**209**	303
Prior year adjustment	**8**	(9)
Double tax relief	**(239)**	(303)
Double tax relief (prior year)	**(8)**	–
	(30)	(9)
Foreign corporation tax		
Foreign tax expense on profits for the year	**573**	508
Prior year adjustment	**(2)**	(42)
	571	466
Current tax charge	**541**	457
Deferred tax		
Origination and reversal of timing differences	**(234)**	(138)
Adjustments in respect of prior periods	**(30)**	10
Adjustments in respect of rate differences	**43**	12
Total tax charge	**320**	341

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:

	2021 £'000	2020 £'000
Profit before tax	**1,070**	1,195
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2020 – 19%)	**203**	227
Expenses not deductible for tax purposes	**1**	14
Non taxable income	**–**	(83)
Tax credits on research and development	**(11)**	(23)
Items charged to reserves	**17**	12
Foreign tax	**222**	184
Deferred tax not provided	**(14)**	39
Deferred tax – prior year	**(30)**	10
Deferred tax asset previously not recognised	**(72)**	–
Prior year items	**(2)**	(51)
Rate differences	**6**	12
	320	341

Other than as shown in note 16, 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 £24,000, £nil and £nil respectively (2020 – £nil, £48,000 and £nil) calculated at a rate of 19% (2020 – 19%).

Notes to the accounts

For the year ended 31st December 2021 (continued)

7. EMPLOYEES

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

	2021 No.	2020 No.
Office and management	**51**	49
Sales and distribution	**53**	53
Manufacturing	**79**	76
	183	178

Staff costs (including directors) comprise:

	Note	**2021 £'000**	2020 £'000
Wages and salaries		**7,710**	7,578
US paycheck protection program grant		**–**	(436)
CJRS government grant		**(15)**	(46)
Defined contribution pension cost		**249**	318
Defined benefit pension cost	21.3	**142**	116
Other long-term employee benefits		**65**	81
Employer's national insurance contributions and similar taxes		**779**	797
		8,930	8,408

The US PPP grant received in 2020 and the UK CJRS grant related to the Covid pandemic.

	2021 £'000	2020 £'000
Directors' remuneration:		
Emoluments of qualifying services	**665**	659
Company pension contributions to money purchase schemes	**45**	45
	710	704

The number of directors for whom retirement benefits accrued under money purchase pension schemes amounted to 3 (2020 – 3) and under defined benefit pension schemes amounted to nil (2020 – nil). Further details of directors remuneration are included in the remuneration report.

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 31st December 2021			
Cost	**6,076**	**13,134**	**19,210**
Accumulated depreciation	**(281)**	**(10,216)**	**(10,497)**
Net book value	**5,795**	**2,918**	**8,713**
At 31st December 2020			
Cost	4,746	12,706	17,452
Accumulated depreciation	(243)	(9,379)	(9,622)
Net book value	4,503	3,327	7,830
Year ended 31st December 2021			
Opening net book value	**4,503**	**3,327**	**7,830**
Additions	**1,453**	**660**	**2,113**
Disposals	**–**	**(36)**	**(36)**
Depreciation	**(47)**	**(1,025)**	**(1,072)**
Exchange differences	**(114)**	**(8)**	**(122)**
Closing net book value	**5,795**	**2,918**	**8,713**
Year ended 31st December 2020			
Opening net book value	2,956	3,868	6,824
Additions	1,489	568	2,057
Disposals	–	(14)	(14)
Depreciation	(2)	(1,040)	(1,042)
Reclassification	39	(39)	–
Exchange differences	21	(16)	5
Closing net book value	4,503	3,327	7,830

The net book value of tangible fixed assets includes an amount of £414,000 (2020 – £568,000) in respect of assets held under hire purchase contracts. The related depreciation charge on these assets for the year was £197,000 (2020 – £250,000). Additions include £58,000 (2020 – £31,000) of assets held under hire purchase contracts..

Assets in the course of construction which have not been depreciated total £1,206,000 (2020 – £2,225,000) of which £761,000 relates to the Hunslet Road warehouse construction.

The total cost of non-depreciable assets included in freehold land and buildings was £3,165,000 (2020 – £3,024,000).

Notes to the accounts

For the year ended 31st December 2021 (continued)

9. INTANGIBLE ASSETS

	Total £'000
At 31st December 2021	
Cost	**149**
Accumulated amortisation	**(124)**
Net book value	**25**
At 31st December 2020	
Cost	155
Accumulated amortisation	(118)
Net book value	37
Year ended 31st December 2021	
Opening net book value	**37**
Additions	**–**
Amortisation	**(12)**
Exchange differences	**–**
Closing net book value	**25**
Year ended 31st December 2020	
Opening net book value	48
Additions	–
Amortisation	(12)
Reclassifications	1
Closing net book value	37

Intangible assets relate to purchased goodwill and software.

10. RIGHT OF USE ASSETS

	Buildings £'000	IT Equipment £'000	Vehicles £'000	Total £'000
At 31st December 2021				
Cost	**414**	**163**	**436**	**1,013**
Accumulated depreciation	**(167)**	**(82)**	**(132)**	**(381)**
Net book value	**247**	**81**	**304**	**632**
At 31st December 2020				
Cost	275	142	300	717
Accumulated depreciation	(62)	(49)	(119)	(230)
Net book value	213	93	181	487
Year ended 31st December 2021				
Opening net book value	**213**	**93**	**181**	**487**
Additions	**162**	**33**	**220**	**415**
Depreciation	**(111)**	**(47)**	**(92)**	**(250)**
Exchange differences	**(17)**	**2**	**(5)**	**(20)**
Closing net book value	**247**	**81**	**304**	**632**
Year ended 31st December 2020				
Opening net book value	154	20	104	278
Additions	186	101	145	432
Depreciation	(130)	(28)	(68)	(226)
Exchange differences	3	–	–	3
Closing net book value	213	93	181	487

Buildings include warehouses and office leases. IT equipment include sundry IT and broadband fibre leases. Vehicles include fork lift trucks and motor vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the Group accounts as a right-of-use (RoU) asset per note 10 above and a lease liability (see note 15b).

11. INVENTORIES

	2021 £'000	2020 £'000
Raw materials	**639**	382
Work in progress	**209**	126
Finished goods	**8,580**	7,794
Goods in transit	**696**	562
	10,124	8,864

During the twelve months ended 31st December 2021 the Group reduced charges against finished goods inventories of £72,000 (2020 – charge of £283,000) following reassessment of the saleability of certain stock items (note 2).

Notes to the accounts

For the year ended 31st December 2021 (continued)

12. TRADE AND OTHER RECEIVABLES

	2021 £'000	2020 £'000
Trade receivables	**5,465**	5,303
Other receivables	**478**	354
Prepayments	**268**	198
	6,211	5,855

Included in other receivables is £120,000 (2020 – £19,000) of corporation tax repayable, £215,000 (2020 – £191,000) in relation to a VAT claim, and £nil (2020 – £32,000) in respect of a deferred tax asset.

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. Trade receivables include a credit of £66,000 for provision written back (2020 – £12,000).

13. TRADE AND OTHER PAYABLES – CURRENT

	2021 £'000	2020 £'000
Trade payables	**3,395**	3,391
Other taxes and social security costs	**248**	166
Other payables	**62**	62
Accruals	**1,190**	1,125
	4,895	4,744

14. OTHER FINANCIAL LIABILITIES – CURRENT

	Note	2021 £'000	2020 £'000
Bank loans – secured	15a	**1,064**	354
Lease liabilities	15b	**250**	186
Hire purchase creditors	15c	**158**	186
Other creditors		**1,430**	1,407
		2,902	2,133

An analysis of the interest rate payable on financial liabilities and information about fair values is given in note 19.

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.

15. FINANCIAL LIABILITIES – NON-CURRENT

	Note	2021 £'000	2020 £'000
Bank loans – secured	15a	**1,372**	1,388
Lease liabilities	15b	**415**	318
Hire purchase creditors	15c	**222**	337
Other creditors (non-current)		**37**	32
		2,046	2,075

15a. Obligations under bank loan agreements comprise amounts payable as follows:

	2021 £'000	2020 £'000
Within one year	**1,064**	354
One to two years	**181**	389
Two to five years	**322**	357
Over five years	**869**	642
	2,436	1,742

Terms and conditions of outstanding loans were as follows:

	Interest rate %	Year of maturity	2021 £'000	2020 £'000
Development loan	**2.50% over Bank of England base rate**	2022	**614**	–
US dollar bank loan	**4.00% fixed**	2023	**217**	383
US dollar term loan	**2.25% over LIBOR**	2023	**133**	231
US dollar term loan	**3.74% fixed**	2024	**117**	157
EUR term loan	**1.31% fixed**	2034	**1,354**	971

The 4.00% 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 loans form part of the Group funding arrangements. The US LIBOR loan was repaid in February 2022 to avoid the cost of converting to a SOFR loan. These loans are secured by a fixed and floating charge over certain assets of certain Group companies. The EUR term loan relates to the construction of the French warehouse and is secured against the property in France. The development loan relates to the construction of the Hunslet Road warehouse and will be converted to a 5 year term loan on completion of the warehouse.

15b. Lease liabilities:

Minimum lease payment commitments in respect of RoU assets at the year end were as follows:

	Lease Payments £'000	Finance Charges £'000	Net Present Value £'000
Less than one year	**310**	**(60)**	**250**
One to two years	**217**	**(32)**	**185**
Two to five years	**223**	**(30)**	**193**
Over five years	**40**	**(3)**	**37**
	790	**(125)**	**665**

At 31st December 2020 the minimum lease payment commitments in respect of RoU assets were as follows:

	£'000	£'000	£'000
Less than one year	231	(45)	186
One to two years	204	(24)	180
Two to five years	145	(7)	138
	580	(76)	504

The lease liabilities are calculated from the present values of the lease rentals based on the Group's estimated borrowing rate of 10%. A change of +/- 5% to the implied discount rate does not result in a material change to the estimates.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure right-of-use assets and incur maintenance fees on such items in accordance with the lease contracts.

Notes to the accounts

For the year ended 31st December 2021 (continued)

15b. Lease liabilities (continued):

At 31st December 2021, the Group had 33 leased RoU assets by category as follows: Buildings: 4, IT equipment: 5, and Vehicles: 24. The average remaining lease commitments were: Buildings: 2 years, IT equipment: 1.4 years, and Vehicles: 2.8 years respectively.

Lease payments not recognised as a liability
The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The total cash outflow for leases for the year ended 31st December 2021 was £299,000 (2020 – £266,000).

At 31st December 2021 the Group had not committed to any new leases that had yet to commence.

15c. Hire purchase creditors:

Hire purchase future payments, interest charges and liabilities as at 31st December 2021 were as follows:

	Future Payments £'000	**Interest Charges £'000**	**HP Creditor £'000**
Within one year	**169**	**(11)**	**158**
One to two years	**141**	**(6)**	**135**
Two to five years	**93**	**(6)**	**87**
	403	**(23)**	**380**

Hire purchase payments, interest charges and liabilities as at 31st December 2020 were as follows:

	Future Payments £'000	Interest Charges £'000	HP Creditor £'000
Within one year	195	(9)	186
One to two years	151	(8)	143
Two to five years	205	(11)	194
	551	(28)	523

16. DEFERRED INCOME TAX LIABILITY

	2021 £'000	2020 £'000
Accelerated capital allowances in excess of depreciation	**183**	292
Losses	**(222)**	(77)
Rolled over capital gains	**63**	63
	24	278

The decrease in deferred tax liability relates primarily to the recognition of taxable losses available where they can be offset against accelerated capital allowances.

	Deferred tax £'000
Balance at 1st January 2021	**278**
Deferred tax asset as at 1st January 2021	**(32)**
Release to income statement during the year	**(222)**
Balance at 31st December 2021	**24**

Deferred tax has been recognised at a blended rate of 29% (2020 – 29%) on accelerated capital allowances in 4B Elevator Components Limited and 25% (2020 – 19%) in respect of the Company, 4B Braime Components Limited and Braime Pressings Limited.

The Finance Act 2021 increased the UK tax rate to 25% from April 2023. This was substantially enacted at the balance sheet date and has been used to calculate the deferred tax balances.

17. PROVISION FOR LIABILITIES

	2021 £'000	2020 £'000
Provision for liabilities – chain cell repairs	**1,054**	–

During the year, serious structural faults were discovered on the supporting walls of the chain cell area of our Hunslet Road property. This necessitated the emergency demolition of the external walls, dismantling of the roof over the chain cell operations and the temporary relocation of our chain cell operations. The building is Grade II listed and may only be lawfully altered with prior planning permission. Consent to demolish the walls was granted by the local authority on the condition that the Company restore the property per their requirements using appropriate materials and retaining its original features. Consequently, an obligation exists at the year end to carry out the repairs set out in the planning application. The directors have provided £850,000 for these repairs based on their assessment of the costs necessary to made good the demolished areas.

Whilst some costs can be reasonably established, at the time of writing, there remains uncertainty over the type of materials that may be used as their specifications are awaiting the decision of the local authority conservation officers. The type of material used has a direct bearing on the foundation depth of the walls being erected and hence the cost. The demolition of the wall has also impacted the completion of the adjacent warehouse construction resulting in extension of time costs of £204,000 which are included in the provision. The directors are working with the contractors of the warehouse extension to establish the most-cost effective way of achieving the restoration and reducing delays to completing the warehouse. The total provision represents the directors' best estimate of the required cost of restoring the chain cell walls and the additional costs associated with the delays to the warehouse project and the directors have referred to benchmarks to arrive at the estimated cost.

18. SHARE CAPITAL

	2021 £'000	2020 £'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.

19. 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 cost using the effective interest method.

Whilst lease liabilities within note 14 and 15 are included within financial liabilities they do not constitute a financial instrument.

Notes to the accounts

For the year ended 31st December 2021 (continued)

19. FINANCIAL INSTRUMENTS (CONTINUED)

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. The Group's currency exposure at the year end was £2,714,000 (2020 – £1,422,000), 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 2021 (31st December 2020 – £nil).

Fixed interest term loans

Fixed interest term loans as at 31st December 2021 were US dollar term bank loans of £334,000 (2020 – £540,000) and euro bank term loans of £1,354,000 (2020 – £971,000) (see note 15a).

Maturity analysis

Other than is disclosed in note 15 regarding bank loans and lease liabilities all financial instruments fall due within one year.

In addition to the maturity analysis disclosed in note 15, the interest due on bank loans repayable within one year totals £36,000 (2020 – £34,000), the interest due on bank loans repayable after one year but not more than five years totals £58,000 (2020 – £40,000), and the interest due on bank loans repayable after more than five years totals £48,000 (2020 – £22,000).

Interest due (finance charges) on RoU lease liabilities are shown in note 15b and interest due on hire purchase creditors are shown in note 15c.

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 2021			
Sterling	**(1,202)**	–	**(1,202)**
Euro	**466**	–	**466**
US dollar	**1,380**	–	**1,380**
Other	**819**	–	**819**
	1,463	–	**1,463**

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 2020			
Sterling	(1,540)	–	(1,540)
Euro	678	–	678
US dollar	1,891	–	1,891
Other	504	–	504
	1,533	–	1,533

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 2021			
Sterling	**(2,484)**	**(507)**	**(2,991)**
Euro	**(49)**	**(1,506)**	**(1,555)**
US dollar	**(134)**	**(362)**	**(496)**
Other	**–**	**(358)**	**(358)**
	(2,667)	**(2,733)**	**(5,400)**

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities Total £'000
Currency			
As at 31st December 2020			
Sterling	(1,545)	(644)	(2,189)
Euro	(197)	(1,006)	(1,203)
US dollar	(231)	(543)	(774)
Other	–	(346)	(346)
	(1,973)	(2,539)	(4,512)

Floating rate financial liabilities comprise bank borrowings and lease assets.

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 2021					
Sterling	**–**	**797**	**249**	**2,866**	**3,912**
Euro	**–**	**–**	**–**	**–**	**–**
US dollar	**(419)**	**(2)**	**–**	**–**	**(421)**
Other	**(1,034)**	**(26)**	**(122)**	**–**	**(1,182)**
	(1,453)	**769**	**127**	**2,866**	**2,309**

Notes to the accounts

For the year ended 31st December 2021 (continued)

19. FINANCIAL INSTRUMENTS (CONTINUED)

Non interest bearing financial assets/(liabilities) (continued)

	Sterling £'000	Euro £'000	US dollar £'000	Other currencies £'000	Total £'000
Functional currency					
As at 31st December 2020					
Sterling	–	1,090	(1,778)	2,520	1,832
Euro	–	–	–	–	–
US dollar	(517)	(25)	–	–	(542)
Other	(643)	–	6	–	(637)
	(1,160)	1,065	(1,772)	2,520	653

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 £12,000 (2020 – £5,000).

Currency rate sensitivity

A weakening in the value of sterling by 10% will benefit the operating profit by a figure not exceeding £301,000 (2020 – £158,000). A strengthening of sterling by 10% will reduce the operating profit by a figure not greater than £247,000 (2020 – £129,000).

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:

	2021 £'000	2020 £'000
Expiring in one year or less	**3,348**	3,186

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 assess the costs of entering 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 maximise 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 12.

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.

20. 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 (2020 – 1,440,000). There are no potentially dilutive shares in issue.

Dividends paid

	2021 £'000	2020 £'000
Equity shares		
Ordinary shares		
Interim of 7.80p (2020 – 8.00p) per share paid on 25th May 2021	**37**	38
Interim of 4.25p (2020 – 4.00p) per share paid on 14th October 2021	**20**	19
	57	57
'A' Ordinary shares		
Interim of 7.80p (2020 – 8.00p) per share paid on 25th May 2021	**75**	77
Interim of 4.25p (2020 – 4.00p) per share paid on 14th October 2021	**41**	39
	116	116
Total dividends paid	**173**	173

An interim dividend of 8.20p per Ordinary and 'A' Ordinary share will be paid on 8th June 2022.

Notes to the accounts

For the year ended 31st December 2021 (continued)

21. PENSION COSTS

21.1 Scheme summary

The Group operates a number of defined contribution schemes, the cost of which are disclosed in note 7. 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 £50,000 during the year to 31st December 2022. The weighted average duration of the defined benefit obligation is approximately 16 years.

21.2 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.

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

	Defined benefit obligation		Fair value of scheme assets		Net defined scheme liability	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Balance at 1st January	**10,328**	9,300	**(10,328)**	(9,300)	**–**	–
Service cost – current	**83**	76	**–**	–	**83**	76
Service cost – past	**–**	1	**–**	–	**–**	1
Administration costs	**–**	–	**59**	39	**59**	39
Interest cost/(income)	**122**	183	**(123)**	(188)	**(1)**	(5)
Interest effect of asset ceiling	**–**	–	**–**	–	**–**	–
Included in profit or loss	**205**	260	**(64)**	(149)	**141**	111
Effect of asset ceiling	**–**	–	**181**	(127)	**181**	(127)
Remeasurement loss/(gain)						
a) Actuarial loss/(gain) from:						
– Financial assumptions	**(601)**	1,081	**–**	–	**(601)**	1,081
– Demographic assumption	**–**	–	**–**	–	**–**	–
– Adjustments (experience)	**–**	–	**–**	–	**–**	–
b) Return on plan asset (excluding interest)	**–**	–	**330**	(1,020)	**330**	(1,020)
Included in other comprehensive income	**(601)**	1,081	**330**	(1,020)	**(271)**	61
Employers contributions	**–**	–	**(51)**	(45)	**(51)**	(45)
Employees contributions	**10**	10	**(10)**	(10)	**–**	–
Benefits paid	**(324)**	(323)	**324**	323	**–**	–
Other movements	**(314)**	(313)	**263**	268	**(51)**	(45)
Balance at 31st December	**9,618**	10,328	**(9,618)**	(10,328)	**–**	–
Net remeasurement gain taken to other comprehensive income	**601**	(1,081)	**(511)**	1,147	**90**	66

The asset ceiling arises as based on the assumptions adopted there is a net pension scheme asset of £282,000 at 31st December 2021 but as Braime Pressings Limited does not have an unconditional right to any surplus of the scheme, the surplus of £282,000 has not been recognised in the Group balance sheet and therefore assets have been reduced by £282,000 to £9,618,000 so as to equal scheme liabilities at that date.

The effect of GMP equalisation has been allowed as a past service cost in 2021. 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 losses are the effect of asset ceiling of £181,000 (2020 – £127,000 gain) 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 2021 (continued)

21.4 Analysis of fair value of plan assets between asset categories

	2021 % of total assets	2020 % of total assets	**2021 £'000**	2020 £'000
Annuity policies in payment	**55.5%**	56.0%	**5,495**	5,840
Equities – quoted – overseas	**16.4%**	12.4%	**1,624**	1,293
Equities – quoted – UK	**2.5%**	2.0%	**248**	209
Cash	**1.1%**	1.8%	**109**	188
With profit deferred annuities	**24.5%**	27.8%	**2,424**	2,899
Asset ceiling	**–**	–	**(282)**	(101)
Total	**100.0%**	100.0%	**9,618**	10,328

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

21.5 Reconciliation of effect of asset ceiling

	2021 £'000	2020 £'000
Effect of asset ceiling at start	**101**	228
Interest on effect of asset ceiling	**1**	5
Actuarial losses/(gains)	**180**	(132)
Effect of asset ceiling at end	**282**	101

21.6 Key assumptions and sensitivities

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

	2021	2020
Discount rate	**1.80%**	1.20%
Inflation (RPI)	**3.65%**	3.20%
Salary increases	**3.65%**	3.20%
Pension increase (LP15)	**3.50%**	3.10%
Post retirement mortality	**115% of the S3NA tables with CMI 2018 projections using a long-term improvement rate of 1.00% pa**	115% of the S3NA tables with CMI 2018 projections using a long-term improvement rate of 1.00% 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%	192
Minus 0.50%	(217)
Inflation	
Plus 0.50%	(327)
Minus 0.50%	326
Salary increase	
Plus 0.50%	(76)
Minus 0.50%	74
Life expectancy	
Plus 1.0 years	(52)
Minus 1.0 years	62
% With-profit deferred annuities converted on retirement using guaranteed annuity rates	
Plus 10.00% (i.e. 80%)	249
Minus 10.00% (i.e. 60%)	(249)

22. NOTES SUPPORTING CONSOLIDATED CASH FLOW STATEMENT

	2021 £'000	2020 £'000
Cash and cash equivalents		
Cash at bank and in hand	**1,463**	1,533
Bank overdraft	**(489)**	(335)
	974	1,198

Major non-cash transaction

During the year the Group acquired tangible assets of £58,000 (2020 – £31,000) subject to finance under hire purchase agreements of £39,000.

23. CAPITAL COMMITMENTS

There were capital commitments of £634,000 (2020 – £568,000) which are contracted but not provided for in these financial statements.

Notes to the accounts

For the year ended 31st December 2021 (continued)

24. SUBSIDIARIES

Subsidiary		Principal activity	Proportion of shares held 2021 and 2020 Ordinary Shares	Preference Shares
i	Registered in and operating from Hunslet Road, Leeds, West Yorkshire, LS10 1JZ, England, UK:			
	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 61550, USA:			
	4B Elevator Components Limited	Distribution of bulk material handling components	100%	–
iii	Incorporated in and operating from 35 Bis Rue du 8 Mai 1945, 80800 Villers-Bretonneux, France:			
	4B–France sarl	Distribution of bulk material handling components	100%	–
iv	Incorporated in and operating from 899/1 Moo 20, Soi Chongsiri, Amphur Bangplee, Samutprakarn, 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 Drive, Kya Sand, Johannesburg 2163, South Africa:			
	4B Africa Elevator Components (Pty) Limited	Distribution of bulk material handling components	100%	–
vi	Incorporated in and operating from B1/41 Bellrick Street, 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.

25. RELATED PARTY TRANSACTIONS

The total remuneration for key management personnel for the year including directors totalled £1,382,000 (2020 – £1,339,000).

There were no other related party transactions during the year.

26. POST BALANCE SHEET EVENTS

In April 2022, the Group entered into an exclusivity arrangement with one of its trading partners to expand Group sales distribution. The cost of the transaction to the Group is £725,000, payable in part in 2022 and in part in 2023.

Company balance sheet

For the year ended 31st December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	3	**5**	15
Tangible fixed assets	4	**7,126**	6,498
Investments	5	**1,978**	1,978
		9,109	8,491
Current assets			
Debtors: due within one year	8	**1,753**	1,484
		1,753	1,484
Creditors: amounts falling due within one year			
Amounts owed to Group undertakings		**4,165**	5,371
Other creditors falling due within one year	9	**1,824**	921
		5,989	6,292
Net current liabilities		**(4,236)**	(4,808)
Total assets less current liabilities		**4,873**	3,683
Creditors: amounts falling due after more than one year	10	**187**	311
Provisions for liabilities	11	**1,172**	190
		3,514	3,182
Capital and reserves			
Called up share capital	12	**360**	360
Revaluation reserve		**85**	85
Capital redemption reserve		**180**	180
Retained earnings		**2,889**	2,557
Shareholders' funds		**3,514**	3,182
Company's profit for the financial year		**505**	202

These financial statements were approved and authorised for issue by the board of directors on 27th April 2022 and signed on its behalf by:

Nicholas Braime, Chairman

Cielo Cartwright, Group Finance Director

The notes on pages 60 to 65 form part of these financial statements

Company statement of changes in equity

For the year ended 31st December 2021

	Called up Share Capital £'000	Revaluation Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1st January 2020	360	85	180	2,528	3,153
Comprehensive income for the financial year – profit	–	–	–	202	202
Dividends paid	–	–	–	(173)	(173)
Balance at 31st December 2020	**360**	**85**	**180**	**2,557**	**3,182**
Comprehensive income for the financial year – profit	**–**	**–**	**–**	**505**	**505**
Dividends paid	**–**	**–**	**–**	**(173)**	**(173)**
Balance at 31st December 2021	**360**	**85**	**180**	**2,889**	**3,514**

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

Included in profit for the year is a dividend received from the Company's subsidiary 4B Elevator Components Limited.

Notes to the Company accounts

For the year ended 31st December 2021

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 7.

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.

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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 costs 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.

Notes to the Company accounts

For the year ended 31st December 2021 (continued)

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 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 Company 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 Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

2.13 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.

Provisions

A provision is raised where management consider a liability exists as a result of a past event but where its timing and amount are uncertain. When considering whether a provision should be raised, the directors assess the probability that an outflow of cash or other economic resource will be required to settle the provision and whether the liability can be measured reliably. Liabilities which cannot be measured reliably or where settlement is not probable are not provided for. The directors make external enquiries and seek evidence that a legal obligation to settle the liability exists, or that actions of entities within the Group have created an expectation that the Company will accept and discharge certain responsibilities and the Company has no realistic alternatives but to settle those obligations. They also consider the source of the information to determine if the evidence can provide a reliable measure of the liability.

3. INTANGIBLE ASSETS

	Software £'000
Cost	
At 1st January 2021	**52**
Additions	**–**
At 31st December 2021	**52**
Amortisation	
At 1st January 2021	**37**
Provided for the year	**10**
At 31st December 2021	**47**
Net book value	
At 31st December 2021	**5**
At 31st December 2020	15

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 2021	**4,323**	**5,183**	**231**	**2**	**9,739**
Additions	**954**	**263**	**3**	**–**	**1,220**
Disposals	**–**	**–**	**–**	**–**	**–**
At 31st December 2021	**5,277**	**5,446**	**234**	**2**	**10,959**
Depreciation					
At 1st January 2021	**10**	**3,096**	**133**	**2**	**3,241**
Provided for the year	**–**	**559**	**33**	**–**	**592**
Disposals	**–**	**–**	**–**	**–**	**–**
At 31st December 2021	**10**	**3,655**	**166**	**2**	**3,833**
Net book value					
At 31st December 2021	**5,267**	**1,791**	**68**	**–**	**7,126**
At 31st December 2020	4,313	2,087	98	–	6,498

The net book value of tangible fixed assets includes an amount of £339,000 (2020 – £534,000) in respect of assets under finance leases and hire purchase contracts. The related depreciation on these assets for the year was £183,000 (2020 – £229,000). Assets in the course of construction which have not been depreciated total £1,206,000 (2020 – £736,000).

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

Notes to the Company accounts

For the year ended 31st December 2021 (continued)

5. INVESTMENTS

Subsidiary undertakings

	£'000
At 1st January 2021 and 31st December 2021	**1,978**

The list of subsidiaries is disclosed in note 24 of the consolidated financial statements.

6. EMPLOYEES

	2021 No.	2020 No.
Office and management	**9**	9

	2021 £'000	2020 £'000
Directors' remuneration		
Emoluments for qualifying service	**565**	561

Certain directors and the central administration team are paid directly by the Company. 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

	2021 £'000	2020 £'000
Corporation tax debtor	**–**	10
Other taxes	**102**	31
Prepayments	**8**	20
Amounts owed by Group undertakings	**1,643**	1,423
	1,753	**1,484**

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Bank overdraft	**882**	552
Bank loan – secured	**614**	–
Corporation tax	**3**	–
Trade creditors	**35**	12
Accruals	**161**	182
Hire purchase – secured	**129**	175
	1,824	921

Cross guarantees exist in respect of all Group company bank borrowings. At 31st December 2021 the borrowings guaranteed by the Company amounted to £nil (2020 – £nil).

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

	2021 £'000	2020 £'000
Hire purchase creditor – secured	**187**	311
	187	311

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

11. PROVISIONS FOR LIABILITIES

	2021 £'000	2020 £'000
Provision for liabilities – chain cell repair	**1,054**	–
Deferred tax (see note 11a)	**118**	190
	1,172	190

The provision for chain cell repairs is disclosed further in note 17 of the Group financial statements.

11a. Deferred tax liability

	2021 £'000	2020 £'000
Accelerated capital allowances	**129**	117
Rolled over capital gains	**63**	63
Property fair value adjustment	**149**	87
Losses	**(223)**	(77)
	118	190

	Deferred tax £'000
Balance at 1st January 2021	**190**
Credit to income statement during the year	**(72)**
Balance at 31st December 2021	**118**

The Finance Act 2021 increased the UK tax rate to 25% from April 2023. This was substantially enacted at the balance sheet date and has been used to calculate the deferred tax balances.

Deferred tax has therefore been recognised at a rate of 25% (2020 – 19%).

12. SHARE CAPITAL

	2021 £'000	2020 £'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

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Turnover	**36,406**	32,803	33,433	35,718	31,449
Profit from operations (before exceptional item)	**2,489**	1,377	2,221	3,242	2,341
Profit before tax	**1,070**	1,195	1,746	3,017	2,201
Profit after tax	**750**	854	1,349	2,229	1,580
Basic and diluted earnings per share	**52.08p**	59.31p	93.68p	154.79p	109.73p

Notice of meeting

Notice is hereby given that the SEVENTY SECOND 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 23rd June 2022 at 11.45am.

The Company will take into account any Government guidance or legislation in force at the time of the AGM and will implement any measures it believes necessary to protect the health and safety of attendees. Any changes to the format of the AGM will be communicated to shareholders through the Company's website and, where appropriate, by stock exchange announcement.

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 2021, and the report of the auditors thereon.
2. To confirm the dividends paid on 14th October 2021 and 8th June 2022 on the Ordinary and 'A' Ordinary shares.
3. To re-appoint as a director C. O. Braime, 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 as a director A. Q. Braime, who is retiring by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.
5. 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.
6. To authorise the directors to set the remuneration of the auditors.

By order of the board,

Cielo Cartwright, Secretary

Hunslet Road, Leeds, LS10 1JZ

27th April 2022

Explanatory notes of resolutions

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 21st June 2022.
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 2021 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 21st June 2022. 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

(continued)

The following notes give an explanation of the proposed resolutions. Resolutions 1 to 6 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 2021 to the meeting.

2. Confirmation of dividends

To confirm the interim dividend on the Ordinary and 'A' Ordinary shares of 4.25p per share paid on 14th October 2021 and 8.20p per share paid on 8th June 2022.

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. The following directors are retiring by rotation in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election.

3. C. O. Braime

4. A. Q. Braime

5. 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.

6. 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)

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Braime Group – a rich heritage dating back to 1888

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. After losing his thumb in an accident, he 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.

Braime Group PLC

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www.braimegroup.com