

T.F. & J.H. BRAIME (HOLDINGS) P.L.C.
('Braime' or the 'company' and with it subsidiaries the 'group')

ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2014

At a meeting of the directors held today, the accounts for the year ended 31st December 2014 were submitted and approved by the directors. The preliminary accounts statement is as follows:

Chairman's statement

Performance of the group

Group sales revenue in 2014 rose by 5.8% to £24.3 million and operating profit by 14.9% to £1.2 million. Profit for the year ending 2014, after tax, increased by 4.0% from £752,000 to £782,000.

After a relatively strong result in the first six months of the year, the result for the second half of the year was disappointing. This was caused by the higher than anticipated operating costs in our manufacturing business and by the negative impact of changes in exchange rates, which reduced the contribution of overseas earnings.

The first interim dividend paid on the 17th October was increased from 2.40p paid in 2013 to 2.90p in 2014, in part reflecting the strong first half performance but principally to restore a better balance between the two dividends paid each year.

In view of the final result for 2014, the directors have approved the payment of the same second interim dividend as last year of 6.20p, making a total dividend, paid in the tax year ending April 2015, of 9.10p, compared to 8.60p in the previous year.

The second interim dividend of 6.20p was paid on 2nd April 2015 to the Ordinary and 'A' Ordinary shareholders on the register as at 27th March 2015.

Group highlights

The group made further substantial investments in machinery to manufacture parts for the external customers of its manufacturing business. It also made several specific investments in machinery to improve the quality, productivity and lead time of components manufactured for our material handling business. Together, these investments largely completed the recent major investment program in our manufacturing business.

During 2005/6 the company made two unsuccessful attempts to sell its main operating site, located in Leeds, at a price sufficient to cover the cost of relocating the business to a modern purpose built facility. Since then we have invested in machinery at our present site to enable us to meet our customers' requirements. The cost of relocating this plant now would be prohibitive and, given the need to supply our customers on a just in time basis, the relocation of our manufacturing is no longer a viable option. Accordingly, in 2013 we began a program of investment to totally modernise our infrastructure and in 2014 we carried out further work as outlined in the group strategic report.

In 2014, we made available a loan of £200,000 to a key supplier in order to help them make a major investment which would strengthen their ability to meet our current and future requirements. The loan was secured, made on a commercial basis, and is re-payable within three years.

During the year the group recruited staff to fill a number of important positions. In our manufacturing business, we have both a new maintenance manager and new quality manager. While in our material handling business, we have recruited three key senior staff in technical and sales roles. All these appointments are already having a very positive impact on our business.

The group continues to invest in new products to ensure that we remain at the forefront of technology and so that we can continue to extend our range of products and provide our

customers with innovative solutions. A number of new products, finalised in 2014, are planned for launch in 2015.

Outlook

Group sales revenues for the first quarter of 2015 are above the comparable figure for the same period last year. We hope to have new manufacturing business coming on stream during the year, and, in the material handling sector of our business, we have some exciting new products which we believe will enhance revenue.

A very high proportion of our group sales are made in overseas markets and sold in local currencies, so our result for 2015 will inevitably be affected by movements in exchange rates, in spite of the conscious efforts to match our purchasing and selling currency profiles, in order to mitigate their impact.

Currently the margins on our sales to European markets are being reduced by the fall in the value of the Euro. In contrast, the current strength of the US Dollar is having a positive impact on our margins on products sold in US dollar linked markets. In other areas of the world, we believe that the overall effect of changes in exchange rates will be broadly neutral.

While it is impossible to predict, with any degree of certainty, the overall effect of currency fluctuations, the underlying position of the group remains strong.

University Technical College.

On April 15th 2015, the group exchanged contracts with Leeds Advanced Manufacturing UTC Ltd., (LAM), for the sale of 1.18 acres of land and buildings, (about 25% of the 4.6 acre site) in Hunslet, Leeds for a price of £855,000, plus a contribution of £295,000 towards associated works. The sale remains conditional upon approval by the buyer of the ground conditions and on the securing of planning consent.

This sale will enable the group to eliminate the costs of maintaining and servicing an area surplus to its needs, provide new funds for the modernisation of its facility in Leeds and make improvements in the operating efficiency of the business.

LAM intends to build a new University Technical College for 600 students, focused on engineering and help them achieve either university entry or placement as apprentices to continue their education while in work.

Given the longstanding twin problems in the UK of high youth unemployment and a serious shortage of people trained and qualified to work in industry, the company fully supports the UTC program.

The funds raised by the sale will be used to strengthen the business, which was founded in Leeds in 1888 and whose group headquarters and principal manufacturing site are still based in the city. The group hopes the creation of a UTC within our iconic heritage building will also benefit the wider community of Leeds and, in particular, inspire people to choose a career in engineering.

Employees

Our most important resource is the skill and commitment of our employees and we thank them for their contribution. Recruiting people with the ability and enthusiasm we need to continue the growth of the company, in an ever increasingly competitive world, is our biggest challenge. This applies to all the regions where we have subsidiaries but it is a particularly acute problem in the UK.

Group strategic report

Principal activities and risks and uncertainties

The group comprises of two core segments; manufacture of deep drawn metal presswork, and the distribution of material handling components and monitoring equipment.

The metal presswork segment operates across several industries including the automotive sector. The market remains challenging due to pricing pressures throughout the supply chain. The TS16949 quality standard is important to the group as it allows us to access growing markets. If lost, this would adversely impact both existing and new business activity. A process of continual improvement in systems, process and review reduce this risk. Long term supply agreements are made with major customers. The company is exposed to medium to long term fluctuations in steel prices. In order to mitigate this volatility, the company fixes its prices with suppliers where possible.

The material handling components subsidiaries trade from six countries and export to over fifty countries. The division maintains its competitive edge in a price sensitive market through the provision of engineering expertise and by working closely with our suppliers to supply innovative components of the highest standard. In addition, ranges of complementary products are sold into different industries. These monitoring systems are developed and improved on a regular basis.

Exposure to customer credit risk is managed through a variety of methods; credit insurance, credit checking and the setting and monitoring of appropriate credit limits.

The group has a centralised treasury function which, through the use of forward contracts, hedges against foreign exchange differences arising on cash flows in currencies that differ to the operational entity's reporting currency.

The centralised treasury function also controls the group banking facilities, including all lines of funding. Liquidity risk is managed through the matching of short and long term funding to the needs of the business. Medium and long term cash flow projections are prepared and regularly monitored.

Our business model

The focus of the manufacturing business is to produce quality, technically demanding components. Using automated equipment this allows us to produce in high volumes, yet it also provides flexibility.

The material handling components business is located around the globe allowing us to be close to our core markets. The focus is to provide innovative solutions drawing on our expertise and broad product range.

The two segments are very different serving different markets, however together they add strength and balance to the group.

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

Sales revenues increased but the performance of the company deteriorated due to problems and delays in the installation and commissioning of the new plant purchased in the previous year. As a result, there was a marked drop in the anticipated improvements in productivity. It also delayed the new volumes of work that we had anticipated would come on stream in 2014.

At the end of 2014, we also took a decision to make a fundamental change to our historic shift pattern, changing our hours worked by our manufacturing business to 6.00am to 2.00pm and 2.00pm to 10.00pm. This gives us much more flexibility to respond to the demands of our major customers, makes it much easier to provide the necessary maintenance and tool room cover and enables us, when necessary, to add a third shift, 10.00pm to 6.00am. The overall result is to substantially increase our production capacity and the volumes of output that we can achieve using the existing machinery.

Since the start of the current year, there has finally been a marked improvement in quality and productivity.

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

Overall the 4B division increased sales revenues and posted healthy results, although final contribution from the overseas subsidiaries was negatively affected by changes in exchange rates towards the end of 2014.

2015 has begun positively across the group and we are engaged in a number of projects which will contribute positively to the outcome for this year.

Taxation

The effective rate of tax is 30.5% (2013 – 25.6%). The effective rate is above the standard UK tax rate of 21.5% (2013 – 23.0%) due to the blending of the different rates of tax applied by each of the countries in which the group operates. In any financial year the rate will depend on the mix of profits made between those countries.

Capital expenditure

In 2014, the group invested £965,000 in plant and equipment, completing our recent substantial investment in new manufacturing machinery. Currently we have minimal commitments for the acquisition of further plant. Our plan for 2015 is to maximise the productivity of our recently acquired equipment.

Included in this plant and equipment figure, is an investment of £135,000 in our manufacturing facility in Leeds on installing new energy efficient LED lighting and in fitting new transformers and switchgear. This provides the manufacturing site with additional power and flexibility to meet current and future needs. Linked to this, and in order to meet the latest safety standards, £552,000 was spent on the electrical rewiring of the site.

Cash flow

Our debtors increased by £1,045,000 and our stocks also by the relatively small sum of £69,000; both calls on our working capital were balanced by an increase in our creditors of £1,115,000.

The business generated funds from operations of £1,861,000. It invested £1,369,000 in capital expenditure and repaid £443,000 of borrowings.

After the payment of other financial costs and the dividend, the net cash position was negative by £148,000.

Bank facilities

The group's operating banking facilities are renewed annually. The arrangements with HSBC provide sufficient headroom to the group and have allowed us to make the necessary investments in the year.

Balance sheet

Net assets of the group have increased to £7.4 million (2013 - £6.7 million). This increase is due to the strong profit performance in the year. A foreign exchange gain of £11,000 (2013 – loss of £200,000) was recorded on the re-translation of the net assets of the overseas operations.

Key performance indicators

The group uses certain key performance indicators to assess the performance of the group as a whole and of the individual business. The financial KPIs comprise turnover growth, product and customer margins and operating net profit as demonstrated in note 4 below. Key balance sheet indicators such as inventory levels, inventory aging, stock turnover and debtor days are monitored monthly for both the group and individual entities. The operational KPIs comprise on time delivery achievement, component quality and rejection rates and labour utilisation.

Environment

The group's policy with regard to the environment is that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period of this report the group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

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.

Research and Development

The group continues to invest in research and development. This has resulted in improvements in the products which will benefit the group in the medium to long term.

Summarised Consolidated Income Statement for the year ended 31st December 2014 **(audited)**

	2014 £	2013 £
Revenue	24,291,700	22,953,805
Changes in inventories of finished goods and work in progress	161,071	311,144
Raw materials and consumables used	(13,535,766)	(12,942,829)
Employee benefits costs	(5,309,357)	(5,021,454)
Depreciation expense	(564,244)	(520,945)
Other expenses	(3,807,604)	(3,704,402)
Profit from operations	1,235,800	1,075,319
Profit on disposal of tangible fixed assets	2,796	32,551
Finance costs	(115,291)	(100,967)
Finance income	2,164	3,330
Profit before tax	1,125,469	1,010,233
Tax expense	(343,340)	(258,167)
Profit for the year	782,129	752,066
Profit attributable to:		
Owners of the parent	864,011	752,066
Non-controlling interests	(81,882)	-
	782,129	752,066
Basic and diluted earnings per share	54.31p	52.23p

Summarised Consolidated Statement of Comprehensive Income for the year ended 31st December 2014 (audited)

	2014 £	2013 £
Profit for the year	782,129	752,066

Items that will not be reclassified subsequently to profit or loss

Net remeasurement gain on post employment benefits	44,000	31,000
Items that may be reclassified subsequently to profit or loss		
Foreign exchange gains/ (losses) on re-translation of overseas operations	10,819	(199,729)
Other comprehensive income for the year	54,819	(168,729)
Total comprehensive income for the year	836,948	583,337
Total comprehensive income attributable to:		
Owners of the parent	918,830	583,337
Non-controlling interests	(81,882)	-
	836,948	583,337

Summarised Consolidated Balance Sheet at 31st December 2014 (audited)

	2014 £	2014 £	2013 £	2013 £
Assets				
Non-current assets				
Property, plant and equipment	4,056,506		3,119,378	
Goodwill	12,270		12,270	
Financial assets	101,853			
Total non-current assets		4,170,629		3,131,648
Current assets				
Inventories	4,888,183		4,819,200	
Trade and other receivables	4,911,108		3,948,734	
Financial assets	98,147		-	
Cash and cash equivalents	1,357,769		567,226	
Total current assets		11,255,207		9,335,160
Total assets		15,425,836		12,466,808
Liabilities				
Current liabilities				
Bank overdraft	1,505,988		490,944	
Trade and other payables	3,752,594		3,146,004	
Other financial liabilities	1,323,095		828,414	
Corporation tax liability	187,054		43,494	
Total current liabilities		6,768,731		4,508,856
Non-current liabilities				
Financial liabilities	1,111,045		1,170,923	
Deferred income tax liability	191,623		116,000	
Total non-current liabilities		1,302,668		1,286,923
Total liabilities		8,071,399		5,795,779
Total net assets		7,354,437		6,671,029

Capital and reserves attributable to equity holders of the parent company		
Share capital	360,000	360,000
Capital reserve	257,319	77,319
Foreign exchange reserve	88,241	77,422
Retained earnings	6,730,759	6,156,288
Total equity attributable to the shareholders of the parent	7,436,319	6,671,029
Non-controlling interests	(81,882)	-
Total equity	7,354,437	6,671,029

Summarised Consolidated Cash Flow Statement for the year ended 31st December 2014
(audited)

	2014 £	2014 £	2013 £	2013 £
Operating activities				
Net profit		782,129		752,066
Adjustments for:				
Depreciation	564,244		520,945	
Grants amortised	(1,656)		(1,656)	
Non-cash operating charges	-		56,000	
Foreign exchange gains/(losses)	15,279		(186,189)	
Finance income	(2,164)		(3,330)	
Finance expense	115,291		100,967	
Gain on sale of land and buildings, plant, machinery and motor vehicles	(2,796)		(32,551)	
Adjustment in respect of defined benefits scheme	46,000		34,000	
Income tax expense	343,340		258,167	
		1,077,538		746,353
Operating profit before changes in working capital and provisions		1,859,667		1,498,419
Increase in trade and other receivables		(1,044,846)	(718,157)	
Increase in inventories		(68,983)	(431,897)	
Increase in trade and other payables		1,114,877	590,038	
		1,048		(560,016)
Cash generated from operations		1,860,715		938,403
Income taxes paid		(41,685)		(109,535)
Investing activities				
Purchases of property, plant, machinery and motor vehicles	(1,368,985)		(2,205,287)	
Sale of land and buildings, plant, machinery and motor vehicles	14,540		32,551	
Interest received	164		330	

	(1,354,281)	(2,172,406)
Financing activities		
Proceeds from long term borrowings	200,000	1,081,989
Loan financing provided	(200,000)	-
Repayment of borrowings	(272,688)	(141,574)
Repayment of hire purchase creditors	(170,231)	(241,099)
Interest paid	(115,291)	(100,967)
Dividends paid	(131,040)	(112,320)
	(689,250)	486,029
Decrease in cash and cash equivalents	(224,501)	(857,509)
Cash and cash equivalents, beginning of period	76,282	933,791
Cash and cash equivalents, end of period	(148,219)	76,282

Consolidated statement of changes in equity for the year ended 31st December 2014
(audited)

	Share Capital £	Capital Reserve £	Foreign Exchange Reserve £	Retained Earnings £	Total £	Non- Controlling Interests £	Total Equity £
Balance at 1st January 2013	360,000	77,319	277,151	5,485,542	6,200,012	-	6,200,012
Comprehensive income							
Profit	-	-	-	752,066	752,066	-	752,066
Other comprehensive income							
Net remeasurement gain recognised directly in equity	-	-	-	31,000	31,000	-	31,000
Foreign exchange losses on re-translation of overseas operations	-	-	(199,729)	-	(199,729)	-	(199,729)
Total other comprehensive income	-	-	(199,729)	31,000	(168,729)	-	(168,729)
Total comprehensive income	-	-	(199,729)	783,066	583,337	-	583,337
Transactions with owners							
Dividends	-	-	-	(112,320)	(112,320)	-	(112,320)
Total transactions with owners	-	-	-	(112,320)	(112,320)	-	(112,320)
Balance at 31st December 2013	360,000	77,319	77,422	6,156,288	6,671,029	-	6,671,029

	Share Capital £	Capital Reserve £	Foreign Exchange Reserve £	Retained Earnings £	Total £	Non- Controlling Interests £	Total Equity £
Balance at 1st January 2014	360,000	77,319	77,422	6,156,288	6,671,029	-	6,671,029
Comprehensive income							
Profit	-	-	-	864,011	864,011	(81,882)	782,129

Other comprehensive

income							
Net remeasurement gain recognised directly in equity	-	-	-	44,000	44,000	-	44,000
Foreign exchange losses on re-translation of overseas operations	-	-	10,819	-	10,819	-	10,819
Total other comprehensive income	-	-	10,819	44,000	54,819	-	54,819
Total comprehensive income	-	-	10,819	908,011	918,830	(81,882)	836,948
Transactions with owners							
Dividends	-	-	-	(131,040)	(131,040)	-	(131,040)
Cancellation of Preference shares	-	180,000	-	(202,500)	(22,500)	-	(22,500)
Total transactions with owners	-	180,000	-	(333,540)	(153,540)	-	(153,540)
Balance at 31st December 2014	360,000	257,319	88,241	6,730,759	7,436,319	(81,882)	7,354,437

Notes

1. Earnings per share and dividends

Both the basic and diluted earnings per share have been calculated using the net results attributable to shareholders of T.F. & J.H. Braime (Holdings) P.L.C. as the numerator.

The weighted average number of outstanding shares used for basic earnings per share amounted to 1,440,000 (2013– 1,440,000). There are no potentially dilutive shares in issue.

Dividends paid	2014	2013
	£	£
Equity shares		
Ordinary shares		
Interim of 6.20p (2013 – 5.40p) per share paid on 4th April 2014	29,760	25,920
Interim of 2.90p (2013 – 2.40p) per share paid on 17th October 2014	13,920	11,520
	43,680	37,440
‘A’ Ordinary shares		
Interim of 6.20p (2013 – 5.40p) per share paid on 4th April 2014	59,520	51,840
Interim of 2.90p (2013 – 2.40p) per share paid on 17th October 2014	27,840	23,040
	87,360	74,880
Total dividends paid	131,040	112,320
2. Cash and cash equivalents	2014	2013
	£	£
Cash at bank and in hand	1,357,769	567,226
Bank overdrafts	1,505,988	490,944
	(148,219)	76,282

3. Major non-cash transaction

During the year the group acquired tangible assets of £148,591 (2013 - £nil) under hire purchase agreements.

4. Segmental information

	Central 2014 £	Manufacturing 2014 £	Distribution 2014 £	Total 2014 £
Revenue				

External	-	3,621,626	20,670,074	24,291,700
Inter company	113,568	2,761,536	3,743,664	6,618,768
Total	113,568	6,383,162	24,413,738	30,910,468

Profit				
EBITDA	(5,777)	219,116	1,589,501	1,802,840
Finance costs	(27,820)	(46,387)	(41,084)	(115,291)
Finance income	-	2,000	164	2,164
Depreciation	(6,300)	(287,663)	(270,281)	(564,244)
Tax expense	(78,099)	(34,335)	(230,906)	(343,340)
(Loss)/profit for the period	(117,996)	(147,269)	1,047,394	782,129

Assets				
Total assets	1,323,858	4,033,070	10,068,908	15,425,836
Additions to non current assets	-	1,118,171	399,405	1,517,576
Liabilities				
Total liabilities	520,316	2,868,453	4,682,630	8,071,399

	Central 2013 £	Manufacturing 2013 £	Distribution 2013 £	Total 2013 £
Revenue				
External	-	3,010,216	19,943,589	22,953,805
Inter company	74,866	2,976,179	3,422,562	6,473,607
Total	74,866	5,986,395	23,366,151	29,427,412

Profit				
EBITDA	(40,251)	387,263	1,249,252	1,596,264
Gain on sale of land and buildings	-	20,239	12,312	32,551
Finance costs	(24,848)	(40,703)	(35,416)	(100,967)
Finance income	201	3,000	129	3,330
Depreciation	(3,675)	(343,184)	(174,086)	(520,945)
Tax expense	(15,690)	250,339	(492,816)	(258,167)
Profit/(loss) for the period	(84,263)	276,954	559,375	752,066

Assets				
Total assets	1,283,313	2,329,357	8,854,138	12,466,808
Additions to non current assets	1,274,526	441,571	489,190	2,205,287
Liabilities				
Total liabilities	395,378	1,541,182	3,859,219	5,795,779

5. Basis of preparation

The preliminary announcement has been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2014, as described in those annual financial statements.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention.

6. Annual general meeting

The annual general meeting of the company will be held in Leeds on 5th June 2015. Full details will be included in the published annual report and financial statements, which will be sent to shareholders by the 12th May 2015 and will also be available on the company's web-site (www.braimegroup.com) from that date.

7. Preliminary statement

The financial statements set out in the preliminary announcement do not constitute statutory accounts as defined by section 434 of the Companies Act 2006. The financial information for the year ended 31st December 2014 has been extracted from the group's financial statements upon which the auditor's opinion is unqualified, does not include reference to any matters to which they wish to draw attention by way of emphasis without qualifying their report, and does not include any statement under section 498 of the Companies Act 2006. Statutory accounts for the year ended 31st December 2013 have been delivered to the Registrar of Companies, and those for 2014 will be delivered in due course.

8. Events after the reporting year

There were no events after the balance sheet date that would require disclosure in accordance with IAS10, "Events after the reporting period", other than those noted in the Chairman's statement.

20th April 2015

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