Brammer 2001

Brammer plc annual report

FINANCIAL HIGHLIGHTS

Turnover

2001	**£372m**
2000	£287m
1999	£242m
1998	£238m
1997	£223m

Profit before tax, goodwill and exceptional items

2001	**£19.3m**
2000	£24.4m
1999	£19.5m
1998	£23.9m
1997	£30.5m

Earnings per share – basic before goodwill and exceptional items

2001	**28.1p**
2000	36.1p
1999	28.8p
1998	35.2p
1997	45.8p

Brammer is a leading European industrial services group with two core businesses: Livingston and Brammer Industrial Services.

We provide, through Livingston, outsourced management of technology tools and related testing and measurement services; and, through Brammer Industrial Services, the supply of power transmission components, engineering and other related industrial services.

Our two businesses fulfil a pivotal role between customers and suppliers adding value to both through services of the highest quality. Our strategy is to build and develop these core businesses by broadening our range of services and by expanding geographically in Europe.

Brammer

Results. As indicated in the company's announcement of 30 January 2002, our results for 2001 reflect reasonable progress in our industrial services business in markets which began to deteriorate towards the end of the year and a very difficult second half in Livingston where the unprecedented decline in the telecom market has been compounded by poor residual values experienced in our computer products business.

Group turnover for the year was up 30% at £372.3 million (2000 £287.3 million), with acquisitions accounting for 23% of this growth. Turnover at Livingston advanced to £131.6 million (2000 £113.4 million) in the year, while revenues at Brammer Industrial Services increased to £240.7 million (2000 £173.9 million).

Profit before tax, goodwill and exceptional items declined by 21% to £19.3 million, and earnings per share before goodwill and exceptional items declined by 22% to 28.1p. Cash flow from operations improved to £70.2 million (2000 £65.7 million). The significant downturn in the telecom market and weakness in the second hand computer market forced us to make a total inventory impairment provision in Livingston of £22.7 million. In addition we have taken a provision of £1.0 million in Brammer Industrial Services to exit our spindles business. After these exceptional charges the group posted a net loss before tax of £6.8 million (2000 £23.9 million profit) and basic loss per share of 14.3p (2000 35.0p profit).

As conditions worsened across a number of our markets in the second half of the year we concentrated on cash production and cost reduction and in the last quarter generated £18.9 million of operating cash flow.

As at 31 December 2001, we had £28.9 million more goodwill on the balance sheet following our acquisition of THF; stock, debtors and creditors are commensurately higher, as is the £15.0 million of shares to be issued as final settlement for the outstanding 49% of THF. The increase in creditors arising from THF is offset by our capital expenditure creditors which are £6.8 million lower in 2001 reflecting our much reduced capital spend on rental assets in the final quarter, along with the change in tax provision. Tangible assets are £18.1 million lower, largely reflecting the substantially higher impairment provision at the end of 2001. Net debt is £44.1 million higher due to acquisitions and an increase in our gross cost of rental assets.

Livingston. During 2000 and the first half of 2001 we enjoyed rapidly growing markets in Livingston, particularly in telecoms. During this period we grew our business with the major telecoms companies, developing our key accounts on a pan-European basis. We invested heavily in telecoms test and measurement equipment to meet the rental demands of our customers. There was a moderate decline in demand for telecoms test equipment in the third quarter and by this time we had already reduced investment in anticipation of weaker markets.

In our computer products business revenues generally held up well in difficult market conditions, though we experienced somewhat weaker rental demand, particularly for Sun equipment, in the fourth quarter. The major impact on this business was the continuing weakness in the second hand computer market which, despite our extensive development of second user channels, made the disposal of these assets more difficult.

Despite the macro economic environment and the significant problems of many of our customers, our turnover grew 31% in the first half and 4% in the second half, both compared to the 2000 equivalent.

Total rental investment in the first half was £50.2 million whilst the second half rental investment reduced to £21.6 million, of which only £5.0 million was invested in the fourth quarter. The slump in demand in October, however, was far greater than we had anticipated. As a result of this downturn we ended the year with an excess of rental inventory over and above that demanded by current market conditions.

Our calibration and measurement services business (incorporating our equipment management services contracts) performed well throughout the year with revenues growing 29% and operating profit return on sales increasing to 6%.

Brammer Industrial Services. Market conditions in Brammer Industrial Services were positive on the continent until the third quarter when we began to see deterioration in Germany. We saw a downturn in the markets elsewhere on the continent in the fourth quarter. In the UK our industrial services business performed well in market conditions which had deteriorated even further during the year. Our investment in additional sales and marketing in the UK resulted in this business returning to modest growth in sales and operating profits in the final quarter.

Turnover, including THF in Germany which was acquired on 2 January 2001, was up 38% at £240.7 million, whilst operating profit before goodwill and exceptional items of £13.3 million, (including the contribution from associates) was unchanged. THF had turnover of £61.6 million and profit before goodwill and interest of £2.8 million.

All our businesses in continental Europe improved profitability. Our businesses in France, Spain and Germany, together with our associated businesses in Benelux and Portugal, all improved profitability while our UK business returned to sales growth in the second half of the year after a long period of decline.

Dividend. As a mark of confidence in the future and the ability of the group to generate cash your board recommends a maintained final dividend of 12.6 pence which, if approved, will be paid on 3 July 2002 to shareholders on the register on 31 May 2002. The total dividend for the year of 19.3p would be 1% higher than the previous year and would be covered 1.5 times by earnings before goodwill and exceptional charges. The board is satisfied with this level of cover at this point in the business cycle. However, it is the board's intention that dividend cover should be higher in future years.

Board changes. In November 2001 I took over the non-executive chairmanship from Robert Ffoulkes-Jones. Robert had been a member of the Brammer board since 1981 serving initially as finance director then chief executive and becoming chairman in 1998. We are indebted to Robert for his contribution over this period and wish him well in his retirement.

People. During the year our people worked hard to grow and improve our business in increasingly difficult markets. I wish to thank everyone for their continued commitment and for the many significant achievements which they made in 2001.

Current trading. We see no improvement in market conditions as we enter the new year. Trading to date is in line with management expectations. The priorities for 2002 are to focus on the fundamentals of cost and cash control and to put in place measures to reduce our risk and exposure to volatile markets. We also intend to extract greater synergies from recent acquisitions and will further exploit these to gain market share.

D. M. Dunn

David Dunn

Overview. Operating profit before exceptional provisions and goodwill was broadly as anticipated following the downturn in business in the final quarter of the year. In both divisions we worked hard to optimise all business opportunities and to prepare for difficult trading conditions. We expect these conditions to prevail through most of 2002. We have cut back significantly on capital and rental asset expenditure and are carefully managing the cost base.

Strategy – Livingston. In order to improve the risk profile of the Livingston business we plan to grow our services businesses further while seeking higher margins from our rental activities where future investment and development will be more measured. However, the short-term priority in Livingston continues to be one of reduction of financial risk by liquidating excess inventory and controlling costs in a difficult market.

Looking to the medium term, the value proposition of Livingston in reducing the cost of owning high technology tools through outsourcing is now better understood by our customers. Our strengthened competitive position, the market share gains in 2001 and the development of new territories will restore good medium term growth prospects for Livingston once the current onerous macro economic factors in the telecom industry have eased.

Strategy – Brammer Industrial Services. With the exception of Italy, we believe we now have the appropriate European geographic coverage to service the rapidly increasing number of customers who are looking for one supplier with a wide range of power transmission components and consistent value added services to meet all their pan-European needs. Our overall objective is to take 35% of the European MRO market for our products and services. Our best estimate is that we currently have around 7% market share.

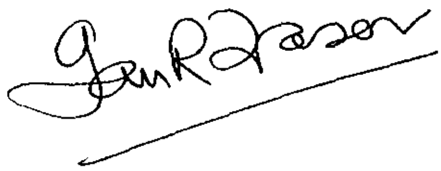
We are at an early stage in transforming our business from a collection of individual national suppliers into a truly integrated pan-European industrial services business. We have now identified the synergies available to us and the resultant savings in purchasing, logistics, systems and other back office costs. Now that our geographic coverage is in place, our focus will move to these cost saving opportunities.

We continue to listen to our customers and offer flexible cost effective solutions to their needs while reducing our supplier base and focusing on selecting partners who can supply all our needs across our entire geographic coverage.

Last, but not least, we will continue to hire, train, develop and retain the best people in our industry.

Outlook. We have now resized the value of the Livingston inventory to the current market demand. Our level of capital expenditure for 2002 will depend upon market demand, but is anticipated to be substantially below that of 2001. We shall continue to emphasise the services part of the business by seizing all opportunities to develop long term, stable contracts as we grow our calibration and equipment management revenues and profits.

In Brammer Industrial Services, our UK business is now growing, our synergies are providing increased gross profits and our continental businesses, although experiencing difficult trading conditions, are leaders in their markets and enjoy significant competitive advantage. Major corporate accounts recognise our strength and are increasingly looking for a consistent pan-European offering. Our cost base is under control and our capital expenditure has been reduced on the assumption of continuing difficult trading conditions in 2002. We have budgeted for sales to stay at quarter four levels throughout 2002 and have sized the cost base accordingly. We believe that we will reap significant benefits as and when there is a recovery in market conditions.



Ian Fraser

FINANCIAL HIGHLIGHTS

	2001 £'000	2000 £'000	Change
Turnover	**372,284**	287,326	+30%
Profit before interest, tax, goodwill and exceptional items	**24,402**	26,899	-9%
Profit before tax, goodwill and exceptional items	**19,305**	24,431	-21%
Net cash inflow from operating activities	**70,222**	65,682	+7%
Net debt	**(82,321)**	(38,190)	
Shareholders' equity	**78,410**	79,275	
	pence	pence	
Earnings per share			
Before amortisation of goodwill and exceptional items	**28.1**	36.1	-22%
Diluted	**(13.2)**	34.9	-138%
Dividend per share	**19.3**	19.1	+1%

68% of our revenues now arise from outside the UK

We continue to develop the geographic diversity of our business. In the last three years the percentage of our business outside the UK has increased from 38% to 68%. No one country now contributes more than 32% of our revenues, whereas in 1998 the UK represented 62% of total revenue.

Livingston outsources the management of high technology tools, equipment and related services for global companies through a variety of management services, asset management and rental programs. Our customers cover a wide spectrum of industries including telecom, aerospace, defence, computing, automotive, financial services and general blue chip companies with operations across the globe. Over 80% of our business is in continental Europe and over 70% of our customers are directly or indirectly involved in telecoms, software development or Internet industries. The significant decline in our markets had a major impact on our performance.

During this difficult year we did, however, make further progress in developing our strategic and competitive position. This is primarily a result of an improvement in our market share and new customers outsourcing to Livingston.

Demonstrating the unique competitive advantage of being a full service, pan-European outsourcing partner, we won European-wide contracts with Nortel Networks and Lucent Technologies. We further extended our services to Sun, IBM, Marconi and Alcatel and introduced NEC and Sony as new customers to the group.

Our current outsourcing contracts with Cisco and Thales in France also made excellent progress. Our contract with KPN performed less satisfactorily and is forecast to reduce in activity in 2002.

During the year, we expanded into the Czech Republic and Italy, although as new start-ups, neither of these operations added significant contribution in 2001. We also extended our international (outside of western Europe) business through the international division that we started in 2000, developing business in eastern Europe, Malaysia, Hong Kong and China.

We made progress in rolling out our common European IT system, which now networks seven out of our ten countries of operation. The remaining three countries will be on line during 2002. Our unique ability to offer an integrated European solution, with a local country interface to our pan-European customers, is a key competitive advantage of Livingston.

We made no further acquisitions during 2001. Climats & Sapratin and Somelec, acquired in 2000, performed above expectations and were satisfactorily integrated into the division.

Mel Porter

Our business activities include rental of test and measurement and computer equipment covering short-term rental to long-term contracted rental, often as part of a wider outsourcing asset management contract. In addition we have worked hard to develop our longer-term contracted service revenues, including outsourced calibration services contracts and testing and asset management programmes. In 1998 rental revenues represented 80% of our total turnover, with services representing just 20%. Total revenue grew 72% between 1998 and 2001 and, during this period, services revenue has risen to 37% of total revenues. Our aim is to grow the services element of our business to 50% of our total revenues, thereby ensuring that the profit and cash flow arising from services will cover the needs for capital investment in rental assets.

37%

service revenue now accounts for

of Livingston's turnover...

up from 20% in 1998

We are Europe's clear market leader for the supply of bearings, mechanical and electrical power transmission, seals, gearboxes and value added engineering and support services. Our 2,040 employees service our 105,000 customers through our 230 branch network. Between our four major national distribution centres and our branch network, we hold an inventory of £44.7 million covering 500,000 product types.

During the year we continued to develop the synergies available to us as Europe's leading supplier of MRO products and services. Our strategy of reducing our supplier base to consolidate more purchases with a smaller number of suppliers proceeded well. Our Insite programme developed slightly slower than hoped and we ended the year with 27 Insites in the UK, two in France, and one about to be signed in Germany. We also developed our European corporate account activity. We have identified 39 customers who already trade with us in three or more countries, currently representing £23.2 million of revenues, where we have an opportunity to grow the business substantially by developing pan-European relationships.

Our goal is to be seen as local by our customers in terms of sales and technical support, whilst at the same time, being able to provide, more cost effectively than our competition, the scale and support of being Europe's largest supplier of mechanical components and value added services.

UK. Excluding our discontinued spindles business, full year sales and operating profits were down by 2% and 26% respectively when compared to 2000. A majority of the turnover shortfall was in respect of our engineering business (BSL Engineering). Gross margins improved.

Early in the year we began a significant investment programme in additional sales and marketing resource in order to take a larger share of a declining market. Despite the worsening market, this investment is beginning to bear fruit. BSL, our core business, began to show sales per day growth over 2000 in May and, other than in September, that growth has continued since. This encouraging upward trend reverses the slow but steady decrease experienced over the last four years.

Our national distribution centre in Wolverhampton, which was opened in the Summer of 2000, has improved stock availability and response times to customers. We are now in a position to begin improving stock turns across the whole product range.

France. Roulement Service continued to benefit from the economies of scale and synergies brought by the acquisitions of Sciam and Marine Industries in the first half of 2000. Full year sales showed 8% growth whilst annual operating profits were up by 17%. A second Insite was won. Since September we have seen trading conditions deteriorate and sales growth has been minimal.

Iberia. In Spain, Rodamientos had another year of good progress. Sales growth was modest, particularly in the last quarter, but operating profit as a percentage of sales increased for the third year running.

In the Autumn, we acquired the Rabinad group, a five branch business situated in Catalonia, where Rodamientos had only a limited presence. Integration of the business into Rodamientos is progressing well.

In Portugal, Rolamentos, of which we own 25%, saw a small sales decline across all product groups other than bearings. However, good cost control resulted in an operating profit increase of 18%.

We have identified 39 customers who trade with us in three or more countries. In 2000 we enjoyed £19.7 million in revenues from 751 separate locations from these customers. Following a concerted international account campaign in 2001 we enjoyed £23.2 million in revenues from these accounts (£0.9 million arising from acquisitions), a growth over 2000 of 18%, showing the increasing attractiveness to our customers of our extensive pan-European presence.

our pan-European business grew by 18% in 2001

Germany. THF exceeded our expectations for the year. However, it was a year of two halves. First half sales showed double-digit growth, whereas the second half showed a small decrease as economic activity slowed. Operating profits reflected the high level of fixed cost in the business and return on sales for first and second halves were 5% and 4% respectively. Good progress has been made in expanding the product range. We purchased Carl Fischer in order to gain a presence in Hamburg.

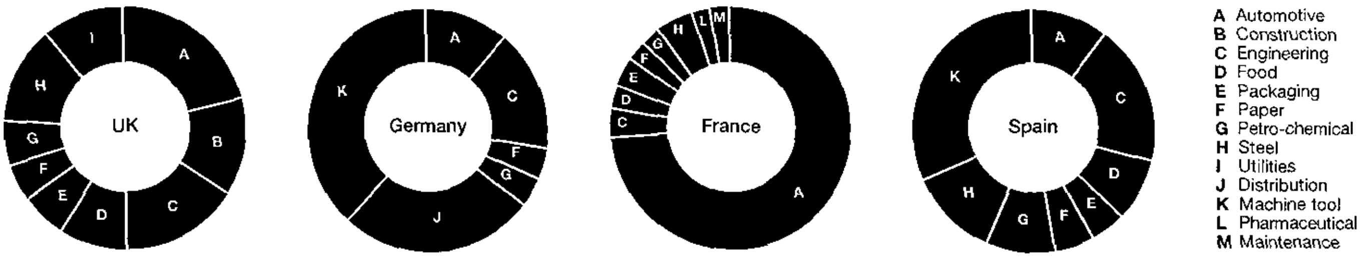
Our acquisition of THF has enabled us to expand our geographic coverage into the Czech Republic and Hungary. It has also given us a more dominant European market leadership position and has given us a better balance between continental Europe and UK suppliers thus allowing us to re-align our pan-European preferred supplier selection. While the fact that a considerable percentage of THF's sales are related to the German machine tool industry will make the first half of 2002 very difficult, we see many opportunities to profitably grow our business in Germany, the Czech Republic and Hungary.

Benelux. KNS, headquartered in the Netherlands, made good progress in 2001. Turnover growth was 6% and operating profit soared by over 30% reflecting reduced selling, distribution and administration costs in Belgium following last year's consolidation of three branches into one. Gross margins were marginally down reflecting tough competition in Belgium, Austria and Germany.

In March we acquired Anderlecht Bearing Services, a one branch business based in Brussels. This business has specific expertise in components for the steel industry and will be used to grow our business in the French speaking part of Belgium.

David Hollywood

A healthy spread across market segments provides strength through diversity



with over 100,000 European customers, the turnover of the top 15 accounts is a maximum of 21% of our total turnover in any one country

With over 100,000 customers in the UK, France, Germany and Spain, the diverse nature of our customer base means that the maximum percentage of turnover represented by the total turnover of the top 15 customers in any country is just 21%.

Overview. As described in the chairman's statement and the operating reviews, 2001 started strongly but has been progressively more challenging.

Turnover. Our turnover has grown by 30% in the year of which continental Europe accounted for 8% organic growth and 23% acquisitive growth and the UK a 1% fall.

Acquisitions. Our acquisitions have performed well in the year, delivering an operating profit before goodwill of £2.9 million – somewhat better than we had expected – although the second half has seen more difficult operating conditions after delivering £1.7 million in the first half.

Goodwill. We have added £31.3 million of goodwill to the balance sheet, mainly through the acquisition of THF at the start of 2001 (£29.3 million).

Profit before interest. Profit before interest, goodwill and exceptional costs was down 9% in the year at £24.4 million; Livingston was down 18% on increased turnover and Brammer Industrial Services was unchanged (down 22% before acquisitions on marginally higher turnover). Profit before interest and goodwill but after exceptional costs was down 97% at £0.7 million.

Exceptional charges. The calculation of the overall rental asset impairment provision is based on the long-standing provisioning policy within the group. The exceptional element arises from the significant deterioration in both rental and re-sale markets in the fourth quarter. In normal conditions we would have been able to dispose of our surplus equipment and generate cash without incurring the level of losses now being provided.

The exceptional charge of £22.7 million was calculated as the excess charge required (based on current rental and re-sale levels) over the "normal" impairment as experienced in prior years, along with the equivalent reduction in the profit on sale of rental assets. Had the exceptional item classification applied at the half year then £1.4 million of the £22.7 million full year charge would have fallen in the first half of the year leaving £21.3 million to fall in the second half.

In the second half of 2001 we incurred £24.3 million of straight-line rental asset depreciation and increased the impairment provision to £24.3 million at the end of 2001 (£3.9 million at the end of June 2001) against a year-end net book value (before impairment) of rental assets of £83.7 million.

Brammer Industrial Services decided to exit its spindles operation and a £1.0 million charge has been provided.

Trading during the year. Group turnover grew year on year, although the UK fell by 1% overall after a very difficult fourth quarter for Livingston UK which more than eliminated the advance made by Brammer Industrial Services in the UK in the second half. Our underlying profit before goodwill, interest, exceptional items and tax in the second half was £8.4 million – only 53% of the first half. Livingston half year split of turnover and profit was as follows.

	First half 2001 £'m	Second half 2001 £'m	**Full year 2001 £'m**
Turnover	67.1	64.5	**131.6**
Profit*	8.1	3.0	**11.1**

* Profit before goodwill, interest, tax and exceptional items adjusted by £1.4 million for the reclassification of the impairment provision as an exceptional item in the first half.

Livingston turnover is down £2.6 million in the second half; combined with £2.7million more depreciation arising from the larger rental pool, the lower turnover results in an adjusted profit before goodwill, interest, exceptional items and tax down £5.1 million in the second half. Most fundamentally, the group has suffered at the bottom of the cycle from the heavy operational gearing present in our rental business. Our calibration business has enjoyed a step change in profitability in its third year of substantial turnover growth.

Brammer Industrial Services turnover is down £8.5 million in the second half; the corresponding drop in gross profit results in a profit before goodwill and interest £2.5 million lower in the second half. The drop in turnover in the second half is consistent with the seasonality seen in previous years. Brammer Industrial Services has benefited from lower operational gearing and has been able to deliver a reasonable result as conditions have worsened during the year.

Interest. The interest charge for the year of £5.1 million is double the charge in 2000 reflecting our investment in THF at the beginning of January and increased rental asset inventories early in the year.

Cash flow. The year started with the purchase of THF which was a major cash flow item. This involved paying £15.6 million cash for 51% of the equity and attributing £15.0 million of shares to be issued and £2.2 million of dividend as a deferred consideration as well as assuming £8.7 million of debt; there was £29.3 million of goodwill associated with the transaction.

During the early part of the year we maintained our investment in rental assets as the rental income continued to grow. However, after the rental income peaked and our major purchase commitments were subsequently completed, we have faced an increasingly difficult environment in which to generate cash via the sale of rental assets, in spite of our clear focus on it as a priority. In the first half our disposal programme was marginally ahead of 2000 both in value and profitability and continued into the third quarter. However, the fourth quarter has seen much of the first three quarters' profits on disposal reversed. Therefore, while we have to sustain a rate of renewal in our rental asset base to be competitive, our rate of cash flow on all tangible fixed asset expenditure has dropped 40% in the second half. This has been primarily helped by reducing our expenditure on rental assets by £28.6 million while reducing our fixed asset creditors by £6.8 million.

Net debt is £44.1 million higher than last year. In addition to the acquisition of THF (£25.0 million cash outflow), funds were used to increase our gross investment in rental inventory by £14.1 million. However, after depreciation and impairment provisions, the net book value is £18.9 million lower. We incurred a loss after tax of £6.8 million but maintained our dividend trend, proposing a total dividend of £9.3 million in the year.

Treasury. Earnings before interest, tax, depreciation and amortisation ('EBITDA') amounted to £73.4 million for the year. We already had pooling of funds in France and the UK and have added a German pool late in the year that should help us manage our funds more efficiently.

The companies in the group mostly trade within their domestic markets in their local currency. Where companies trade into export markets this is generally at the behest of their domestic customers who trade globally. Group companies account in their local currency, either in sterling or euros, and at 31 December 2001 £76.2 million, 47% of the group's tangible operating assets, were held in sterling and £84.5 million, 53%, were held in euros. We seek to match the tangible operating assets denominated in euros with borrowings or derivative financial instruments denominated in euros so as to minimise the translation risk to shareholders' equity while at the same time taking advantage of the lower European interest costs.

The group does not enter into speculative currency transactions but from time to time will use derivative financial instruments to hedge particular transactions back into the operating company's domestic currency. At 31 December 2001 the group matched its tangible net operating assets of £84.5 million denominated in euros with euro borrowings and derivatives of £91.9 million. As a result, £85.8 million of our shareholders' equity of £78.4 million was denominated in sterling.

Net operating assets and financing by currency at 31 December 2001 were as follows

Currency	Net operating assets £'m	Financing £'m	Net assets employed £'m
Sterling	76.2	9.6	85.8
Euro	84.5	(91.9)	(7.4)
	160.7	(82.3)	78.4
Taxation	(2.6)	2.6	–
Dividends	6.0	(6.0)	–
Goodwill	(45.0)	45.0	–
	119.1	(40.7)	78.4

We had net borrowings of £82.3 million at 31 December 2001. This was 1.1 times our EBITDA and 2.5 times our tangible net worth, being our shareholders' equity after deducting £44.9 million of goodwill. We will continue to focus on husbanding cash.

Auditors. We welcomed PricewaterhouseCoopers as our external auditors this year and feel we have already benefited from a fresh view of our business.

John Cumming

David Dunn ✱ ♦ ✚ (age 57)
Non-executive chairman
Joined the Brammer board in November 2001. After qualifying as a chartered accountant, his early career was spent with BPB Industries plc, Lex Service Group plc and Newman Industries plc. He is also non-executive chairman of Scapa Group plc, where he has served since 1987 as finance director and chief executive prior to his current appointment in 1999. He is also a non-executive director of Croda International plc, FirstGroup plc and 4imprint Group plc.

Chris Conway ✱ ♦ ✚ (age 57)
Independent non-executive director
Appointed to the board in 1997. He was chairman and chief executive of Digital Equipment Co Ltd, director of IBM (UK) Ltd, vice president of Compaq Computer EMEA BV and non-executive director of Granville plc. Currently, he is chairman of Global People Network Holdings PLC, Detica Group PLC and Rarrigini & Rosso Ltd, and a non-executive director of Pecaso Ltd.

John Cumming (age 56) *Finance director*
Appointed to the board in 1988. He is a certified accountant. Prior to joining the company he was international finance director with The Plessey Company plc for three years and was finance director of Hawker Siddeley Power Engineering Limited for six years.

Jean-Marie Fink (age 57) *Director*
Appointed to the board in 1994. He graduated in economics from the University of Strasbourg and joined INA France in 1968 in sales and marketing. He is managing director of Roulement Service S.A., which he co-founded in 1974 and was bought by Brammer in 1992.

Ian Fraser ♦ (age 46) *Chief executive*
Appointed to the board in 1998. He has an Oxford MA and a Harvard MBA. He held appointments in sales, marketing and finance with Exxon Corporation both in the UK and USA. At Raychem Corporation he held senior roles in sales, marketing, manufacturing and general management. He became managing director of Reliance Security Services Ltd in 1991 and was appointed their group managing director in 1993.

✱ Remuneration committee
✚ Audit committee
♦ Nominations committee

David Hollywood (age 55) *Director*
Appointed to the board in 1991. He was chief executive of Livingston between 1991 and 1999 and then became chief executive of Brammer Industrial Services. He is a chartered accountant and spent 12 years with KPMG in Scotland, USA and Belgium. He held a variety of financial management positions with Wilkinson Match plc before joining Raychem Corporation where he held various general management posts in the UK, continental Europe and USA.

Robert Hough ✱ ♦ ✚ DL (age 56)
Senior independent non-executive director
Appointed to the board in 1993 and became deputy chairman and senior independent non-executive director in 1998. He is also chairman of the audit committee. He has a law degree from Bristol University and was a partner for nearly 15 years in a commercial firm of solicitors in Manchester. Since 1989 he has been executive deputy chairman of the property and transport group, Peel Holdings p.l.c. and is also non-executive deputy chairman of QA plc and non-executive chairman of Opal Telecom plc.

Kevin Mellor ✱ ♦ ✚ (age 55)
Independent non-executive director
Appointed to the board in 1997. He is chairman of the remuneration committee. He has held a wide range of executive positions with Exxon Corporation, BET plc, Tibbett & Britten plc and Transport Development Group plc. Currently he is president, Europe, Middle East & Africa with BAX Global.

Mel Porter (age 44) *Director*
Appointed to the board in 2000. He has a degree in electronics and a MBA from Cranfield University. Joined Brammer in 1999 as chief executive of Livingston. Prior to joining Brammer he was responsible for strategic development with Exel PLC (formerly Ocean Group) and was managing director of the international Mail and Express Logistics division. His other appointments included executive director with Dial Group, the car rental, leasing and fleet management division of Barclays Bank plc and executive director of the business to business rental division of Thorn EMI PLC.

Elizabeth Blease (age 35) *Company secretary*
Appointed group secretary in February 2000. Qualified as a solicitor in 1992 and joined Brammer in 1997.

Livingston. Outsourced management of technology tools, including computing and test and measurement equipment via rental and related logistics, calibration management and other management services, to global customers in a wide variety of industries.

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Brammer Industrial Services. Leading value added supplier of power transmission components and related inventory management, procurement and logistics services in Europe.

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Nico Schön +32 3546 7878

Anderlecht Bearing Services SA (87.2% owned)
Pierre Mylemans +32 2558 1590

Czech Republic
Thf CZ s.r.o. (51% owned)
Wolfgang Bommes +42 02 717 22 187

France
Roulement Service SA
Jean-Marie Fink +33 3 88 40 40 88

Germany
THF GmbH & Co. KG (51% owned)
Wolfgang Bommes +49 721 7906 302

Carl Fischer GmbH & Co. KG (51% owned)
Wolfgang Bommes +49 (0) 40 7342 000

Holland
KNS Aandrijftechniek BV (49% owned)
Nico Schön +31 23 5 164164

Carim b.V.
Ko Knol +31 20 682 8215

Hungary
THF HU Kft. (51% owned)
Wolfgang Bommes +36 2035 37666

Portugal
Sociedade de Rolamentos, SDR SA (25% owned)
Alfredo Lima +351 22 619 8320

Spain
Rodamientos USA, SA
José Ignacio Olave +34 94 457 94 00

Rodamientos Rabinad, SA
José Ignacio Olave + 34 93 337 91 92

United Kingdom
BSL Limited
Lawrence Jackson +44 (0)161 953 8600

All companies listed above are incorporated in the country under which they listed and are wholly owned by the group except where indicated. All companies are owned through intermediate holding companies, principally Livingston Services PLC and Brammer Industrial Services Limited. Further subsidiaries have not been shown because they are dormant or not material. Their particulars will be included in the next annual return.

KNS Aandrijftechniek BV, AKN GmbH, AKN NV/SA and Sociedade de Rolamentos SDR SA are accounted for as associates by the group. All other companies are accounted for as wholly owned subsidiaries as the group has effective ownership of those companies.

Registered office
Brammer plc
Station House
Stamford New Road
Altrincham
Cheshire WA14 1EP

Registered in England and Wales
Number 162925

Bankers
HSBC Bank plc
100 King Street
Manchester M60 2HD

National Westminster Bank PLC
City of London Office
1 Princes Street
London EC2R 8PB

Société Générale SA
Paris Etoile Entreprises
33 Avenue de Wagram
BP 963
75829 Paris Cedex 17
France

Dresdner Bank AG
Postfach 110453
64219 Darmstadt
Germany

Registrars
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Auditors
PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

Financial advisers
Dresdner Kleinwort Wasserstein Limited
PO Box 560
20 Fenchurch Street
London EC3P 3DB

Solicitors
Slaughter and May
35 Basinghall Street
London EC2V 5DB

Stockbrokers
Dresdner Kleinwort Wasserstein Limited
PO Box 560
20 Fenchurch Street
London EC3P 3DB

Brammer 2001

Brammer plc accounts

The directors present their annual report for the year ended 31 December 2001.

Principal activities of the group

Brammer plc is a holding company. Its principal operating subsidiaries and associates, all of which are wholly owned except where stated, are listed earlier in this document together with details of their activities and locations.

The principal activity of the group is the provision of high value added, European wide, business to business services, namely

- Outsourced management of technology tools, including computing and test and measuring equipment via rental and related logistics, calibration management and other management services, to global customers in a wide variety of industries.
- Leading value added supplier of power transmission components and related inventory management, procurement and logistics services in Europe.

Financial results and dividend

The chairman's statement and the chief executive's, operating and financial reviews report on the group's activities during the year and likely future developments.

The directors recommend a final dividend of 12.6p per ordinary share for the year ended 31 December 2001 (2000 12.6p), which, together with the interim dividend of 6.7p (2000 6.5p) per ordinary share, brings the total dividend paid and proposed to 19.3p (2000 19.1p) for the year. Subject to the approval of shareholders at the annual general meeting, the final dividend will be paid on 3 July 2002 to all shareholders on the register at close of business on 31 May 2002.

Share capital

Details of the movements in the number of shares in issue during the year are given in note 14 to the accounts.

Directors

Details of the directors of the company are shown earlier in this document. All directors served throughout the year except David Dunn who was appointed on 2 November 2001. Additionally Robert Ffoulkes-Jones served as a director until his retirement on 2 November 2001. All directors are subject to retirement by rotation under the company's articles of association.

The directors retiring by rotation are Ian Fraser, David Hollywood and Robert Hough and, being eligible, they each offer themselves for re-election. Ian Fraser and David Hollywood's service contracts provide for two years' notice to be given by the company in the event of their employment being terminated. Robert Hough serves the company in a non-executive capacity. He was appointed in 1993 for a fixed three year term which was renewed for further terms of three years each in 1996 and 1999.

David Dunn retires as he was appointed since the last annual general meeting. He was appointed non-executive chairman on 2 November 2001. Subject to his appointment by shareholders at the annual general meeting in 2002 the appointment will be for a period of three years from the date of the meeting.

Further details of the directors' service contracts are set out in the remuneration report.

Directors' interests

The beneficial interests of the directors and their immediate families in the shares of the company are set out in the remuneration report.

Substantial shareholdings

As at 19 February 2002, the company had notification that the following were interested in 3% or more of the company's issued share capital.

Fidelity International Limited/FMR Corp	14.01%	Prudential plc (and certain of its subsidiaries)	5.84%
Newton Management Limited	11.03%	Royal & SunAlliance Insurance Group plc	4.07%
AXA Investment Managers UK Limited	10.98%	Phillips & Drew Life Limited	3.47%

Charitable and political donations in the United Kingdom

Charitable donations made during the year amounted to £1,663. No political donations were made.

Payment to suppliers

The group's policy is normally to pay suppliers according to agreed terms of business. These terms are agreed with suppliers upon entering into contracts and the group's policy is to adhere to the payment terms providing the supplier meets its obligations. The company is a holding company and had no trade suppliers at the end of the financial year. The company does not follow any standard code in respect of payments to suppliers. Creditor days for the company's UK subsidiary companies are shown in their financial accounts. Because of the varied countries in which the group trades an overall creditor days' figure would not be meaningful.

Employees

The group values the commitment of its employees and recognises the importance of good working relationships and communication.

The group is committed to open and regular communications with employees about business developments and issues of general interest to them, both on a formal and informal basis. The performance of the group is communicated regularly to all staff. Copies of the annual report together with details of preliminary and interim announcements of the group's results are available to them. Translations of the executive statements are available for employees in France, Germany and Spain.

In 2000 a formal human resources policy framework was adopted throughout the group. The framework includes a process of appraisal and development to ensure companies get the best from their people; emphasis has been placed on career pathways with individual training and development programmes. Motivational events have been organised for each division during the year. The group operates internationally and therefore its employment policies are varied to meet local conditions and requirements. These are established on the basis of the best practice for each individual country. New and existing staff at all levels are trained to become familiar with products, markets, systems, service standards and management skills in order better to satisfy customer needs and to enhance their own career prospects. In 1999 the Brammer European Council was established with each company in the group selecting a representative. The council meets once in each year.

Both employment policy and practice in the group are based on non-discrimination and equal opportunities.

In the UK the company encourages employees' participation in the group's progress through a savings related share ownership scheme. Full-time staff, other than those in France, who have completed one year's qualifying service, have been invited periodically to participate in the company's savings related share option scheme. The tax regime in France has not been beneficial for staff in that country to join the scheme.

Environmental and health and safety policies

The company acknowledges that the health, safety and welfare at work of all of the group's employees is a major responsibility of management. The company has a comprehensive policy embracing health and safety matters with the objective of ensuring that procedures conform to current best practice. Each subsidiary has adopted its own procedures to meet the group's objectives. Health and safety reports are made to group and division boards.

The company regards compliance with relevant environmental laws as an important part of its responsible approach to the environment and is committed to good environmental management practices throughout its operations. The company has adopted a group environmental policy. It is the responsibility of each subsidiary to comply with this policy by implementing initiatives to meet their own exposures and responsibilities. Implementation of the policy will be monitored by the company.

Auditors

A resolution to re-appoint PricewaterhouseCoopers as auditor to the company and to authorise the directors to determine their remuneration will be proposed at the annual general meeting.

Annual general meeting

The annual general meeting of the company is to be held at 1:00pm on Tuesday, 30 April 2002 at The Goring Hotel, Beeston Place, London SW1W 0JW.

The notice of meeting appears at the end of this document. Four resolutions will be proposed as items of special business at the meeting and explanations of these resolutions are given in the enclosed circular. The special business includes a resolution to adopt a Performance Share Plan.

By order of the board
Elizabeth Blease
Secretary
19 February 2002

The board is accountable to the company's shareholders for good corporate governance. Its policy is to manage the affairs of the company in accordance with the principles of Good Governance and the Code of Best Practice set out in section 1 of the Combined Code on Corporate Governance appended to the Listing Rules of the UK Listing Authority ("the Combined Code"). The board confirms that the company has complied with the Combined Code in all respects except as set out below.

1 Four of the executive directors' service contracts provide for notice periods in excess of one year; the background to and reasons for this are given in the remuneration report.

2 Robert Ffoulkes-Jones retired as a director of the company on 2 November 2001. To the date of his retirement, the company did not comply with the Combined Code in the following respects

(i) Under his letter of appointment Robert Ffoulkes-Jones' appointment could be terminated on 12 months' notice by the company or Robert Ffoulkes-Jones, rather than being appointed for a specific term.

(ii) Robert Ffoulkes-Jones served on the remuneration committee although he was not considered an independent director in accordance with the Combined Code.

The following parts of this report describe the board's approach to corporate governance and how the principles of the Combined Code are applied.

Part A: Directors

All directors, five executive and four non-executive, are equally responsible for the proper stewardship of the company. All the non-executive directors are independent of the company's executive management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The deputy chairman, Robert Hough, is the senior independent non-executive director.

The positions of chairman and chief executive are held by separate individuals and the board has clearly defined their responsibilities. The chairman is primarily responsible for the effective working of the board while the chief executive has responsibility for all operational matters.

The board meets on a regular basis. All directors are supplied, in a timely manner, with all relevant documentation and financial information to assist them in the discharge of their duties. This includes information on the company's operational and financial performance. The board regularly reviews the management and financial performance of the company, as well as long term strategic planning and risk assessment. The board has a formal schedule of matters specifically reserved to it for decision.

The board has adopted an internal governance policy which assists it in operating effectively. This policy includes training for new directors, the role of the company secretary and access to independent professional advice where appropriate.

Some specific responsibilities, which have been reserved to the board, have been delegated to committees of the board including the audit, remuneration and nominations committees.

The nominations committee and the board seek to maintain an appropriate balance between the executive and non-executive directors. The nominations committee is chaired by David Dunn and consists of all the non-executive directors and the chief executive. It considers and makes recommendations to the board on its composition and balance. It is also responsible for recommending suitable candidates for appointment to the board.

The roles of the audit and remuneration committees are described below.

Part B: Directors' remuneration

Details of directors' remuneration are set out in the remuneration report. The report details the company's compliance with the Combined Code's requirements with regard to remuneration matters.

Part C: Relations with shareholders

The board is accountable to shareholders for the company's continued success. The company accordingly places great emphasis on maintaining good communications with shareholders. The chairman, chief executive and finance director meet regularly with major shareholders to discuss the group's performance, strategic issues and shareholder investment objectives. The annual and interim reports together with the Brammer web site are substantial means of communication with all shareholders during the year.

The notice of the annual general meeting is set out at the end of this document. The notice is dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 20 working days before the meeting. The board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the annual general meeting. The chairmen of the audit, remuneration and nominations committees will normally be available at the meeting to answer those questions relating to the work of these committees.

The company counts all proxy votes. At the annual general meeting, the chairman will inform shareholders of the level of proxies lodged on each resolution. The votes for and against each resolution are given following the show of hands for that resolution.

Part D: Accountability and audit

The respective responsibilities of the directors and auditors in connection with the financial statements are explained in the auditors' report.

Internal control

The board is responsible for the company's system of internal control and for reviewing its effectiveness. The directors have conducted a review of the effectiveness of the group's system of internal control during the year. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the company; this has operated throughout the year and into 2002; the board reviews the results of the process.

Operational structure, review and compliance

Over the last two to three years the portfolio of businesses has changed significantly and the management and control structure has continued to evolve in 2001 in response to this. As well as Brammer board meetings, there are regular divisional meetings to review operating performance, plans, risks and controls.

In Livingston there are now regular divisional meetings of country managing directors and business meetings for the three business streams, as well as regular meetings of the senior finance managers. These meetings provide a forum to establish policies and identify best practice. Livingston is also in the process of implementing e-Result as the enterprise resource planning ("ERP") system throughout the rental business; this is starting to provide operational benefits, as well as enabling corporate control by applying division-level controls centrally across the entire rental business.

In Brammer Industrial Services there are regular divisional meetings of country managing directors. There is now a divisional team with shared responsibility for finance, IT, logistics, procurement and marketing; the divisional team is intended to complement rather than replace or replicate the work of managers in the subsidiaries. The acquisition of THF at the beginning of 2001 has made the role of this team all the more relevant. Teams of senior executives drawn from the subsidiary and divisional managers are now focusing on key activities – logistics, procurement, marketing and finance. Each Brammer Industrial Services business already has a long-standing ERP system – currently the strategy is to improve communications between those systems to improve our overall supply chain management.

Brammer has had a finance manual in place for many years; this was expanded in 2001 to become a corporate manual with a wider range of contents, reflecting the evolution in corporate governance from financial internal control to all aspects of internal control.

In addition to the group finance director, Brammer now has senior financial managers appointed in both divisions and the parent. These three managers are invited to attend audit committee meetings to present an updated assessment of their respective areas of the business and the risks and controls therein, along with PricewaterhouseCoopers who became our external auditors in 2001. We have considered whether the company should have an internal audit department; while some subsidiaries have their own internal audit function, it is felt that internal audit at corporate level is not yet appropriate.

Brammer has had independent assessments of its existing internal controls carried out for several years. Following the creation of two clear divisional structures, those divisions have also instituted internal monthly self-assessment processes at subsidiary level, tailored to their respective operations; these assessments are submitted to Brammer and their respective divisional teams for review. Monthly financial results of each subsidiary are reviewed at divisional and group level; the monthly review includes divisional meetings where performance and action plans are presented to the Brammer chief executive, finance director and financial controller. This culminates in reports that cover operational, financial and control reviews being submitted to the board.

The rate of change in market conditions, and ultimately the decline in our level of rental turnover in test and measurement and computer products, was not identified and alerted as soon as we had hoped would happen. Therefore, we have made a senior appointment at divisional level to provide the additional management resources necessary to improve our systems in order to initiate earlier warnings of possible future problems.

Risk management

The subsidiaries are required to carry out periodic risk assessments of their business and submit them to the divisional teams. Taking account of risks identified during these reviews and other processes such as the divisional meetings described above, this is distilled into a divisional 'Turnbull risk assessment' that is designed to summarise the key operational risks to each division, how those risks are evolving and how they are being mitigated. A separate review is carried out at Brammer that focuses on corporate risks.

Brammer's insurance continues to be managed and negotiated centrally with the assistance of an insurance broker. This gives us full visibility of both our claims history and the insurance industry's perception of our overall risk via the respective insurance premiums. Brammer examines the size and trend of these premiums and the extent to which we can mitigate the risks and reduce the overall risk burden in the business by considering the appropriate level of deductible and the potential benefit of self-insurance in some areas.

We mitigate the financial risk of balance sheet volatility by hedging our exposure to the euro. We have also reviewed our accounting policies in accordance with FRS18 and we have moved from an actual rate to an average rate to translate trading results, a secondary effect being to remove some volatility in reported earnings; we have a clearly defined corporate policy and methodology for evaluating the prospective returns of every investment in Livingston rental equipment.

The remuneration committee ('the committee') comprises all the non-executive directors of the company, Chris Conway, David Dunn, Robert Hough and Kevin Mellor, who is the chairman of the committee. Members of the committee have no personal interest in the company other than as shareholders and the fees paid to them as non-executive directors. They are not involved in the day to day running of the company.

Ian Fraser, as chief executive of the company, although not a member of the committee, on occasions and for matters not related to himself, may be invited to attend meetings. He is consulted by the committee on proposals relating to the remuneration of the other executive directors and appropriate senior executives.

Role of the committee

The committee, on behalf of the board, determines and approves remuneration policy for the group and all elements of the remuneration arrangements for executive directors.

On the board's behalf, the committee approves the general recruitment terms, remuneration benefits, employment conditions and severance terms for senior executives and determines the specific recruitment terms, remuneration benefits, employment conditions, pension rights, compensation payments and severance terms for the executive directors. It also approves the rules and associated guidelines for the granting of executive share options and savings related share options.

In its deliberations, the committee gives full consideration to the principles of good governance and the code of best practice within the Combined Code on Corporate Governance.

General policy

The committee and the board recognise that in order to attract, retain and motivate talented senior executives it is necessary to operate a competitive pay and benefits structure. The committee aims to reward executives fairly and responsibly for their contribution to the company's performance but avoids paying more than necessary to achieve this objective.

The committee, in determining the performance element of remuneration, seeks to ensure that it forms a significant proportion of the total remuneration package of executive directors. It is designed to align directors' interests with those of shareholders and to give these executives keen incentives to perform at the highest levels. In addition to being a contractual requirement, all directors are encouraged to be shareholders of the company.

The committee is sensitive to the pay and employment conditions elsewhere in the group, especially when determining annual salary increases.

in setting all elements of remuneration, the committee is guided both by published surveys and by specific studies commissioned from time to time by the committee from independent specialist consultants. It takes professional advice from within and outside the company.

Remuneration of executive directors

The components of the remuneration packages for the executive directors are as follows

Basic salary

The committee and the board seek to pay salaries which take account of individual performance and are similar to those paid in comparable companies. The committee uses comparisons with caution to avoid increasing remuneration levels without a corresponding improvement in performance. Basic salary is reviewed at 31 December each year.

Annual bonus

The committee sets exacting performance related bonus targets related to profit, earnings per share and, where appropriate, other indices. These are based on forecasts of group performance in the context of the economic conditions expected for the year ahead. Historically, targets have been set on a three-year basis and around one third of potential bonus was related to these longer term schemes. If targets were met, bonus was approximately 33% of salary and this could have been increased up to a maximum 50% of salary if the targets were exceeded by a substantial margin.

For 2002 the remuneration committee have approved a new performance related bonus scheme for executive directors. The scheme is based on achieving stretching earnings per share and cash production targets. Targets are based on group performance for the year. A small element of the bonus will be based on the achievement of challenging personal objectives. The maximum bonus executives can be awarded will be 60% of basic salary. Maximum bonus will only be paid in years of exceptional performance.

Performance related bonuses are not pensionable.

Share options

The company currently operates executive share option schemes which were approved by shareholders in 1995 and 1997. The 1997 scheme has been approved by the Inland Revenue. Options issued under these schemes may be exercised between three and ten years from the date granted provided that any performance criteria set from time to time by the committee are satisfied. Options may not be granted at an option price less than the market value at the date of grant.

The UK executive directors may participate in the savings related share option schemes which were approved by shareholders in 1989 and 1999. The company also operates savings related share option schemes under which it has offered options, from time to time, to employees in the UK, Germany, Holland, Ireland and Spain who have completed 12 months' service. The amount that can be saved is subject to UK Inland Revenue limits. Savings related options may be exercised five years after the date of grant. In France the personal tax rules have made such schemes unattractive to employees.

The non-executive directors are not eligible to be granted options under either the executive share option schemes or the savings related share option schemes.

Options on shares held by directors at 31 December 2001 were as follows

	31 December 2000	Granted/ (exercised)	31 December 2001	Exercise price pence	Market price on date of exercise pence	Gains on options exercised £	Date from which exercisable	Expiry date
John Cumming								
Discretionary	20,000	–	**20,000**	310.0			April 1997	April 2004
	25,000	–	**25,000**	355.0			April 1998	April 2005
	20,000	–	**20,000**[1]	513.0			Mar 1999	Mar 2006
	7,000	–	**7,000**[1]	576.0			Sept 2000	Sept 2007
	6,500	–	**6,500**[1]	380.0			Sept 2001	Sept 2008
	28,645	–	**28,645**[1]	390.0			Sept 2003	Sept 2010
	–	30,000	**30,000**[2]	338.5			Sept 2004	Sept 2011
Savings related	4,261	–	**4,261**	396.0			Dec 2004	June 2005
	111,406	30,000	**141,406**					
Jean-Marie Fink								
Discretionary	20,000	–	**20,000**	310.0			April 1997	April 2004
	25,000	–	**25,000**	355.0			April 1998	April 2005
	20,000	–	**20,000**[1]	513.0			Mar 1999	Mar 2006
	15,000	–	**15,000**[1]	576.0			Sept 2000	Sept 2007
	15,000	–	**15,000**[1]	380.0			Sept 2001	Sept 2008
	10,000	–	**10,000**[1]	515.0			Sept 2002	Sept 2009
	–	7,500	**7,500**[2]	338.5			Sept 2004	Sept 2011
	105,000	7,500	**112,500**					
Ian Fraser								
Discretionary	100,000	–	**100,000**[1]	335.0			Oct 2001	Oct 2008
	24,000	–	**24,000**[1]	515.0			Sept 2002	Sept 2009
	65,000	–	**65,000**[1]	390.0			Sept 2003	Sept 2010
	–	66,469	**66,469**[2]	338.5			Sept 2004	Sept 2011
Savings related	–	6,515	**6,515**	254.0			Dec 2006	May 2007
	189,000	72,984	**261,984**					

	31 December 2000	Granted/ (exercised)	**31 December 2001**	Exercise price pence	Market price on date of exercise pence	Gains on options exercised £	Date from which exercisable	Expiry date
David Hollywood								
Discretionary	20,000	(20,000)	–	225.0	485	52,000	April 1994	April 2001
	20,000	(20,000)	–	225.0	485	52,000	April 1994	April 2001
	20,000	(20,000)	–	225.0	485	52,000	April 1995	April 2002
	10,000	(10,000)	–	213.0	485	27,200	Sept 1995	Sept 2002
	20,000	(20,000)	–	310.0	485	35,000	April 1997	April 2004
	25,000	–	**25,000**	355.0			April 1998	April 2005
	20,000	–	**20,000**[1]	513.0			Mar 1999	Mar 2006
	15,000	–	**15,000**[1]	576.0			Sept 2000	Sept 2007
	10,000	–	**10,000**[1]	380.0			Sept 2001	Sept 2008
	10,000	–	**10,000**[1]	515.0			Sept 2002	Sept 2009
	8,613	–	**8,613**[1]	390.0			Sept 2003	Sept 2010
	–	44,313	**44,313**[2]	338.5			Sept 2004	Sept 2011
Savings related	4,261	(4,261)	–	396.0			Dec 2004	May 2005
	–	6,515	**6,515**	254.0			Dec 2006	May 2007
	182,874	(43,433)	**139,441**			218,200		
Mel Porter								
Discretionary	53,000	–	**53,000**[1]	494.0			Oct 2002	Oct 2009
	45,000	–	**45,000**	390.0			Sept 2004	Sept 2010
	–	42,836	**42,836**[2]	338.5			Sept 2004	Sept 2011
	–	15,164	**15,164**[3]	338.5			Sept 2004	Sept 2011
Savings related	–	6,515	**6,515**	254.0			Dec 2006	May 2007
	98,000	64,515	**162,515**					

Notes

1 Performance related conditions apply to these options. These criteria provide that options can normally only be exercised if, in any period of three consecutive financial years commencing no earlier than the beginning of the financial year in which the option is granted, the earnings per share of the company have increased by a percentage being no less than the percentage increase in the government's retail price index during the same period.

2 These options can only be exercised if the performance target is met. The target is based on the growth in normalised consolidated fully diluted earnings per share, before goodwill, of the company. Growth will be tested after three years. The options will be exercisable if the growth has exceeded the retail price index by at least 9%. If the condition is not met, it can be retested in the fourth or fifth financial year when growth must be at least 12% or 15% respectively.

3 These options are subject to a similar performance target to note 2 above, save that the growth has to exceed the growth in the retail price index by at least 5% per annum.

4 The middle market price of an ordinary share at the close of business on 19 February 2002 was 204p. The range of prices during the year was 517.5p to 255p and at 31 December 2001 the price was 289p.

Gains on options exercised have been calculated using the difference between the share option price and the market price on the date of the exercise. Where shares have been retained by the individual, rather than sold, the gain shown is the notional gain at the date of exercise.

Pension

Full information about directors' pension arrangements and entitlements is given below.

Other benefits

Other benefits afforded to the executive directors include private healthcare benefits, permanent health insurance (to secure income in the event of ill health or disability), life assurance and company car or car allowance.

Directors' interests

The beneficial interests of the directors and their immediate families in the shares of the company according to the register of directors' interests required to be kept pursuant to section 325 of the Companies Act 1985, are set out below

		Ordinary shares of 20p
	31 December 2001 Shares	31 December 2000 Shares
Chris Conway	**7,202**	7,202
John Cumming	**104,287**	104,285
David Dunn	**2,500**	–*
Jean-Marie Fink	**3,664**	3,664
Ian Fraser	**30,295**	30,110
David Hollywood	**67,289**	14,429
Robert Hough	**9,000**	6,345
Kevin Mellor	**1,086**	1,086
Mel Porter	**15,933**	15,233

* at date of appointment

There were no changes in the above-mentioned interests between 1 January 2002 and 19 February 2002.

No director was materially interested in any contract of significance with the company during the year, save that Jean-Marie Fink had an interest in four properties which are leased to Roulement Service S.A. The terms of the leases were agreed prior to Jean-Marie Fink becoming a member of the board and all of them are considered by the directors to be on acceptable terms and at fair market rents. The total annual rental cost of these properties during the year was £279,388.

Remuneration of non-executive directors

The chairman and the other non-executive directors are paid fees for their services. These directors are paid a standard fee of £17,500 with further fees being payable for additional responsibilities such as being a member or chairman of a committee. These fees are related to the time spent on the company's business and are set at levels similar to those of comparable companies. The non-executive directors, including the chairman, do not participate in bonus, option or pension schemes and they do not receive any benefits in kind.

The remuneration of the non-executive directors, other than the chairman, is approved by the board on the recommendation of the chairman and the chief executive. The remuneration of the chairman is approved by the board on the recommendation of the other non-executive directors and the chief executive.

Service contracts

Each of the executive directors has a service contract with the company. In the cases of John Cumming, Ian Fraser, David Hollywood and Mel Porter, the notice entitlement is two years. In the case of Jean-Marie Fink the contract is renewable for one year periods from 6 August each year.

When considering these contracts, the committee has due regard to the provisions of the Combined Code. The committee does consider it desirable to reduce notice periods to one year. The committee is currently reviewing the structure of the remuneration package offered to executive directors. This review includes a commitment to comply with the Combined Code in respect of notice periods over a period of time. There will be a one year notice period in the service contracts of executive directors appointed in the future.

The company's practice is to appoint non-executive directors under letters of engagement rather than under service contracts. These letters of engagement set out terms of appointment, usually three years, and it is anticipated that the period will be extended for a second term of three years with the agreement of the board and the non-executive director, although re-appointment is not automatic. In certain circumstances non-executive directors may be invited to serve for further terms if their continued appointment is considered to be in the interests of the company.

David Dunn was appointed on 2 November 2001. Subject to his appointment at the forthcoming annual general meeting his appointment will be for a period of three years from the date of the meeting. Robert Hough's initial term of appointment, which expired in September 1996, was renewed for a further term of three years and then for a third term of three years from September 1999. Kevin Mellor's initial term of appointment expired in February 2000 and was extended for a further term of three years. Chris Conway was appointed in October 1997 again for an initial term of three years. His appointment was extended for a further term of three years in November 2000.

Directors' emoluments

Directors' emoluments comprise salaries, fees, performance related bonuses and taxable benefits. The aggregate emoluments of the directors in the year ended 31 December 2001 were as follows

	Fees/salary £'000	Bonus £'000	Benefits £'000	**2001 total £'000**	2000 total £'000
Chris Conway	24	–	–	**24**	20
John Cumming	140	–	13	**153**	180
David Dunn[1] (chairman)	14	–	–	**14**	–
Robert Ffoulkes-Jones[2]	99	–	–	**99**	80
Jean-Marie Fink[3]	113	21	5	**139**	165
Ian Fraser[4]	225	–	15	**240**	286
David Hollywood	150	5	15	**170**	191
Robert Hough	27	–	–	**27**	23
Kevin Mellor	27	–	–	**27**	23
Mel Porter	145	–	15	**160**	213
	964	26	63	**1,053**	1,181

Notes

1 David Dunn was appointed to the board on 2 November 2001.

2 Robert Ffoulkes-Jones retired from the board on 2 November 2001.

3 Jean-Marie Fink is resident in France and his emoluments were paid largely in French Francs. The figures stated above reflect the sterling equivalent of amounts paid converted at the 2001 average exchange rate of FF10.570 = £1.

4 The highest paid director in the year ended 31 December 2001 was Ian Fraser.

Directors' pension entitlements

The UK based executive directors, whose details are given below, participate in defined benefits non-contributory pension schemes governed by an independent trust. John Cumming, David Hollywood and Mel Porter accrue benefit at the rate of 1/30 of final pensionable salary for each year of service up to retirement age at 62. Ian Fraser accrues benefit at the rate of 1/60 of pensionable salary for each year of service. Pension entitlement is calculated by reference to basic salary only (subject to the earnings cap for pension purposes) and neither annual bonuses nor benefits in kind are pensionable. The dependants of UK executive directors are eligible for dependants' pensions and payments of a lump sum in the event of death in service.

The following directors are members of this scheme and have accrued defined benefits during 2001

	Increase in accrued pension over the year £	Transfer value of increase over the year £	Accumulated total accrued annual pension £
John Cumming	6,400	88,000	59,900
Ian Fraser	1,600	13,000	5,000
David Hollywood	3,300	43,000	34,400
Mel Porter	3,100	26,000	7,000

Notes

1 The accumulated total accrued annual pension is the amount which will be paid annually on retirement at age 62 based on service to 31 December 2001.

2 The increase in accrued pension over the year excludes any increase for inflation.

3 The transfer value equivalent of the increase has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, less directors' contributions.

4 Neither the contributions nor the resulting benefits from additional voluntary contributions paid are reflected in this table.

5 With the exception of Robert Ffoulkes-Jones who was a deferred pensioner, the non-executive directors do not receive any pension benefits nor participate in any of the group's pension schemes.

Ian Fraser, David Hollywood and Mel Porter's pensions from the scheme are affected by the Inland Revenue earnings cap on approved pension benefits. The company has established for them a funded unapproved top-up arrangement. The contributions in 2001 were

	Contributions 2001 £	Contributions 2000 £
Ian Fraser	**37,035**	42,445
David Hollywood	**18,150**	16,940
Mel Porter	**15,950**	14,940

Jean-Marie Fink, who is resident in France, contributes to the mandatory French state scheme. Company contributions on his behalf in 2001 were FF 283,804 (£26,850). In 2000 the contributions were FF 279,000 (£26,734).

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors intend to publish these accounts on the group's web site www.brammer.plc.uk. The maintenance and integrity of this web site is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the statement of accounting policies and the notes to the financial statements.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the chairman's statement, the chief executive's review, the operating reviews, the financial review, the directors' report, the corporate governance statement and the remuneration report.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2001 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
19 February 2002

BRAMMER CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	Notes	2001 Existing £'000	2001 Acquired £'000	2001 Total before exceptional items £'000	2001 Exceptional items £'000	2001 Total £'000	2000 Restated presentation £'000
Turnover	1	307,436	64,848	372,284	–	**372,284**	287,326
Cost of sales	3	(194,307)	(43,083)	(237,390)	(22,726)	**(260,116)**	(176,464)
Gross profit		113,129	21,765	134,894	(22,726)	**112,168**	110,862
Selling and logistics expenses		(56,266)	(16,886)	(73,152)	–	**(73,152)**	(52,496)
Administrative expenses							
Before amortisation of goodwill		(35,943)	(2,003)	(37,946)	–	**(37,946)**	(31,934)
Amortisation of goodwill		(818)	(1,517)	(2,335)	–	**(2,335)**	(470)
Total administrative expenses		(36,761)	(3,520)	(40,281)	–	**(40,281)**	(32,404)
Operating (loss)/profit		20,102	1,359	21,461	(22,726)	**(1,265)**	25,962
Loss on termination of operations	3	–	–	–	(1,000)	**(1,000)**	–
Share of associates' operating profit		606	–	606	–	**606**	467
Amortisation of goodwill in associates		(61)	–	(61)	–	**(61)**	(62)
(Loss)/profit on ordinary activities before interest	1	20,647	1,359	22,006	(23,726)	**(1,720)**	26,367
Net interest	4					**(5,097)**	(2,468)
Profit on ordinary activities before tax, goodwill and exceptional items						**19,305**	24,431
Goodwill						**(2,396)**	(532)
Exceptional items						**(23,726)**	–
(Loss)/profit on ordinary activities before tax	1					**(6,817)**	23,899
Tax	5					**(19)**	(7,219)
(Loss)/profit on ordinary activities after tax						**(6,836)**	16,680
Dividends	6					**(9,253)**	(9,123)
Retained (loss)/profit for the financial year	14					**(16,089)**	7,557
Earnings per share							
Basic before goodwill amortisation and exceptional items	7					**28.1p**	36.1p
Basic	7					**(14.3)p**	35.0p
Diluted	7					**(13.2)p**	34.9p
Dividend per share	6					**19.3p**	19.1p

The above results for the current and previous years relate entirely to continuing operations.

BRAMMER CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2001

	2001 £'000	2000 £'000
(Loss)/profit for the financial year	(6,836)	16,680
Exchange differences on foreign currency net investments	(208)	(424)
Total recognised gains and losses for the year	(7,044)	16,256

	Notes	2001 £'000	2000 £'000
Fixed assets			
Intangible assets	8	**44,924**	15,978
Tangible assets	8	**80,652**	98,724
Investment in associates	9	**1,979**	1,813
		127,555	116,515
Current assets			
Stock		**45,877**	29,983
Debtors	10	**76,896**	71,597
Cash and deposits		**10,576**	32,879
		133,349	134,459
Creditors – due within one year	11	**(95,211)**	(103,965)
Net current assets		**38,138**	30,494
Total assets less current liabilities		**165,693**	147,009
Creditors – due after more than one year	12	**(87,283)**	(66,068)
Provisions for liabilities and charges	13	**–**	(1,666)
Net assets employed		**78,410**	79,275
Capital and reserves	14		
Called up share capital		**9,573**	9,542
Share premium account		**3,552**	3,081
Shares to be issued		**14,977**	–
Profit and loss account		**50,308**	66,652
Shareholders' equity		**78,410**	79,275

The accounts were approved by the board on 19 February 2002 and were signed on its behalf by

David Dunn
Chairman

David Dunn

John Cumming
Finance director

The company	Notes	2001 £'000	2000 £'000
Fixed assets			
Investments	9	**48,285**	48,635
Current assets			
Long term debtors	10	**163,789**	107,576
Debtors – due within one year	10	**3,111**	57
Cash and deposits		**4,161**	840
		171,061	108,473
Creditors – due within one year	11	**(66,654)**	(41,288)
Net current assets		**104,407**	67,185
Total assets less current liabilities		**152,692**	115,820
Creditors – due after more than one year	12	**(81,042)**	(59,522)
Net assets employed		**71,650**	56,298
Capital and reserves	14		
Called up share capital		**9,573**	9,542
Share premium account		**3,552**	3,081
Shares to be issued		**14,977**	–
Special capital reserve		**12,077**	12,077
Profit and loss account		**31,471**	31,598
Shareholders' equity		**71,650**	56,298

The accounts were approved by the board on 19 February 2002 and were signed on its behalf by

David Dunn
Chairman

John Cumming
Finance director

	Notes	2001 £'000	2000 £'000
Net cash inflow from operating activities	15	70,222	65,682
Returns on investments and servicing of finance			
Interest received		411	971
Interest paid		(4,982)	(2,441)
		(4,571)	(1,470)
Tax paid		(10,985)	(6,493)
Capital expenditure			
Purchase of tangible fixed assets		(84,674)	(79,801)
Sale of tangible fixed assets		22,548	24,531
		(62,126)	(55,270)
Acquisitions and disposals			
Purchase of subsidiaries and businesses		(18,489)	(7,256)
Net overdrafts acquired		(8,441)	(1,338)
		(26,930)	(8,594)
Investment in associate		-	413
		(26,930)	(8,181)
Deferred consideration paid		(1,047)	(631)
		(27,977)	(8,812)
Equity dividends paid		(9,236)	(8,872)
Net cash outflow before management of liquid resources and financing		(44,673)	(15,235)
Management of liquid resources			
Deposits		14,075	(6,928)
Financing			
Shares issued		455	269
New loans taken out		22,479	13,133
Capital element of finance leases		(98)	(103)
		22,836	13,299
Decrease in cash	16	(7,762)	(8,864)

FRS 18

In accordance with FRS 18 the board has decided to revise the accounting policies in respect of the translation of results in foreign currency and the classification of profits on disposal of fixed assets.

The policy for the translation of results in foreign currency has been revised from a period end to an average rate basis for the year ended 31 December 2001. The impact as at 31 December 2000 and at 31 December 2001 is not material; accordingly the prior year comparatives have not been restated.

Profits and losses on disposal of fixed assets, previously shown separately on the profit and loss account as an FRS 3 paragraph 20(c) item, are now reported within operating profit. The prior year comparatives have been presented on the same basis. There is no impact on the profit before tax.

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards under the historic cost convention.

Consolidation principles

The consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiaries. All accounts are made up to 31 December each year.

The results of subsidiaries acquired or sold are included in the consolidated accounts from or to the date that effective control passes. Where contractual arrangements exist in respect of partly owned subsidiaries that are considered to make 100% ownership inevitable the minority elements are treated as deferred consideration together with the balance of the purchase price.

A separate profit and loss account dealing with the results of the company has not been presented as permitted by section 230(4) of the Companies Act 1985.

Goodwill and intangible assets

Goodwill on consolidation is calculated as the difference between the fair value of purchase consideration of companies and the fair value of the net assets acquired.

For subsidiary companies acquired prior to 1 January 1998 such goodwill was, and remains, written off directly against reserves in the year of acquisition.

In accordance with FRS 10, for companies acquired on or after 1 January 1998, such goodwill is capitalised as an intangible asset and is written off in equal instalments over its useful economic life, regarded as being a period of 20 years.

Foreign exchange

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling on the balance sheet date; operating performance is translated at average rates. The exchange movements arising from the hedging of foreign currency investment and unrealised exchange differences on translation of net assets employed are dealt with through reserves.

Turnover

Turnover represents the value of services rendered to third parties and goods sold, excluding the sale proceeds of previously rented fixed assets but including sales of electronic equipment purchased specifically for resale, net of sales taxes. Contracted income from rental and other services is recognised on a straight line basis over the period of the contract.

Leased assets and hire purchase

Where reference is made in the report and the financial statements to finance leases, this includes hire purchase agreements. Fixed assets acquired under finance leases are included under fixed assets in the balance sheet. The liability relating thereto is included in creditors. Interest is calculated on the capital sum outstanding and is charged against profits in the year in which it accrues.

Costs in respect of operating leases are charged against profits in the year to which they relate.

Fixed assets
Fixed assets are stated at cost net of trade and volume discounts.

Depreciation
Depreciation is provided by equal annual instalments to write off the cost of fixed assets net of residual values, other than freehold land, over their estimated useful lives. In general the lives of the assets have been estimated as follows

Freehold buildings	individually estimated subject to a maximum of 50 years
Leasehold properties	the term of the lease subject to a maximum of 50 years
Plant and equipment	10 years
Computers and similar office equipment	3 – 5 years
Motor cars	4 years
Commercial vehicles	3 years
Electronic equipment for rent	1 – 6 years

In addition to straight line depreciation, provision is made for impairment in value of electronic equipment for rent. The provision ensures that the carrying value is the lower of depreciated cost and recoverable value, recoverable value being the higher of net realisable value and value in use. The value in use is the net present value of the net anticipated future rental income.

Valuation of unlisted investments
Investments are held at cost less impairment provisions. In the group associates are stated at cost less goodwill amortisation plus the group's share of post acquisition retained profits.

Research and development
All expenditure on research and development is charged against profits in the year incurred except expenditure of a capital nature which is capitalised and depreciated as noted above.

Stock
Stock represents stock held for distribution and is valued at the lower of cost and net realisable value. Cost of stock represents material and a proportion of procurement overheads.

Deferred consideration
The amounts quoted for deferred payments relating to acquisitions and shown as shares to be issued and deferred consideration are the directors' best estimates of the actual amount which will be payable. Where the deferred consideration can be settled in shares at the option of the group the amount is included as "Shares to be issued".

Deferred tax
Deferred tax is provided using the liability method in respect of the tax effect of all timing differences to the extent that they are expected to crystallise.

Pensions
Contributions to the group pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the expected working lives of the members of the schemes.

1 TURNOVER, PROFIT AND NET ASSETS

The business analysis of turnover, profit before tax and net assets employed is as follows

	Livingston		Brammer Industrial Services		Total	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Turnover	**131,634**	113,380	**240,650**	173,946	**372,284**	287,326
Operating profit before goodwill and exceptional items	**11,092**	13,533	**12,704**	12,899	**23,796**	26,432
Goodwill	**(682)**	(373)	**(1,714)**	(159)	**(2,396)**	(532)
Associates	**–**	–	**606**	467	**606**	467
Profit before exceptional items and interest	**10,410**	13,160	**11,596**	13,207	**22,006**	26,367
Exceptional items	**(22,726)**	–	**(1,000)**	–	**(23,726)**	–
(Loss)/profit before interest	**(12,316)**	13,160	**10,596**	13,207	**(1,720)**	26,367
Interest					**(5,097)**	(2,468)
(Loss)/profit before tax					**(6,817)**	23,899
Net operating assets excluding associates and goodwill	**61,399**	67,906	**55,939**	46,093	**117,338**	113,999
Associates	**–**	–	**1,979**	1,813	**1,979**	1,813
Capitalised goodwill	**12,549**	13,370	**32,375**	2,608	**44,924**	15,978
Net operating assets	**73,948**	81,276	**90,293**	50,514	**164,241**	131,790
Net debt					**(82,321)**	(38,190)
Dividends					**(6,031)**	(6,014)
Net tax					**2,521**	(8,311)
Net assets employed					**78,410**	79,275

The geographic analysis of turnover, profit before interest and net operating assets is as follows

	United Kingdom		Other Europe		Total	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Turnover	**135,121**	137,433	**237,163**	149,893	**372,284**	287,326
Operating profit before goodwill and exceptional items	**5,127**	8,131	**18,669**	18,301	**23,796**	26,432
Goodwill	**–**	–	**(2,396)**	(532)	**(2,396)**	(532)
Associates	**–**	–	**606**	467	**606**	467
Profit before exceptional items and interest	**5,127**	8,131	**16,879**	18,236	**22,006**	26,367
Exceptional items	**(8,407)**	–	**(15,319)**	–	**(23,726)**	–
(Loss)/profit before interest	**(3,280)**	8,131	**1,560**	18,236	**(1,720)**	26,367
Net operating assets excluding associates and goodwill	**38,533**	47,329	**78,805**	66,670	**117,338**	113,999
Associates	**–**	–	**1,979**	1,813	**1,979**	1,813
Capitalised goodwill	**–**	–	**44,924**	15,978	**44,924**	15,978
Net operating assets	**38,533**	47,329	**125,708**	84,461	**164,241**	131,790

1 TURNOVER, PROFIT AND NET ASSETS continued

Included in the group net operating assets of £117,338,000 is an amount of £14,855,000 relating to acquisitions in the year which were all BIS companies in other Europe.

Turnover to third parties by destination is not materially different to turnover by origin.

Operating profit is stated after charging/(crediting)

	Livingston		Brammer Industrial Services		Total	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Depreciation and impairment	70,540	39,106	4,123	3,922	74,663	43,028
Finance leases (included above)					54	74
Profit on sale of fixed assets	(1,357)	(3,096)	–	–	(1,357)	(3,096)
Operating leases						
Plant & machinery					1,381	645
Other including property					4,574	4,843
Group audit fees and expenses					317	323
Non-audit fees paid to auditors within the UK					166	284

	The company	
	2001 £'000	2000 £'000
Audit fees and expenses (included above)	42	55

Details of employees' emoluments and of pension scheme charges are given in note 2.

2 EMPLOYEES

	The group	
	2001 £'000	2000 £'000
Aggregate emoluments of employees, including directors, were		
Wages and salaries	64,858	49,585
Social security costs	12,712	10,157
Pension costs	3,166	3,153
	80,736	62,895

	The group	
	2001 numbers	2000 numbers
The average number of employees was		
Livingston	1,138	850
Brammer Industrial Services	1,905	1,320
	3,043	2,170

Details of directors' remuneration, including those of the highest paid director, are given in the remuneration report.

3 EXCEPTIONAL ITEMS

Livingston experienced a steep fall in rental income in the last quarter of 2001 and has downsized its continuing business incurring a charge of £22,726,000 which realigns the carrying value of the rental inventory to the recoverable value consistent with long standing accounting policies. There was an associated tax credit of £5,583,000.

Brammer Industrial Services has decided that its spindles operation is no longer a core activity and the £1,000,000 charge represents redundancy and property costs that will be involved in the termination of this business. There was an associated tax credit of £300,000.

4 NET INTEREST

	2001 £'000	The group 2000 £'000
Interest payable		
Bank overdrafts and short term borrowings	**893**	251
Loans	**4,346**	3,201
Finance leases	**65**	–
Associates	**170**	–
	5,474	3,452
Interest receivable		
Bank and other short term deposits	**(377)**	(984)
	5,097	2,468

5 TAX

	2001 £'000	The group 2000 £'000
United Kingdom corporation tax at 30% (2000 30%)		
Current tax on income for the period	**1,007**	4,267
Adjustments in respect of prior periods	**280**	(736)
	1,287	3,531
Deferred tax	**(2,289)**	(1,052)
Total United Kingdom corporation tax	**(1,002)**	2,479
Foreign tax		
Current tax on income for the period	**2,870**	4,387
Adjustments in respect of prior periods	**–**	1,306
	2,870	5,693
Deferred tax	**(2,024)**	(1,291)
Share of associates' tax	**175**	338
Total foreign corporation tax	**1,021**	4,740
Tax on (loss)/profit on ordinary activities	**19**	7,219

6 DIVIDENDS

	2001 £'000	The group 2000 £'000
Interim paid 6.7p (2000 6.5p) per 20p share	**3,222**	3,109
Final proposed 12.6p (2000 12.6p) per 20p share	**6,031**	6,014
	9,253	9,123

7 EARNINGS PER SHARE

	Profit £'000	Shares numbers 000	2001 Earnings/ (losses) per share pence	Profit £'000	Shares numbers 000	2000 Earnings share pence
Profit for the financial year before exceptional items and amortisation of goodwill	13,403			17,212		
Average number of shares in issue		47,755	**28.1**		47,685	36.1
Exceptional items	(22,726)			–		
Loss on termination of operations	(1,000)			–		
Taxation adjustment on exceptional items	5,883			–		
Amortisation of goodwill	(2,335)			(470)		
Amortisation of goodwill – associates	(61)			(62)		
(Loss)/profit for the financial year	(6,836)		**(14.3)**	16,680		35.0
Dilutive equivalent of outstanding share options		500			176	
Outstanding shares to be issued		3,719			–	
Average number of shares in issue (diluted)		51,974	**(13.2)**		47,861	34.9

The earnings per share figure before exceptional items and goodwill amortisation is quoted to make the numbers more useful to the reader.

8 FIXED ASSETS – INTANGIBLE AND TANGIBLE ASSETS

	Intangible assets 2001 Goodwill £'000	Intangible assets 2000 Goodwill £'000	Land and buildings £'000	Equipment £'000	Rental inventory £'000	The group Tangible assets 2001 Total £'000	The group Tangible assets 2000 Total £'000
Cost							
At 31 December 2000	**16,568**	2,808	9,973	39,242	119,733	**168,948**	124,070
Foreign currency movements	–	–	(77)	(518)	(2,385)	**(2,980)**	790
Additions	–	–	229	6,106	71,818	**78,153**	87,165
Acquisitions	**31,281**	13,760	1,044	5,975	–	**7,019**	5,813
Transfer from rental inventory	–	–	–	281	(281)	–	–
Assets realised	–	–	(472)	(5,010)	(55,083)	**(60,565)**	(48,890)
At 31 December 2001	**47,849**	16,568	10,697	46,076	133,802	**190,575**	168,948
Depreciation							
At 31 December 2000	**590**	120	4,100	24,739	41,385	**70,224**	49,430
Foreign currency movements	–	–	(28)	(343)	(819)	**(1,190)**	304
Charge in year	**2,335**	470	479	6,217	67,967	**74,663**	43,028
Acquisitions	–	–	628	4,727	–	**5,355**	4,098
Transfer from rental inventory	–	–	–	133	(133)	–	–
Assets realised	–	–	(285)	(4,816)	(34,028)	**(39,129)**	(26,636)
At 31 December 2001	**2,925**	590	4,894	30,657	74,372	**109,923**	70,224
Net book value							
At 31 December 2000	**15,978**	2,688	5,873	14,503	78,348	**98,724**	74,640
Movement in year	**28,946**	13,290	(70)	916	(18,918)	**(18,072)**	24,084
At 31 December 2001	**44,924**	15,978	5,803	15,419	59,430	**80,652**	98,724
The net book value comprises							
Goodwill	**44,924**	15,978					
Freehold properties			1,789			**1,789**	1,623
Long leasehold properties			1,969			**1,969**	2,139
Short leasehold properties			2,045			**2,045**	2,111
Fixtures and fittings				6,524		**6,524**	6,366
Office equipment				5,370		**5,370**	4,780
Motor vehicles				3,525		**3,525**	3,357
Rental inventory					59,430	**59,430**	78,348
	44,924	15,978	5,803	15,419	59,430	**80,652**	98,724

8 FIXED ASSETS – INTANGIBLE AND TANGIBLE ASSETS continued

	The group 2001 £'000	The group 2000 £'000
At 31 December 2001		
Assets held under finance leases (included above)		
Cost	**1,756**	1,873
Depreciation	**1,197**	1,487
	559	386
Gross depreciable cost of freehold buildings	**3,154**	2,242
Future capital expenditure		
Commitments for which contracts have been placed (all rental inventory)	**1,844**	2,689
Additional information on use of rental inventory		
Rental income (included in turnover)	**87,696**	82,016
Straight line depreciation charge	**45,848**	35,589
Proceeds from the sale of instruments previously rented (included in sale of tangible fixed assets in the cash flow statement)	**22,167**	21,178
Purchases of instruments for rent (included in purchase of tangible fixed assets in the cash flow statement)	**71,818**	79,316
Cumulative impairment provision at 31 December 2001	**24,277**	2,172

The impairment provision is calculated using a discount rate of 10%.

Operating lease commitments

At 31 December 2001 the commitment to minimum annual lease payments was as follows

	The group Property 2001 £'000	The group Property 2000 £'000	The group Other 2001 £'000	The group Other 2000 £'000	The company Property 2001 £'000	The company Property 2000 £'000
Leases which terminate						
Within one year	**817**	1,173	**362**	295	**–**	–
Between one and five years	**2,568**	3,602	**746**	585	**–**	–
After five years	**2,970**	4,278	**2**	–	**–**	53
	6,355	9,053	**1,110**	880	**–**	53

9 FIXED ASSETS – INVESTMENTS (UNLISTED)

	Cost £'000	Goodwill amortisation £'000	Other £'000	The group 2001 Total £'000	The group 2000 £'000	The company 2001 £'000	The company 2000 £'000
Associates							
At 31 December 2000	1,227	(95)	681	**1,813**	2,351	**1,868**	2,282
Foreign currency movements	–	–	(34)	**(34)**	–	–	–
Loan repaid by associate in year	–	–	–	–	(414)	–	(414)
Goodwill amortisation	–	(61)	–	**(61)**	(62)	–	–
Share of associates' retained earnings	–	–	261	**261**	(62)	–	–
At 31 December 2001	1,227	(156)	908	**1,979**	1,813	**1,868**	1,868
Subsidiaries							
At 31 December 2000				–	–	**46,767**	26,408
Investment in new subsidiary in year				–	–	–	359
Additional investment in subsidiary in year				–	–	–	20,000
Transfer of investment in subsidiaries to sub holding company				–	–	**(350)**	–
At 31 December 2001				–	–	**46,417**	46,767
				1,979	1,813	**48,285**	48,635

The group's interest in associated undertakings represents its share of the net assets and goodwill of Rolamentos SDR SA, a company incorporated in Portugal, and KNS Aandrijftechniek BV, a company incorporated in Holland.

The historic cost at 31 December 2001 of the company's unlisted securities was £52,266,000 (2000 £52,616,000).

The list of principal subsidiaries appears earlier in this document.

10 DEBTORS

	The group 2001 £'000	The group 2000 £'000	The company 2001 £'000	The company 2000 £'000
Amounts due after one year				
Subsidiaries	–	–	**163,789**	107,576
Amounts due within one year				
Trade debtors	**70,376**	67,924	–	–
Subsidiaries	–	–	**3,110**	23
Other debtors	**1,305**	649	–	–
Prepayments and accrued income	**2,014**	1,977	**1**	34
Retirement benefits scheme	**680**	1,047	–	–
Deferred tax	**2,521**	–	–	–
	76,896	71,597	**3,111**	57
	76,896	71,597	**166,900**	107,633

11 CREDITORS – DUE WITHIN ONE YEAR

	The group 2001 £'000	The group 2000 £'000	The company 2001 £'000	The company 2000 £'000
Unsecured bank loan repayments due within one year	**1,500**	930	**–**	–
Finance lease commitments due within one year	**46**	44	**–**	–
Overdrafts	**9,515**	10,001	**9,358**	–
Trade creditors	**47,177**	51,583	**–**	–
Subsidiaries	**–**	–	**51,005**	34,000
Current tax	**–**	6,645	**–**	534
Social security and other taxes	**7,741**	4,120	**–**	–
Other creditors	**3,460**	3,320	**–**	–
Deferred consideration	**2,839**	342	**–**	–
Accruals	**16,902**	20,966	**260**	740
Dividends	**6,031**	6,014	**6,031**	6,014
	95,211	103,965	**66,654**	41,288

12 CREDITORS – DUE AFTER MORE THAN ONE YEAR

	The group 2001 £'000	The group 2000 £'000	The company 2001 £'000	The company 2000 £'000
Unsecured bank loans repayable				
Between one and two years	**38**	372	**–**	–
Between two and five years	**81,071**	59,522	**81,042**	59,522
	81,109	59,894	**81,042**	59,522
Finance lease commitments				
Between one and two years	**70**	48	**–**	–
Between two and five years	**554**	105	**–**	–
Over five years	**103**	47	**–**	–
	727	200	**–**	–
Deferred consideration	**5,447**	5,974	**–**	–
	87,283	66,068	**81,042**	59,522

13 PROVISIONS FOR LIABILITIES AND CHARGES

	The group 2001 £'000	The group 2000 £'000	The company 2001 £'000	The company 2000 £'000
Deferred tax				
At 31 December 2000	**1,666**	4,080	–	(59)
Foreign currency movements	**50**	5	–	–
Profit and loss account (credit)/charge	**(4,313)**	(2,343)	–	59
Acquisitions	**76**	(76)	–	–
At 31 December 2001	**(2,521)**	1,666	–	–
Balance at 31 December 2001 represents				
Accelerated capital allowances	**(4,521)**	449	–	–
Other timing differences	**2,000**	1,217	–	–
At 31 December 2001	**(2,521)**	1,666	–	–

Within the group the deferred tax asset of £2,521,000 is shown as a debtor in note 10.

The company has no deferred tax. The group has made full provision for deferred tax liabilities and has potential deferred tax assets not recognised exceeding £2,000,000 on operating losses in continental Europe.

14 CAPITAL AND RESERVES

The group	Issued share capital £'000	Share premium £'000	Shares to be issued £'000	Profit and loss account £'000	Total £'000
At 31 December 2000	9,542	3,081	–	66,652	79,275
Retained loss for the financial year	–	–	–	(16,089)	(16,089)
Unrealised exchange movement on					
Debt used for hedging purposes	–	–	–	2,642	2,642
Translation of overseas subsidiaries' net assets	–	–	–	(2,850)	(2,850)
To be issued in settlement of purchase of subsidiaries	–	–	14,977	–	14,977
Shares issued	31	471	–	(47)	455
Movement in year	31	471	14,977	(16,344)	(865)
At 31 December 2001	**9,573**	**3,552**	**14,977**	**50,308**	**78,410**

The cumulative amount of goodwill arising on consolidation of subsidiary companies written off against the profit and loss account reserve as at 31 December 2001 is £30,470,000 (2000 £30,470,000).

14 CAPITAL AND RESERVES continued

						The company
	Issued share capital £'000	Share premium £'000	Shares to be issued £'000	Special capital £'000	Profit and loss account £'000	Total £'000
At 31 December 2000	9,542	3,081	–	12,077	31,598	56,298
Retained loss for the financial year	–	–	–	–	(127)	(127)
To be issued in settlement of purchase of subsidiaries	–	–	14,977	–	–	14,977
Shares issued	31	471	–	–	–	502
Movement in year	31	471	14,977	–	(127)	15,352
At 31 December 2001	**9,573**	**3,552**	**14,977**	**12,077**	**31,471**	**71,650**

The special capital reserve is non-distributable.

Reconciliations of movements in shareholders' equity for the year ended 31 December 2001

		The group		The company
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
Shareholders' equity at 31 December 2000	**79,275**	71,873	**56,298**	59,169
(Loss)/profit for the financial year	**(6,836)**	16,680	**9,126**	6,729
Dividends	**(9,253)**	(9,123)	**(9,253)**	(9,123)
	(16,089)	7,557	**(127)**	(2,394)
To be issued in settlement of purchase of subsidiaries	**14,977**	–	**14,977**	–
Other recognised (losses)/gains for the year	**(208)**	(424)	**–**	(812)
Shares issued	**455**	269	**502**	335
Net movement in shareholders' equity for the year	**(865)**	7,402	**15,352**	(2,871)
Shareholders' equity at 31 December 2001	**78,410**	79,275	**71,650**	56,298

Share capital

	The group and company	
	2001 Numbers	2000 Numbers
Ordinary shares of 20p each		
Authorised	**70,000,000**	57,500,000
Allotted and fully paid		
At 31 December 2000	**47,711,155**	47,623,934
Executive share options	**100,000**	–
Savings related share options	**53,997**	87,221
At 31 December 2001	**47,865,152**	47,711,155

In the period from 1 January 2002 to 19 February 2002, no shares were issued on the exercise of options under the company's executive and savings related share option schemes.

14 CAPITAL AND RESERVES continued

Share option schemes

Movements on share options during the year were as follows

Price per share	31 December 2000	Granted	Exercised	Lapsed	31 December 2001	Date from which exercisable	Expiry date
Executive							
1985 scheme							
225p	40,000	–	(40,000)	–	**–**	8 Apr 1994	8 Apr 2001
225p	20,000	–	(20,000)	–	**–**	9 Apr 1995	9 Apr 2002
213p	10,000	–	(10,000)	–	**–**	9 Sep 1995	9 Sep 2002
310p	131,500	–	(30,000)	–	**101,500**	8 Apr 1997	8 Apr 2004
355p	187,000	–	–	–	**187,000**	19 Apr 1998	19 Apr 2005
1995 scheme							
513p	222,500	–	–	–	**222,500**	29 Mar 1999	29 Mar 2006
533p	35,000	–	–	–	**35,000**	10 Apr 1999	10 Apr 2006
628p	20,000	–	–	–	**20,000**	10 Apr 2000	10 Apr 2007
576p	207,500	–	–	(1,500)	**206,000**	9 Sep 2000	9 Sep 2007
380p	171,250	–	–	(2,000)	**169,250**	15 Sep 2001	15 Sep 2008
335p	91,500	–	–	–	**91,500**	6 Oct 2001	6 Oct 2008
515p	130,600	–	–	(2,000)	**128,600**	10 Sep 2002	10 Sep 2009
494p	47,000	–	–	–	**47,000**	6 Oct 2002	6 Oct 2009
390p	359,917	–	–	(1,000)	**358,917**	12 Sep 2003	12 Sep 2010
510p	–	14,430	–	–	**14,430**	16 Mar 2004	16 Mar 2011
338.5p	–	590,772	–	–	**590,772**	6 Sep 2004	6 Sep 2011
1997 scheme							
576p	88,500	–	–	–	**88,500**	9 Sep 2000	9 Sep 2007
380p	93,250	–	–	(1,000)	**92,250**	15 Sep 2001	15 Sep 2008
335p	8,500	–	–	–	**8,500**	6 Oct 2001	6 Oct 2008
515p	13,900	–	–	–	**13,900**	10 Sep 2002	10 Sep 2009
494p	6,000	–	–	–	**6,000**	6 Oct 2002	6 Oct 2009
390p	60,855		–	(1,000)	**59,855**	12 Sep 2003	12 Sep 2010
510p	–	15,570	–	–	**15,570**	16 Mar 2004	16 Mar 2011
338.5p	–	82,135	–	–	**82,135**	6 Sep 2004	6 Sep 2011
Total	1,944,772	702,907	(100,000)	(8,500)	**2,539,179**		
Savings related							
1989 scheme							
378p	64,640	–	(41,154)	(23,486)	**–**	1 Dec 2000	1 Jun 2001
461p	211,138	–	(2,635)	(69,021)	**139,482**	1 Nov 2002	1 May 2003
1995 international scheme							
378p	24,667	–	(10,019)	(14,648)	**–**	1 Dec 2000	1 Jun 2001
461p	49,500	–	–	(4,340)	**45,160**	1 Nov 2002	1 May 2003
396p	14,785	–	–	(1,115)	**13,670**	1 Dec 2004	1 Jun 2005
1999 scheme							
396p	299,877	–	(189)	(144,066)	**155,622**	1 Dec 2004	1 Jun 2005
254p	–	851,856	–	(11,465)	**840,391**	1 Dec 2006	1 Jun 2007
Total	664,607	851,856	(53,997)	(268,141)	**1,194,325**		

15 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £'000	The group 2000 £'000
(Loss)/profit on ordinary activities before interest	**(1,720)**	26,367
Depreciation and impairment of tangible fixed assets	**74,663**	43,028
Amortisation of goodwill	**2,396**	532
	75,339	69,927
Associates	**(606)**	(467)
Profit on sale of fixed assets	**(1,357)**	(3,096)
Earnings before interest, tax, depreciation and amortisation	**73,376**	66,364
Movement in working capital		
Stock	**(582)**	(48)
Debtors	**4,910**	(6,549)
Creditors	**(7,482)**	5,915
	(3,154)	(682)
Net cash inflow from operating activities	**70,222**	65,682

If rental inventory, classified as fixed assets, were to be considered as working capital the net cash flow from operating activities would have been subject to further adjustments as follows

	2001 £'000	The group 2000 £'000
Net cash inflow from operating activities	**70,222**	65,682
Purchase of rental inventory	**(71,818)**	(79,316)
Disposal of rental inventory	**21,055**	21,548
Profit on sale of rental inventory	**1,357**	3,096
Adjusted net cash inflow from operating activities	**20,816**	11,010

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £'000	The group 2000 £'000
Decrease in cash	**(7,762)**	(8,864)
Cash movement from decrease in debt and lease financing and liquid resources	**(36,456)**	(6,102)
	(44,218)	(14,966)
New finance leases	**(180)**	(1)
Loans acquired	**(1,394)**	–
Exchange movements	**1,661**	(768)
Movement in net debt	**(44,131)**	(15,735)
Net debt at 31 December 2000	**(38,190)**	(22,455)
Net debt at 31 December 2001	**(82,321)**	(38,190)

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT continued

Analysis of net debt

	At 31 December 2000 £'000	Cash flow £'000	Acquisitions excluding cash/ overdrafts £'000	Other non-cash £'000	Exchange movements £'000	**At 31 December 2001 £'000**
Cash in hand and at bank	16,730	(7,977)	–	–	(99)	**8,654**
Bank overdrafts	(10,001)	215	–	–	271	**(9,515)**
	6,729	(7,762)	–	–	172	**(861)**
Deposits	16,149	(14,075)	–	–	(152)	**1,922**
Debt due within one year	(930)	(594)	–	–	24	**(1,500)**
Debt due after one year	(59,894)	(21,885)	(940)	–	1,610	**(81,109)**
Finance leases	(244)	98	(454)	(180)	7	**(773)**
Total	(38,190)	(44,218)	(1,394)	(180)	1,661	**(82,321)**

17 FINANCIAL INSTRUMENTS

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and the deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. From time to time the group may have term deposits of less than one year (other than cash), government securities and investments in money market funds. These are included in liquid resources.

Financial instruments disclosures

The group does not trade in financial instruments. Further details of the group's policies and procedures relating to financial instruments are included in the financial review. Short term debtors and creditors (excluding deferred consideration) have been omitted from all the following disclosures with the exception of the currency risk disclosures.

Interest rate risk and maturity profiles of financial assets and liabilities

The financial assets of the group are sterling and euro denominated and include bank deposits at short term notice periods of less than three months. Bank deposits earn floating rate interest.

Except as stated below the group's financial liabilities are all at floating rates and comprise drawn euro bank facilities which are mainly multi-currency committed lines. The unutilised portion of these committed lines amounts to £21.8 million which is available to the group for terms in excess of three years at rates which float by reference to euro LIBOR.

Deferred consideration is not subject to any interest costs and the interest rate risk relating to finance leases is not material.

17 FINANCIAL INSTRUMENTS continued

The maturity profile of the group's financial assets and liabilities was as follows

	Bank deposits, loans and overdrafts £'000	Finance leases £'000	Deferred consideration £'000	**Total £'000**	Sterling £'000	Euros £'000
At 31 December 2001						
Financial assets						
In one year or less or on demand	10,576	–	–	**10,576**	4,477	6,099
Financial liabilities						
In one year or less or on demand	(11,015)	(46)	(2,839)	**(13,900)**	–	(13,900)
Between one and two years	(38)	(70)	(5,258)	**(5,366)**	–	(5,366)
Between two and five years	(81,071)	(554)	(189)	**(81,814)**	(3,550)	(78,264)
Over five years	–	(103)	–	**(103)**	–	(103)
Total	(92,124)	(773)	(8,286)	**(101,183)**	(3,550)	(97,633)
	(81,548)	(773)	(8,286)	**(90,607)**	927	(91,534)
At 31 December 2000						
Financial assets						
In one year or less or on demand	32,879	–	–	**32,879**	23,589	9,290
Financial liabilities						
In one year or less or on demand	(10,931)	(44)	(342)	**(11,317)**	–	(11,317)
Between one and two years	(372)	(48)	(5,255)	**(5,675)**	–	(5,675)
Between two and five years	(59,522)	(105)	(719)	**(60,346)**	–	(60,346)
Over five years	–	(47)	–	**(47)**	–	(47)
Total	(70,825)	(244)	(6,316)	**(77,385)**	–	(77,385)
	(37,946)	(244)	(6,316)	**(44,506)**	23,589	(68,095)

The above table includes foreign currency contracts which have been netted off against the related liability.

Currency exposures

There are no material assets or liabilities denominated in currencies other than the local currency in any operating unit.

Substantially all borrowings are arranged by the group's treasury function and are denominated largely in sterling or euros. The level of borrowings in euros is determined by the group's policy of hedging the currency exposure arising from the euro denominated balance sheets of our European subsidiaries.

It is left to the operating company's discretion whether or not to put in place a hedge while debtor and creditor balances remain outstanding.

17 FINANCIAL INSTRUMENTS continued

Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of all the group's financial assets and liabilities as at 31 December 2001.

	2001 Book value £'000	2001 Fair value £'000	2000 Book value £'000	2000 Fair value £'000
Primary financial instruments held or issued to finance the group's operations				
Short term borrowings and current portion of long term borrowings	**(11,015)**	**(11,015)**	(10,931)	(10,931)
Long term borrowings	**(81,109)**	**(81,109)**	(59,894)	(59,894)
Deferred consideration	**(8,286)**	**(7,758)**	(6,316)	(5,711)
Finance leases	**(773)**	**(736)**	(244)	(232)
Financial assets	**10,576**	**10,576**	32,879	32,879
Derivative financial instruments held to manage the balance sheet currency profile				
Forward foreign currency contracts	**–**	**131**	–	(437)
Total	**(90,607)**	**(89,911)**	(44,506)	(44,326)

Market values have been used to determine the fair value of the forward foreign currency contracts. The fair values of all other items have been calculated by discounting expected future cash flows at prevailing interest rates.

18 ACQUISITIONS

Brammer Industrial Services

On 13 November 2000 the group announced that it had acquired THF, a German specialist industrial services business, with effect from 2 January 2001. The group has acquired 51% of THF for a cash consideration of Euro 24.8 million with put and call options to acquire the remaining 49% in 2003 for a consideration of Euro 23.8 million. The group is further committed to paying a dividend of Euro 3.6 million to the minority shareholder. THF has been consolidated in 2001 as a full subsidiary as the group has effective 100% ownership.

The details of the acquisition are as follows

	Book value £'000	Accounting policy adjustments £'000	Fair value to the group £'000
Fixed assets	1,059	–	1,059
Investment in associates	2	–	2
Stock	16,137	(1,104)	15,033
Debtors	6,663	–	6,663
Creditors	(9,762)	–	(9,762)
Tax	–	(77)	(77)
Bank overdrafts	(8,651)	–	(8,651)
Net assets acquired	5,448	(1,181)	4,267
Expenses and related costs			(730)
			3,537
Purchase price			
Paid		15,570	
Deferred		17,226	
			32,796
Goodwill			29,259

18 ACQUISITIONS continued

Net assets acquired have been restated in line with the group's accounting policies. The stock adjustment stems from the application of the group's policy on the valuation of stock, where stock is valued at the lower of cost and net realisable value and cost includes a proportion of procurement overheads. The deferred tax adjustment relates to the overheads in stock adjustment. The goodwill has been capitalised as an intangible asset and will be written off over a period of twenty years.

On 21 March 2001 the group announced that it had acquired 74.95% of Anderlecht Bearing Service, a Belgian industrial services business. The consideration was Euro 682,000 in cash. Of the remaining shares, 25% is owned by KNS, an associate of Brammer plc, and 0.05% is owned by a private individual.

The details of this acquisition are as follows

	Book and fair value to the group £'000
Fixed assets	7
Stock	134
Debtors	308
Creditors	(281)
Tax	12
Bank overdrafts	(2)
Loans	(53)
Net assets acquired	125
Expenses and related costs	(32)
	93
Purchase price paid	431
Goodwill	338

The goodwill has been capitalised as an intangible asset and will be written off over a period of twenty years.

On 4 October 2001 the group announced that it had acquired 100% of Rabinad, a Spanish specialist industrial services business, for a consideration of Euro 2,966,000.

The details of the acquisition are as follows

	Book value £'000	Accounting policy adjustments £'000	Provisional fair value to the group £'000
Fixed assets	332	(79)	253
Stock	517	(132)	385
Debtors	1,437	(73)	1,364
Creditors	(526)	(131)	(657)
Tax	(78)	–	(78)
Cash	124	–	124
Loans	(598)	–	(598)
Net assets acquired	1,208	(415)	793
Expenses and related costs			(67)
			726
Purchase price			
Paid		969	
Deferred		936	
			1,905
Goodwill			1,179

18 ACQUISITIONS continued

Net assets acquired have been restated in line with the group's accounting policies. The fixed assets adjustment stems from the application of the group's depreciation accounting policy. The stock adjustment relates to a provision for obsolescence. The debtor's adjustment stems from the application of the group's policy on bad debt provisions. The creditor's adjustment relates to the application of the group's policies on accruals for employee costs.

The fair value figures contain some provisional amounts which will be finalised in the 2002 financial statements after a detailed acquisition investigation has been completed. The goodwill has been capitalised as an intangible asset and will be written off over a period of twenty years.

On 4 October 2001 the group announced that it had acquired 100% of Carl Fischer, a German specialist industrial services business, for a cash consideration of Euro 1,125,000.

The details of the acquisition are as follows

	Book and provisional fair value to the group £'000
Fixed assets	18
Stock	232
Debtors	361
Creditors	(298)
Tax	(66)
Cash	88
Loans	(289)
Net assets acquired	46
Expenses and related costs	(13)
	33
Purchase price	677
Goodwill	644

The fair value figures contain some provisional amounts which will be finalised in the 2002 financial statements after a detailed acquisition investigation has been completed. The goodwill has been capitalised as an intangible asset and will be written off over a period of twenty years.

Adjustments have been made to the fair value (primarily fixed assets and creditors) of Somelec, acquired in 2000, which resulted in a reduction in goodwill of £139,000.

Goodwill summary

	The group Total £'000
THF	29,259
Anderlecht Bearing Service	338
Rabinad	1,179
Fischer	644
Somelec – adjustment to goodwill previously recognised	(139)
	31,281

18 ACQUISITIONS continued

The negative group cash flow arising in 2001 from these acquisitions is as follows

	The group Total £'000
Purchase consideration	35,809
Deferred consideration	(18,162)
Expenses and related costs	842
	18,489
Net overdrafts acquired	8,441
	26,930

All acquisitions were made by the Brammer Industrial Services division.

The figures shown in the "acquired" column on the profit and loss account relate to the four acquisitions in the year.

19 PENSIONS

The principal pension scheme operated by the group in the UK is a defined benefit scheme and provides benefits related to service and salary. The scheme is funded by the group and contributions are paid in accordance with the recommendations of the actuary. The scheme is open for membership to all permanent employees of UK based group companies aged 18 to 64 years. The assets of the scheme are held in nominee accounts separate from the group's finances under the control of the trustees. The trustees have forbidden investment in the share capital of, or the investing in any property assets used by, Brammer plc or any of its subsidiaries.

The latest actuarial valuation of the scheme was carried out as at 1 January 2000, using the projected unit method, by an independent actuary employed by Watson Wyatt Partners. The assumptions which the actuary made that have the most significant effect on the results of the valuation are those related to the rate of return on investments and the rates of increase in salaries and pensions. He assumed that, over the long term, investment return will exceed the increase in remuneration by 2.25% per annum and that present and future pensions will increase at the rate of 3% per annum on pensions earned in excess of the guaranteed minimum pension. The valuation showed that the market value of the scheme's assets was £49.4 million and that the actuarial value of these assets represented 104% of the value of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The group also operates a final salary scheme for senior executives in the UK which is funded on the basis of the recommendation of the actuary to the scheme.

The charge in the year for the schemes was £1,387,000. A prepayment of £680,000 is included in debtors, representing the difference in amounts included in the profit and loss account and the amounts paid into these schemes.

On 31 December 2001 the current defined benefit scheme was closed to new members. A new defined contribution scheme was launched on 1 January 2002 for new UK employees joining the group.

FRS 17 retirement benefits

The valuations used for FRS 17 disclosures have been based on the most recent valuations at 1 January 2000 updated by Watson Wyatt Partners to take account of the requirements of FRS 17 in order to assess the liabilities of each of the schemes at 31 December 2001. Assets are stated at their market value at 31 December 2001.

The financial assumptions used to calculate liabilities under FRS 17 are

	%
Discount rate	5.8
Inflation rate	2.5
Increases to pensions in payment	2.5
Salary increases	4.0

19 PENSIONS continued

The assets held and the expected rate of return were

	Long term rate of return expected at 31 December 2001 %	Value at December 2001 £m
Equities	7.80	39.0
Fixed interest gilts	5.00	9.2
Other (cash and net current assets)	4.25	2.7
Total market value of assets		50.9
Present value of pension liabilities		(51.7)
Deficit		(0.8)
Related deferred tax asset		0.2
Net pension liability		(0.6)
Net assets		
Net assets excluding pension liability		78.4
Pension liability		(0.6)
Net assets including pension liability		77.8
Reserves		
Profit and loss reserve excluding pension liability		50.3
Pension liability		(0.6)
Profit and loss reserve including pension liability		49.7

20 RELATED PARTY TRANSACTIONS

There are no related party transactions other than in relation to Jean-Marie Fink, details of which are given in the remuneration report.

	2001 £'000	2000 £'000	1999 £'000	1998 £'000	1997 £'000
Profit and loss					
Turnover	**372,284**	287,326	242,190	238,369	223,055
Profit before goodwill, interest and exceptional items	**24,402**	26,899	20,324	24,570	30,716
Goodwill and exceptional items	**(26,122)**	(532)	(153)	–	–
Profit on ordinary activities before interest	**(1,720)**	26,367	20,171	24,570	30,716
Net interest	**(5,097)**	(2,468)	(869)	(635)	(216)
Profit on ordinary activities before tax	**(6,817)**	23,899	19,302	23,935	30,500
Tax	**(19)**	(7,219)	(5,816)	(7,380)	(9,098)
Profit on ordinary activities after tax	**(6,836)**	16,680	13,486	16,555	21,402
Dividends	**(9,253)**	(9,123)	(8,695)	(8,393)	(8,037)
Profit for the year retained in the business	**(16,089)**	7,557	4,791	8,162	13,365
Business analysis – Livingston					
Turnover	**131,634**	113,380	74,362	54,341	42,075
Profit before interest and exceptional items	**10,410**	13,160	9,312	8,559	6,659
Net operating assets	**73,948**	81,276	59,467	42,252	27,815
Business analysis – Brammer Industrial Services					
Turnover	**240,650**	173,946	167,828	184,028	180,980
Profit before interest and exceptional items	**11,596**	13,207	10,859	16,011	24,057
Net operating assets	**90,293**	50,514	48,473	51,884	47,018
Net assets employed					
Goodwill and investment in associates	**46,903**	17,791	5,039	1,988	–
Tangible fixed assets	**80,652**	98,724	74,640	59,953	42,914
Other working capital	**36,686**	15,275	28,261	32,195	31,919
Tax	**2,521**	(8,311)	(7,849)	(9,223)	(10,152)
Net debt	**(82,321)**	(38,190)	(22,455)	(13,048)	(3,487)
Dividends	**(6,031)**	(6,014)	(5,763)	(5,571)	(5,414)
Financed by					
Shareholders' equity	**78,410**	79,275	71,873	66,294	55,780
Cash flow					
Net cash inflow from operating activities	**70,222**	65,682	52,164	44,683	40,052
Interest paid and received	**(4,571)**	(1,470)	(869)	(560)	(363)
Tax paid	**(10,985)**	(6,493)	(6,972)	(8,388)	(10,243)
Net fixed assets movements – rental inventory	**(56,340)**	(50,695)	(42,577)	(31,253)	(21,081)
Net fixed assets movements – other assets	**(5,786)**	(4,575)	(4,244)	(4,365)	(4,083)
Acquisitions and disposals	**(27,977)**	(8,812)	(4,630)	(1,276)	(4,105)
Dividends paid	**(9,236)**	(8,872)	(8,503)	(6,405)	(6,762)
Financing and management of liquid resources	**36,911**	6,371	9,871	12,741	4,372
Movement in net cash	**(7,762)**	(8,864)	(5,760)	5,177	(2,213)
Movement in debt, finance leases and liquid resources	**(38,030)**	(6,103)	(8,714)	(12,437)	(3,378)
Exchange movements	**1,661**	(768)	5,067	(2,301)	2,530
Movement in net funds	**(44,131)**	(15,735)	(9,407)	(9,561)	(3,061)
Ratios					
Earnings per share – basic	**(14.3)p**	35.0p	28.5p	35.2p	45.8p
Earnings per share – diluted	**(13.2)p**	34.9p	28.4p	35.1p	45.1p
Interest cover	**(0.3)x**	10.7x	23.2x	38.7x	142.2x
Earnings before interest, tax, depreciation and amortisation	**73,376**	66,364	48,321	45,259	45,442
Dividend per share	**19.3p**	19.1p	18.3p	17.8p	17.2p
Return on investment	**24%**	32%	28%	39%	61%
Gearing	**105%**	48%	31%	20%	6%

Net debt represents cash balances, including deposits, less overdrafts, all loans and finance lease commitments. Return on investment is calculated as profit before tax (after adding back goodwill and exceptional items) to average net assets employed. Gearing is calculated as net debt to closing shareholders' equity. The earnings per share figures have been adjusted for subsequent bonus issues of shares. In respect of the accounting policy change on foreign exchange, 1999 and prior years have not been restated and the effect on 2000 is not material.

Notice is hereby given that the 82nd annual general meeting of Brammer plc will be held at The Goring Hotel, Beeston Place, London SW1W 0JW on 30 April 2002 at 1:00pm and will deal with the following items of business

As ordinary business

1 To receive the accounts of the company for the year ended 31 December 2001 and the reports of the directors and the auditors.

2 To declare a final dividend.

3 To elect David Dunn as a director.

4 To re-elect Ian Fraser as a director.

5 To re-elect David Hollywood as a director.

6 To re-elect Robert Hough as a director.

7 To re-appoint PricewaterhouseCoopers as auditor to the company and to authorise the directors to fix the auditor's remuneration.

As special business

To consider and, if thought fit, pass the following resolutions. Resolutions 8 and 11 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions.

8 That the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (as defined in section 80 of the Companies Act 1985) up to an aggregate nominal amount of £3,191,010 provided that this authority shall expire on the earlier of the conclusion of the next annual general meeting of the company held after the passing of this resolution and 29 July 2003 provided that the company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

9 That subject to the passing of the previous resolution, the directors be and they are hereby empowered pursuant to section 95 (1) of the Companies Act 1985 to allot equity securities (as defined in section 94 (2) of the said Act) for cash pursuant to any authority conferred in accordance with section 80 of the said Act as if section 89 (1) of the said Act did not apply to any such allotment provided that this power shall be limited

(i) to the allotment of equity securities in connection with a rights issue or other issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any country or territory; and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i)) of any equity securities up to an aggregate nominal value of £478,652

and shall expire on the earlier of the conclusion of the next annual general meeting of the company held after the passing of this resolution and 29 July 2003 and that the company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

10 That the company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 20 pence each in the capital of the company ('ordinary shares') provided that

(i) the maximum number of ordinary shares hereby authorised to be purchased is 4,786,515;

(ii) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of The London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased, excluding expenses;

(iii) the minimum price which may be paid for each ordinary share is 20p excluding expenses; and

(iv) the authority hereby conferred shall expire on the earlier of the conclusion of the next annual general meeting of the company held after the passing of this resolution and 29 July 2003 (except that the company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own shares in pursuance of such contract).

11 That the directors of the company be authorised to establish the Brammer plc Performance Share Plan ("the Plan"), described in the document of which the notice containing this resolution forms part and to be constituted by the rules produced in draft to this meeting and for the purpose of identification initialled by the chairman of the meeting, and to do all such other things as may be necessary or desirable to carry the Plan into effect and that the directors be authorised to establish further plans based on the Plan but modified to take account of local tax, exchange control or securities laws in overseas territories provided that any shares in the company made available under such further plans shall be treated as counting against any limits on individual or overall participation in the Plan.

By order of the board
Elizabeth Blease
Secretary
22 March 2002

Registered office
Station House
Stamford New Road
Altrincham
Cheshire WA14 1EP

Shareholders of the company who are entitled to vote at the meeting may appoint one or more proxies to attend and (on a poll) vote instead of them. A proxy does not need to be a shareholder of the company. To be valid, completed proxy forms must be received by the company's registrar, Lloyds TSB Registrars, at The Causeway, Worthing, West Sussex, BN99 6ZL no later than 1.00pm on Sunday, 28 April 2002. If shareholders complete and send back a proxy form they can still come to the meeting and vote instead of their proxy if there is a poll.

Further to Regulation 41 of the Uncertificated Securities Regulations 2001 only those shareholders registered in the register of members of the company as at 6.00 pm on Sunday, 28 April 2002 shall be entitled to attend or vote at this annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register after 6.00 pm on Sunday, 28 April 2002 will be disregarded in determining the rights of any person to attend or vote at the meeting.

30 April	Annual general meeting at The Goring Hotel, Beeston Place, London SW1W 0JW
31 May	Record date
3 July	Dividend payment date
September	Announcement of interim results for the six months to 30 June 2002

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SUPPLEMENTARY NOTE TO THE FINANCIAL STATEMENTS

The group's original financial statements were circulated to members on 22 March 2002. Since the circulation of these financial statements the directors have identified that they did not comply with the requirements of the Companies Act 1985 in that share options and shares to be issued listed in note 7 to the financial statements should not have been treated as being dilutive under FRS 14 – Earnings per share. Therefore diluted earnings per share for 2001 on page 32 of the financial statements should be a loss of 14.3 pence per share and not a loss of 13.2 pence per share as stated. Accordingly, the supplementary note contains a revised note 7 to the financial statements on which the group's auditors also report.

7 EARNINGS PER SHARE

	Profit £'000	Shares numbers 000	**2001 Earnings/ (losses) per share pence**	Profit £'000	Shares numbers 000	2000 Earnings per share pence
Profit for the financial year before exceptional items and amortisation of goodwill	13,403			17,212		
Average number of shares in issue		47,755	**28.1**		47,685	36.1
Exceptional items	(22,726)		**(47.6)**	–		
Loss on termination of operations	(1,000)		**(2.1)**	–		
Taxation adjustment on exceptional items	5,883		**12.3**	–		
Amortisation of goodwill	(2,335)		**(4.9)**	(470)		(1.0)
Amortisation of goodwill – associates	(61)		**(0.1)**	(62)		(0.1)
(Loss)/profit for the financial year	(6,836)		**(14.3)**	16,680		35.0
Dilutive equivalent of outstanding share options		–			176	
Outstanding shares to be issued		–			–	
Average number of shares in issue (diluted)		47,755	**(14.3)**		47,861	34.9

The earnings per share figure before exceptional items and goodwill amortisation is quoted to make the numbers more useful to the reader. Outstanding share options and shares to be issued are antidilutive at 31 December 2001.

This note revises in certain respects the group's original financial statements for the year ended 31 December 2001 and is to be treated as forming part of those financial statements. The financial statements have been revised as at the date of the original financial statements, 19 February 2002 and not as at the date of their revision, and accordingly do not deal with events between those dates.

Approved by the board of directors on 22 April 2002 and signed on its behalf by

David Dunn
Chairman

John Cumming
Finance Director

David Dunn

We have audited the group's revised financial statements for the year ended 31 December 2001 which comprise the attached revised note 7 together with the original financial statements which were circulated to members on 22 March 2002 which comprised the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the statement of accounting policies and the notes to the financial statements. The revised financial statements replace the original financial statements dated 19 February 2002.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed. We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the chairman's statement, the chief executive's review, the operating reviews, the financial review, the directors' report, the corporate governance statement and the remuneration report.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed. The audit of revised financial statements includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In our opinion:

(1) The revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of affairs of the company and the group as at 31 December 2001 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 as they have effect under the Companies (Revision of Defective Accounts and Report) Regulations 1990; and

(2) The original financial statements for the year ended 31 December 2001 failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors in the attached supplementary note.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
22 April 2002

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