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COMPANIES HOUSE 03/06/04

Brammer

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TURNOVER		
2003		£349m
2002		£338m
2001		£372m
2000		£287m
1999		£242m
PROFIT BEFORE GOODWILL, EXCEPTIONAL ITEMS AND TAX		
2003		£7.0m
2002		£6.6m
2001		£19.3m
2000		£24.4m
1999		£19.5m
EARNINGS PER SHARE - BASIC BEFORE GOODWILL AND EXCEPTIONAL ITEMS		
2003		11.8p
2002		10.9p
2001		28.1p
2000		36.1p
1999		28.8p

FINANCIAL SUMMARY	2003	2002
Turnover	£349m	£338m
Loss on ordinary activities after tax	£(36.3)m	£(3.1)m
Profit before goodwill, exceptional items and tax	£7.0m	£6.6m
Movement in net debt	£(16.9)m	£19.6m
Net debt	£(79.7)m	£(62.8)m
Equity shareholders' funds	£20.2m	£62.4m
Earning per share		
Basic	(75.9)p	(6.4)p
Diluted	(75.9)p	(6.4)p
Before amortisation of goodwill and exceptional items	11.8p	10.9p
Dividend per share	4.5p	4.5p

Brammer is a leading European industrial services group, providing power transmission components, engineering and other related industrial services. We fulfil a pivotal role between customer and supplier adding value to both through services of the highest quality.

Brammer

Overview

In general terms we have seen a resilient and encouraging performance from Brammer Industrial Services ("BIS") in 2003. However, the Livingston business continued its decline and, notwithstanding the implementation of a major reduction in its cost base, had a disappointing year.

Group turnover was £349.5 million representing an increase of 3% (2002 £338.0 million). Turnover at BIS increased by 10% to £262.5 million (2002 £238.8 million) of which 5% was accounted for by the acquisition of KNS in March 2003. Livingston declined by 12% to £87.0 million (2002 £99.1 million). Group profit before goodwill, exceptional items and tax was £7.0 million, an improvement of £0.4 million on last year's figure primarily from the KNS acquisition. The loss on ordinary activities after goodwill, exceptional items and tax was £36.3 million (2002 £3.1 million loss). Basic earnings per share were a loss of 75.9p (2002 6.4p loss). Earnings per share before goodwill and exceptional items were 11.8p (2002 10.9p). Cash inflow from operating activities was excellent at £29.4 million, albeit lower than last year's exceptional £51.6 million, which benefited from the significant inventory reductions in Livingston in 2002. After a £21.1 million outflow on acquisitions, mostly due to deferred consideration, and £6.7 million of adverse exchange rates, net debt increased from £62.8 million to £79.7 million in the year.

Restructuring

The re-structuring of Brammer continued in 2003. As reported in our circular to shareholders, issued on 23 December 2003, Brammer intends to focus on the development and growth potential of the BIS distribution business. We have now completed the sale of Livingston's calibration business to Air Liquide for a price of £22.5 million in March 2004, subject to adjustments for debt and cash. The value of the net assets of this business as at the completion date is subject to a completion accounts process. However, had the completion taken place at the end of 2003, a profit on disposal of £1.3 million would have been achieved.

We have also disposed of Livingston's loss making rental business in March 2004. The sale price amounted to £12.6 million, subject to adjustments for debt and cash, and we have impaired the value of the rental assets in the 2003 accounts to the realisable value achieved in the sale. This has been recognised within the exceptional charge and represents £23.7 million of the total exceptional cost in the year of £33.3 million. The remaining exceptionals related to the programme of operational restructuring which continued in 2003 at BIS and Livingston and fees incurred in the rental disposal.

Strategy

The fundamental change in our strategy has been to exit the Livingston business. Last year, I reported that following an unprecedented decline in Livingston's telecom and technology markets, the board's priority was to right size Livingston to meet the reduced market demands. This exercise was ongoing throughout 2003, against a background of declining rental turnover, and resulted in further exceptional costs.

In the event that rental markets, in particular, do improve in the future there would have been considerable demands for cash from this business which the board believes would be detrimental to the core strategy of expanding the BIS business.

Consequently it was decided that an exit from Livingston was desirable. The combined deals, which have been completed, represent an exit at an overall price which is close to the net assets of the business (pre goodwill) and will enable the group to focus on the larger and less volatile BIS business. The disposals also provide the opportunity for Brammer to streamline its central organisation by reducing management layers and their associated costs.

BIS has a special position within its European markets. With facilities throughout Europe it has a pre-eminent distribution network and Brammer intends to concentrate on the many growth opportunities which are available, in particular, the expansion of its corporate account and Insite activities. We believe there is considerable scope to increase profitability and market shares in what are highly fragmented markets. Completion of the acquisitions of KNS in Holland and THF in Germany during the year add to our ability to achieve this growth.

Dividend

The board is recommending a final dividend of 3.0p (2002 3.0p) making a total for the year of 4.5p (2002 4.5p). This level of dividend is covered 2.7 times by the profit after tax but before goodwill and exceptional items. The final dividend will be payable on 2 July 2004 to shareholders on the register at 4 June 2004.

Board changes

Since my last report, Robert Hough, the deputy chairman and senior independent director, has retired from the board after ten years of service. We are indebted to Robert for his significant contribution and wise counsel throughout that time and wish him well in the future. Kevin Mellor has been appointed as the senior independent director.

As announced earlier this month Jean-Marie Fink, a director of Brammer plc since 1994, stepped down from the board on 1 April 2004. He will leave the company later in the year after ensuring an orderly handover of his responsibilities. We would publicly like to acknowledge the considerable contribution that he has made to the development of Brammer as a truly pan-European business.

People

The major changes to Brammer's businesses over the past two years have challenged and tested our people. The board is grateful for their understanding and commitment during this period. We wish employees who have moved with the Livingston business every success with their new owners. For those remaining with the group, I believe we have worked our way through our difficulties and look forward to an exciting and profitable future.

Outlook

Brammer's future will now be based solely upon exploiting the many opportunities within BIS. Market conditions in continental Europe have been encouraging in the first quarter of 2004, although the UK remains difficult. Within this environment the outlook for the remainder of 2004 is cautiously optimistic. While growth in the more mature product lines will remain a challenge, the re-focused management team has every opportunity to increase market share by capitalising on the wide geographic spread which the business enjoys.

David Dunn

Overview

During 2003 we continued to strengthen the European market leading position of Brammer Industrial Services ("BIS"). In Livingston's rental businesses we further downsized the operations in the face of difficult market conditions, whilst in calibration we held revenues steady. We restructured Livingston to facilitate the successful sale of the calibration businesses and rental businesses separately. The sale of each of these businesses was completed on 31 March 2004, allowing the group to concentrate on the development of Brammer Industrial Services, with a strengthened balance sheet, and enhanced management focus.

Brammer Industrial Services

BIS is the leading European supplier of technical components and related services to the maintenance, repair and operations markets ("MRO"). In 2003 we extended our leadership position in the supply of bearings, power transmission products, seals, gearboxes and motors, fluid power and value added services and support. We ended the year with 1,791 employees, working in 232 locations, serving 103,000 customers.

Revenues in BIS increased by 10% to £262.5 million, whilst operating profit before goodwill, exceptional items and interest increased by 5% to £11.8 million. Operating cash flow in BIS was £23.7 million, and capital employed reduced by £4.4 million to £49.9 million as we managed a planned reduction in working capital, mainly achieved through an improvement in inventory turns. In each of the last two years operating cash flow has exceeded operating profit by at least 60% – continuing and improving the trend of previous years. We expect further benefits over the next several years as we improve inventory turns through managing our inventory on a European basis.

Gross profit, at 31% or £80.5 million, was slightly higher in percentage terms (2002 30%, £72.1 million) despite price pressure in the marketplace, and a changed product mix, with newer lower margin products such as fluid power and tools growing, and our more mature higher margin bearings product lines declining in line with the overall market. We reduced headcount by 117 in businesses we owned on 1 January 2003, whilst welcoming a total of 108 new staff through acquisition, (KNS in the Netherlands and Belgium). In total, our headcount decreased by 9 and revenues per head increased by 16% to £146,000 through productivity improvement.

In the UK revenues declined by 2%, following a downturn in the second half. We decreased further the cost base with a headcount reduction of 59 to 739; 9 branches were closed or merged with adjacent branches. We reviewed our Insites and decided to withdraw staff from 7 Insites where reduced volumes, due to the customers' business downturn, could not sustain a physical presence on site. As a result of these cost savings, operating profits improved. Several new contracts were won including Heinz, Georgia Pacific and Yorkshire Water. Capital employed reduced by £3.5 million (18%), due to improvements in inventory efficiency and the provision by suppliers of a total of £1.8 million of service stock.

In France revenues, at constant exchange rates, decreased by 1%. Intense competitive pressure on margins coupled with investment in new products and Insites resulted in a decline in operating profit, despite cost reduction measures being taken to reduce headcount by 29. We increased our Insites from 5 to 11, with revenues growing by 33%, whilst fluid power sales grew by 49%.

In Germany revenues remained static whilst margin improvement and cost reductions helped increase operating profit. Good progress was made on corporate accounts, with revenues in this segment up 17%. Further headcount reductions of 10 to 405 resulted in productivity improvement as measured by sales per head of 10%.

In Spain revenues were unchanged and we continued to increase our sales to the MRO market (up 7%) reducing further our exposure to the more cyclical OEM marketplace now down to 32% of our sales. We opened our first Insite, and our experience suggests that there is good potential for further Insite development in this territory. We appointed a new corporate accounts director to take advantage of the significant opportunities available; corporate account revenues grew by 27%.

We purchased the remaining 51% of KNS in the Netherlands on 1 April 2003. The business continued to perform well. Whilst sales were down 1%, operating profit rose. This platform should allow us to enjoy further significant growth in the Benelux countries. We opened our first Insite in Belgium.

In our developing businesses we made good progress in Hungary where we combined our existing business with that of Berdo and took a 49.78% stake in the combined business, now called Berdo Brammer. Subsequently Berdo Brammer acquired the bearings distribution business of another Hungarian company. Berdo Brammer now has critical mass in the Hungarian market and this has resulted in a number of our European corporate account customers transferring business to us. Our Czech business, Awexim, grew revenues by 10%, whilst sales at Britannia, our Austrian business dropped by 3%. We divested our 25% holding in Sociedade de Rolamentos in Portugal where there was an insufficient match to our product range.

Livingston

There was no improvement in the markets served by Livingston during 2003. We therefore continued to focus on improving operational efficiency, reducing the cost base and producing cash. Having resolved to dispose of Livingston we sought suitable opportunities and it became evident that the optimum approach leading to highest shareholder value would be to dispose of the rental and calibration businesses separately. Accordingly we reorganised the business to facilitate this method of disposal and succeeded in completing these disposals on 31 March 2004. The results of the Livingston businesses are shown under "discontinued businesses" in the profit and loss account.

During the year we reduced significantly the value of our rental inventory by selling surplus equipment. The net book value prior to impairment was £27.0 million at 31 December 2003 (2002 £35.6 million) and after impairment £4.5 million.

In our test equipment management services business the market declined during the year. Revenues decreased by 39% to £16.2 million. In our computer products business we attained a better balance of business across the various supplier platforms and improved utilisation ratios through a combination of higher rental rates and disposal of excess inventory. Nevertheless, revenues declined by 29% to £29.7 million. To counteract these declines we cut costs further, reducing headcount by 92 in the rental businesses.

In our calibration and measurement services business we continued to replace reductions in demand from our telecom customers with new business from other sectors. Revenues increased by 6%.

Overall in Livingston we returned to operational profit, before exceptional items, in the second half of 2003.

Strategy

Our strategy is simple. We aim to extend our leadership position as the pre-eminent European supplier of bearings, power transmission and related products to customers who use these products in the maintenance and repair of their operations. The production line illustration, inside the front cover, shows schematically where our expertise is applied.

We will focus on growing our sales in this narrowly defined but extensive range of products, maintaining a high level of technical expertise and the ability to add value to the product for our customers. We recognise over one million part numbers and believe our target market in Western Europe is around €10 billion. As market leader, though we have just 4% market share, we are twice as big as the next biggest player and have unparalleled geographic coverage. None of our competitors operate in more than four countries, whilst we currently have a presence in 10 countries. The locations on page nine show just how wide our European coverage has become.

We seek to extend relationships with those major European customers who are focusing on supplier reduction and want to establish a single source of supply across Europe. We now have 8 pan-European contracts and sales to our corporate accounts grew 24% in 2003. Contracted customers, whether on a national or European basis, now account for over 20% of our revenues. The trend to single European supply is increasing.

For our suppliers we represent a single channel to market across the majority of countries in Europe. We aim to build a pan-European position with one or two strategic suppliers for each product group. By being the largest customer of our key suppliers we are able to offer them good revenue growth and an efficient supply chain to the market and in return receive competitive pricing and support.

Brammer is a leading value added supplier of power transmission components and related inventory management and logistics.

Our management approach is to identify best practice and to roll this out at every location. In 2003 we introduced an operational system which uses the same key performance indicators at every location, thus ensuring homogeneity of approach and the establishment of best practice. We achieved significant efficiency improvements in 2003, productivity, as measured by revenue per head, increasing by 10%. Continued development of best practice, and realisation of European synergies in the areas of purchasing, warehousing and logistics will afford further efficiency improvements.

Our business requires highly skilled people able to offer much more than simple box shifting. They provide a solution to a customer problem offering not only the component which meets the customer's need but also seeking opportunities to cross sell from the remainder of our deepening product range. In order to support this requirement for high levels of skill we have introduced web based pan-European training in essential product knowledge. This will be accompanied by further company wide training in cross selling and technical applications. The productivity improvements, highlighted above, will continue through the systematic development of co-ordinated "back office" logistics and systems functions.

The future

The future of Brammer is now about implementing the strategy for BIS, as outlined above, without the constraints of Livingston. We believe this will be of considerable shareholder value. In 2003, during one of the most difficult trading environments in recent years, we were able to improve operating profits (before goodwill and exceptional items) and produce a high level of operating cash. Our quest to extend our leadership position and to achieve synergy benefits is yielding results. Many of our customers are seeking a single source of supply across Europe and the actions taken in 2003 should ensure that we will enhance our ability to offer a uniform service in every geography. To complete our pan-European coverage we need to establish operations in Italy and strengthen further our operations in Eastern Europe. The excellent cash flow generated by the business should continue for the foreseeable future. Several initiatives are underway which will result in better control of inventory on a European basis and will lead to further improvement in inventory turns.

Ian Fraser

**From Aberdeen to Zaragoza,
only Brammer provides European
coverage for component
management and procurement.**

ABERDEEN	CHEMNITZ	HAARLEM	LUTON	POOLE	STRATFORD
ALICANTE	CLERMONT FERRAND	HAGEN	LYON	PORTSMOUTH	STUTTGART
ANGERS	COVENTRY	HAMBURG	MAASTRICHT	PRAGUE	SUNDERLAND
ANTWERPEN	CRAMLINGTON	HANNOVER	MADRID	PRESTON	SWANSEA
ASHFORD	CRAYFORD	HAYES	MAIDSTONE	QUIMPER	SWINDON
AUGSBURG	DION	HENGLO	MANCHESTER	READING	TAMWORTH
AVONMOUTH	DERBY	HERMSDORF	MANNHEIM	REDRUTH	TAUNTON
BARCELONA	DONCASTER	HUELVA	MARSEILLE	RENNES	TELFORD
BARNSTAPLE	DORTMUND	HUDDERSFIELD	MERTHYR TYDFIL	REUTLINGEN	TILBURG
BARROW	DRESDEN	HULL	METZ	ROUEN	TOULOUSE
BASILDON	DUDLEY	IPSWICH	MIDDLESBROUGH	ST BRIEUC	TOURS
BASINGSTOKE	DUMFRIES	IRVINE	MILTON KEYNES	ST DIE	TROYES
BELFAST	ELLESMERE PORT	JOURE	MOLLET DEL VALLÉS	ST ETIENNE	TURNHOUT
BERLIN	ENFIELD	KAISERSLAUTERN	MULHOUSE	ST HELENS	UDDINGSTON
BIRMINGHAM	EXETER	KARLSRUHE	MÜNCHEN	SAN SEBASTIÁN	ULM
BOLTON	FREIBURG	KECSKEMET	MÜNSTER	SANTANDER	VALENCIA
BORDEAUX	GALDACANO BILBAO	LA CORUÑA	NANCY	SCUNTHORPE	VALENTIGNEY
BRADFORD	GATESHEAD	LA ROCHE SUR YON	NANTES	SEVILLA	VALLADOLID
BRAGA	GENNEVILLIERS	LEEDS	NEWPORT	SHEFFIELD	VIENNA
BRIGHTON	GERONA	LEICESTER	NEWTON AYCLIFFE	SLIEDRECHT	VIGO
BRISTOL	GIJÓN	LEIPZIG	NORTHAMPTON	SLOUGH	VILLAFRANCA
BRUSSELS	GLASGOW	LE MANS	NORWICH	SOCHAUX VALENTIGNEY	VILLINGEN
BURGOS	GLENROTHES	LENS	NOTTINGHAM	SOFIA	VITORIA
BURY ST EDMUNDS	GLOUCESTER	LEÓN	NOZAY	SOPRON	WARRINGTON
BUTZBACH	GRANADA	LÉRIDA	NÜRNBERG	SOUTHAMPTON	WEST CUMBRIA
CÁDIZ	GRANGEMOUTH	LIMOGES	OLDHAM	SPIJKENISSE	WILLSTÄTT
CAMBRIDGE	GRENOBLE	LIVERPOOL	OXFORD	STEVENAGE	WOLVERHAMPTON
CARDIFF	GREVENBROICH	LOGRONO	PAISLEY	STEYR-GLEINK	WREXHAM
CEGLÉD	GRIMSBY	LORIENT	PAMPLONA	STOCKPORT	WUPPERTAL
CHALONS EN CHAMPAGNE	GRONINGEN	LOTHIAN	PETERBOROUGH	STOKE	YORK
CHESTERFIELD	GUILDFORD	LOWESTOFT	PLYMOUTH	STRASBOURG	ZARAGOZA

Overview

Against a background of generally poor market conditions many parts of our business, particularly Brammer Industrial Services ("BIS") and the calibration and management services businesses in Livingston, continued to produce encouraging results. However, further deterioration was evident in Livingston's rental markets and results.

Post balance sheet event

On 31 March 2004 the group completed the disposal of the Livingston Calibration business to Air Liquide for a consideration of €32 million, subject to adjustments for debt and cash.

Also on 31 March 2004 the group completed the disposal of Livingston rental for initial cash consideration of £9.9 million (partially funded through a £3.0 million loan from Brammer repayable 13 months following completion), a deferred cash payment of £3.0 million receivable 18 months after completion and a further amount (up to £2.8 million) depending on the proceeds of sale of impaired assets. Up to a further £0.2 million will be payable within three months of the completion date subject to the value of net assets sold at the date of completion.

In combination, the sale proceeds for the two businesses are projected to be broadly in line with net assets (pre goodwill) of the two businesses at completion. However, the 2003 accounts include exceptional charges, as detailed below, in respect of these disposals.

Turnover

Our turnover increased by 3% in the year of which continental Europe accounted for a 5% increase (of which 4 percentage points came from acquisitions) and the UK a 2% fall. At constant exchange rates our turnover fell by 9%, a 3 percentage points increase in BIS offset by a 12 percentage points decline in Livingston.

Profit

The result for the year was a loss on ordinary activities after tax, and after exceptional charges of £33.3 million (2002 £8.7 million), of £36.3 million (2002 £3.1 million loss). Group profit before goodwill, exceptional items and after interest was up 6% in the year at £7.0 million (2002 £6.6 million).

Exceptional charges

This year's accounts include an exceptional charge (excluding tax) of £33.3 million as shown in chart one opposite.

The £23.7 million Livingston rental asset write down reflects the impairment of the rental assets in the Livingston businesses.

The restructuring of £7.3 million results from action, reported at the half year, to re-size overheads to match reducing revenue levels.

Goodwill

In 2003 we changed our accounting policy to denominate goodwill as a currency based asset and this increased goodwill by £1.6 million. This also resulted in 2002 profits being restated (up £0.6 million to £6.6 million) for prior year comparison.

Goodwill in the balance sheet stands at £49.6 million at the end of the year (2002 restated £45.5 million). In 2003 goodwill increased by £3.3 million in respect of acquisitions, £3.7 million due to exchange (in line with the accounting policy change) and reduced by £2.9 million of amortisation.

Had the sale of the Livingston business happened at the year end, goodwill (associated entirely with the Livingston Calibration business) would have been reduced by £13.5 million.

Brammer Industrial Services acquisitions and disposals

On 1 April 2003 the group announced the acquisition of the remaining 51% interest in KNS Aandrijftechniek BV ("KNS"), a Dutch specialist industrial services business. The consideration was payable in two instalments on 2 January 2004 (€3.0 million) and 2 July 2004 (€2.8 million). The company was accounted for as an associate in the period to 31 March 2003 and as a 100% owned subsidiary from 1 April 2003. The results of KNS are shown separately under "acquired" in the profit and loss account.

With effect from 31 May 2003 the group disposed of its 25% interest in Sociedade de Rolamentos, SDR SA, a Portuguese specialist industrial services business, for a cash consideration of €542,000. Rolamentos was accounted for as an associate in the group's results up to the date of disposal.

On 1 April 2003 the group disposed of its interest in THF HU Kft, a Hungarian specialist industrial services business, to Berdo Brammer and acquired a 49.78% interest in Berdo Brammer, the transactions having no cash effect. Berdo Brammer is accounted for as an associate in the group's results.

The results and profits on sale of Rolamentos and THF HU Kft are not material in relation to the group as a whole and therefore have not been separately disclosed.

Trading during the year

Group turnover increased by 3% during the year. Group profit before goodwill, exceptional items, interest and tax ("underlying profit") was £10.5 million (2002 £10.8 million), of which £4.4 million was delivered in the first half and £6.1 million in the second half (see chart two opposite). The restructuring (expensed as exceptional charges in 2002 and 2003) enabled us to reduce headcount by 9% and employee costs by 3% (net of pay increases, pension contribution and national insurance increases).

CHART ONE – EXCEPTIONAL CHARGES

	£'m
<i>Restructuring</i>	
Brammer Industrial Services	2.2
Livingston	5.1
	7.3
Livingston asset write down	23.7
Disposal costs	2.3
Total exceptional	33.3

CHART TWO – TRADING DURING THE YEAR

	First half £'m	Brammer Industrial Services Second half £'m	Full year £'m	First half £'m	Second half £'m	Livingston Full year £'m
2003						
Turnover	133.9	128.6	262.5	44.9	42.1	87.0
Underlying profit	6.1	5.7	11.8	(1.7)	0.4	(1.3)
2002						
Turnover	119.3	119.5	238.8	52.4	46.7	99.1
Underlying profit	5.5	5.7	11.2	1.4	(1.8)	(0.4)

CHART THREE – CASH FLOW

	2003 £'m	2002 £'m
Net cash inflow from operating activities	29.4	51.6
Net capital expenditure (purchases net of disposals)	(8.9)	(13.6)
Operational cash generation	20.5	38.0
Deferred consideration	(20.7)	(2.9)
Exchange	(6.7)	(5.1)
Interest, tax, dividends and other	(10.0)	(10.4)
Movement in net debt	(16.9)	19.6

CHART FOUR – NET OPERATING ASSETS AND FINANCING BY CURRENCY

	Net operating assets £'m	Financing £'m	Net assets employed £'m
Currency			
Sterling	16.8	(0.4)	16.4
Euro	83.1	(79.3)	3.8
	99.9	(79.7)	20.2
Taxation	4.5	(4.5)	–
Dividends	1.4	(1.4)	–
	105.8	(85.6)	20.2

BIS' turnover was up 10% on 2002, 20% growth in Europe (half of which is attributable to the inclusion of KNS as a 100% owned subsidiary, the remainder attributable to movements in exchange) being offset by a decline of 2% in the UK. Underlying profit increased by 5% from £11.2 million in 2002 to £11.8 million in 2003, the inclusion of KNS accounting for £0.4 million (3 percentage points) of the increase.

Livingston's turnover was down 12% on 2002, all of the fall being in Livingston rental, rental turnover being down 24%. Whilst Livingston's trading loss increased from £0.4 million in 2002 to £1.3 million in 2003, the second half of 2003 showed a £2.1 million improvement on the first half at £0.4 million profit (first half 2003 £1.7 million loss).

Interest

The interest charge for the year of £3.5 million (2002 £4.1 million) represents an effective interest rate on average net borrowings of 4.7% (2002 5.2%). Our profit before goodwill and exceptional items cover of interest is 3.0x compared to 2.6x in 2002.

Tax

The tax charge for the year is £7.1 million which includes a £5.7 million write off of deferred and other tax assets in the Livingston division.

Cash flow

Net debt increased by £16.9 million from £62.8 million to £79.7 million, as shown in chart three on page 11.

At constant (2002) exchange rates net debt increased by £10.2 million, after including £2.9 million of net debt acquired with KNS, from £62.8 million in 2002 to £73.0 million at the end of 2003. Net cash inflow from operating activities of £29.4 million was reduced by £19.0 million of rental assets purchases (2002 £22.7 million) and the settlement of £20.7 million of deferred consideration, primarily for THF and Climats and Sapratin, paid in the second half of 2003. Average net borrowings in 2003 were £74.6 million compared to £78.9 million in 2002.

Treasury

In December 2003 the covenants on the group's main banking facility were waived in favour of fixed and floating charges over the shares and certain specified BIS' assets to facilitate the disposal of the Livingston businesses. The cash realised on the disposal of Livingston will be used to reduce net borrowings.

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 operating companies' domestic currencies.

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 domestic customers who trade globally. Group companies account in their local currency, principally either sterling or euros, and at 31 December 2003 £16.8 million (17%) of the group's tangible operating assets were held in sterling and £83.1 million (83%) in euros.

Net operating assets and financing by currency at 31 December 2003 were as illustrated in chart four on page 11.

In early 2003 the board reviewed the group's hedging policy for euro denominated assets and liabilities and changed the policy to denominate goodwill as a currency asset and to take only a partial hedge against currency net assets. This has resulted in a prior year adjustment which increased reserves by £1.6 million as at 31 December 2002 and has the effect of improving loss before tax for the year ended 31 December 2002 by £0.6 million.

The consolidated net trading profit before goodwill, exceptional items and interest covers the interest payable 3.0x and net worth is £20.2 million (2002 £62.4 million).

The directors consider the group to have adequate resources to continue operations for the foreseeable future and therefore continue to use the going concern basis in the preparation of the financial statements.

We will continue to focus on generating cash to enable us to expand BIS in Europe, organically and by acquisition.

Earnings per share

Earnings per share before goodwill, amortisation and exceptional items rose from 10.9p in 2002 (restated) to 11.8p in 2003. Basic earnings per share were a loss of 75.9p (2002 6.4p loss).

Paul Thwaite

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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+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 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.

Berdo Brammer is accounted for as an associate by the group. All other companies are accounted for as wholly owned subsidiaries as the group has effective ownership of those companies.

During the year the group also owned the following companies which formed the Livingston division.

Czech Republic

Livingston Electronic Services s.r.o.

France

Climats SA
Sapratin SA
Livingston SA
Somelec SA
TIS-Livingston SA

Germany

Livingston Electronic Services GmbH
Livingston Calibration GmbH

Holland

Livingston B.V.
Livingston Calibration BV

Switzerland

Livingston Electronic Services GmbH

Italy

Livingston Electronic Services srl

Spain

Livingston Electronic Equipment Services, SA

United Kingdom

Livingston UK Limited

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

David Dunn (age 59) * ● +**Independent non-executive chairman**

Joined the Brammer board in November 2001 as chairman and is also chairman of the nominations committee. After qualifying as a chartered accountant, his early career was spent with BPB Industries plc, Lex Service Group plc and Newman Industries plc. In 2002 he retired as non-executive chairman of Scapa Group plc, where he had also served since 1987 as finance director and chief executive. He is also a non-executive director of Croda International plc, FirstGroup plc and SMG plc.

Chris Conway (age 59) * ● +**Independent non-executive director**

Appointed to the board in 1997. He is chairman of the audit committee. 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 Notability Solutions Ltd, Detica Group PLC, and a non-executive director of Vistorm Ltd and Staffware PLC.

Ian Fraser (age 48) +**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.

David Hollywood (age 57)**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.

Kevin Mellor (age 57) * ● +**Senior 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.

Paul Thwaite (age 50)**Finance director**

Appointed to the board in May 2002. After graduating with a degree in Biochemistry, he took an MBA at the Manchester Business School and then qualified as an accountant. He worked for ICI and BBA in a variety of international posts before joining Siebe where he held a number of positions including managing director of Eliwell and group controller. After the merger between Siebe and BTR, he became chief finance officer of Invensys Controls Division based in USA.

Elizabeth Blease (age 37)**Company secretary**

Appointed group secretary in February 2000. Qualified as a solicitor in 1992 and joined Brammer in 1997.

* Remuneration committee

● Audit committee

+ Nominations committee

Registered office

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Altrincham
Cheshire WA14 1EP

Registered in England and Wales number 162925

Bankers

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London E14 5HQ

Royal Bank of Scotland plc
280 Bishopsgate
London EC2M 4RB

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

Dresdner Bank AG
Unternehmenskundenbetreuung
60613 Frankfurt
Germany

Registrars

Lloyds TSB Registrars
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Auditors

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Financial advisers

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London EC3P 3DB

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Stockbrokers

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

Brammer

The directors present their annual report for the year ended 31 December 2003.

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.

As at 31 December 2003 the principal activity of the group is the provision of high value added, European wide, business to business services, namely

- Leading value added supplier of power transmission components and related inventory management, procurement and logistics services in Europe.
- 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. This division was sold on 31 March 2004.

Financial results and dividend

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

The directors recommend a final dividend of 3.0p per ordinary share for the year ended 31 December 2003 (2002 3.0p), which, together with the interim dividend of 1.5p (2002 1.5p) per ordinary share, brings the total dividend paid and proposed to 4.5p (2002 4.5p) for the year. Subject to the approval of shareholders at the annual general meeting, the final dividend will be paid on 2 July 2004 to all shareholders on the register at close of business on 4 June 2004.

Directors

Details of each of the directors who served throughout the year are shown on page 14. In addition, two directors resigned during the year. Mel Porter, who was a director, resigned on 11 March 2003. Robert Hough, senior independent non-executive director and deputy chairman, retired on 18 December 2003. Jean-Marie Fink, who also served as a director throughout the year, resigned on 1 April 2004. All directors are subject to retirement by rotation under the company's articles of association.

The directors retiring by rotation are Ian Fraser and David Dunn, who being eligible, offer themselves for re-election.

The service contract for Ian Fraser provides for two years' notice to be given by the company in the event of his employment being terminated. David Dunn is appointed for a fixed term of three years which commenced in April 2002.

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 7 April 2004, 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	14.71%	Artemis Unit Trust Managers Ltd	7.68%
Credit Suisse	10.13%	Barclays Global Investors	5.59%
UBS Global Asset Management UK	10.10%	M&G Investment Management	4.97%
AXA Investment Managers UK Ltd	9.21%	Legal & General Investment Management	3.24%
Hermes Pension Management Ltd	8.55%		

Charitable and political donations in the United Kingdom

Charitable donations made during the year amounted to £306 (2002 £223). No political donations were made (2002 nil).

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.

Purchase of own shares

During the year the company, through the Brammer plc Employee Share Ownership Trust purchased 777,014 shares in the company for £764,514 (representing 1.6% of the issued share capital) in order to meet the company's liabilities under the Brammer plc Performance Share Plan. Shareholders granted the right for the company to purchase its own shares at the annual general meeting in 2003.

Post balance sheet event

On 22 December 2003 the company announced the disposal of the Livingston continental calibration and equipment management services businesses to Air Liquide SA. On 15 March 2004 the company further announced the disposal of the Livingston equipment rental and UK calibration business to De Facto 1059 Limited, a newly formed company backed by an MBO team led by Mel Porter, a former director. Both of these disposals, which together represent the company's withdrawal from the calibration and asset rental markets, completed on 31 March 2004.

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 and concern 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 the group's French, German and Spanish employees.

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 are organised for each division during the year. The group operates internationally and therefore its employment practices 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 to better 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 a year.

Both employment policy and practice in the group are based on non-discrimination and equal opportunities. The company remains supportive of the employment and advancement of disabled persons. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event that members of staff become disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged.

In the UK the company encourages employees' participation in the group's progress through a savings related share option scheme. Full-time staff, who have completed one year's qualifying service, have been invited periodically to participate in the company's savings related share option scheme. The group continues to explore how similar schemes can be introduced into its businesses on the continent.

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 key 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 both 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 LLP 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 9:00am on Tuesday, 25 May 2004 at the Hilton London Heathrow Airport, Terminal 4, Heathrow Airport, Hounslow, Middlesex TW6 3AF.

The notice of meeting appears in the document accompanying this report and accounts. Four resolutions will be proposed as items of special business at the meeting and explanations of these resolutions are given in the enclosed circular.



By order of the board

Elizabeth Blease

Secretary

7 April 2004

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") as they apply to the company for the year ended 31 December 2003.

For the year under review the company has complied with the Combined Code in all respects except the following:

- Three 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. Mel Porter retired as a director on 11 March 2003 and his contract provided for a two-year notice period.
- Robert Hough had served as a non-executive director for more than 9 years. Throughout the year he was considered independent by the board. He retired as a director on 18 December 2003.

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

The board currently comprises a non-executive chairman, three executive directors and two non-executive directors, who are equally responsible for the proper stewardship of the company. All of 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. Kevin Mellor 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. During the year under review it met eleven times. 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. Regular reports are given to the board on matters such as pensions, health and safety and litigation. The board has a formal schedule of matters specifically reserved to it for decision which it reviews periodically.

The board has adopted an internal governance policy which assists it in operating effectively. This policy includes induction training for new directors and provides that directors have unrestricted access to the advice and services of the company secretary. A procedure has been adopted for the directors to obtain independent professional advice, in appropriate circumstances, at the company's expense.

These policies and procedures collectively enable the board to make informed decisions on a range of key issues including those relating to strategy and risk management.

The company maintains liability insurance for its directors and officers.

During the year the non-executive directors, including the chairman, did meet without the executive directors being present. It is their intention to continue with this practice.

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 and regularly considers succession planning.

The committee is responsible for board appointments. It determines the scope of the role of a new director, the skills and time commitment required and is actively involved in the recruitment process.

During the course of the forthcoming year the nominations committee will undertake an evaluation of the balance of skills, knowledge and experience on the board. The board will also consider how best to undertake a performance evaluation of itself, its committees and its individual directors.

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 accompanies this report and accounts. 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. It is the company's practice to propose separate resolutions on each substantially separate issue.

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 chairman generally makes a statement on current trading at the meeting. The company counts all proxy votes and 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 statement of directors' responsibilities and the auditors' report. The directors ensure the independence of the auditors by requesting annual confirmation of independence which includes the disclosure of all non-audit fees.

Internal control

Internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

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. This review included financial, operational and compliance controls and risk management. 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 2004. The board reviews the results of the process.

Operational structure, review and compliance

Together with board reviews, there are regular divisional meetings to review operating performance, plans, risks and controls.

In Brammer Industrial Services there are regular review meetings between the divisional team and country managing directors. The divisional team takes responsibility for finance, IT, the development of pan-European supplier relationships and the development of corporate account activity, which complements the work done within each of the subsidiaries. The continuing importance to Brammer Industrial Services of European supplier agreements and customer contracts has made the role of this team all the more relevant. Each Brammer Industrial Services business already has an established enterprise resource planning ("ERP") system; the overall strategy is to enhance the communication between these systems as part of a process of continuous improvement of the management and control of the inventory and the sales order process. As part of the development and improvement of the group's reporting systems a new financial reporting and consolidation package, Frango, is being introduced to improve the quality and speed of financial reporting.

In Livingston there are 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 has implemented e-result as the ERP system throughout the rental business; this is providing operational benefits, as well as enabling improved central monitoring and corporate control by applying division-level controls centrally across the entire rental business.

Brammer has had a finance manual in place for many years; it 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. As reporting requirements and accounting standards evolve, and as the group focuses on its core activities, it is important that this manual is reviewed and updated on a regular basis.

In addition to the group finance director, the group has senior financial managers at head office and at each division. These managers are invited to attend certain audit committee meetings to present an updated assessment of their respective areas of the business and the risks and controls therein. The board regularly considers whether the company should have an internal audit department; some subsidiaries have their own internal audit function and following the disposal of the Livingston division the board will undertake a thorough review to determine whether this is now the appropriate time to introduce internal audit across the group.

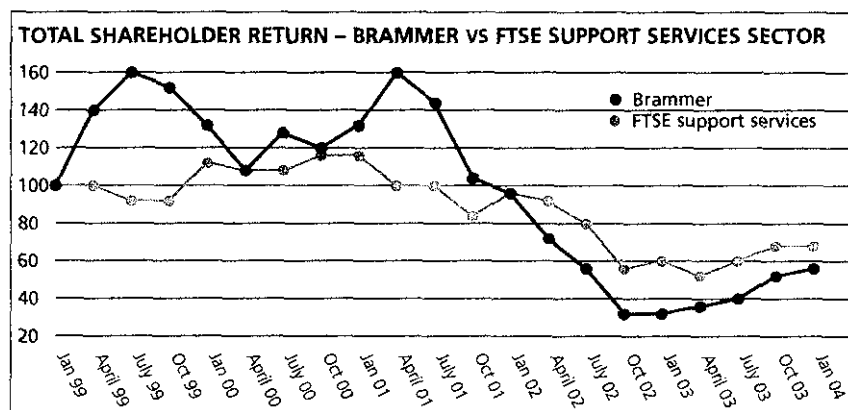
Following the creation of two clear divisional structures, those divisions have instituted internal monthly self-assessment processes at subsidiary level, tailored to their respective operations; these assessments are submitted to their respective divisional teams for review. Monthly financial results 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.

These control processes are under continuing review to ensure adequacy for the purpose and efficient working in furtherance of their objectives.

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. The risk assessment is presented to the board on a regular basis. A separate review is carried out at Brammer that focuses on corporate risks.

Brammer's insurance continues to be managed and co-ordinated centrally with the assistance of insurance brokers. 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.



The remuneration committee ("the committee") members are Chris Conway, David Dunn and Kevin Mellor, who are all independent non-executive directors. Kevin Mellor is the chairman of the committee. Members of the committee have no personal financial 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, 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, savings related share options and the performance share plan.

The remuneration committee has its own terms of reference which are periodically reviewed by the committee and the board. These will be reviewed during the year, to ensure compliance with the Combined Code on Corporate Governance and once approved by the remuneration committee and the board will be displayed on the company's web site.

The chairman of the company and the chairman of the remuneration committee are available to shareholders to discuss remuneration policy.

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.

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. During the year, the committee has taken advice from Monks Partnership (the Executive & Management Pay Group of PricewaterhouseCoopers LLP) on market practice with regard to basic salary and for above earnings cap pension provision. Advice has been taken from Eversheds LLP on certain aspects of executive directors' contracts.

The committee does receive and consider general information on pay and employment conditions around the group, especially when determining annual salary increases.

Performance related pay

The committee and the board seek to link a significant proportion of the remuneration package to individual specific performance and to the financial performance of the group. The policy of the committee is to align directors' interests with those of shareholders and to give these executives keen incentives to perform at the highest levels.

Performance related elements of the remuneration package are the annual bonus schemes and the awards made under the performance share plan. Further details of these benefits are set out below.

All directors are encouraged to be shareholders of the company.

Total shareholder return graph

Set out to the left is the graph showing the company's total shareholder return ("TSR") over the last five years. It is compared to the TSR of the FTSE support services sector of which Brammer is a member. As the company has two distinct divisions there are no direct comparative companies. The committee has selected this group as it combines a wide number of diverse businesses which collectively provide a comparator group.

Remuneration of executive directors

The components of the remuneration packages for the executive directors are set out below. Mel Porter and Robert Hough resigned during the year. Jean-Marie Fink resigned on 1 April 2004.

Basic salary

The committee seeks 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 bonus targets to create incentives for executive directors to perform at the highest level and to align their interests with those of shareholders. Bonuses are not pensionable.

On the achievement of quantified financial and non-financial targets, awards of up to 60% of annual salary can be made. Maximum bonus will only be paid in years of exceptional performance. For 2003 the remuneration committee set a performance related bonus scheme for executive directors based on achieving stretching earnings per share and cash production targets. Up to 35% of salary will be payable for achieving the earnings per share target and 15% for achieving the group cash production target. A maximum of 10% of salary would be awarded, for the achievement of challenging personal objectives. Targets are based on group performance for the year. In considering executive bonus payments for 2003 the committee was mindful of group performance during the year.

The bonus scheme for 2004 is set on principles similar to those in the 2003 scheme save that Ian Fraser will be entitled to a maximum award of 70% of annual salary.

Executive share option schemes

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. Under these schemes executive directors and senior executives have been granted options to acquire ordinary shares in the company after a period of three years from date of grant. The committee considers the performance criteria on each occasion that options are granted. It seeks to set targets which are in line with market practice and align the interests of these directors with shareholders. Options may not be granted at an option price less than the market value at the date of grant. Details of the performance targets are set out in the notes to the share option table below. On each occasion that options are granted, the committee reviews the performance targets taking account of market practice. When the committee believes it to be appropriate it will take external advice.

In determining whether performance targets have been met the earnings per share figures are taken from the published accounts and the published retail price index for the same period.

There are a small number of executive share options which do not have attaching performance targets. These options were granted in 1994 and 1995 when best practice did not require performance targets to be set.

Performance share plan

The Brammer plc Performance Share Plan ("the Plan") enables executive directors and senior executives to acquire shares in the company, at no cost, upon the achievement of performance targets. Awards under the Plan are subject to earnings per share growth targets. The target is set by the committee having taken external advice on market practice. Participants only receive the full award, which for directors equates to 75% of their basic salary, if the company's earnings per share over three financial years has increased by 40% in real terms. Earnings per share has to increase by at least 15% in real terms for the director or executive to receive any shares. If shares are awarded, directors and executives are expected to retain at least 50% of them for three years. Participants in the Plan will not receive options under the company's executive share option schemes.

The UK executive directors may participate in the savings related share option scheme which was approved by shareholders in 1999. This scheme is approved by the Inland Revenue.

In the light of the management restructure, following the disposal of the Livingston division, the remuneration committee is undertaking a comprehensive review of the short term and long term reward structure.

Audited information

The remainder of the remuneration report is audited information with the exception of the section entitled "service contracts".

Director's options

	31 December 2002	Granted/ (exercised)	31 December 2003	Exercise price pence	Market price on date of exercise pence	Gains on options exercised £	Date from which exercisable	Expiry date
Jean-Marie Fink								
Discretionary	20,000	–	20,000 ¹	310.0			8 Apr 1997	8 Apr 2004
	25,000	–	25,000 ¹	355.0			19 Apr 1998	19 Apr 2005
	20,000	–	20,000 ²	513.0			29 Mar 1999	29 Mar 2006
	15,000	–	15,000 ²	576.0			9 Sep 2000	9 Sep 2007
	15,000	–	15,000 ²	380.0			15 Sep 2001	15 Sep 2008
	10,000	–	10,000 ²	515.0			10 Sep 2002	10 Sep 2009
	7,500	–	7,500 ³	338.5			6 Sep 2004	6 Sep 2011
	112,500	–	112,500					
Ian Fraser								
Discretionary	100,000	–	100,000 ²	335.0			6 Oct 2001	6 Oct 2008
	24,000	–	24,000 ²	515.0			10 Sep 2002	10 Sep 2009
	65,000	–	65,000 ²	390.0			12 Sep 2003	12 Sep 2010
	66,469	–	66,469 ³	338.5			6 Sep 2004	6 Sep 2011
Savings related	6,515	–	6,515	254.0			1 Dec 2006	1 June 2007
	261,984	–	261,984					
David Hollywood								
Discretionary	25,000	–	25,000 ¹	355.0			19 Apr 1998	19 Apr 2005
	20,000	–	20,000 ²	513.0			29 Mar 1999	29 Mar 2006
	15,000	–	15,000 ²	576.0			9 Sep 2000	9 Sep 2007
	10,000	–	10,000 ²	380.0			15 Sep 2001	15 Sep 2008
	10,000	–	10,000 ²	515.0			10 Sep 2002	10 Sep 2009
	8,613	–	8,613 ²	390.0			12 Sep 2003	12 Sep 2010
	44,313	–	44,313 ³	338.5			6 Sep 2004	6 Sep 2011
Savings related	6,515	–	6,515	254.0			1 Dec 2006	1 June 2007
	139,441	–	139,441					
Paul Thwaite								
Discretionary	–	–	–					
Savings related	–	–	–					
	31 December 2002	Granted/ (exercised)	11 March 2003	Exercise price pence	Market price on date of exercise pence	Gains on options exercised £	Date from which exercisable	Expiry date
Mel Porter								
Discretionary	53,000	–	53,000 ²	494.0			6 Oct 2002	6 Oct 2009
	45,000	–	45,000 ²	390.0			12 Sep 2003	12 Sep 2010
	42,836	–	42,836 ³	338.5			6 Sep 2004	6 Sep 2011
	15,164	–	15,164 ⁴	338.5			6 Sep 2004	6 Sep 2011
Savings related	6,515	–	6,515	254.0			1 Dec 2006	1 June 2007
	162,515	–	162,515					

Notes

- 1 No performance related conditions apply to these options.
- 2 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 growth in the earnings per share of the company has exceeded the retail price index by 2% per annum during the same period.
- 3 The performance target for these options is based on the growth in normalised consolidated fully diluted earnings per share, before goodwill, of the group. 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.
- 4 These options are subject to a similar performance target to note 3 above, save that the growth has to exceed the growth in the retail price index by at least 5% per annum.
- 5 The middle market price of an ordinary share at the close of business on 7 April 2004 was 126.5p. The range of prices during the year was 75p to 178p and at 31 December 2003 the price was 141p.
- 6 It is not appropriate to apply a future notional value to these share options as the option prices are below the

Share performance plan

	31 December 2002	Granted/ (vested)	31 December 2003	Market price on vesting date pence	Gains on vesting £	Vesting date
Jean-Marie Fink	–	95,436	95,436			Spring 2006
Ian Fraser	–	177,273	177,273			Spring 2006
David Hollywood	–	118,182	118,182			Spring 2006
Paul Thwaite	–	118,182	118,182			Spring 2006

Pension

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

Other benefits

Other benefits provided to the executive directors include private healthcare benefits, permanent health insurance (to secure income in the event of ill health or disability), life assurance, contribution to home telephones and a 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

	31 December 2003 Shares	Ordinary shares of 20p 31 December 2002 Shares
Chris Conway	12,202	7,202
David Dunn	2,500	2,500
Jean-Marie Fink	3,664	3,664
Ian Fraser	30,295	30,295
David Hollywood	67,289	67,289
Kevin Mellor	1,086	1,086
Paul Thwaite	2,000	2,000

There were no changes in the above-mentioned interests between 1 January 2004 and 7 April 2004.

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 SAS. 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 £321,240 (2002 £302,113).

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 determined by the board on the recommendation of the chairman and the chief executive. The remuneration of the chairman is determined by the board on the recommendation of the other non-executive directors. In both cases the recommendations are supported by independent advice. Consideration is given to the time commitment and responsibilities of the roles.

Service contracts

Each of the executive directors has a service contract with the company.

	Contract date	Notice period
Jean-Marie Fink	6 August 1992	Renewable for 1 year periods from 6 August
Ian Fraser	1 July 1998	Rolling 2 years
David Hollywood	22 October 1990	Rolling 2 years
Paul Thwaite	24 January 2002	Rolling 1 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. In line with this policy when Paul Thwaite was appointed a director in May 2002 his contract included a one-year notice period. It is the committee's intention, where appropriate, to follow this policy for any future appointments.

If a contract is to be terminated, the committee will determine such mitigation as it considers fair and reasonable in each circumstance and the compensation that may be paid. It will take into account the best practice provisions of the Combined Code and it will take legal advice on the company's liability to pay compensation and the appropriate amount. For the executive directors who have left the company in recent years, the remuneration committee has adopted a robust policy and has applied mitigation as far as it fair and reasonable in each circumstance.

During the year, the service contracts for Ian Fraser, David Hollywood and Paul Thwaite were extended to each contain a liquidated damages clause. In the event of a change of control of the company, save in circumstances where their employment is terminated by reason of retirement or where summary dismissal is warranted, the company is obliged to pay to the director a sum representing basic salary, pension benefit, car allowance and bonus (based on the average bonus payments made over the previous three years) for a period of one year.

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 in November 2001. His appointment is for a period of three years from 30 April 2002.

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.

Shareholders renewed both of these appointments, for a third period of three years, at the annual general meeting in 2003.

Robert Hough retired on 18 December 2003 having served ten years as a non-executive director.

Directors' remuneration and emoluments

The remuneration and taxable benefits in kind of the directors in the year ended 31 December 2003 are set out below. In addition to these emoluments, Ian Fraser, David Hollywood, Mel Porter and Paul Thwaite received payments in respect of salary in excess of the earnings cap. Details of these payments are set out in the pension section below.

	Fees/ salary £'000	Bonus £'000	Benefits (excluding pension and share options) £'000	Payments in lieu of pension contributions £'000	2003 total £'000	2002 total £'000
Non-executives						
Chris Conway	24	—	—	—	24	24
David Dunn (chairman)	85	—	—	—	85	85
Robert Hough ¹	27	—	—	—	27	27
Kevin Mellor	27	—	—	—	27	27
Executives						
Jean-Marie Fink ²	132	12	6	—	150	151
Ian Fraser ³	234	52	16	43	345	257
David Hollywood	156	22	13	18	209	203
Mel Porter ⁴	28	0	3	8	39	160
Paul Thwaite	156	36	11	18	221	120
	869	122	49	87	1,127	1,054

Notes

- Robert Hough retired as a director on 18 December 2003.
- Jean-Marie Fink is resident in France and his emoluments were paid largely in euros. The figures stated above reflect the sterling equivalent of amounts paid converted at the 2003 average exchange rate of €1.452 = £1.
- The highest paid director in the year ended 31 December 2003 was Ian Fraser.

- 4 Mel Porter resigned as a director on 11 March 2003 and left the company on this date. He received £100,100 compensation for loss of office and a payment of £1,847 for loss of medical insurance.
- 5 Full details of payments made in lieu of pension contributions are set out in the directors' pension entitlements section below.
- 6 The total amount paid to directors, including amounts paid to Mel Porter after his resignation as a director, were £1,228,947 (2002 £1,319,000).

Directors' pension entitlements

Paul Thwaite participates in an approved defined contribution pension scheme ("DC Scheme") which the company introduced in January 2002. The scheme is open to UK employees joining the group after 1 January 2002. The company has contracted to contribute 15% of the earnings cap, representing £14,783, into the DC Scheme for him.

The other UK based executive directors participate in a defined benefit non-contributory pension scheme governed by an independent trust. The scheme is approved by the Inland Revenue. The scheme provides, at normal retirement age of 62, and subject to length of service, a pension of up to 2/3rds of pensionable salary at retirement, subject to a minimum of 20 years' service with the company and to Inland Revenue limits. Details of the pension benefits accrued during the year are set out below.

The following directors are members of this scheme and have accrued defined benefits during 2003

	Accumulated total accrued annual pension 31 December 2003 £	Accumulated total accrued annual pension 31 December 2002 £	Increase in accrued pension during the year (net of inflation) £	Transfer value of increase £
Ian Fraser	10,400	7,000	3,200	24,800
David Hollywood	42,200	38,200	3,300	41,200
Mel Porter	10,900	10,300	300	2,500

Notes

- 1 The accumulated total accrued pension as at 31 December 2002 has been adjusted for inflation in arriving at the increase in the accrued pension at 31 December 2003.
- 2 The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, less directors' contributions.
- 3 Neither the contributions nor the resulting benefits from additional voluntary contributions paid are reflected in this table.
- 4 Mel Porter left the scheme on 11 March 2003 with a preserved entitlement of £10,900 per annum. As at 31 December 2002, he had a preserved pension entitlement of £10,300 per annum. The increase in the accrued pension of £300 per annum represents the increase (net of inflation) of his preserved pension entitlement.

Set out below are the additional disclosure requirements as set out in the Directors' Remuneration Report Regulations 2002

	Increase in accrued pension during the year £	Transfer value of accrued pension at 31 December 2003 £	Transfer value of accrued pension at 31 December 2002 £	Increase in transfer value £
Ian Fraser	3,400	79,600	48,100	31,500
David Hollywood	4,000	529,800	416,500	113,300
Mel Porter	600	77,600	62,500	15,100

Note

- 1 The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, less directors' contributions. The increase in accrued pension during the year excludes any increase due to inflation.

For both the defined benefit and defined contribution arrangements, pension entitlement is calculated by reference to basic salary only (subject to the earnings cap) and neither annual bonuses nor benefits in kind are pensionable.

The dependants of each of the UK executive directors are eligible for dependants' pensions and payments of a lump sum in the event of death in service.

Ian Fraser, David Hollywood, Mel Porter and Paul Thwaite's pensions from the pension schemes are affected by the Inland Revenue earnings cap on approved pension benefits. The company established funded unapproved top-up arrangements ("FURB") for Ian Fraser, David Hollywood and Mel Porter. The contributions in 2003 were

	2003 £	Contributions 2002 £
Ian Fraser ¹	—	18,517
David Hollywood	18,384	9,075
Mel Porter ²	7,975	15,950

Notes

1 Ian Fraser elected to exchange his FURB entitlement for a cash payment. Accordingly, he received payments totalling £43,344 in place of contributions to his FURB.

2 Mel Porter resigned as a director on 11 March 2003.

Paul Thwaite receives a cash allowance in place of a FURB. The payments made during the year to him were £18,240.

Jean-Marie Fink, who is resident in France, contributes to the mandatory French state scheme. Company contributions on his behalf in 2003 were €41,344 (£28,474). In 2002 the contributions were €38,082 (£24,825).

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 except as explained in the 'Accounting policies' section. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 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 balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the statement of accounting policies and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

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. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been 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 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 directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the chief executive's review and financial review and the corporate governance statement.

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 of the Financial Services Authority, 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 and the auditable part of the directors' remuneration report. 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 and the auditable part of the directors' remuneration report 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 at 31 December 2003 and of the loss and cash flows of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Manchester

7 April 2004

	Notes	2003 £'000	2003 £'000	2002 Restated £'000	2002 Restated £'000
Turnover					
Existing businesses		249,261		238,845	
Acquired businesses		13,251		–	
Continuing businesses		262,512		238,845	
Discontinued businesses		86,960		99,146	
Total turnover	1		349,472		337,991
Cost of sales (including exceptional items)			(262,306)		(230,306)
Gross profit	1		87,166		107,685
Net operating expenses (including exceptional items)	1		(113,065)		(108,667)
Operating profit/(loss)					
Existing businesses		4,403		5,786	
Acquired businesses		830		–	
Continuing businesses		5,233		5,786	
Discontinued businesses		(31,132)		(6,768)	
Total operating loss after exceptional items	1		(25,899)		(982)
Share of associates' operating profit			149		609
Amortisation of goodwill in associates			(10)		(62)
Loss on ordinary activities before interest	1		(25,760)		(435)
Net interest payable	4		(3,471)		(4,147)
Profit on ordinary activities before goodwill, exceptional items and interest	1	10,480		10,770	
Interest	4	(3,471)		(4,147)	
Goodwill		7,009		6,623	
Exceptional items	3	(2,960)		(2,505)	
		(33,280)		(8,700)	
Loss on ordinary activities before tax	1		(29,231)		(4,582)
Tax (charge)/credit on loss on ordinary activities	5		(7,086)		1,503
Loss on ordinary activities after tax			(36,317)		(3,079)
Dividends	6		(2,117)		(2,154)
Retained loss for the financial year	14		(38,434)		(5,233)
Earnings per share					
Basic	7		(75.9)p		(6.4)p
Diluted	7		(75.9)p		(6.4)p
Basic before goodwill amortisation and exceptional items	7		11.8p		10.9p
Dividend per share	6		4.5p		4.5p

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2003

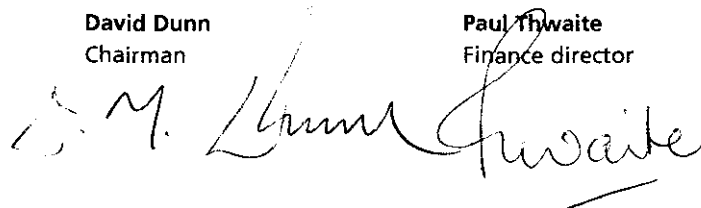
	2003 £'000	2002 Restated £'000
Loss for the financial year	(36,317)	(3,079)
Exchange differences on foreign currency net investments	7	958
Total recognised losses for the year	(36,310)	(2,121)
Prior year adjustment	1,579	–
Total losses recognised since last annual report	(34,731)	(2,121)

	Notes	2003 £'000	2002 Restated £'000
Fixed assets			
Intangible assets	8	49,569	45,500
Tangible assets	8	23,783	55,439
Investment in associates	9	478	2,008
		73,830	102,947
Current assets			
Stock		51,018	46,073
Debtors	10	70,961	73,788
Cash and deposits		12,740	11,869
		134,719	131,730
Creditors – due within one year	11	(118,465)	(101,548)
Net current assets		16,254	30,182
Total assets less current liabilities		90,084	133,129
Creditors – due after more than one year	12	(64,224)	(67,899)
Provisions for liabilities and charges	13	(5,707)	(2,855)
Net assets employed		20,153	62,375
Capital and reserves	14		
Called up share capital		9,573	9,573
Share premium account		3,552	3,552
Shares to be issued		–	3,217
Profit and loss account		7,028	46,033
Equity shareholders' funds		20,153	62,375

The accounts on pages 32 to 60 were approved by the board on 7 April 2004 and were signed on its behalf by

David Dunn
Chairman

Paul Thwaite
Finance director

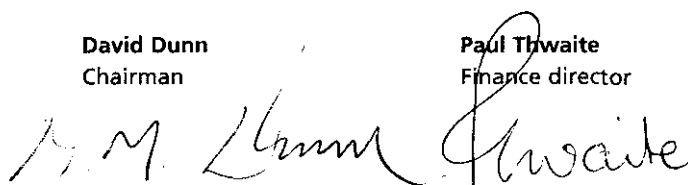


The company	Notes	2003 £'000	2002 £'000
Fixed assets			
Investments	9	46,344	47,907
Current assets			
Debtors – due after more than one year	10	114,379	125,429
Debtors – due within one year	10	3,360	5,671
Cash and deposits		938	3,650
		118,677	134,750
Creditors – due within one year	11	(75,338)	(55,139)
Net current assets		43,339	79,611
Total assets less current liabilities		89,683	127,518
Creditors – due after more than one year	12	(60,147)	(66,997)
Net assets employed		29,536	60,521
Capital and reserves	14		
Called up share capital		9,573	9,573
Share premium account		3,552	3,552
Shares to be issued		–	3,217
Special capital reserve		12,077	12,077
Profit and loss account		4,334	32,102
Equity shareholders' funds		29,536	60,521

The accounts on pages 34 to 50 were approved by the board on 7 April 2004 and were signed on its behalf by

David Dunn
Chairman

Paul Thwaite
Finance director



	Notes	2003 £'000	2002 Restated £'000
Net cash inflow from operating activities	15	29,377	51,551
Returns on investments and servicing of finance			
Interest received		126	214
Interest paid		(3,479)	(5,130)
		(3,353)	(4,916)
Tax (paid)/received		(567)	2,382
Capital expenditure			
Purchase of tangible fixed assets		(23,758)	(30,332)
Sale of tangible fixed assets		14,848	16,787
		(8,910)	(13,545)
Acquisitions and disposals			
Purchase of subsidiaries and businesses		(59)	(828)
Net cash acquired		213	191
		154	(637)
Investment in associated undertaking		(520)	311
Deferred consideration paid		(20,729)	(2,879)
	18	(21,095)	(3,205)
Disposal of interest in associated undertaking		377	–
Net cash sold		(37)	–
		(20,755)	(3,205)
Equity dividends paid		(2,117)	(6,749)
Net cash (outflow)/inflow before management of liquid resources and financing		(6,325)	25,518
Management of liquid resources			
Deposits		(2,091)	(559)
Financing			
New loans taken out/(repayment of loans)		5,607	(15,289)
Capital element of finance leases		(158)	(140)
Purchase of own shares	14	(771)	–
		4,678	(15,429)
(Decrease)/increase in cash	16	(3,738)	9,530

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards under the historic cost convention. A summary of the more important group accounting policies is set out below, together with an explanation of where changes have been made to previous policies.

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

During the year the group changed its accounting policy and decided to denominate goodwill as a currency asset as the directors consider that it is more appropriate to denominate goodwill in the same currency as that in which the assets of the related subsidiary are denominated. Previously goodwill had been denominated as a sterling asset calculated by reference to the exchange rate which applied on the effective date of acquisition of the subsidiary. The comparative results for 2002 have been restated accordingly as detailed in note 14.

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.

Associates are accounted for under the equity accounting basis.

Foreign currencies

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. Other transactional exchange differences are taken to the profit and loss account.

Turnover

Turnover represents the invoiced value of services rendered to third parties, goods despatched prior to the year end (excluding the sale proceeds of previously rented fixed assets but including sales of electronic equipment purchased specifically for resale) and finance lease income where the group acts as lessor, net of sales taxes and trade discounts. 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 arrangements

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 at cost and are depreciated over the shorter of the lease term or their useful economic life. 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.

Finance leases where the group is the lessor

Leases whereby all the risks and rewards of ownership pass to the customer are treated as finance leases and recognised as debtors at the present value of the lease payments receivable and the income recognised as turnover. The associated costs of the leased equipment are taken to cost of sales at the same time. The lease debtor is sold to financial institutions without recourse.

Operating leases where the group is the lessor

Leases whereby all the risks and rewards of ownership remain with the group are treated as operating leases and the income is recognised on a straight line basis over the period of hire.

Fixed assets

Fixed assets are stated at cost net of trade and volume discounts. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Finance costs are not capitalised as part of fixed assets.

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. The lives of the assets are reviewed at regular intervals and 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	3-7 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 any impairment in value of assets, including 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. The discount rate used is based upon the group's weighted average cost of capital.

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.

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. Provisions are made for slow moving and obsolete items.

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 within reserves as "Shares to be issued".

Deferred tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts which have been prepared and approved by the board. Deferred tax assets and liabilities are not discounted.

Pensions

Contributions to the group defined benefits 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. Contributions in respect of defined contribution schemes are charged to the profit and loss account in the year in which they arise.

Financial derivatives

The group uses forward exchange contracts to manage its exposure to foreign currency exchange risks and to hedge its investments in overseas subsidiaries and investments designated in foreign currencies. Such financial instruments are treated as hedges against the underlying assets and liabilities. All gains and losses are taken to the statement of total recognised gains and losses until the instrument and underlying hedged investments are sold when the profit or loss arising is taken to the profit and loss account as realised. Where there is a legal right of set off between a deposit and a loan the two are offset within the financial statements. The group excludes all short-term debtors and creditors from its derivatives and financial instruments disclosures.

Provisions

Provisions in respect of liabilities are made in accordance with FRS 12 and are discounted where the effect is material. Provisions for redundancies and restructuring costs are made once a detailed formal plan has been prepared and approved.

Purchase of own shares

The group has adopted UITF Abstract 17 "Employee share schemes" early in these financial statements. As the group has acquired shares for the first time in the year to 31 December 2003 the adoption of this abstract has had no impact on the prior year comparatives.

The cost of shares acquired to satisfy the group's performance related remuneration are taken directly to reserves. The cost of providing the benefits (representing the difference between the fair value of the share at the date the award is granted and the consideration payable by the employee) is charged to the profit and loss account over the performance period and credited to the profit and loss reserve.

1 TURNOVER, PROFIT AND NET ASSETS

Notes	2003		2003 Continuing businesses	2003 Discontinued businesses	2003 Total
	Existing £'000	Acquired £'000	Total £'000	£'000	Total £'000
Turnover	249,261	13,251	262,512	86,960	349,472
Cost of sales	(173,579)	(8,461)	(182,040)	(55,088)	(237,128)
Exceptional items	3	–	–	(25,178)	(25,178)
Total cost of sales	(173,579)	(8,461)	(182,040)	(80,266)	(262,306)
Gross profit	75,682	4,790	80,472	6,694	87,166
Selling and logistics expenses	(51,521)	(3,679)	(55,200)	(12,864)	(68,064)
Exceptional items	3	–	–	(1,147)	(1,147)
Total selling and logistics expenses	(51,521)	(3,679)	(55,200)	(14,011)	(69,211)
Administrative expenses before amortisation of goodwill	(15,757)	(1)	(15,758)	(18,191)	(33,949)
Exceptional items	3	(2,048)	(187)	(4,720)	(6,955)
	(17,805)	(188)	(17,993)	(22,911)	(40,904)
Amortisation of goodwill	(1,953)	(93)	(2,046)	(904)	(2,950)
Total administrative expenses	(19,758)	(281)	(20,039)	(23,815)	(43,854)
Net operating expenses	(71,279)	(3,960)	(75,239)	(37,826)	(113,065)
Operating profit/(loss)	4,403	830	5,233	(31,132)	(25,899)

Notes	2002 Continuing businesses Restated £'000	2002 Discontinued businesses Restated £'000	2002 Total Restated £'000
Turnover	238,845	99,146	337,991
Cost of sales	(166,377)	(60,391)	(226,768)
Exceptional items	3	(337)	(3,538)
Total cost of sales	(166,714)	(63,592)	(230,306)
Gross profit	72,131	35,554	107,685
Selling and logistics expenses	(47,167)	(17,608)	(64,775)
Exceptional items	3	(1,247)	(3,078)
Total selling and logistics expenses	(48,414)	(19,439)	(67,853)
Administrative expenses before amortisation of goodwill	(15,715)	(20,572)	(36,287)
Exceptional items	3	(461)	(2,084)
	(16,176)	(22,195)	(38,371)
Amortisation of goodwill	(1,755)	(688)	(2,443)
Total administrative expenses	(17,931)	(22,883)	(40,814)
Net operating expenses	(66,345)	(42,322)	(108,667)
Operating profit/(loss)	5,786	(6,768)	(982)

1 TURNOVER, PROFIT AND NET ASSETS continued

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

	2003 £'000	Brammer Industrial Services 2002 Restated £'000	2003 £'000	Livingston 2002 Restated £'000	2003 £'000	Total 2002 Restated £'000
Turnover	262,512	238,845	86,960	99,146	349,472	337,991
Profit/(loss) before goodwill, exceptional items and interest	11,806	11,199	(1,326)	(429)	10,480	10,770
Exceptional items	(2,235)	(2,045)	(31,045)	(6,655)	(33,280)	(8,700)
Goodwill	(2,056)	(1,806)	(904)	(699)	(2,960)	(2,505)
Profit/(loss) before interest	7,515	7,348	(33,275)	(7,783)	(25,760)	(435)
Interest					(3,471)	(4,147)
Loss before tax					(29,231)	(4,582)
Net operating assets excluding goodwill and deferred consideration	49,860	54,274	13,520	43,047	63,380	97,321
Capitalised goodwill	36,065	32,884	13,504	12,616	49,569	45,500
Deferred consideration	(7,166)	(15,444)	–	(2,983)	(7,166)	(18,427)
Net operating assets	78,759	71,714	27,024	52,680	105,783	124,394
Net debt					(79,719)	(62,750)
Dividends					(1,436)	(1,436)
Net tax					(4,475)	2,167
Net assets employed					20,153	62,375

The results of KNS are included within the Brammer Industrial Services section above.

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

	2003 £'000	United Kingdom 2002 Restated £'000	2003 £'000	Other Europe 2002 Restated £'000	2003 £'000	Total 2002 Restated £'000
Turnover	118,918	123,855	230,554	214,136	349,472	337,991
Profit before goodwill, exceptional items and interest	2,565	6,761	7,915	4,009	10,480	10,770
Exceptional items	(3,409)	(2,568)	(29,871)	(6,132)	(33,280)	(8,700)
Goodwill	–	–	(2,960)	(2,505)	(2,960)	(2,505)
(Loss)/profit before interest	(844)	4,193	(24,916)	(4,628)	(25,760)	(435)
Net operating assets excluding goodwill and deferred consideration	22,573	34,752	40,807	62,569	63,380	97,321
Capitalised goodwill	–	–	49,569	45,500	49,569	45,500
Deferred consideration	–	–	(7,166)	(18,427)	(7,166)	(18,427)
Net operating assets	22,573	34,752	83,210	89,642	105,783	124,394

Included in the group net operating assets excluding goodwill and deferred consideration of £63,380,000 is an amount of £5,598,000 relating to acquisitions in the year which were all Brammer Industrial Services companies in other Europe.

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

1 TURNOVER, PROFIT AND NET ASSETS continued

Operating profit is stated after charging/(crediting)

	2003 £'000	Brammer Industrial Services 2002 £'000	2003 £'000	Livingston 2002 £'000	2003 £'000	Total 2002 £'000
Depreciation and impairment	2,842	3,393	42,608	36,139	45,450	39,532
Finance leases (included above)					55	50
(Profit)/loss on sale of fixed assets	–	(500)	(1,422)	1,831	(1,422)	1,331
Operating leases						
Plant and machinery					18	25
Other including property					7,074	8,004

During the year the group (including its continental European subsidiaries) obtained the following services from the group's auditor at costs as detailed below

	2003 £'000	Total 2002 £'000
Audit services		
Statutory audit	412	444
Other assurance services	288	49
Tax services		
Compliance services	148	178
Advisory services	369	76
Other services not included above	3	67

Included in the above analysis are group audit fees and expenses paid to the group's auditor in the UK of £136,000 (2002 £160,000), of which £43,000 (2002 £42,000) was paid in respect of the company.

Also included above are the fees paid to the group's auditor in respect of non-audit services in the UK of £696,000 (2002 £221,000). Other assurance and tax advisory services principally relate to the disposal of the Livingston businesses.

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

2 EMPLOYEES

	2003 £'000	The group 2002 £'000
Aggregate emoluments of employees, including directors, were		
Wages and salaries	64,985	67,127
Social security costs	13,732	13,419
Pension costs	3,138	2,611
	81,855	83,157
	2003 numbers	The group 2002 numbers
The average number of employees, including directors, was		
Brammer Industrial Services	1,793	1,888
Livingston	989	1,128
	2,782	3,016
The number of employees as at 31 December 2003 was		
Brammer Industrial Services	1,791	1,800
Livingston	917	1,056
	2,708	2,856

Details of directors' remuneration, including those of the highest paid director, are given in the remuneration report in the "Directors' remuneration and emoluments", "Directors' pension entitlements", "Directors' interests" and "Directors' options" sections.

3 EXCEPTIONAL ITEMS

The items treated as exceptional items (£33,280,000) relate to the restructuring of the Brammer Industrial Services and Livingston divisions (£7,296,000), the writing down of the carrying value of the net assets of the Livingston Rental Businesses to the anticipated proceeds of the disposal of the business (£23,747,000) and expenses associated with the disposal of the Livingston Rental Businesses (£2,237,000).

In addition the tax charge for the year of £7,086,000 includes an amount of £5,709,000 being the write off of deferred and other tax assets in the Livingston division.

The prior year exceptional item related principally to the restructuring of the Brammer Industrial Services and Livingston divisions (£6,280,000) and additional net losses on the sale of the rental inventory and other assets (£2,206,000).

4 NET INTEREST PAYABLE

	2003 £'000	The group 2002 £'000
Interest payable		
Bank overdrafts and short term borrowings	593	209
Loans	2,915	3,970
Finance leases	58	58
Associates	28	129
	3,594	4,366
Interest receivable		
Bank and other short term deposits	(123)	(219)
	3,471	4,147

5 TAX

	2003 £'000	The group 2002 £'000
Analysis of charge in period		
Current tax		
UK corporation tax on profits of the period	(3)	63
Adjustments in respect of previous periods	526	(1,782)
	523	(1,719)
Foreign tax	2,142	597
Adjustments in respect of previous periods	(207)	(1,740)
Share of associates' tax	55	178
Total current tax (see below)	2,513	(2,684)
Deferred tax		
Origination and reversal of timing differences		
Current year – Short term timing differences	(900)	585
Capital allowances	258	2,450
Recognition of tax losses	314	(2,128)
Adjustments in respect of previous periods	–	1,119
Adjustment to the estimated recoverable amount of deferred tax assets arising in previous periods	4,901	(845)
Total deferred tax	4,573	1,181
Tax on loss on ordinary activities	7,086	(1,503)

Factors affecting the tax charge for the period

The effective tax rate for the period (-24.2%) is higher than the standard rate of corporation tax in the United Kingdom. The differences in the current tax rate are explained below

	2003 £'000	The group 2002 £'000
Loss on ordinary activities before tax	(29,231)	(4,582)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(8,769)	(1,375)
Effects of		
Expenses not deductible for tax purposes	2,470	1,827
Capital allowances for period in excess of depreciation	(258)	(2,450)
Short term timing differences	900	(585)
Tax losses recognised	(314)	2,128
Deferred tax asset not recognised	8,382	1,431
Different tax rates on overseas earnings	(217)	(138)
Adjustments in respect of previous periods	319	(3,522)
Current tax charge/(credit) for period (see above)	2,513	(2,684)

The tax charge for the year of £7,086,000 includes an exceptional amount of £5,709,000 being the write off of deferred and other tax assets in the Livingston division.

Factors that may affect future charges

The disposal of the Livingston division during 2004 is expected to have an effect on future tax charges. However it will not be possible to estimate the value of the effect until the completion accounts are finalised later in the year. Once the effects of this have passed the directors anticipate that the group's effective tax rate will be closer to the average standard rate of corporation tax for the jurisdictions in which the group operates.

6 DIVIDENDS

	2003 £'000	<i>The group</i> 2002 £'000
Interim paid 1.5p (2002 1.5p) per 20p share	681	718
Final proposed 3.0p (2002 3.0p) per 20p share	1,436	1,436
	2,117	2,154

7 EARNINGS PER SHARE

	Earnings £'000	Weighted average number of shares 000	2003 Earnings/ (losses) per share pence	Earnings £'000	Weighted average number of shares 000	2002 Earnings/ (losses) per share pence
Profit for the financial year before exceptional items and amortisation of goodwill	5,632			5,227		
Average number of shares in issue		47,865	11.8		47,865	10.9
Exceptional items	(33,280)		(69.6)	(8,700)		(18.2)
Taxation adjustment on exceptional items (see note 5)	(5,709)		(11.9)	2,899		6.1
Amortisation of goodwill	(2,950)		(6.2)	(2,443)		(5.1)
Amortisation of goodwill – associates	(10)		–	(62)		(0.1)
Loss for the financial year	(36,317)		(75.9)	(3,079)		(6.4)
Average number of shares in issue		47,865	(75.9)		47,865	(6.4)

Supplementary basic earnings per share figures have been calculated to exclude the effect of exceptional items and goodwill amortisation. The adjusted numbers have been provided in order that the effects of exceptional items and goodwill amortisation on reported earnings can be fully appreciated.

Outstanding share options and shares to be issued are anti dilutive at 31 December 2003 and 31 December 2002.

8 FIXED ASSETS – INTANGIBLE AND TANGIBLE ASSETS

	Intangible assets					The group	
	2003	2002				2003	2002
	Goodwill	Restated	Land and	Equipment	Rental	Total	Total
	£'000	Goodwill	buildings	£'000	inventory	£'000	£'000
		£'000	£'000		£'000		
Cost							
At 31 December 2002	51,094	47,849	10,827	47,024	96,464	154,315	190,575
Prior year adjustment	–	817	–	–	–	–	–
At 31 December 2002 as restated	51,094	48,666	10,827	47,024	96,464	154,315	190,575
Foreign currency movements	4,220	941	326	2,316	3,757	6,399	6,499
Additions	–	–	159	4,621	19,041	23,821	28,748
Acquisitions	3,323	1,487	758	1,741	–	2,499	227
Transfer	–	–	–	295	(295)	–	–
Disposals	–	–	(688)	(4,854)	(37,877)	(43,419)	(71,734)
At 31 December 2003	58,637	51,094	11,382	51,143	81,090	143,615	154,315
Depreciation							
At 31 December 2002	5,594	2,925	5,289	32,739	60,848	98,876	109,923
Prior year adjustment	–	(58)	–	–	–	–	–
At 31 December 2002 as restated	5,594	2,867	5,289	32,739	60,848	98,876	109,923
Foreign currency movements	524	284	159	1,674	2,579	4,412	3,831
Charge in year	2,950	2,443	613	5,096	39,741	45,450	39,532
Acquisitions	–	–	307	1,446	–	1,753	209
Transfer	–	–	–	261	(261)	–	–
Disposals	–	–	(320)	(3,975)	(26,364)	(30,659)	(54,619)
At 31 December 2003	9,068	5,594	6,048	37,241	76,543	119,832	98,876
Net book value							
At 31 December 2002 as restated	45,500	45,799	5,538	14,285	35,616	55,439	80,652
Movement in year	4,069	(299)	(204)	(383)	(31,069)	(31,656)	(25,213)
At 31 December 2003	49,569	45,500	5,334	13,902	4,547	23,783	55,439
Accumulated depreciation of rental inventory at 31 December 2002 included £8,699,000 in respect of impairment provisions. During the year £2,656,000 was utilised and £22,132,000 was charged as an exceptional item resulting in a balance at 31 December 2003 of £28,175,000.							
The net book value comprises							
Goodwill	49,569	45,500					
Freehold properties			1,896			1,896	1,851
Long leasehold properties			2,160			2,160	2,281
Short leasehold properties			1,278			1,278	1,406
Fixtures and fittings				6,265		6,265	6,440
Office equipment				7,234		7,234	6,889
Motor vehicles				403		403	956
Rental inventory					4,547	4,547	35,616
	49,569	45,500	5,334	13,902	4,547	23,783	55,439

8 FIXED ASSETS – INTANGIBLE AND TANGIBLE ASSETS continued

	2003 £'000	<i>The group</i> 2002 £'000
At 31 December 2003		
Assets held under finance leases (included above)		
Cost	2,106	1,868
Depreciation	(1,490)	(1,325)
	616	543
Gross depreciable cost of freehold buildings	3,905	3,360
Future capital expenditure		
Commitments for which contracts have been placed (all rental inventory)	217	607

Operating lease commitments

At 31 December 2003 the commitment to minimum annual lease payments was as follows

	2003 £'000	Property 2002 £'000	2003 £'000	<i>The group</i> Other 2002 £'000
Leases which terminate				
Within one year	1,154	1,069	923	466
Between one and five years	1,961	3,661	1,559	2,159
After five years	1,501	2,526	–	–
	4,616	7,256	2,482	2,625

9 FIXED ASSETS - INVESTMENTS (UNLISTED)

	Cost £'000	Goodwill amortisation £'000	Other £'000	2003 Total £'000	<i>The group</i> 2002 £'000	2003 £'000	<i>The company</i> 2002 £'000
Associates							
At 31 December 2002	1,227	(218)	999	2,008	1,979	1,557	1,868
Foreign currency movements	–	–	90	90	100	–	–
Acquisition of associate	98	–	422	520	–	–	–
Share of associates' retained earnings	–	–	66	66	302	–	–
Goodwill amortisation	–	(10)	–	(10)	(62)	–	–
Transfer to subsidiary	(1,134)	205	(902)	(1,831)	–	(1,226)	–
Loan repaid by associate in year	–	–	–	–	(311)	–	(311)
Disposal of associate	(93)	21	(293)	(365)	–	(331)	–
At 31 December 2003	98	(2)	382	478	2,008	–	1,557
Subsidiaries							
At 31 December 2002						46,350	46,417
Liquidation of dormant subsidiaries						(6)	(67)
At 31 December 2003						46,344	46,350
				478	2,008	46,344	47,907

Details of the company's and group's investments are included in the "Principal subsidiaries and associates" section of this annual report.

10 DEBTORS

	2003 £'000	The group 2002 £'000	2003 £'000	The company 2002 £'000
Amounts due after one year				
Amounts owed by group undertakings	–	–	114,379	125,429
Amounts due within one year				
Trade debtors	66,197	68,042	–	–
Amounts owed by group undertakings	–	–	3,358	5,665
Other debtors	2,623	957	–	–
Prepayments and accrued income	1,459	2,064	2	6
Pension debtor	682	558	–	–
Corporation tax	–	783	–	–
Deferred tax	–	1,384	–	–
	70,961	73,788	3,360	5,671
	70,961	73,788	117,739	131,100

11 CREDITORS - DUE WITHIN ONE YEAR

	2003 £'000	The group 2002 £'000	2003 £'000	The company 2002 £'000
Bank and other borrowings	28,475	7,106	26,842	–
Finance lease commitments due within one year	108	54	–	–
Trade creditors	49,203	48,128	–	–
Amounts owed to group undertakings	–	–	44,740	52,550
Corporation tax	1,242	–	2,098	958
Social security and other taxes	6,379	6,946	–	–
Other creditors	3,369	4,542	–	–
Deferred consideration	6,818	17,987	–	–
Accruals	21,435	15,349	222	195
Dividends	1,436	1,436	1,436	1,436
	118,465	101,548	75,338	55,139

12 CREDITORS – DUE AFTER MORE THAN ONE YEAR

	2003 £'000	The group 2002 £'000	2003 £'000	The company 2002 £'000
Unsecured bank loans repayable				
Between one and two years	111	2	–	–
Between two and five years	62,895	66,825	60,147	66,997
Over five years	307	–	–	–
	63,313	66,827	60,147	66,997
Finance lease commitments				
Between one and two years	67	75	–	–
Between two and five years	411	496	–	–
Over five years	85	61	–	–
	563	632	–	–
Deferred consideration	348	440	–	–
	64,224	67,899	60,147	66,997

Details of the security on the loans in notes 11 and 12 above are given in note 17.

13 PROVISIONS FOR LIABILITIES AND CHARGES

	2003 £'000	The group 2002 £'000
Reorganisation provision		
At 31 December 2002	2,855	—
Foreign currency movements	228	—
Charged to the profit and loss account	7,863	7,739
Utilised in the year	(7,578)	(3,425)
Released	(894)	(1,459)
At 31 December 2003	2,474	2,855

The reorganisation provision was created to cover redundancy, site exit and associated costs in the Brammer Industrial Services and Livingston divisions. The provision is expected to be fully utilised during the first half of 2004.

	2003 £'000	The group 2002 £'000
Deferred tax		
At 31 December 2002	(1,384)	(2,521)
Foreign currency movements	44	(44)
Profit and loss account charge	4,573	1,181
At 31 December 2003	3,233	(1,384)
Balance at 31 December 2003 represents		
Accelerated capital allowances	498	416
Losses	(685)	(2,972)
Other timing differences	3,420	1,172
At 31 December 2003	3,233	(1,384)

The company has no deferred tax liability. The group makes full provision for deferred tax liabilities and there are no unprovided deferred tax assets.

Total provisions for liabilities and charges at 31 December 2003	5,707	2,855
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The group's 2002 deferred tax asset is shown as a debtor in note 10.

14 CAPITAL AND RESERVES

	Issued share capital £'000	Share premium £'000	Shares to be issued £'000	Profit and loss account £'000	The group Total £'000
At 31 December 2002					
as stated in published accounts	9,573	3,552	3,217	44,454	60,796
Prior year adjustment	—	—	—	1,579	1,579
At 31 December 2002 revised	9,573	3,552	3,217	46,033	62,375
Retained loss for the financial year	—	—	—	(38,434)	(38,434)
Unrealised exchange movement on					
Debt used for hedging purposes	—	—	—	(6,326)	(6,326)
Translation of overseas					
subsidiaries' net assets	—	—	—	6,333	6,333
Investment in own shares					
Acquired in year	—	—	—	(771)	(771)
Charge in the year	—	—	—	193	193
Adjustment to amount to be issued in					
settlement of purchase of subsidiaries	—	—	(3,217)	—	(3,217)
Movement in year	—	—	(3,217)	(39,005)	(42,222)
At 31 December 2003	9,573	3,552	—	7,028	20,153

The cumulative amount of goodwill arising on consolidation of subsidiary companies written off against the profit and loss account reserve as at 31 December 2003 is £30,470,000 (2002 £30,470,000).

14 CAPITAL AND RESERVES continued

	Issued share capital £'000	Share premium £'000	Shares to be issued £'000	Special capital £'000	Profit and loss account £'000	<i>The company</i> Total £'000
At 31 December 2002	9,573	3,552	3,217	12,077	32,102	60,521
Loss for the financial year ¹	–	–	–	–	(27,131)	(27,131)
Investment in own shares						
Acquired in year	–	–	–	–	(771)	(771)
Charge in the year	–	–	–	–	134	134
Adjustment to amount to be issued in settlement of purchase of subsidiaries	–	–	(3,217)	–	–	(3,217)
Movement in year	–	–	(3,217)	–	(27,768)	(30,985)
At 31 December 2003	9,573	3,552	–	12,077	4,334	29,536

Note

1 Includes £46,000 in respect of exchange gains taken direct to reserves.

The special capital reserve is non-distributable.

Reconciliations of movements in equity shareholders' funds for the year ended 31 December 2003

	2003 £'000	<i>The group</i> 2002 Restated £'000	2003 £'000	<i>The company</i> 2002 £'000
Opening equity shareholders' funds at 31 December as published	62,375	78,410	60,521	71,650
Prior year adjustment	–	(759)	–	–
Opening equity shareholders' funds at 31 December as restated	62,375	77,651	60,521	71,650
(Loss)/profit for the financial year	(36,317)	(3,079)	(24,968)	1,889
Purchase of own shares	(578)	–	(637)	–
Dividends	(2,117)	(2,154)	(2,117)	(2,154)
	(39,012)	(5,233)	(27,722)	(265)
Adjustment to amount to be issued in settlement of purchase of subsidiaries	(3,217)	(11,760)	(3,217)	(11,760)
Other recognised gains/(losses) for the year	7	1,717	(46)	896
Net movement in equity shareholders' funds for the year	(42,222)	(15,276)	(30,985)	(11,129)
Closing equity shareholders' funds at 31 December	20,153	62,375	29,536	60,521

The prior year adjustment relates to the denomination of goodwill as a foreign currency, as opposed to sterling, denominated asset. The effect on the prior year results is set out below.

Analysis of prior year adjustment

	Charge/(credit) £'000
Adjustment to	
Opening reserves at 1 January 2002	759
Profit and loss account for the year ended 31 December 2002	(621)
Statement of total recognised gains and losses for the year ended 31 December 2002	(1,717)
	(1,579)

The impact of the change in policy on 2003 cannot be determined because the practice of fully matching borrowings and currency assets has been discontinued.

14 CAPITAL AND RESERVES continued**Share capital**

	The group and company 2003 Numbers	2002 Numbers
Ordinary shares of 20p each		
Authorised	70,000,000	70,000,000
Allotted, called up and fully paid		
At 31 December 2002 and 2003	47,865,152	47,865,152

In the period from 1 January 2004 to 7 April 2004 no shares were issued on the exercise of options under the company's executive and savings related share option schemes.

Share option schemes

Movements on share options during the year were as follows

Price per share	31 December 2002	Granted	Exercised	Lapsed	31 December 2003	Date from which exercisable	Expiry date
Executive							
1985 scheme							
310p	104,000	–	–	(20,000)	84,000	8 Apr 1997	8 Apr 2004
355p	167,000	–	–	(25,000)	142,000	19 Apr 1998	19 Apr 2005
1995 scheme							
513p	130,500	–	–	(27,500)	103,000	29 Mar 1999	29 Mar 2006
533p	25,000	–	–	–	25,000	10 Apr 1999	10 Apr 2006
628p	20,000	–	–	–	20,000	10 Apr 2000	10 Apr 2007
576p	133,500	–	–	(14,000)	119,500	9 Sep 2000	9 Sep 2007
380p	136,500	–	–	(13,500)	123,000	15 Sep 2001	15 Sep 2008
335p	91,500	–	–	–	91,500	6 Oct 2001	6 Oct 2008
515p	126,100	–	–	(1,100)	125,000	10 Sep 2002	10 Sep 2009
494p	47,000	–	–	–	47,000	6 Oct 2002	6 Oct 2009
390p	358,917	–	–	(35,145)	323,772	12 Sep 2003	12 Sep 2010
510p	14,430	–	–	–	14,430	16 Mar 2004	16 Mar 2011
338.5p	553,772	–	–	(76,392)	477,380	6 Sep 2004	6 Sep 2011
108.5p	217,506	–	–	(7,000)	210,506	23 Sep 2005	23 Sep 2012
142p	–	135,350	–	–	135,350	7 Oct 2006	7 Oct 2013
1997 scheme							
576p	61,000	–	–	(8,500)	52,500	9 Sep 2000	9 Sep 2007
380p	71,250	–	–	(6,500)	64,750	15 Sep 2001	15 Sep 2008
335p	8,500	–	–	–	8,500	6 Oct 2001	6 Oct 2008
515p	13,900	–	–	(3,900)	10,000	10 Sep 2002	10 Sep 2009
494p	6,000	–	–	(6,000)	–	6 Oct 2002	6 Oct 2009
390p	57,855	–	–	(1,000)	56,855	12 Sep 2003	12 Sep 2010
510p	10,570	–	–	(5,880)	4,690	16 Mar 2004	16 Mar 2011
338.5p	77,135	–	–	(5,102)	72,033	6 Sep 2004	6 Sep 2011
108.5p	67,494	–	–	(3,000)	64,494	23 Sep 2005	23 Sep 2012
142p	–	106,950	–	–	106,950	7 Oct 2006	7 Oct 2013
Total	2,499,429	242,300	–	(259,519)	2,482,210		
Savings related							
1989 scheme							
461p	116,746	–	–	(116,746)	–	1 Nov 2002	1 May 2003
1995 international scheme							
461p	37,109	–	–	(37,109)	–	1 Nov 2002	1 May 2003
396p	12,993	–	–	(3,933)	9,060	1 Dec 2004	1 Jun 2005
1999 scheme							
396p	108,518	–	–	(37,822)	70,696	1 Dec 2004	1 Jun 2005
254p	603,926	–	–	(217,836)	386,090	1 Dec 2006	1 Jun 2007
Total	879,292	–	–	(413,446)	465,846		

15 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £'000	The group 2002 Restated £'000
Loss on ordinary activities before interest	(25,760)	(435)
Accrued element of exceptional items	2,474	2,855
Depreciation and impairment of tangible fixed assets	45,450	39,532
Amortisation of goodwill	2,960	2,505
Charge in respect of own shares	193	–
	25,317	44,457
Share of associate's operating profit	(149)	(609)
(Profit)/loss on sale of fixed assets	(1,422)	1,331
	23,746	45,179
Movement in working capital		
Stock	2,778	2,705
Debtors	7,761	5,368
Creditors	(4,908)	(1,701)
	5,631	6,372
Net cash inflow from operating activities	29,377	51,551

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £'000	The group 2002 Restated £'000
(Decrease)/increase in cash	(3,738)	9,530
Cash movement from (decrease)/increase in debt and lease financing and liquid resources	(3,358)	15,988
	(7,096)	25,518
New finance leases	(87)	–
Loans acquired	(3,074)	(835)
Exchange movements	(6,712)	(5,112)
Movement in net debt	(16,969)	19,571
Net debt at 31 December 2002	(62,750)	(82,321)
Net debt at 31 December 2003	(79,719)	(62,750)

Analysis of net debt

	At 31 December 2002 £'000	Cash flow £'000	Acquisitions excluding cash/overdrafts £'000	Other non-cash £'000	Exchange movements £'000	At 31 December 2003 £'000
Cash in hand and at bank	9,277	(250)	–	–	(1,172)	7,855
Bank overdrafts	(573)	(3,488)	–	–	(44)	(4,105)
	8,704	(3,738)	–	–	(1,216)	3,750
Deposits	2,592	2,091	–	–	202	4,885
Debt due within one year	(6,533)	(14,233)	(3,074)	–	(530)	(24,370)
Debt due after one year	(66,827)	8,626	–	–	(5,112)	(63,313)
Finance leases	(686)	158	–	(87)	(56)	(671)
Total	(62,750)	(7,096)	(3,074)	(87)	(6,712)	(79,719)

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 which float by reference to euro LIBOR.

Except as stated below the group's financial liabilities are all at floating rates and comprise drawn sterling and euro bank facilities which are mainly multi-currency committed lines. The unutilised portion of these committed lines amounts to £15.9 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, which is at a fixed rate, is not material.

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 2003						
Financial assets						
In one year or less or on demand	12,740	–	–	12,740	2,130	10,610
Financial liabilities						
In one year or less or on demand	(28,475)	(108)	(6,818)	(35,401)	–	(35,401)
Between one and two years	(111)	(67)	(218)	(396)	–	(396)
Between two and five years	(62,895)	(411)	(130)	(63,436)	(2,600)	(60,836)
Over five years	(307)	(85)	–	(392)	–	(392)
Total	(91,788)	(671)	(7,166)	(99,625)	(2,600)	(97,025)
	(79,048)	(671)	(7,166)	(86,885)	(470)	(86,415)
At 31 December 2002						
Financial assets						
In one year or less or on demand	11,869	–	–	11,869	5,676	6,193
Financial liabilities						
In one year or less or on demand	(7,106)	(54)	(17,987)	(25,147)	–	(25,147)
Between one and two years	(2)	(75)	(256)	(333)	–	(333)
Between two and five years	(66,825)	(496)	(184)	(67,505)	(3,700)	(63,805)
Over five years	–	(61)	–	(61)	–	(61)
Total	(73,933)	(686)	(18,427)	(93,046)	(3,700)	(89,346)
	(62,064)	(686)	(18,427)	(81,177)	1,976	(83,153)

17 FINANCIAL INSTRUMENTS continued**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.

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 2003.

	Book value £'000	2003 Fair value £'000	Book value £'000	2002 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	(28,475)	(28,475)	(7,106)	(7,106)
Long term borrowings	(63,313)	(63,313)	(66,827)	(66,827)
Deferred consideration	(7,166)	(7,042)	(18,427)	(18,104)
Finance leases	(671)	(639)	(686)	(653)
Financial assets	12,740	12,740	11,869	11,869
Derivative financial instruments held to manage the balance sheet currency profile				
Forward foreign currency contracts	–	–	–	(193)
Total	(86,885)	(86,729)	(81,177)	(81,014)

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.

Security

Substantially all borrowings are secured by fixed and floating charges over the shares and certain specified Brammer Industrial Services' assets.

18 ACQUISITIONS**Brammer Industrial Services**

On 1 April 2003 the group announced the acquisition of the remaining 51% interest in KNS Aandrijftechniek BV ("KNS"), a Dutch specialist industrial services business. The consideration will be paid in two instalments on 2 January 2004 (€3,000,000) and 2 July 2004 (€2,801,635). The company was accounted for as an associate in the period to 31 March 2003 and as a 100% owned subsidiary from 1 April 2003. The purchase has been accounted for as an acquisition.

Provisional details of the acquisition and fair values acquired are as follows

		Provisional fair value to the group £'000
Tangible fixed assets		746
Stock		5,397
Debtors		3,942
Creditors		(3,566)
All tax		(280)
Loans		(3,074)
Cash and deposits less overdrafts		213
Net assets acquired		3,378
Expenses and related costs		(276)
		3,102
Cost of initial 49% investment in associate	1,009	
Deferred consideration relating to the remaining 51%	4,004	
		5,013
		1,911
Group's share of retained profit whilst an associate over the period July 1999 to March 2003		817
Goodwill amortisation whilst an associate		(213)
Goodwill		2,515

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

The book values have been taken from the management accounts of KNS as at 31 March 2003 (the effective date of acquisition) translated into sterling at the rate of exchange ruling on that date. The fair values of the assets acquired will be finalised in the 2004 financial statements when the detailed investigation has been completed. The deferred consideration is not contingent upon future results.

In its last financial year to 31 December 2002 KNS made a profit attributable to shareholders of £641,000. For the period since that date to the date of acquisition KNS management accounts show

	£'000
Turnover	4,631
Operating profit	427
Profit before tax	385
Taxation and minority interests	(127)
Profit attributable to shareholders	258

From the date of acquisition to 31 December 2003 KNS contributed £1,946,000 to the group's net operating cash flow, paid £45,000 in respect of interest, £340,000 in respect of taxation and utilised £241,000 for capital expenditure.

Adjustments have been made to the considerations for Britannia, Climats, Sapratin and KPN following the final payment of the deferred consideration in respect of these companies.

18 ACQUISITIONS continued**Goodwill summary**

	<i>The group Total £'000</i>
KNS On acquisition	2,515
Exchange adjustment	15
Adjustment to goodwill previously recognised	
Britannia	21
Climats and Sapratin	664
KPN	108
	3,323

On 1 April 2003 the group acquired a 49.78% interest in Berdo Brammer for a cash consideration of €132,000. A further €600,000 has been loaned to the company. Expenses relating to the acquisition amounted to €10,000.

The negative group cash flow arising in 2003 from acquisitions is as follows

	<i>The group Total £'000</i>
KNS Expenses and related costs	(59)
Net cash acquired	213
	154
Berdo Brammer Purchase consideration	(91)
Loan	(422)
Expenses	(7)
	(520)
Deferred consideration Brammer Industrial Services	(16,807)
Livingston	(3,922)
	(20,729)
	(21,095)

19 DISPOSALS**Brammer Industrial Services**

On 1 April 2003 the group disposed of its interest in THF HU Kft, a Hungarian specialist industrial services business, to Berdo Brammer for a consideration of €132,000 to be settled on 1 April 2006. The results for the period to the date of disposal, and the profit on sale, of THF HU Kft are not material in relation to the group as a whole and therefore have not been separately disclosed on the profit and loss account.

With effect from 31 May 2003 the group disposed of its 25% interest in Sociedade de Rolamentos, SDR SA, a Portuguese specialist industrial services business, for a cash consideration of €542,000. The company has been accounted for as an associate in the group's results up to the date of disposal. The profit on sale is not material in relation to the group as a whole and therefore has not been separately disclosed on the profit and loss account.

20 POST BALANCE SHEET EVENT**Livingston**

On 19 December 2003 the group announced that it had reached agreement to sell its continental European calibration and equipment management services businesses (the "Livingston Calibration Business") to Air Liquide SA for a cash consideration of €32 million (£22.5 million), calculated on a debt and cash-free basis, and subject to adjustment to reflect the amount of cash and debt in the business at completion. The sale completed on 31 March 2004.

On 15 March 2004 the group announced that it had reached agreement to sell its equipment rental and UK calibration businesses (the "Livingston Rental Business") to De Facto 1059 Limited ("De Facto"), a buy-out vehicle owned, inter alia, by Mel Porter (a former director), for a contracted consideration of £12,375,000. £6,875,000 was paid on completion, £3,000,000 will be payable in April 2005 and the balance of £2,500,000 payable in September 2005. Up to a further £214,000 will be payable within three months of the completion date subject to the value of net assets sold at the date of completion. In the event that the net assets sold at completion is lower than anticipated then there will be an equivalent reduction in the amount payable by the purchaser. Further amounts will be payable in the future conditional upon the sale of certain rental inventory by De Facto up to a maximum of £2,800,000. The sale completed on 31 March 2004.

Following completion the group retained a 24.9% stake in De Facto which De Facto will have the right to redeem at a price of between £500,000 and £2,000,000 depending upon the date of the actual repayment of the £2,500,000 deferred cash payment.

The results of both businesses have been reported as discontinued businesses in the profit and loss account. During the year the discontinued businesses contributed £5,612,000 to the group's net operating cash flow, paid £2,317,000 in respect of interest, received £1,241,000 in respect of taxation and utilised £7,679,000 for net capital expenditure.

21 PENSIONS

The principal pension scheme operated by the group in the UK is a defined benefit scheme that provides benefits related to service and salary. The scheme was closed to new members from 1 January 2002. The scheme is funded by the group and contributions are paid as determined by the actuary following discussions with the trustees and the company. The assets of the scheme are held in nominee accounts separate from the group's finances under the control of the trustees. The assets are invested with Fidelity Investments in a pooled arrangement. Accordingly, within that pooled fund the trustees have a small investment (£50,101 as at 31 December 2003) in the share capital of the company.

Company contributions to the defined benefit scheme during the year were being made at the rate of 7.6% of contributory salary. In 2004 company contributions will be made at the rate of 7.2% of contributory salary. In addition the company will pay £1.5 million in 2004 and £1.4 million per annum in each of the years 2005 to 2017 (inclusive).

The latest actuarial valuation of the scheme was carried out as at 1 January 2003, using the projected unit method, by an independent actuary employed by Watson Wyatt LLP. 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. She assumed that, over the long term, the return on investments backing non-retired members will exceed the increase in remuneration by 3.25% per annum before retirement and the increase in future pensions by 3% per annum after retirement. For current pensioners, she assumed that the return on the underlying investments will exceed future pension increases by 2.5% per annum. Pensions in excess of the guaranteed minimum pension are assumed to increase at 2.5% per annum. The valuation showed that the market value of the scheme's assets was £42.2 million and that the market value of these assets represented 77% of the value of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Watson Wyatt LLP have estimated that as at 31 December 2003 the Minimum Funding Requirement ("MFR") funding level of the Brammer Services Retirement Benefit Scheme would have been approximately 106%.

The group also operated a final salary scheme for senior executives in the UK which was funded on the basis of the recommendation of the actuary to the scheme. This scheme merged with the principal pension scheme during 2002.

The charge in the year for the schemes was £1,061,000. A prepayment of £682,000 is included in debtors, representing the difference in amounts included in the profit and loss account and the amounts paid into these schemes.

21 PENSIONS continued

A new defined contribution scheme was launched on 1 January 2002 for new UK employees joining the group. The charge in the year for this scheme was £65,000.

The group operates a number of defined contribution schemes overseas and contributes to the state pension scheme arrangements in a number of European countries. Costs incurred in the year and charges to the profit and loss account in respect of these schemes were £833,000.

The two pension schemes operated by the group in the Netherlands are defined benefit schemes that provide benefits related to service and salary. The scheme based on final pay was closed to new members on 1 January 2003. New members participate in a defined benefit scheme based on average pay. The managing director is entitled to an individual pension plan that is based on final pay. KNS, through its subsidiary AKN Netherlands, funds all these schemes and contributions are paid as determined by the insurance company. The assets of the scheme are held within the insurance company and are separate from the group's finances.

The insurance company has calculated company contributions to the defined benefit scheme during the year. It is not expected for 2004 that company contributions will change significantly. Past service entitlements originating from before 1 January 2000 are not yet fully funded. The funding of these entitlements is included in the contributions.

The latest actuarial valuation (and the first) of the scheme was carried out as at 1 January 2004, using the projected unit method, by a independent actuary employed by PricewaterhouseCoopers (Netherlands). KNS made the assumptions which are as listed below.

KNS became a subsidiary on 1 April 2003. This valuation is the first valuation of the pension liabilities of KNS and as such the FRS 17 information disclosed reflects the position at 31 December 2003.

FRS 17 retirement benefits

The valuations used for FRS 17 disclosures have been based on the most recent valuations at 1 January 2003 updated by Watson Wyatt LLP to take account of the requirements of FRS 17 in order to assess the liabilities of each of the schemes at 31 December 2003. Assets are stated at their market value at 31 December 2003.

The Dutch scheme has been valued for the first time at 31 December 2003 by an independent actuary.

The financial assumptions used to calculate liabilities under FRS 17 are

	UK At 31 December 2003	UK At 31 December 2002	UK At 31 December 2001	Dutch At 31 December 2003
Inflation rate	2.80%	2.40%	2.50%	2.00%
Rate of increase in salaries	4.30%	4.15%	4.00%	3.00%
Rate of increase of pensions in payment	2.80%	2.40%	2.50%	2.25%
Rate of increase for deferred pensioners	2.80%	2.40%	2.50%	2.25%
Discount rate	5.40%	5.60%	5.80%	5.25%

The assets held and the expected rate of return were

	Long term rate of return expected at 31 December 2003 %	Fair value at 31 December 2003 £'m	Long term rate of return expected at 31 December 2002 %	Fair value at 31 December 2002 £'m	Long term rate of return expected at 31 December 2001 %	Fair value at 31 December 2001 £'m
UK scheme						
Equities	8.20	43.7	8.30	35.0	7.80	39.0
Fixed interest gilts	4.80	5.9	4.50	7.1	5.00	9.2
Index linked gilts	4.80	0.8	4.50	0.1	—	—
Other (cash and net current assets)	—	—	—	—	4.25	2.7
Total market value of assets	7.75	50.4	7.65	42.2	7.11	50.9
Present value of pension liabilities		(80.9)		(62.6)		(51.7)
Deficit		(30.5)		(20.4)		(0.8)
Related deferred tax asset		9.2		6.1		0.2
Net pension liability		(21.3)		(14.3)		(0.6)

21 PENSIONS continued

	Long term rate of return expected at 31 December 2003 %	Fair value at 31 December 2003 £'m
Dutch scheme		
Fixed interest gilts	4.75	1.3
Total market value of assets		1.3
Present value of pension liabilities		(2.1)
Deficit		(0.8)
Related deferred tax asset		(0.2)
Net pension liability		(0.6)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 December 2003, 31 December 2002 and 31 December 2001 would have been as follows

	At 31 December 2003 £'m	At 31 December 2002 £'m	At 31 December 2001 £'m
Net assets			
Net assets excluding pension liability	20.1	62.4	78.4
Pension liability UK scheme	(21.3)	(14.3)	(0.6)
Dutch scheme	(0.6)	—	—
Equivalent assets already recognised under SSAP 24	(0.6)	(0.6)	(0.7)
Net assets including pension liability	(2.4)	47.5	77.1
Reserves			
Profit and loss reserve excluding pension liability	7.0	46.0	50.3
Pension liability UK scheme	(21.3)	(14.3)	(0.6)
Dutch scheme	(0.6)	—	—
Equivalent assets already recognised under SSAP 24	(0.6)	(0.6)	(0.7)
Profit and loss reserve including pension liability	(15.5)	31.1	49.0

21 PENSIONS continued

The following amounts would have been recognised in the performance statements in the year to 31 December 2003 under the requirements of FRS 17. The effect of the Dutch scheme has been excluded as the amounts are not material.

	31 December 2003 £'m	31 December 2002 £'m
Operating profit		
Current service cost	2.0	2.4
Past service cost	—	—
Total operating charge	2.0	2.4
Other finance income		
Interest on pension scheme liabilities	3.4	3.0
Expected return on pension scheme assets	(3.2)	(3.7)
Net credit to other finance income	0.2	(0.7)
Total profit and loss charge before deduction for tax	2.2	1.7
Statement of total recognised gains and losses ("STRGL")		
Gain on assets	(5.2)	(13.1)
Experience losses arising on the scheme liabilities	2.7	(3.6)
Loss on change of assumptions underlying the present value of the scheme liabilities	11.6	(2.7)
Actuarial gain/(loss) recognised in STRGL	9.1	(19.4)
	31 December 2003 £'m	31 December 2002 £'m
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(20.4)	(0.8)
Movement in year		
Current service cost (exclusive of members)	(2.0)	(2.4)
Contributions paid (exclusive of members)	1.2	1.5
Past service costs	—	—
Other finance (charge)/income	(0.2)	0.7
Actuarial loss	(9.1)	(19.4)
Deficit in scheme at end of the year	(30.5)	(20.4)
Details of experience gains and losses for the year		
Difference between the expected and actual return on scheme assets		
Amount (£ million)	(5.2)	(13.1)
Percentage of scheme assets	10.32%	31.04%
Experience losses on scheme liabilities		
Amount (£ million)	2.7	(3.6)
Percentage of the present value of the scheme liabilities	3.34%	5.75%
Total amount recognised in statement of total recognised losses		
Amount (£ million)	9.1	(19.4)
Percentage of the present value of the scheme liabilities	11.25%	30.99%

22 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 on page 26. The group has taken advantage of the FRS 8 exemption not to disclose any transactions or balances between group undertakings that have been eliminated on consolidation.

25 May	Annual general meeting at the Hilton London Heathrow Airport, Terminal 4, Heathrow Airport, Hounslow, Middlesex, TW6 3AF
4 June	Record date
2 July	Dividend payment date
September	Announcement of interim results for the six months to 30 June 2004

	2003 £'000	2002 Restated £'000	2001 £'000	2000 £'000	1999 £'000
Profit and loss					
Turnover	349,472	337,991	372,284	287,326	242,190
Profit before goodwill, exceptional items and interest	10,480	10,770	24,402	26,899	20,324
Goodwill and exceptional items	(36,240)	(11,205)	(26,122)	(532)	(153)
Profit on ordinary activities before interest	(25,760)	(435)	(1,720)	26,367	20,171
Net interest	(3,471)	(4,147)	(5,097)	(2,468)	(869)
Profit on ordinary activities before tax	(29,231)	(4,582)	(6,817)	23,899	19,302
Tax	(7,086)	1,503	(19)	(7,219)	(5,816)
Profit on ordinary activities after tax	(36,317)	(3,079)	(6,836)	16,680	13,486
Dividends	(2,117)	(2,154)	(9,253)	(9,123)	(8,695)
Profit for the year retained in the business	(38,434)	(5,233)	(16,089)	7,557	4,791
Business analysis – Brammer Industrial Services					
Turnover	262,512	238,845	240,650	173,946	167,828
Profit before goodwill, exceptional items and interest	11,806	11,199	13,310	13,366	10,894
Net operating assets excluding goodwill and deferred consideration	49,860	54,274	61,057	47,906	48,815
Business analysis – Livingston					
Turnover	86,960	99,146	131,634	113,380	74,362
Profit before goodwill, exceptional items and interest	(1,326)	(429)	11,092	13,533	9,340
Net operating assets excluding goodwill and deferred consideration	13,520	43,047	66,546	74,222	59,252
Net assets employed					
Goodwill and investment in associates	50,047	47,508	46,903	17,791	5,039
Tangible fixed assets	23,783	55,439	80,652	98,724	74,640
Other working capital	31,953	21,447	36,686	15,275	28,261
Net debt	(79,719)	(62,750)	(82,321)	(38,190)	(22,455)
Dividends	(1,436)	(1,436)	(6,031)	(6,014)	(5,763)
Tax	(4,475)	2,167	2,521	(8,311)	(7,849)
Financed by					
Equity shareholders' funds	20,153	62,375	78,410	79,275	71,873

	2003 £'000	2002 Restated £'000	2001 £'000	2000 £'000	1999 £'000
Cash flow					
Net cash inflow from operating activities	29,377	51,551	70,222	65,682	52,164
Interest paid and received	(3,353)	(4,916)	(4,571)	(1,470)	(869)
Tax paid	(567)	2,382	(10,985)	(6,493)	(6,972)
Net fixed assets movements – rental inventory	(5,478)	(10,288)	(56,340)	(50,695)	(42,577)
Net fixed assets movements – other assets	(3,432)	(3,257)	(5,786)	(4,575)	(4,244)
Acquisitions and disposals	(20,755)	(3,205)	(27,977)	(8,812)	(4,630)
Dividends paid	(2,117)	(6,749)	(9,236)	(8,872)	(8,503)
Management of liquid resources and financing	2,587	(15,988)	36,911	6,371	9,871
Movement in net cash	(3,738)	9,530	(7,762)	(8,864)	(5,760)
Movement in debt, finance leases and liquid resources	(6,519)	15,153	(38,030)	(6,103)	(8,714)
Exchange movements	(6,712)	(5,112)	1,661	(768)	5,067
Movement in net funds	(16,969)	19,571	(44,131)	(15,735)	(9,407)
Ratios					
Earnings per share					
Basic	(75.9)p	(6.4)p	(14.3)p	35.0p	28.5p
Diluted	(75.9)p	(6.4)p	(14.3)p	34.9p	28.4p
Basic before goodwill, amortisation and exceptional items	11.8p	10.9p	28.1p	36.1p	28.8p
Interest cover	3.0x	2.6x	4.8x	10.9x	23.4x
Earnings before interest, tax, depreciation and amortisation	21,228	51,633	74,982	66,831	48,358
Dividend per share	4.5p	4.5p	19.3p	19.1p	18.3p
Return on investment	17%	9%	24%	32%	28%
Gearing	396%	101%	105%	48%	31%

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 equity shareholders' funds. The earnings per share figures have been adjusted for subsequent bonus issues of shares.

If you require any information about your shareholding please contact the company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, telephone 0870 600 3964.

The registrar has introduced a service for shareholders which gives them on-line internet access to their shareholding. To register please go to www.shareview.co.uk. You will need your shareholder account number and you will be asked to select your own PIN. If you have any further questions about this service please contact Lloyds TSB Registrars on the above number.

Our web site

You can find out further information about Brammer plc and view company announcements on the Brammer web site at www.brammer.plc.uk.

ShareGift Scheme

Some shareholders find themselves owning a very small number of shares that would cost them more to dispose of than they are worth. They bring with them a tax liability and unwanted documentation.

The ShareGift scheme is a registered charity run by The Orr Mackintosh Foundation. Any shares donated to the ShareGift scheme are transferred into the name of The Orr Mackintosh Foundation, the shares are sold where possible and the proceeds are donated to charity.

If you would like further information on the ShareGift Scheme please call 020 7337 0501 or visit its web site at www.sharegift.org.

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