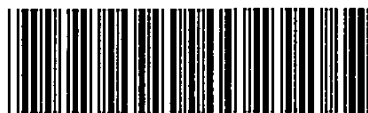


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WE SAVED OUR CUSTOMERS £35M IN 2011.

Brammer plc Annual Report 2011

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COMPANIES HOUSE

BRAMMER 

OUR STRATEGY AND PERFORMANCE

Growth drivers	Strategic priorities	Performance measures	Risks (see pages 18 and 19)
<ul style="list-style-type: none"> > Geographical development > Product range extension > Key Accounts development > Market segmentation focus > Insites 	<ul style="list-style-type: none"> > Growth 	<ul style="list-style-type: none"> > Revenue > Sales per working day > Earnings per share > Sales per employee 	<ul style="list-style-type: none"> < Slowdown of industrial activity < Loss of major customers < Adverse euro exchange rates < Customers relocating to lower cost countries
<ul style="list-style-type: none"> > People development > Supplier relationships > Systems integration > Brand development 	<ul style="list-style-type: none"> > Capabilities > Synergies 	<ul style="list-style-type: none"> > Training spend per employee > Gross margin > SDA as % of sales > Return on sales 	<ul style="list-style-type: none"> < Loss of key employees < Withdrawal of major suppliers < Loss of infrastructure or systems < Acquisition benefits not realised
<ul style="list-style-type: none"> > Supplier rationalisation > Capital employed management 	<ul style="list-style-type: none"> > Costs 	<ul style="list-style-type: none"> > Interest cover > Return on operating capital employed > Inventory turns 	<ul style="list-style-type: none"> < Financial and capital risks

**BRAMMER IS THE LEADING PAN-EUROPEAN
ADDED VALUE DISTRIBUTOR OF INDUSTRIAL
MAINTENANCE, REPAIR AND OVERHAUL
PRODUCTS WITH A STRONG LOCAL PRESENCE.**

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OUR PRIORITIES

We provide power transmission components, engineering and other related industrial services and fulfil a pivotal role between customers and suppliers, adding value to both through services of the highest quality.

Growth

- > Country organic growth
- > Key Accounts
- > Insites
- > Product range extension
- > Geographical development

Capabilities

- > People development
- > Business skills development
- > Distributed learning programme development
- > Internal communications and involvement

Our strategy has been clear and consistent over the past seven years – and is focused on the four key areas of growth, capabilities, costs and synergies.

Costs

- > Supplier rationalisation
- > European buying
- > IT and other cost reductions
- > Capital employed management

Synergies

- > Business best practice
- > Systems integration
- > Brand development
- > Supplier relationship management

Our number one priority is **growth** – achieved in five main areas by using our wealth of experience to focus on key market segments and producing solutions for our customers based on this experience, by providing solutions for Key Account customers on both a national and a pan-European basis, by developing the Insite concept with our larger customers, by cross-selling, and through acquisition

Our **capabilities** strategy aims to ensure that our people are the best recruited, best trained, and most highly skilled people in the industry

Our **cost** strategy ensures that we source product under the most advantageous terms for our customers, and that our sales, distribution and administration costs are spent as efficiently as possible

Our **synergies** strategy provides benefits by leveraging the fact that we supply the same service and products to the same type of customer in over 300 locations in 16 countries

OUR VALUE PROPOSITION

Customer requires	Brammer capability			
	Portfolio	Products	Business processes	Organisation
> Reduce total acquisition costs	> Brammer product portfolio	> Product transformation/adaption > Original Equipment ("OE") parts conversion > Substitute parts	> Transaction analysis reporting > Consolidated invoicing > Blanket orders > Electronic ordering/invoicing > Purchase cards > Self billing	> Supplier reduction > Vendor managed inventory > Training
> Improve production efficiency	> Brammer product portfolio	> Performance measurement > Condition monitoring > Technical support > Repairs > Drive design > Application advice	> Technical consultancy > 24/7/365 service > Component kitting > Delivery to line	> Equipment surveys > Insite services > Energy survey/monitoring > Consignment stock management
> Reduce working capital	> Brammer product portfolio	> Product and brand rationalisation > Standardisation	> Stock profiling	

Our extensive range of added value services are categorised under (i) the extensive **portfolio** of mechanical MRO products that we have available – from bearings to belts, from seals to chain, from motors to gearboxes, (ii) the way in which we can modify and adapt these **products** to ensure that our

customers' specific needs can be addressed, (iii) the **business processes** by which we can assist our customers improve their internal efficiencies and (iv) the **organisation solutions** through which we can assist our customers manage more effectively their mechanical MRO requirements

OUR REACH

AUSTRIA
 BELGIUM
 CZECH REPUBLIC
 FRANCE
 GERMANY
 HUNGARY
 ICELAND
 IRELAND
 ITALY
 LUXEMBOURG
 THE NETHERLANDS
 NORWAY
 POLAND
 SLOVAKIA
 SPAIN
 UNITED KINGDOM



OUR RECORD

Figure one – Revenue

2011	£571.5m
2010	£468.4m
2009	£426.1m

+22%

Figure two – Profit before tax, before amortisation and exceptional items

2011	£29.0m
2010	£20.6m
2009	£13.8m

+41%

Figure three – Earnings per share, before amortisation and exceptional items

2011	19.8 p
2010	13.9 p
2009	13.1 p

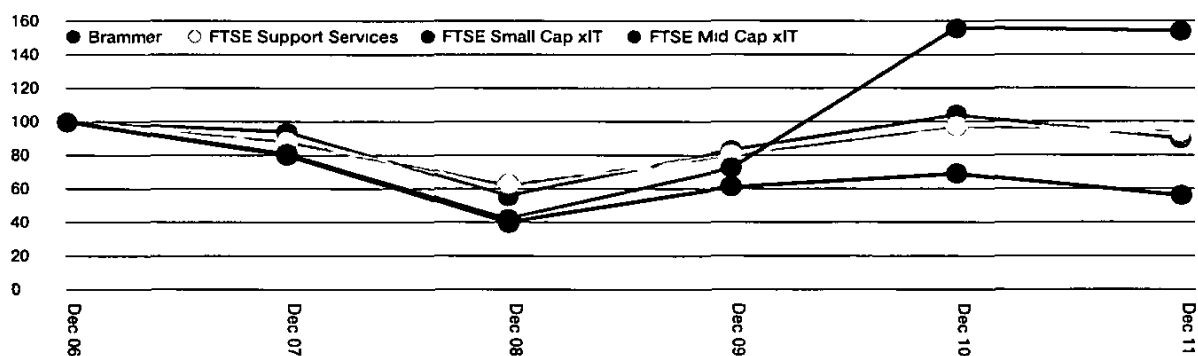
+42%

Figure four – Dividend per share

2011	8.4p
2010	6.6p
2009	5.5p

+27%

Figure five – Total shareholder return over five years



WE ARE THE EUROPEAN MARKET LEADER

The market opportunity for our products

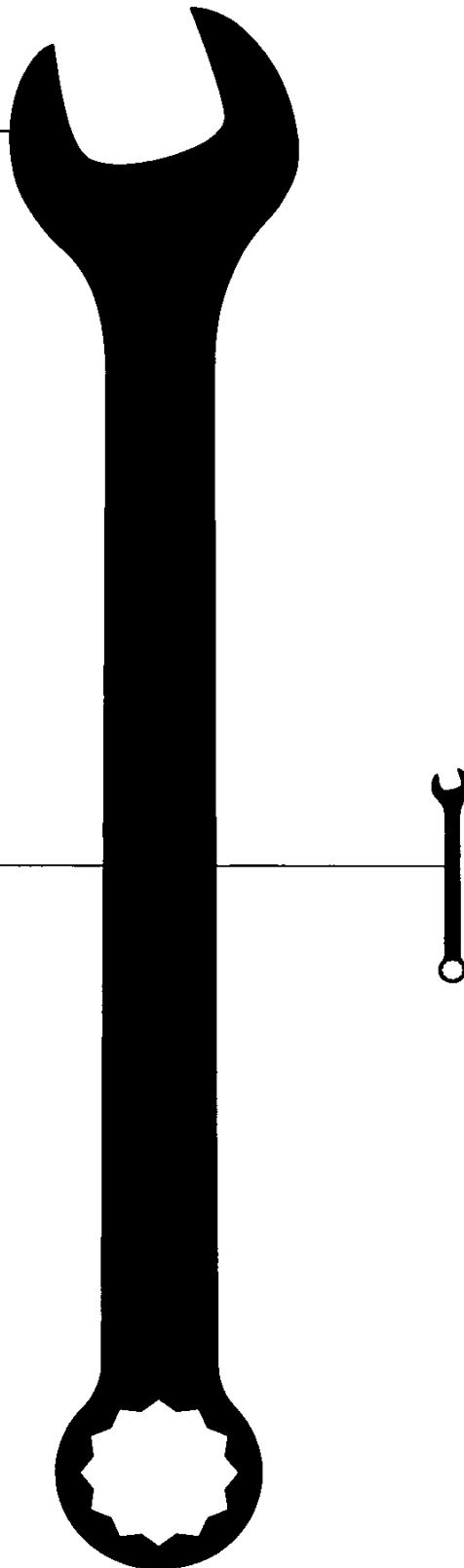
£33 billion

With over 300 locations in 16 countries, Brammer has the widest coverage available to supply those customers who wish to reduce their supplier base and purchase our products on a pan-European basis. Most of our customers find that there is a Brammer branch local to their operations in most of our countries.

Our share of the market

£572 million

We believe the market opportunity for our chosen product range has a value of £33 billion. We therefore have a less than 2% market share of this extremely fragmented market, but nevertheless are the market leader. Whilst we enjoy more than a 10% share of the bearings market in Europe, significantly more than any other player, we have less than 2% share of the market for power transmission products, fluid power, and the tools and general maintenance market, giving us a huge opportunity to cross-sell as we establish the full product range in each country.



OUR GROWTH DRIVERS

Market segmentation

Brammer's Market Segmentation initiative is proving its worth in our challenging economic environment. Devised to promote growth in resilient sectors – away from any susceptibilities to recessionary pressures – our approach has established a library of industry intelligence, which now has its own momentum. We're confident that providing the best research to our sales personnel gives them the competitive edge when presenting Brammer solutions and services to their customers.

Jakob Alkil, Group growth and marketing director

Product range extension

The recent Buck & Hickman acquisition takes us to a whole new league in the Tools & General Maintenance business, giving us an extensive, mature product catalogue to sell across Europe, and more reach in the UK, putting us closer to our customers. This should be an exciting year for Brammer, our suppliers and our customers, as we all concentrate our effort to provide a superior service.

Philippe Hervieux, European managing director
Tools and General Maintenance

Insites

In addition to cost savings, Brammer Insites provide numerous value-added services, like local inventory optimisation, cost-saving projects specific to the individual customer, or the reduction of carbon footprint and CO2 emissions. Not least, an opportunity to work in close cooperation with Brammer's specialists, to learn and benefit from their MRO and process expertise. And of course, reassurance that Brammer's pan-European network can maintain stocks at optimum levels.

Piotr Kokoszka, European Insite development manager

Key Accounts

Cost savings remain the major focus amongst manufacturing organisations. The priority is to find suppliers who meet their needs whilst maintaining consistently high levels of service – where Brammer's value proposition is particularly compelling. Interestingly, the biggest opportunities for efficiencies aren't the frequently replaced products like consumables, but high-value components selected for durability/longevity where failure is difficult to predict and the cost implications of downtime more serious.

Ralf Hellwig, European Key Account director

CROSS-SELLING INTO EXISTING MARKETS IS A MAJOR GROWTH OPPORTUNITY.

Ian Fraser, Chief executive

CHAIRMAN'S STATEMENT

Overall

2011 was a highly successful and significant year for Brammer. The group has produced substantially increased sales and profits, acquired an exciting business in Buck & Hickman, and secured new long term borrowing facilities on favourable terms. I believe these achievements again demonstrate the consistent application of our proven long term strategy and the strength of our management team.

Results for 2011

Total sales for the year were £571.5 million which was an increase of 22% over the prior year. Excluding a small exchange rate benefit and a first time contribution from Buck & Hickman of £26.5 million for the final three months of the year, the organic sales growth at constant exchange rates was 15.6%. Once again Key Accounts were the principal growth driver with twelve new accounts won in 2011. Sales growth in Key Accounts was 23.3%. Importantly, the pipeline of new prospects remains strong and there is considerable scope for further penetration of existing accounts.

Gross margins were 30.3% which was slightly up on 2010 notwithstanding dilution of 0.3% from the lower margin Buck & Hickman business. Sales, distribution, and administrative costs totalled £144.7 million including £6.0 million from Buck & Hickman. On a like for like basis (excluding Buck & Hickman and exceptional items) at constant exchange rates this is 14.2% higher than last year. Included in the total is a charge of non-cash costs related to the anticipated vesting of management share options awarded in 2009 under the Performance Share Plan. This amounted to £3.1 million. No such charges were made in the previous two years as prior year awards lapsed during the recession and its immediate aftermath.

The resulting operating profit (pre amortisation of acquired intangibles and exceptional items) was up by 38.3% to £31.8 million (2010: £23.0 million) representing a margin of 5.6% on sales (2010: 4.9%). On the same basis profit before tax was £29.0 million, a 40.8% improvement on last year's £20.6 million. Exceptional items totalled £3.2 million (2010: £nil) most of which related to the acquisition of Buck & Hickman with the balance being accounted for by some minor restructuring in Europe. Earnings per share (pre amortisation and exceptional items) were 19.8p compared to 13.9p in 2010, an increase of 42.4%. There was no dilution of earnings associated with Buck & Hickman which is being integrated to plan.

Balance sheet

Net debt at 31 December 2011 was £35.3 million (2010: £36.7 million). The reduction in debt is after the payment of deferred consideration for previous acquisitions of £1.8 million and a net cash outflow of £2.1 million to part finance the purchase of Buck & Hickman. The bulk of the Buck & Hickman consideration was covered by the proceeds of a new issue of ordinary shares which raised £24.8 million net of costs.

As indicated in our interim review the group was pleased to announce the completion in July of new banking facilities providing up to €100 million (£83.9 million) of debt finance for a five year term.

Buck & Hickman

Brammer acquired Buck & Hickman, a leading UK distributor of industrial products, at the end of September 2011. Prior to the acquisition, Brammer already had a modest sized tools and general maintenance product range which

had been identified as an area of major growth potential in the group's strategic planning. As a top five UK supplier of tools and general maintenance products Buck & Hickman gives us the opportunity to accelerate these growth plans significantly, and we were delighted to acquire the business.

Buck & Hickman is now in the process of being integrated into the Brammer business. Considerable opportunities for the combined business were identified prior to acquisition and these have been reinforced in the immediate post acquisition period. We are leveraging Buck & Hickman's expertise in tools and general maintenance into many cross-selling initiatives with Brammer's customer base. Our European network is opening up sales opportunities for Buck & Hickman and a new European organisation has been set up to focus on this major area of growth. The merging of expertise, purchasing, and distribution networks will also create future benefits for the group and consequently our customer base. We are grateful to the management and employees of Buck & Hickman for their enthusiasm and co-operation in bringing the two businesses together.

Dividend

The interim dividend for 2011 was increased by 28.6% to 2.7p per share. Given the growth in earnings the Board is now proposing a 26.7% increase in the final dividend to 5.7p per share. Total dividends for 2011 would then amount to 8.4p per share which is a 27.3% increase over the prior year. At this level the total dividend would be covered 2.4 times by earnings. Subject to shareholder approval, the final dividend will be paid on 3 July 2012 to shareholders on the register at close of business on 8 June 2012.

Board

After more than ten years as Chairman of Brammer I have decided not to stand for re-election at the annual general meeting in May. I am delighted to say that Bill Whiteley has agreed, subject to re-election, to take over at that time. Bill joined Brammer's Board as a non-executive director in July 2008 and we are fortunate to be able to appoint someone of his quality and experience. Duncan Magrath will join the Board as a non-executive director on 1 March 2012. We are delighted to welcome Duncan whose wide international experience will be invaluable to the group.

It has been a privilege for me to serve as Chairman and I leave the group in excellent shape. We have a sound and proven strategy, a first class management team ably led by Ian Fraser and massive opportunities for future growth.

Prospects

We have continued to execute successfully our proven strategy to exploit Brammer's leadership position in the fragmented, pan-European, €40 billion market that we address. The scale of this market offers multiple growth opportunities as we invest in quality products, people, systems, and marketing. 2012 will be another economically challenging year but early trading has started well and we are deriving additional benefits from Buck & Hickman. The Board is confident that Brammer will make further significant progress during the course of the current year.

WE HAVE A SOUND AND PROVEN STRATEGY AND MASSIVE OPPORTUNITIES FOR FUTURE GROWTH.

David Dunn Chairman

CHIEF EXECUTIVE'S REVIEW

Overview

In 2011 we continued to invest in and benefit from our growth strategy focused on Key Accounts, Product Range Extension, Insites and segment based marketing, giving rise, once more, to growth significantly ahead of the market. Our growth drivers have served us well over the past eight years, and in 2011 our strategy remained unchanged. Although our growth rate declined slightly towards the end of the year due to increasingly challenging comparators, we nevertheless exited 2011 with an organic growth rate in December of 13.5%, measured in Sales Per Working Day at a constant exchange rate ("SPWD"). We thus enter 2012 with good growth momentum.

In 2011, we achieved an organic growth rate in SPWD of 15.9%. We continued to invest in initiatives to grow in more defensive segments such as Food and Drink, Fast Moving Consumer Goods ("FMCG"), and Utilities. Our Key Account development continued unabated, and it became clear that our value and cost saving propositions are becoming ever more important to both existing and potential Key Account customers. We increased our investment in our Insite programme increasing the number of sites by a net forty-eight. Our Product Range Extension and cross-selling initiatives gave us good growth in product lines such as Mechanical Power Transmission, Fluid Power, and Tools and General Maintenance products especially on the continent where we are significantly under-represented in these product lines.

DOING BUSINESS WITH BRAMMER HAS BEEN INVALUABLE; IT GIVES US REPORTING TRANSPARENCY FOR MRO SO WE CAN EASILY MAKE COMPARISONS FROM SITE TO SITE.

Andrew Power Rexam Beverage Can Europe & Asia Ltd

Brammer won the Rexam 2011 Supplier Excellence award for Cost Saving Delivery. Commenting on the award, Rexam said: "The supplier who wins the award has been in partnership with Rexam since 2009. During that time this supplier has helped Rexam drive operational excellence at the plants through increased spend visibility and control. The partnership with this supplier has been invaluable to Rexam's long term MRO strategy over the last three years."

CHIEF EXECUTIVE'S REVIEW

Finally, our scale, geographic coverage, and focus as a technical specialist in a core range of products continues to reinforce to our customers and potential customers alike that we are a strong partner that adds real value to their business. Our ability to provide a consistent quality of product and service across the entire Bearings, Power Transmission, Fluid Power, and Tools and General Maintenance product range in Europe remains unparalleled.

Operational review

Brammer is the leading European supplier of technical components and related services to the MRO markets. In 2011, revenue increased by 22.0% to £571.5 million (2010 £468.4 million), whilst operating profit before amortisation and exceptional items increased by 38.3% to £31.8 million (2010 £23.0 million). Earnings per share (before amortisation and exceptional items) increased by 42.4% to 19.8p per share (2010 13.9p per share). Cash generated from operations before outflows relating to exceptional items was £28.9 million (2010 £27.5 million), reflecting continued focus on working capital in a year of growth.

Operating margin (before amortisation and exceptional items) increased from 4.9% to 5.6%. Excluding Buck & Hickman, our operating margin improved to 5.7%. Revenue per head was up 13% to £221,000 (2010 £195,000) reflecting continued improvement in productivity.

UK (including Iceland)

Our largest operation, and the one where the Brammer development strategy is most advanced, achieved organic SPWD growth of 16.8%, and increased operating profit by 44.6% to £9.4 million, including sales of £26.5 million and an operating profit contribution of £0.9 million from Buck & Hickman. The growth rate accelerated throughout the year.

Key Account sales grew by 22.4% in the year, and now represent 63% of turnover. Several new contracts were won with customers such as EDF Energy, Tata Steel, BAE Systems and many others. Our value proposition continues to be attractive to customers and we have further honed our skills in delivering cost savings and adding value for our customers. In 2011 we recorded 3,682 individual cost savings for 1,325 customers, with a combined saving of more than £20 million.

**THANKS TO BRAMMER'S COMPREHENSIVE
LIST OF OEM SUPPLIERS, OUR ENGINEERS
CAN REMAIN WITH THEIR PREFERRED
BRANDS, THEREFORE WORKING WITH
SPECIFIED PRODUCTS THEY KNOW
AND TRUST.**

Graham Lewis TATA Steel

CHIEF EXECUTIVE'S REVIEW

We opened 20 new full-time Insites and increased sales through these Insites and part-time Insites (those locations where we have several regular clinics with the customer's staff each week) by 24.5%. Six existing full-time Insites closed giving a net increase of 14. We opened a new branch in Fort William and plan to open more in the future. Brammer Iceland, established in Reykjavik in December 2010, has performed well, with two significant Key Accounts won and several other significant contract wins expected in the current year in the Power Generation, Metals, and Food and Drink sectors.

Finally, our cross-selling initiatives continued to be successful with sales growth of 19.3% in our Fluid Power range and 28.9% in our Tools and General Maintenance range.

Germany

SPWD grew by 16.1%, with the growth rate declining in quarter four (6.9%) due to tougher comparators and some slowing in the Original Equipment Manufacturing ("OEM") segment of the market. Operating profit improved by 44.4%. Our investment in Key Accounts paid off with an increase in sales in this segment of 23.9%, representing 25.9% of total sales. We won new contracts with Kolbenschmidt Pierburg, Stora Enso, AGC Glass, Deutsche Rockwool, Harsco and many others. No contracts were lost. We accelerated the development of our value proposition and provided €11.6 million of savings to our Key Account customers.

Our continued investment in Fluid Power generated healthy sales growth of 27.5%, whilst our new investment in Tools and General Maintenance Products resulted in growth of 69.3%. We established 16 new Insites with total Insite sales growing 38.0%. Our focus on the market segments of Food and Drink, Utilities, and Construction and Aggregates resulted in several new contract wins

and increased market share, 136 customer events were held across Germany addressing more than 1,600 MRO specialists from those segments, raising the awareness of Brammer as a solution provider.

France

SPWD increased by 14.2%, with an exit rate of 12.1% in the fourth quarter. Operating profit increased by 42.9%. Key Account sales increased 19.1% and, including the Automotive segment, now represent 49% of turnover. We delivered a total of 612 signed off cost saving projects to our customers, representing €4.8 million of savings. New contracts were won with Exide, Georgia-Pacific, Rockwool, Albea, Bridgestone, Essilor and many others. We opened nine new Insites bringing the total to 31, with revenue growth of 16.0%. The recently launched new product initiative of Tools and General Maintenance and Personal Protection Equipment produced sales growth of 32.7%. Fluid Power also continued to grow, with sales up 25.6%, and now represents 15.4% of total sales. We continued to focus our marketing activity on Food and Drink and Utilities, with 56 customer events attracting 1,450 existing and potential customers.

Spain

SPWD increased by 12.3%, though the exit rate of 7.6% in the fourth quarter was lower due to tougher comparators and some slowdown in the OEM segment of our market. Operating profit increased by 17.9%. Our Key Account revenues increased by 28.5% (representing 31.2% of sales), and we won new contracts with Harsco, Johnson Controls, Georgia-Pacific, Panrico, Delphi and many others. We provided over €1.4 million of cost savings to our Key Account customers. Seven new Insites were established, bringing the total to 22, with Insite sales increasing by 46.3%. Our marketing focus was on Food and Drink (up 13.3%), Automotive (up 16.4%), Metals (up 87%) and Chemicals.

Figure six – External revenue by geography in constant currency terms

2011	UK	£190.5m	+35%
2010		£141.5m	
2011	Germany	£115.5m	+16%
2010		£99.3m	
2011	France	£84.5m	+14%
2010		£73.9m	
2011	Spain	£42.9m	+13%
2010		£38.1m	
2011	Benelux	£49.2m	+13%
2010		£43.5m	
2011	Eastern Europe	£56.8m	+21%
2010		£47.0m	
2011	Other	£17.7m	+12%
2010		£15.8m	

(up 42%) Forty-three customer symposiums attracted 240 customers. Good progress was made in Product Range Extension, with sales of the Tools and General Maintenance range up 33.2%, and Fluid Power up 46.1%.

Benelux

SPWD in the Benelux countries grew by 12.8%, with an exit rate of 15.5% in the fourth quarter, whilst operating profit increased by 4.0%. Key Account growth in Holland was 39.9% and in Belgium 10.8%. We won new contracts with Rockwool, Bosch Transmission Technology, Monier, Georgia-Pacific, Nexans, Toyota, Hanson and many others. In Holland our recent emphasis on Mechanical Power Transmission produced sales growth of 27.6% whilst Fluid Power grew by 28.0%. We opened one new Insite in Belgium, increasing sales through Insites by 22.7%, and a new Insite in Holland with sales growth of 23.4%. Our focus on Food and Drink gave rise to 46% growth in Holland, though sales grew by just 3% in Belgium due to some significant one-off orders last year. The Food and Drink segment now represents 11.5% of Benelux sales.

Eastern Europe

In our Eastern European businesses (comprising Poland, Hungary, the Czech Republic and Slovakia), total SPWD grew by 21.0%, whilst operating profit increased by 56.5%. In Poland, SPWD increased by 24.1%. Key Accounts once again grew significantly, by 42%, and new contracts were won with Delphi, Exide and Rockwool. In the Czech Republic and Slovakia, SPWD increased by 12.9%. Key Accounts increased by 7.5%, mainly due to one very large order from an Automotive customer in 2010. Excluding this, Key Account sales grew by 17.2%. We also opened our first two Insites during the year. In Hungary, the SPWD growth was 44.1%, and new contracts were won with Kraft Food, Daimler and Univer. We opened our first Insite in Hungary during the year.

Other segments

In respect of the other segments, Austria, Ireland and Italy, SPWD grew by 13.2%, whilst operating profit remained constant at £0.2 million. In Austria SPWD were up 19.5%, in Italy, SPWD were up 13.2% and in Ireland SPWD were up just 0.3%.

Strategy

Our strategy remains unchanged under the headings of Growth, Capabilities, Synergies and Costs.

Growth

Overall organic SPWD revenue growth was 15.9%, significantly better than the overall market. It is evident that our strategies of attacking market segments with focused marketing material and specialist sales people, growth through Key Accounts, the development of Insites, and growth through cross-selling and Product Range Extension are contributing to significant market share gains in most territories.

We continued to focus on a market segmentation approach, increasing our knowledge of customers' processes and selling to their specific needs. In particular:

- Food and Drink, a strong focus area for many of our businesses and a key strategic segment for Brammer, grew by £8.5 million or 14.7%, to £66.2 million.
- Pulp and Paper grew by 6.5% overall to £22.7 million.
- Utilities grew by 14.7% to £18.9 million.
- Continued recovery in Automotive and market share gains resulted in sales growth of 31.7% to £54.4 million.
- Metals grew by 30.6% to £66.2 million.

Figure seven – Operating profit by geography before amortisation and exceptional items in constant currency terms

2011	UK	£9.4m	+45%
2010		£6.5m	
2011	Germany	£7.8m	+44%
2010		£5.4m	
2011	France	£4.0m	+43%
2010		£2.8m	
2011	Spain	£3.3m	+18%
2010		£2.8m	
2011	Benelux	£2.6m	+4%
2010		£2.5m	
2011	Eastern Europe	£3.6m	+57%
2010		£2.3m	
2011	Other	£0.2m	
2010		£0.2m	

CHIEF EXECUTIVE'S REVIEW

Key Account SPWD grew by 23.9%, close to our target of 25%, and Key Accounts now represent 40.2% of total sales. Twelve new European contracts were won, each with a minimum contract period of three years, and ultimate potential annual revenues in excess of £60.0 million. We continued to focus our business on more defensive segments and increased our sales to the Food and Drink segment by 17.5%, FMCG by 29.1%, and Chemical by 7.6%. We also saw good recovery and market share gains in the more cyclical sectors of Automotive (up 36.5%), Construction (up 13.5%), and Metals (up 35.7%). Our value proposition proved increasingly attractive to customers and we provided 4,800 separate cost savings to our customers worth over €41.8 million.

We opened 64 new Insites, 31 full time and 33 part time, with overall turnover growth of 27.0% to £93.6 million. 16 Insites were closed due to customer factory closures or reduced demand, giving rise to a net addition of 48 Insites in the year and a total of 270 Insites at the year end.

Extending the product offering to reflect the full Brammer range in every territory continued and whilst bearing sales grew by 11.6%, non bearing sales (excluding Buck & Hickman) rose 17.7%, suggesting significant market share gains driven by growth of 28.7% in Tools and Maintenance to £37.5 million and 24.0% growth in Fluid Power to £91.4 million. Our cross-selling activities continued to be significant in assisting base business growth.

AMCOR MANUFACTURES FOR A BROAD RANGE OF INDUSTRIAL APPLICATIONS, SO WE ANTICIPATED HAVING PROBLEMS SELECTING A PAN-EUROPEAN MRO SUPPLIER – AND BRAMMER TICKS ALL THE RIGHT BOXES.

Oliver Wilhelm Amcor

CHIEF EXECUTIVE'S REVIEW

Overall organic sales growth in 2011 at constant currency was 15.6%, which reflects 23.9% SPWD growth in Key Accounts (representing 40.4% of organic sales) and 11.1% growth in the base business (59.6% of organic sales). Base business growth in Fluid Power was 19.5%, Tools and General Maintenance grew by 21.6%, and Fasteners and Standard Parts by 16.1%.

Acquisitions

We acquired Buck & Hickman on 30 September. Trading in the final quarter exceeded our expectations. This business has been a key supplier of Tools and General Maintenance products to UK industry for more than 180 years, and brings us great experience and critical mass in a market which we now believe to be around €25 billion. Whilst there are many synergies available in integrating Brammer UK and Buck & Hickman, particularly in the areas of property costs, product range and purchase pricing, we are particularly excited by the opportunity to use the skillset available to us in Buck & Hickman to cross-sell to existing customers in continental Europe.

Capabilities

The focus of our people and organisational capability continues to be on supporting our growth. To that end, our pan-European marketing team are continuing to deploy our new Market Segmentation material across Europe, combined with training on how to use the sector specific material and a continuous audit of the branch network. We have also developed and launched a new sales training programme considering best practice, our industry sector approach and Brammer's value proposition.

Our sales team is continuing to develop the Brammer Insite Operations Manual, localised into English, French, German and Spanish. During 2011 we introduced an Insite training programme designed to raise awareness of the prerequisite methods and processes to identify, target and set up a new Insite. A European Insite Manager was appointed during the year to manage the growth of Insite services across all 16 countries.

**IN 2009, AFTER SEVERAL MONTHS OF
NEGOTIATION, WE SELECTED BRAMMER:
A DISTRIBUTOR THAT HITS THE SWEET
SPOT FOR QUALITY SERVICE AT A FAIR
PRICE – WHICH GOES WELL BEYOND JUST
DELIVERING SPARE PARTS.**

Michel Chagneau SKF St Cyr

CHIEF EXECUTIVE'S REVIEW

In order to increase the focus on our extended product range and strengthen our cross selling initiatives, we have recruited a number of European Product Managers who are responsible for developing and growing our business in Fluid Power, Power Transmission and Tools and General Maintenance products

We have developed a new website with e-commerce functionality, aiming to increase customer conversions via an enhanced user journey and easy to find call-to-action opportunities. The new site features more interactive content including "Quick Tips video clips" and we will be adding new clips and other content regularly throughout 2012. Our e-commerce solution is already live in Poland, Spain, France and Netherlands, and will be launched in the remaining countries during 2012 and 2013.

Huge opportunities exist from energy saving in manufacturing or process-driven organisations, a conservative estimate suggests that over €13 billion is wasted across Europe by inefficient energy consumption in the production process. Our key partner suppliers are very supportive and last year we completed our research project with the German Technical Fraunhofer Institute. Using our research findings and methodology, we have developed a Brammer Energy Savings Proposition identifying how we can help maximise energy savings at our customers' plants. We have also appointed Energy Saving Champions in each country to deliver the best-practice approach to energy savings and to create local action plans to promote and deliver our Energy Savings programme to customers.

In February 2011 we conducted our most extensive ever customer satisfaction survey, involving 45-minute telephone interviews with 250 customers across Europe, and an online questionnaire sent to a random sample of 10,000 of our 100,000 customers. This research gave us unprecedented insight into our customers, helping us to appreciate their

current and future needs in detail, and assist us with our strategic and operational planning.

During the year Brammer's Distributed Learning programme ("e-learning") was updated with new product training modules and enhanced functionality to provide a better learning experience in nine languages. This training is a key element of Brammer's employee induction programme, and for critical, customer-facing roles we are achieving 100% take-up of the two major foundation programmes. Going forward, we will continue to work with our suppliers to ensure our employees receive the best possible product training.

From analysis of the 2011 internal employee survey, we have developed regional and functional action plans to maintain and enhance the excellent links between our strategy and our personnel.

The Brammer European Council of employee representatives meets annually in June. This forum facilitates communication between the Works Councils and Employee Forums from each country in the group, ensuring that the concerns and issues raised by our people can be listened to and responded to.

Synergies

Our work on developing systems to allow us to view and manage all of our inventory across Europe and hence to improve inventory efficiency continued to produce pleasing results. Our Master Data Management ("MDM") application now contains over five million part numbers and over eight million technical features. The increasing volume and completeness of the data held in MDM has supported a 5.3% increase in the volume of product traded internally using our Brammer Inline platform. Brammer Inline now provides visibility of stock across ten European countries, and fully integrated electronic trading between Brammer

Figure eight – Organic sales per working day growth by geography in constant currency terms

	2011	2010
UK	16.8%	8.0%
Germany	16.1%	13.6%
France	14.2%	11.1%
Spain	12.3%	9.5%
Benelux	12.8%	10.7%
Eastern Europe	21.0%	17.6%
Other	13.2%	19.9%

country businesses. Our focus has been on reducing order processing times and costs, and this concept has been progressively extended to all internal warehouses as well as suppliers' stocks. We have used MDM and Inline to form the basis for our first pan-European webshop which has already been rolled out in Spain, Poland and France, and will be completed during 2012. This capability will allow us to increase our online presence and develop new revenue streams in the online environment.

The MOMASSE demand forecasting and planning tool continued to be implemented successfully across Brammer, allowing each country to optimise stock levels and deliver higher levels of stock availability for a lower investment in inventory. Good progress was made in developing pan-European inventory plans for certain product groups.

Inventory turns were maintained at 5.0 (based on quarter four sales) despite pressure for increased stockholding arising from the acquisition of Buck & Hickman business, and the focus on product range extension and cross-selling opportunities.

Costs

We continued to work on increasing our spend with a smaller number of suppliers, and improving the level of marketing support, pricing, and cooperation in the field received from those suppliers. Organic gross margin improved by 0.5% year on year to 30.6%.

We continued to focus on efficient use of our Sales Distribution and Administrative expense (SDA). SDA at constant currency grew by 14.2% against a comparative sales growth of 15.6%. As a result we enjoyed significant operating leverage, despite the fact that a large part of the additional SDA investment was to drive additional growth in Key Accounts, cross-selling and Insite development.

The future

Our European footprint and our specialisation in the field of Bearings, Mechanical Power Transmission, Fluid Power and Tools and General Maintenance products, is a strong platform upon which to achieve further gains in market share in our fragmented market place. We are now finding that many of our customers are seeking to buy additional products from us, or accelerate contract implementation, to achieve the cost savings available to them as part of their contract with Brammer – and we have significantly increased the rate at which we are able to deliver those savings.

We have now enjoyed 31 consecutive months of sequential growth since the low point in June 2009. Our Key Account business remains strong, cross-selling initiatives to both Key Accounts and the base business are proceeding well and we expect to achieve healthy double digit growth overall in 2012. Moreover, we will continue to lead the consolidation of the European market in Bearings, Mechanical Power Transmission, Fluid Power, and Tools and General Maintenance products. As a result, we are increasingly confident that our strategy will continue to give us growth substantially greater than the market.

OUR STRATEGY WILL GIVE US GROWTH SUBSTANTIALLY GREATER THAN THE MARKET.

Ian Fraser Chief executive

FINANCIAL REVIEW

Overview

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

Revenue

Revenue increased by 22.0%, of which continental Europe accounted for 11.5% of the increase and UK the remaining 10.5%. Revenue in continental Europe increased by 16.5% and in the UK by 34.6%. At constant exchange rates, revenue increased by 21.3%. This equates to an increase in organic sales per working day of 15.9%, with growth of 15.2% in continental Europe and 16.8% in the UK. The contribution to revenue from the acquisition of the UK based Buck & Hickman business on 30 September 2011 was £26.5 million

Gross profit

The gross profit for the year was £173.3 million (2010: £141.1 million). Gross margins were maintained at around 30%

Operating profit

Operating profit (before amortisation and exceptional items) increased by £8.8 million to £31.8 million in 2011 from £23.0 million in 2010. Return on sales increased to 5.6% (2010: 4.9%)

Profit before tax

The profit before tax from continuing operations for the year was £24.5 million (2010: £19.3 million). Profit before tax, amortisation and exceptional items but after finance expense was £29.0 million (2010: £20.6 million)

Earnings per share

Basic earnings per share increased by 3.8p from 13.0p to 16.8p in 2011. Earnings per share, before amortisation and exceptional items, increased by 42.4% from 13.9p in 2010 to 19.8p in 2011

Return on operating capital employed

The return on operating capital employed, based on operating profit before amortisation and exceptional items, was 32.3% (2010: 31.0%) for the total group, reflecting the effect of the acquisition during the year. Organic return on operating capital employed increased from 31.0% to 38.1% principally reflecting the improvement in underlying operating profit through increased trading. Total return on operating capital

employed, which is lower, reflects the short three month post acquisition contribution to underlying operating profit from Buck & Hickman

Goodwill

Goodwill in the balance sheet stands at £89.5 million at the end of the year (2010: £74.8 million), a net increase of £14.7 million. In 2011, goodwill increased by £8.1 million in respect of the acquisition of the Buck & Hickman business, and by £8.8 million reflecting the accrual for earn-out payments relating to prior years' acquisitions, there was a £2.2 million decrease due to exchange movements on goodwill held in foreign currencies. Impairment reviews have been performed in accordance with IAS 36 and no impairment has been identified

Trading during the year

Profit from operations before exceptional items, amortisation, interest and tax ("underlying operating profit") increased by 38.3% to £31.8 million (2010: £23.0 million), of which £15.4 million was delivered in the first half and £16.4 million in the second half (see figure nine below)

Both the first half and the second half enjoyed continued growth compared to the prior year. For the first half, revenue increased by £45.2 million and underlying operating profit by £4.4 million. For the second half, organic revenue increased by £31.4 million resulting in an increase in underlying operating profit of £3.5 million, as slightly lower growth rates were experienced against more challenging comparators

Exchange rates had a small favourable impact on the year's results contributing less than 1.0% to the growth in both revenue and underlying operating profit

Exceptional items

The group completed the acquisition of the Buck & Hickman business on 30 September 2011 for a consideration of £26.9 million. Acquisition costs of £0.5 million incurred, together with £0.8 million of branch co-location costs and a £0.4 million charge for write-down of stock, being related costs incurred up to 31 December 2011 in the first phases of integrating the business with that of Brammer UK, have been recognised as exceptional costs in the income statement. In addition a further charge of £1.5 million, the majority of which relates to restructuring actions taken in the wider group as first steps in realising operational

Figure nine – Trading during the year

	First half £m	Second half Organic £m	Second half Acquisition £m	Full year £m
2011				
Revenue	275.2	269.8	26.5	571.5
Underlying operating profit *	15.4	15.5	0.9	31.8
2010				
Revenue	230.0	238.4	–	468.4
Underlying operating profit *	11.0	12.0	–	23.0

* Being profit from operations before exceptional items, amortisation, interest and tax

benefits from the acquisition, has also been included in the total pre-tax operating exceptional charge of £3.2 million. There were no exceptional items in 2010.

Interest

The net interest charge for the year was £2.8 million (2010: £2.4 million) which included a discount unwind charge on deferred consideration of £0.1 million (2010: £0.2 million). Excluding the discount unwind charge the effective interest rate on average net borrowings was 4.5% (2010: 4.3%), reflecting the higher margins payable on the new primary facility from July 2011. EBITDA before exceptional items covers interest by 11.3 times (2010: 10.1 times).

Tax

The overall tax charge for the year of £6.2 million (2010: £5.5 million) consisted of the current year charge. Current year tax represents an effective tax rate of 25.4% which is lower than the expected rate of 26.5% primarily as a result of a credit arising from a release of tax contingent liabilities of £0.8 million, offset by adjustments arising from the differences in tax rates across Europe of £0.1 million, further recognition of tax losses in the year of £0.3 million and other permanent differences of £0.1 million.

Cash flow

Net debt decreased by £1.4 million from £36.7 million to £35.3 million. At the year end, net debt/EBITDA stood at 1.01 times (2010: 1.41 times).

Net cash inflow from operating activities of £28.2 million increased by £2.1 million from £26.1 million in 2010, which is after £0.7 million outflow (2010: £1.4 million) associated with exceptional items in the current year and provision utilisation in 2011 of exceptional items from prior years. This inflow enabled the payment of £1.8 million of deferred

consideration, £4.1 million taxation payments, and £13.6 million for dividends, interest and pension obligations. Net capital expenditure increased substantially from £3.3 million to £5.8 million due to increased investment in software development.

Average net borrowings in 2011 were £54.5 million compared to £52.8 million in 2010, only slightly above last year because the acquisition of Buck & Hickman for £26.9 million was largely funded through a share placing, generating net proceeds of £24.8 million.

Pensions

The net pension liability relating to the defined benefit pension schemes increased by £1.0 million to £16.8 million (2010: £15.8 million). The principal factors contributing to this increase were a £3.9 million actuarial loss on scheme assets offset by £3.4 million of employer contributions.

The main financial assumptions used were a discount rate of 4.8% (2010: 5.5%), a 3.0% (2010: 3.6%) rate of increase for pensions in payment and a 2.4% (2010: 3.1%) rate of increase for pensions in deferment. The main demographic assumptions used are broadly unchanged. The charge recognised in the income statement decreased by £0.5 million to £0.1 million (2010: £0.6 million) reflecting an increase in the expected return on scheme assets following the significant increase in scheme assets in the prior year.

Financing and covenants

In July 2011 the company entered into a five year revolving multicurrency credit finance facility which provided for borrowings of €100.0 million, replacing the previous facility which was due to expire in February 2012. This facility can be drawn until it expires on 30 June 2016. In addition to the revolving credit facility, the company also has £21.5

Figure ten – Cash flow

	2011 £m	2010 £m
Cash inflow from operating activities	28.2	26.1
Cash inflow from operating activities before exceptional items	28.9	27.5
Cash outflow from exceptional items	(0.7)	(1.4)
Cash inflow from operating activities	28.2	26.1
Net capital expenditure (purchases net of disposals)	(5.8)	(3.3)
Operational cash generation	22.4	22.8
Acquisitions (including net debt acquired)	(26.9)	–
Deferred consideration and earn out	(1.8)	(7.9)
Tax	(4.1)	(2.7)
Interest, dividends, pension obligations and other	(13.6)	(10.8)
Net proceeds from placing	24.8	–
Purchase of own shares	(0.1)	–
Net proceeds from issue of shares	0.1	0.1
Decrease in net debt	0.8	1.5
Opening net debt	(36.7)	(39.9)
Exchange	0.6	1.7
Closing net debt*	(35.3)	(36.7)

* Total borrowings net of cash and cash equivalents

FINANCIAL REVIEW

million of other available financing facilities. The amount of finance available under this revolving credit facility as at 31 December 2011 was €100.0 million (£83.9 million).

The new revolving credit facility requires, among other matters, compliance with three financial covenant ratios. These requirements are (1) consolidated total net borrowings shall not exceed 3.0 times consolidated EBITDA, (2) consolidated net worth shall be not less than £50.0 million, (3) the ratio of consolidated EBITDA to consolidated net interest payable shall not be less than 4.5:1, in addition, the guarantor subsidiaries must account for more than 75% of the group's total gross assets, turnover and pre-tax profit. EBITDA is a measure of liquidity and is defined in the finance facility. The company has not breached these covenants throughout the period to 31 December 2011, and current forecasts indicate significant headroom for all covenants in the next twelve months.

As at 31 December 2011 the company had £46.4 million of borrowings drawn under the revolving credit facility.

On 2 September 2011 the group announced a placing of 10,535,000 new ordinary shares at 240p per share with institutional investors, representing approximately 9.9% of the total issued share capital. Demand for the placing exceeded the offering by a factor of two. The proceeds of this placing were used to fund the purchase of the Buck & Hickman business which was completed on 30 September 2011.

Derivative instruments and risk management

The company has limited dealings in derivative instruments. Derivatives used in hedging activities are considered risk management tools and are not used for trading purposes. The company uses derivative instruments to manage exposure to fluctuations in foreign currency exchange rates. The company does not enter into speculative currency transactions.

The company uses foreign currency forward exchange contracts to minimise currency exposure from expected future cash flows. These contracts have not been designated as hedging instruments.

Group companies account in local currency and mostly trade within their domestic market in their local currency. Investments in overseas companies are hedged with debt in the same currency thus minimising exchange risk on investments.

The group is not subject to material exposure from fixed price contracts and has a track record of maintaining gross margin irrespective of sales volumes thereby successfully pushing back market pricing pressure to its suppliers.

Principal risks and uncertainties

The management of the business and the execution of the strategy are subject to a number of risks and uncertainties.

Operational risks are assessed by Brammer subsidiaries. These are reviewed with appropriate mitigation considered by Brammer management. The Board reviews these assessments on a regular basis.

A formal group-wide review of strategic risks is performed by the Board. Appropriate processes and controls are also put in place to monitor and mitigate these risks.

The principal risks affecting the group are as follows:

Slowdown of industrial activity

The group's activities are almost entirely within the UK and the Euro-zone which are geographical markets currently subject to economic uncertainty. A continued deterioration in current economic conditions may lead to a decline in demand within the industrial base of these markets with an associated decline in demand in the maintenance and original equipment markets which Brammer supplies. The group has a well spread market and geographic presence and has concentrated growth activities in defensive sectors such as food and drink, utilities and fast moving consumer goods. The group has also focused growth activities in larger Key Account customers who have a wider global presence and are therefore likely to prove more resilient during any economic downturns in Europe and surrounding areas. Economic conditions vary throughout the Euro-zone and accordingly a slowdown will have a different level of impact on each country. The sales and purchasing activity for each business unit is largely confined to its own geographical area which means each business can react to variations in demand without encountering issues associated with cross border sales and purchase management. Also, in the extreme case of a breakup of the Euro, currency issues would be minimised because purchases and sales would be largely in the same currency. The group has also demonstrated the capability to reduce costs and to align the cost base in response to market conditions.

Withdrawal of a major supplier

Brammer is dependent on its key suppliers which it represents in a multi-brand environment to Brammer's existing customer base. The relationship with strategic suppliers is mutually dependant and enhanced by our partnership approach to Key Accounts. Brammer is continuing to secure additional support for its efforts to increase market share and is confident any withdrawal could be sourced from another supplier.

Loss of major customers

A core part of the growth strategy for the group is a focus on winning and maintaining those significant customers it views as Key Accounts. The loss of significant numbers of Key Accounts would have an adverse effect on turnover growth and an impact on other strategic focus areas of cross-selling opportunities and Insite development. As a distributor in a fragmented market Brammer derives great benefits from its first class reputation as an industry

leader in its service offering to Key Accounts, which could be potentially damaged with significant loss of major customers. However, Brammer does not have dependency on any single customer. Key Account customers are carefully monitored by the senior management team, who also document the acknowledged cost savings achieved. Further growth in Key Accounts in the current year suggests the template offering is proving attractive to a profit conscious customer base.

Customers relocating to lower cost countries

Brammer continues its strategy to grow its business successfully by expanding in a fragmented market. Brammer's Eastern European operations all reported growth throughout 2011. We will continue to review suitable opportunities in this region as they arise.

Loss of infrastructure/systems

As with most large organisations that depend on Information Technology (IT) for their day-to-day operations, there are disaster recovery plans in place for the major countries where Brammer operates. In these territories, there are overnight back up systems in place which can be expected to mitigate the worst effects of such disruption. Integration teams continually work to develop group-wide solutions to business critical processes which provide improved resilience against failure in the event that issues occur in our operations. For Brammer, a quoted company which is a distributor of product, these key processes are in the area of stock and order management, sales and delivery management and transactional record keeping, including financial books and records.

Adverse euro exchange rates

Brammer reports its results in sterling however the group trades significantly in euros. The current economic conditions create uncertainty over the exchange rate between sterling and the euro. Whilst there is a natural hedge between buying and selling for the majority of our business the ultimate profitability is expressed at the year's average exchange rate.

Financial and capital risks

The inherent interest rate risks associated with the group's net debt are discussed in the financial risk management section of the annual report. Following the successful rights issue in 2009 the group reduced its level of external debt.

Because the acquisition of Buck & Hickman was financed primarily through a share placing, the level of net debt has not increased materially. With the renegotiated facility now in place until 2016, Brammer has sufficient available resources to meet its foreseeable requirements. The group has no fixed rate borrowings of greater than six months nor does it have any fixed rate interest rate swaps.

The closed defined benefit scheme in the UK continues to be subject to various financial risks, principally based around the value of the current deficit in the scheme. The company may be required to make exceptional additional contributions outside the scope of its current funding plan by The Pensions Regulator. During 2010 the group agreed a deficit funding plan with the trustees of the scheme which provides for the group to make annual payments of £2.8 million, indexed for inflation, in the years 2011 to 2023 inclusive.

Expected benefits from acquisitions may not be realised

Part of the Brammer strategy is growth through selective acquisitions. Acquisitions involve a number of risks related to the performance of the acquired business and challenges arising from integration. With the significant acquisition of Buck & Hickman in the year these risks and potential challenges are clearly present in the current year. Potential acquisitions are carefully researched prior to any purchase and closely monitored by Brammer's management subsequent to acquisition. Brammer has a track record of successfully integrating acquired businesses with an established integration plan and an experienced management team.

Loss of key employees

The group regularly reviews its succession plan arrangements to ensure that key managers are recognised and developed. The group remains committed to a number of incentive schemes linked to the group's results, which have been designed to retain key managers. Industry benchmarking and the use of external assessments and advisors form part of the recruitment process for key managers to ensure high calibre recruits to key roles.

The board's nominations committee reviews the structure, size, diversity and composition of the board and advises on succession planning matters. This committee also retains external search and selection consultants as appropriate.

Paul Thwaite Finance director

DIRECTORS AND OFFICERS

David Dunn**

Non-executive chairman

Joined the Brammer board in November 2001 as chairman and is also chairman of the nominations committee and a member of the remuneration committee. He stepped down as a member of the audit committee during the year. He is a chartered accountant and in 2002 retired as chairman of Scapa Group plc, where he had also served since 1987 as finance director and chief executive. He has held non-executive director positions on a number of UK listed company boards in recent years. David Dunn is now subject to annual election and has decided not to offer himself for re-election at the 2012 AGM. Accordingly, David Dunn will be stepping down following the AGM.

Ian Fraser*

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. He became a non-executive director of Acal plc with effect from 1 January 2010.

Terry Garthwaite***

Senior independent non-executive director

Appointed to the board in June 2004. He is chairman of the audit committee. On qualifying as a chartered accountant he worked for Price Waterhouse in London. He held a number of senior finance positions within Foseco plc including director of corporate finance, prior to spending eleven years as group finance director at Senior plc. He is a non-executive director of Renishaw plc and Wilmington Group plc.

Paul Thwaite

Finance director

Joined Brammer in February 2002 and 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.

David Dunn	Terry Garthwaite
Ian Fraser	Paul Thwaite

Bill Whiteley***

Independent non-executive director

Appointed to the board in July 2008 having retired as chief executive of Rotork plc. He is chairman of Hill and Smith Holdings plc, and also Spirax Sarco Engineering plc and is a non-executive director of Renishaw plc. He took over as chairman of the remuneration committee with effect from 1 March 2010 following Paul Forman's departure. Due to the pending retirement of David Dunn, Bill Whiteley will take over as chairman of the company following the 2012 AGM.

Charles Irving-Swift***

Independent non-executive director

Appointed to the board in March 2010. He joined Armstrong World Industries Inc. in July 2010 as chief executive of European Flooring operations. He has previously held senior positions in TT Electronics plc, Dana Corporation and T&N plc and has had a long association with the automotive manufacturing industries on a world-wide basis. He has also previously served as a non-executive director of Victrex plc and was chairman of their audit committee.

Duncan Magrath

Independent non-executive director

Appointed to the board in February 2012 with effect from March 2012. He joined Balfour Beatty plc in 2006 where he now holds the position of Chief Financial Officer, having previously been Deputy Finance Director. Duncan qualified as a chartered accountant with Price Waterhouse. He then subsequently joined Exel plc where he held numerous positions during his 13 year tenure, culminating in his appointment as Director of Investor Relations and Financial Strategy. Duncan has a wide range of financial and corporate experience and also holds an Engineering degree from Cambridge University.

Chris Short

Company secretary

Appointed group company secretary in January 2005. Qualified in 1985 as a chartered accountant with KPMG.

- * Remuneration committee
- * Audit committee
- ❖ Nominations committee

Bill Whiteley	Duncan Magrath
Charles Irving-Swift	Chris Short

THE EXECUTIVE TEAM

The Brammer executive team is subdivided into three elements

- the corporate team is responsible for the operational leadership of the group,
- the team of country managing directors is responsible for the management of the country based businesses, and
- the team of functional directors is responsible for the leadership of specific group-wide functions

CORPORATE TEAM

Ian Fraser
Chief executive
Paul Thwaite
Finance director
Chris Short
Corporate development director
John Veale
Consultant

COUNTRY MANAGING DIRECTORS LEFT

Ian Ritchie

UK

Julien Monteiro

France

Eric Dijkstra

Netherlands

Jochen Diehm

Germany

Neil Rogers

Regional managing director

FUNCTIONAL DIRECTORS RIGHT

Nigel Trend

Business integration

Ralf Hellwig

Key Accounts

Carl Friedrich Wayand

Purchasing

Jakob Alkil

Group growth

Philippe Hervieux

European managing director

Tools and General Maintenance

BRAMMER, ITS ADVISERS AND PRINCIPAL SUBSIDIARIES

Registered office

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number 00162925

Bankers

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Clydesdale Bank plc
(trading as Yorkshire Bank)
The Chancery
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Manchester M2 1YB

KBC Bank NV
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London EC2N 1BR

Registrars

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Brammer UK Limited
Ian Ritchie +44 (0)161 953 8600

* Shares owned directly by Brammer plc

All companies listed above are incorporated in the country under which they are listed. Except as shown above, 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.

All companies are accounted for as wholly owned subsidiaries as the group has effective ownership of those companies.

DIRECTORS' REPORT

The directors present their audited consolidated annual report for the year ended 31 December 2011

Principal activities of the group

Brammer plc is the holding company for, and also provides management services to, the group. Its principal operating subsidiaries, all of which are wholly owned except where stated, are shown on page 24 together with details of their locations.

As at 31 December 2011, the principal activity of the group (including that of its principal operating subsidiaries as shown on page 24) is the provision of value added business to business services, through being a leading pan-European added value distributor of industrial maintenance, repair and overhaul products and related inventory management, procurement and logistics services.

Financial results and dividend

The chairman's statement, the chief executive's review and the financial review all report on the group's activities during the year and likely future developments. The principal risks and uncertainties affecting the business are set out in the financial review. The financial key performance indicators of the business, which are considered to be sales per working day, revenue per head, gross margin, return on sales, return on operating capital employed, earnings per share and interest cover, are reviewed in the chief executive's review and the financial review. Non-financial key performance indicators affecting the business, such as employee and environmental performance indicators, are set out in the employee and corporate social responsibility section of the directors' report.

The directors recommend a final dividend of 5.7p per ordinary share for the year ended 31 December 2011 (2010: 4.5p), which, together with the interim dividend of 2.7p (2010: 2.0p per ordinary share), brings the total dividend paid and proposed to 8.4p (2010: 6.6p) per ordinary share for the year. Subject to the approval of shareholders at the annual general meeting, the final dividend will be paid on 3 July 2012 to all shareholders on the register at close of business on 8 June 2012.

Directors

Details of each of the directors who served throughout the year and up to the date of signing the financial statements are shown on pages 20 and 21. All directors are subject to retirement by rotation under the company's articles of association.

The directors retiring by rotation are Bill Whiteley and David Dunn. Being eligible, Bill Whiteley offers himself for re-election. David Dunn is now subject to annual election as he has served as a director for more than 9 years. David Dunn does not wish to offer himself for re-election and is stepping down from all of his duties with the company following the AGM.

Each non-executive director is appointed for fixed terms of three years. David Dunn was initially appointed in November 2001, Terry Garthwaite was initially appointed in June 2004, Bill Whiteley was appointed in July 2008, and Charles Irving-Swift was appointed in March 2010.

In February 2012, Duncan Magrath was appointed as a non-executive director with effect from 1 March 2012. Duncan Magrath retires as he was appointed after the last annual general meeting and offers himself for election. Subject to this appointment by the shareholders at the next annual general meeting in 2012, his appointment is for three years from 1 March 2012.

Details of directors' attendance at board and committee meetings and a statement on board evaluation is set out in the corporate governance report.

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

Directors' and officers' liability insurance and indemnities

The company purchases liability insurance cover for directors and officers of the company and its subsidiaries which gives appropriate cover for any legal action brought against them. A review of this cover last took place in December 2008. The company has also provided an indemnity for its directors to the extent permitted by the law in respect of liabilities incurred as a result of their office. The indemnity would not provide any coverage to the extent that a director is proved to have acted fraudulently or dishonestly. Prospectus Liability coverage was put in place for directors and officers of the company at the time of the 2009 rights issue. Cover is in force until October 2015. The directors also have the benefit of the indemnity provision contained in the company's articles of association which is a qualifying indemnity provision within the meaning of the Companies (Audit, Investigations and Community Enterprise) Act 2004. This indemnity provision was in force during the year and at the date of approval of these financial statements.

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 14 February 2012, the company had notification that the following were interested in 3% or more of the company's issued share capital:

BlackRock	11.23%	Legal & General Investment Management	7.11%
AXA Investment Managers	10.61%	Fidelity Investments	4.44%
JP Morgan Asset Management	7.94%	Old Mutual Asset Managers	3.71%
Majedie Asset Management	7.75%		

DIRECTORS' REPORT

Charitable and political donations in the United Kingdom

No charitable donations were made during the year (2010 £nil) No political donations were made (2010 £nil)

Payment to suppliers

The company'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 company's policy is to adhere to the payment terms providing the supplier meets its obligations.

Purchase of own shares

During the year the company purchased 27,558 of its own ordinary shares of 20p each, representing 0.02% of the issued ordinary share capital of the company as at 31 December 2011, through the Brammer plc Employee Share Ownership Trust ("the Trust") for an aggregate consideration of £75,316.

The Trust currently holds a total of 208,121 shares (2010 277,634 shares) in the company in order to meet part of the company's liabilities under the Brammer plc Performance Share Plan and Share Matching Plan. The Trust deed contains a dividend waiver provision in respect of these shares. Any voting or other similar decisions relating to those shares would be taken by the Trustees, who may take account of any recommendations of the company.

The issued share capital of the company is shown in note 19 to the financial statements on page 73 and consists of ordinary shares of 20p each. All of the issued ordinary shares rank *pari passu*.

In addition to the rights conferred by law, the rights and obligations attaching to the company's ordinary shares are set out in the company's articles of association, a copy of which can be obtained by writing to the company secretary. At the last annual general meeting of the company, held on 17 May 2011, the company was authorised by shareholders (AGM) to purchase in the market up to 10,628,558 ordinary shares of 20p each, representing 10% of the issued ordinary share capital of the company as at 1 April 2011. Although this authority was not utilised by the company during the last financial year, approval will be sought from shareholders at the forthcoming AGM to renew this standard authority for a further year. It is the company's intention that, should any ordinary shares be bought back, they will be cancelled or retained in treasury pending a subsequent sale, cancellation or transfer. The company does not currently hold any shares in treasury. The company will only purchase its own shares if the board believes that to do so would be in shareholders' best interests and will increase earnings per share.

Interim report

Current regulations permit the company not to send copies of its interim results to shareholders. Accordingly the 2011 interim results published on 5 August 2011 were not sent to shareholders. Furthermore the 2012 interim results and subsequent interim results will not be sent to shareholders. The interim results and other information about Brammer are available on the company's website at www.brammer.biz.

Electronic and website communication with shareholders

The company's articles of association permit electronic and website communication with shareholders following the enactment of the Companies Act 2006.

The company has implemented electronic and website communication with its shareholders. Shareholders who consented to website communication will be notified in writing when documents and communications have been published by the company so that they can view them on the company's website. It is intended that the Annual Report 2011 will be subject to the electronic and website communication regime.

Financial risk management

The group's financial risk management objectives and policies and exposure to market risk, (foreign exchange risk and hedging activities together with cash flow and interest rate risk) credit risk and liquidity risk are disclosed in the notes to the financial statements on page 59.

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 to all the group's employees.

A formal human resources policy framework continues to be followed 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 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.

DIRECTORS' REPORT

The Brammer European Council was established over 10 years ago with each company in the group selecting a representative. The council meets once in each year. The purpose of the Brammer European Council is to encourage freedom of association amongst Brammer staff representatives from its operations in Europe.

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 people. 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.

The group will be carrying out the eighth Brammer Employee survey (which is conducted electronically) in early 2012.

In addition to the results of the Brammer Employee survey, the group regularly monitors sales per employee and training costs per employee to assess the efficiency of its employees through training in order to ensure the quality of its overall service delivery.

Employee Performance Indicators

	2011 £000	2010 £000
Sales per employee	221.00	195.00
Training costs per employee	0.20	0.11

Corporate social responsibility

The environment

Brammer recognises that it is part of a wider community of employees, shareholders, customers, suppliers and other stakeholders and recognises that group companies have a responsibility to act in a way that respects the environment.

It is the policy of Brammer, so far as is reasonably practical, to protect and conserve the local and wider environment from any adverse impacts caused by operations. It is the policy of Brammer across all its operations to:

- meet all relevant legislative requirements on environment issues,
- seek to conserve energy and natural resources by minimising waste, recycling where possible and maximising the use of renewable resources,
- consider the life cycle environmental effects of investment in premises and equipment, and
- ensure all contractors follow our practices while working on site and respond promptly and efficiently to adverse occurrences.

The group's aim is to encourage more recycling and reduce energy costs. The UK is leading the way in this regard. The group has extended this policy to other countries. Group initiatives include the following:

Working environment

The group continues with the transition to flat screen computer monitors with employees encouraged to leave all computers on standby mode if they are away from the computer.

At weekends, all servers, faxes and printers are shut down and all computers are turned off. Better control of temperature and regulation of the hours of use of oil at National Distribution Centres ("NDCs") to reduce consumption now takes place. The promotion of electronic mail and telephone rather than post is encouraged.

Energy saving lamps are used wherever possible and steps are taken to ensure that all lights are turned off when they are not in use.

Environmental performance indicators

The group, which does not have manufacturing activities, takes its environmental responsibilities very seriously. The main impact on the environment is the group's logistics. The group therefore monitors carefully its packaging and distribution costs from both an efficiency and environmental point of view. The following key performance indicators are applicable:

	2011	2010
Packaging costs as % of costs of goods sold	0.23%	0.23%
Distribution costs as a % of sales (representing delivery costs to customer)	1.07%	1.17%

Transport

Deliveries are in the main carried out overnight so that vehicles do not get held up in traffic, thus reducing their emissions. Vehicles with diesel particle filters are preferred and cars with low fuel consumption (fleet scheme) are utilised.

Employees are encouraged to optimise their use of car pooling, use of public transport and limit the amount of air flights. Drivers are asked to conserve their speed as this is more energy efficient.

DIRECTORS' REPORT

Recycling and waste reduction

Recycling is implemented where possible in relation to paper, glass and residual waste. Recycling is encouraged within NDCs by reusing old packaging.

Electronic purchasing is utilised to minimise paper usage. Printing is carried out through central printers in order to reduce paper consumption. A number of projects have been implemented to reutilise boxes for all internal transport and to improve the recycling rates at both NDCs and branches.

Suppliers are asked to use reusable pallets rather than disposable ones. The use of more environmentally friendly packaging is encouraged as well as packaging more products in the same pack, where possible, in order to save material. Employees are encouraged to separate waste.

Accreditation and conformance with European legislation

Brammer is working to ensure that all our businesses across the group achieve an environmental accreditation such as ISO 14001 – 2004. Brammer is committed to reducing its carbon footprint through reducing energy consumption and proactive waste management.

Specific country initiatives are as follows

In the UK, the NDC employees continue to receive environmental training and awareness, which along with other environmental improvements has brought a 45.2% reduction in the amount of waste sent to landfill since 2007, also a 28.52% increase in the volumes of cardboard and 800.85% paper sent for re-cycling since 2007. Waste sent to landfill averaged 1.98 tonnes per month in 2011 down from 7.68 tonnes per month in 2005. Cardboard recycled was up from 0.81 tonnes per month in 2005 to an average of 4.79 tonnes per month in 2011. Where possible Brammer UK continues to minimise CO₂ emissions with improved GPS delivery routes introduced to reduce fuel costs. Brammer UK continues to adhere to the ISO 14001:2004 accreditation across the entire branch network, gearbox centres, workshops, NDC and Head Office.

Brammer UK are committed to

- > Increasing energy efficiency,
- > Promoting energy awareness amongst employees and customers, ensuring that all staff are aware of the Brammer energy policy available on the company intranet,
- > Implementing energy awareness and savings throughout all our premises and equipment where it is cost effective to do so,
- > Monitoring and reporting energy performance in an appropriate way,
- > Ensuring that during refurbishment of any Brammer premises consideration is given to environmental impacts, and
- > Complying with applicable legislation concerning the impacts of Brammer's energy usage.

In France, preparatory work for ISO 14001 certification has begun. This accreditation process will take place in several stages which will extend over a time frame of approximately 7 years.

Brammer France also decided to adopt the United Nations Global Compact in June 2010 in the area of environmental compliance. For 2011, the following actions were undertaken:

- > CO₂ emissions of the company car fleet were reduced,
- > Management of waste was improved, and
- > "Eco-friendly" compliance initiatives established.

Selective sorting of waste has been established within the NDC and the head office at Nozay.

Brammer France has reduced paper invoicing for two of its major customers which extends to over 50,000 invoices a year. Further investment has been made in a folding machine to fold mail, allowing up to eight invoices in a single envelope. This has reduced postage and stationery costs.

In Germany the second surveillance audit IAW DIN EN ISO 14001 for the NDC and Dortmund was passed with no documented non-conformities. A re-audit will be conducted in May 2012. The environmental management team in Dortmund meets at least four times a year and internal audits are also planned. During the year, the vehicles for technical field staff and Insite managers were reviewed. The new fleet helps to reduce CO₂ emissions of the group in Germany.

Emission level Brammer Services car	127g/km
Average emission level of the business vehicle fleet Germany	150g/km

For Dortmund and 13 other sites, electricity supplies are procured from a green energy supplier. The power mix is 95% from hydro-electric sources and 5% from wind power services.

DIRECTORS' REPORT

Health and safety

The group strives to provide and maintain a safe environment for all employees, customers and visitors to its premises and to comply with relevant health and safety legislation. In addition the group aims to minimise the risk of work based accidents by ensuring systems are in place to address health and safety matters. The group encourages the involvement of employees and aims for continual improvement in health and safety matters through a formal structure with a reporting and review process. Compliance with health and safety policies and legislation is monitored on a country by country basis. The goal of the group is to achieve best practice in all its operations. Progress on implementation of country health and safety plans is closely monitored.

The group's health and safety policy statement, which is published on our website, focuses on establishing a suitable environment, providing proper training and communication with employees.

Reports on health and safety performance are made to meetings of the board on a quarterly basis. A format of health and safety reporting is in place so that the board can monitor more carefully injury statistics and trends across the group, especially where there are locally notifiable incidents.

A major investment programme in our NDCs over the past few years has given us the opportunity to introduce vehicle movement practices both on branch forecourts and indoors. This has significantly improved the workplace transport flows involved, separating workplace vehicle movements from people movements and significantly reducing the opportunity for accidents.

Brammer's use of vehicles and the composition of its fleet are continually under review to ensure that the most appropriate vehicles are used for delivery from branches. Deliveries from the NDCs to branches are normally carried out by an external logistics company.

Standardisation of Fork Lift Truck ("FLT") procedures including external training continues to be applied across the group.

Health and safety in specific countries

Brammer UK continues to work to the OHSAS18001 2007 accreditation across the entire branch network, gearbox centres, workshops, NDC and head office ensuring that all employees carry out their functions in a safe and effective manner. The investment in automation at the NDC in relation to the picking and despatch processes continues to bring about further reductions in the amount of manual handling.

Other accreditations (which have elements of H&S within the audits and activities) include

- Fluid Power Hose Assemblies – BFPA certification accreditation,
- Approved SAFE contractor – A leading health and safety pre-qualification assessment scheme, dedicated to promoting higher standards of competence and compliance through the provision of relevant industry specific and tailored health and safety assessments for all professions and sectors,
- Achilles – UVDB Verify (utilities Industry) Quality, Health, Safety and Environmental Assessment Certification and assessment for contracts of high operational risk, the Utility second stage pre-qualification scheme UVDB Verify applies. UVDB Verify shows the company's ability to demonstrate compliance with health, safety, environmental and quality requirements,
- Achilles – Building Confidence (Construction Industry) A Quality, Health, Safety and Environmental Assessment providing an effective pre-qualification and accreditation services for the UK construction industry,
- Achilles – Link-up (Rail Industry) is the rail industry supplier qualification scheme, providing a single common registration, qualification and audit process for suppliers that is shared by the UK rail industry in Quality, Health, Safety and Environmental Assessment.
- Achilles – FPAL (Oil and Gas Industry) FPAL Accreditation is the direct route to business in the Oil & Gas Industry, which aims to find the perfect supplier for every buyer. FPAL works to identify, qualify, evaluate and monitor suppliers on behalf of its Purchasing members in Quality, Health, Safety and Environmental activities,
- Sedex – Supplier Ethical Data Exchange – is a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains,
- CIPS – Chartered Institute of Purchasing and Supply is an established international standard of excellence in procurement policies and procedures. The Purchasing Accreditation assesses the company's Sustainability, Corporate Social Responsibility, Quality, Health & Safety and Financial Stability,
- Quality Management System – ISO 9001 accreditation, and
- Environmental Management – ISO 14001 accreditation.

A driver online assessment programme which was introduced and implemented during 2007 has continued throughout 2011. The aim is to reduce the number of road accidents involving employees whilst driving company vehicles. All new medium sized delivery vans ordered for the UK fleet are supplied with a 62mph speed restrictor to improve the fuel efficiency of the vehicles and to prevent driving at excess speed.

In Spain, an external expert company ensures compliance with current health and safety legislation. Brammer Spain, as part of its accident prevention programme, is implementing actions to improve awareness of all its employees leading to the prevention of accidents and work related illnesses. Routine medical examinations of employees are carried out every year in accordance with Spanish health & safety legislation in order to monitor the health of employees. The same applies to new starters.

DIRECTORS' REPORT

During 2010, videoconferences were held with some branches as part of a plan to train them on the use of the health and safety manuals, the means of escape in case of emergency, the use of fire extinguishers and a basic accident prevention course. Videoconferences with the remainder of the Spanish branches took place during 2011.

In early 2010, 12 employees in the Head Office in Bilbao were trained in CPR (cardiopulmonary resuscitation) and on how to act in case of emergency or evacuation.

Improvements and alternative methods regarding manual handling operations were carried out during 2011 to prevent accidents and provide further training.

All the FLT drivers in Spain are externally trained and tested in the use of such vehicles. They will also have to attend a refresher course on a regular basis. All new starters in the NDCs or warehouses that use FLTs have to pass a FLT test.

In Spain, anti-spill tanks and anti-spill emergency kits have been installed to cope with safety requirements for the warehousing of chemicals and to act in case of emergency. High capacity outdoor safety cupboards have also been installed to comply with safety requirements and to increase the capacity to store flammable products.

Security at the Head Office in Bilbao has been improved by the introduction of an electronic swipe card system.

In France, the health and safety committee meets quarterly and continuously works on improving safety. This committee has made a major contribution to reducing the number of accidents in the past few years. Road traffic accident prevention is still a major initiative. Improvements in manual handling training and fire prevention measures continued during the year.

First aid training now takes place at the larger branches on a regular basis. Manual handling training in the area of lifting is now targeted at more senior employees in the NDC.

A safety manager for Brammer Germany is nominated to support all employees across the country on matters of employee safety. They conduct safety audits, lead safety council meetings, liaise with Government bodies and Liability Insurers and investigate any incidents. In both Dortmund and Stuttgart formal safety councils are established to discuss safety issues of the North and South German areas on a quarterly basis. The safety council is composed of one member of senior management, the safety manager, safety specialists, occupational health physician and two members of the labour council.

Risk assessments are carried out in accordance with German law and practice. A central action plan is maintained to address any issues highlighted during the annual review process.

All hazardous substances are stored in a purpose built storage area in the NDC in Dortmund. This storage area is under special control of the safety manager and is inspected internally on a quarterly basis, and annually by government assessors. No issues were reported or raised during the year.

A risk analysis is carried out by occupational health physicians and as a result an individual skin protection plan for cleaning, safety and care of the skin has been established, communicated to employees and published in the operation areas. Skin protection is part of the annual health care service.

Noise measurements at the Dortmund and Stuttgart locations showed compliance at Stuttgart, and for Dortmund a noise reduction program was initiated to seek to further address issues over excess noise. In the short term, personal protective equipment has to be used. All affected employees are fully trained to prevent any issues surrounding noise related injuries.

Each site has a fire prevention and protection plan. Internal fire inspections are conducted on a regular basis and fully documented. Unannounced visits by local authorities are also carried out and any issues raised immediately addressed.

First aiders for all sites are in place and trained in accordance with all relevant regulations.

Internal health and safety training is undertaken throughout the organisation on an annual basis. In addition, specific training is implemented for new employees, new processes or substances, or as otherwise required by German law. All training is fully documented in accordance with best practice.

Employment of disabled persons

It is the policy of the group to give full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities, and wherever possible to continue the employment of, and to arrange appropriate training for, employees who have become disabled persons during the period of their employment. The group provides the same opportunities for training, career development and promotion for disabled as for other employees.

Corporate governance

The company's statement on corporate governance is included in the corporate governance report on pages 34 to 38 of these financial statements.

DIRECTORS' REPORT

Takeover directive

The company has only one class of ordinary shares and these shares have equal voting rights. The nature of individual directors' holdings are disclosed on page 45.

As part of the resolutions approved at the 2011 annual general meeting of shareholders, shareholders' authority was given to the company's directors for the allotment of up to 35,428,529 ordinary shares of 20p each if the authority is not utilised in connection with a rights issue, representing 33.3% of the issued share capital of the company as at the date of the 2011 annual general meeting.

During the year, the directors did not exercise the authorities given to them (to allot shares) save in relation to the options exercised under the Executive Share Option Schemes. Allotments of 56,393 shares were made in relation to employees who exercised options during the year pursuant to the Executive Share Option Schemes. As at 31 December 2011, the directors have the power to allot up to 70,851,062 ordinary shares of 20p each representing 66.6% of the issued share capital as at the date of the 2011 annual general meeting in connection with a rights issue, subject to a reduction of any amount of shares issued in accordance with the preceding paragraph.

There are no significant agreements to which the company is a party which take effect, alter or terminate in the event of change of control of the company except that the revolving credit facility agreement dated 11 July 2011 in respect of the €100 million revolving credit facility ("the group facility") contains mandatory pre-payment provisions on a change of control. The group facility contains a prohibition on a merger of the company with another entity without the prior consent of the relevant banks.

As stated in the remuneration report on page 45, the current executive directors of the company are entitled to certain payments if their employment is terminated or they are given notice by the company (save in circumstances giving rise to summary dismissal or retirement) within one year of a change of control of the company.

Certain of the company's share incentive schemes contain provisions that permit awards or options to vest or become exercisable on a change of control in accordance with the rules of the schemes.

Transfer of shares

The board may refuse to register a transfer of a certificated share which is not fully paid or where a person with at least a 0.25% interest in a class of shares has been served with a disclosure notice and has failed to provide the company with information concerning interests in those shares. The board may also refuse to register a transfer of a certificated share if it is in respect of more than one class of share or is in favour of more than four joint holders.

Transfers of uncertificated shares must be carried out using CREST and the board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

There are no other limitations on the holding of ordinary shares in the company and the company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares.

Variation of rights

Rights attached to any class of shares may be varied with the written consent of the holders of at least three quarters in nominal value of the issued shares of that class or by a special resolution passed at a separate general meeting of the shareholders.

The company by ordinary resolution may determine that any shares are allotted with special rights, privileges or restrictions.

Going concern

As highlighted in the financial review, during 2011 the group met its day to day working capital requirements principally through a €120.0 million banking facility which was replaced during the year with a new €100.0 million facility with HSBC, Yorkshire Bank and KBC Bank. This new facility is fully committed for five years, until June 2016. The current economic conditions create uncertainty particularly over (a) the level of demand for the group's products, (b) the exchange rate between sterling and Euro, and (c) the rate of interest paid on floating rate loans. The group's forecasts and projections, taking account of sensitivity analyses of changes in trading performance and exchange rate movements, show that the group is well placed to operate within the level of its current facility for the foreseeable future.

Therefore after making these enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Independent auditors

So far as the directors are aware, there is no relevant audit information of which the auditors are unaware. Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DIRECTORS' REPORT

Re-appointment

Resolutions to re-appoint PricewaterhouseCoopers LLP as independent 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 13 00 on 17 May 2012 at 43–45 Broad Street, Teddington, Middlesex TW11 8QZ

The notice of meeting appears in the document accompanying this report and accounts. Five 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
Chris Short
Company Secretary
14 February 2012



CORPORATE GOVERNANCE STATEMENT

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 the UK Corporate Governance Code (formerly known as the Combined Code) referred to in the Listing Rules of the UK Listing Authority. A copy of this Code is publicly available from www.frc.org.

For the year under review, the company has complied with the UK Corporate Governance Code (which came into effect for accounting periods beginning after June 2010) ("the Code") in all respects.

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

Part A Directors

Board balance and independence

The board currently comprises a non-executive chairman, two executive directors and three non-executive directors, who are equally responsible for the proper stewardship and leadership of the company. The directors holding office at the date of this report and their biographical details are given on pages 20 and 21.

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. They each meet the independence criteria set out in the Code. The terms and conditions of appointment of the non-executive directors are available for inspection at the registered office of the company. The letters of appointment set out their expected time commitment to the role. Other significant commitments of the non-executive directors are disclosed to the board.

The chairman of the company during the year, David Dunn, at the time of his appointment did meet and continued to meet the independence criteria set out in the Code. Upon appointment as chairman, Bill Whiteley will meet the independence criteria set out in the Code.

Performance evaluation of individual directors regularly takes place to ensure that an individual's performance continues to be effective and commitment to the role is demonstrated. Such evaluation took place in 2011.

Terry Garthwaite is the senior independent non-executive director. He is available to shareholders if they have concerns which contact through the chairman, chief executive or finance director have failed to resolve or for which such contact is inappropriate.

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 management executive team met with the board three times during the year.

Chairman and chief executive

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, ensuring that each director, particularly the non-executive directors, is able to make an effective contribution. The chief executive has responsibility for all operational matters which includes the implementation of the group strategy and policies approved by the board.

Appraisals and evaluation

During the year, the chairman held a meeting with the non-executive directors, without the executive directors being present. In addition, led by the senior independent director, the non-executive directors met in the absence of the chairman to appraise the chairman's performance.

Attendance by individual directors at meetings of the board and its committees

The attendance of directors at the board and principal board committee meetings during the year are detailed in the chart below.

	Main Board 8 Meetings	Main Board (Telephone) 5 Meetings	Audit Committee 4 Meetings	Remuneration Committee 6 Meetings	Nomination Committee 1 Meeting
David Dunn	8	5	4	6	1
Ian Fraser	8	5	n/a	n/a	1
Terry Garthwaite	8	5	4	6	1
Paul Thwaite	8	5	n/a	n/a	n/a
Bill Whiteley	8	5	4	6	1
Charles Irving-Swift	6	5	3	4	1

Appointment and resignation of directors

On appointment, new directors receive a full, formal and tailored induction. Major shareholders are offered the opportunity to meet newly appointed non-executive directors.

CORPORATE GOVERNANCE STATEMENT

Directors have the right to ensure that any concerns they have, which cannot be resolved about the running of the company or a proposed action, are recorded in the board minutes. Upon resignation a non-executive director shall be asked to provide a written statement to the chairman, for circulation to the board, if they have such concerns.

Advice for directors

A procedure has been adopted for the directors to obtain independent professional advice, in appropriate circumstances, at the company's expense. Committees are provided with sufficient resources to undertake their duties. An internal governance policy provides that directors have unrestricted access to the advice and services of the company secretary.

Delegation and working through committees

The board has a formal schedule of matters specifically reserved to it for approval. This schedule is reviewed periodically. The board's main focus is on strategic and policy issues and reviewing objectives and performance. The board operates in such a way to ensure that all decisions are made by the most appropriate people in a timely manner that will not unnecessarily delay progress. The board has formally delegated specific responsibilities to board committees, including the audit committee, remuneration committee and nominations committee (see pages 20 and 21). The board will also appoint committees to approve specific processes as deemed necessary.

The directors and management teams of each group company are responsible for those business entities. They are tasked with the delivery of targets approved by the board on budgets, strategy and policy.

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.

Board evaluation

The board undertook a process of self-evaluation of its own performance during the year. A questionnaire was devised and approved by the board. Directors submitted their completed questionnaires to the chairman who reviewed the responses with the individual directors and the board as a whole. The exercise was viewed positively by the board and will be undertaken again during the course of the current financial year.

Retirement by rotation

Each of the directors is subject to election by shareholders at the first annual general meeting after their appointment. Thereafter all of the directors are subject to retirement by rotation at intervals of no more than three years. Bill Whiteley and David Dunn will retire by rotation at the next annual general meeting. In accordance with the Code, David Dunn is now subject to annual election as he has served as a director for more than 9 years. Biographical details of these directors are set out on pages 20 and 21. The directors are aware of the retirement and independent facilitation of the board provisions of the Code that apply to FTSE 350 listed companies and remain fully committed to complying with all such provisions as and when they become applicable.

Nominations committee

The nominations committee and the board seek to maintain an appropriate balance between the executive and non-executive directors. During the year, the nominations committee was chaired by David Dunn and consists of all the non-executive directors and the chief executive. The chairman did not chair the committee when it dealt with the appointment of a successor to the chairmanship. It meets periodically as required, but at least once a year. Bill Whiteley will take over as chairman of the nominations committee when David Dunn steps down after the AGM.

The terms of reference of the committee were reviewed during the year and are available on the company's website at www.brammer.biz.

The committee reviews the structure, size, diversity and composition of the board and makes recommendations concerning the re-appointment of any non-executive director at the conclusion of their specified term of office and in the identification and nomination of new directors. The committee retains external search and selection consultants as appropriate. The committee also advises the board on succession planning for executive board appointments although the board itself is responsible for succession generally.

Bill Whiteley who is offering himself for re-election at the 2012 annual general meeting, has been subject to more formal evaluation. The nominations committee has concluded that he continues to contribute effectively and demonstrates his commitment to the respective board and committee roles that he holds.

The committee evaluates the balance of skills, knowledge and experience on the board and is responsible for board appointments. Following an evaluation, it prepares, in conjunction with the board, a detailed job description of the role with a candidate profile and the capabilities required for a particular appointment. In drafting this, consideration would be given to the existing experience, knowledge and background of board members as well as the strategic and business objectives of the group. 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. Short listed candidates would then be invited to interview with members of the committee and, if recommended by the committee, would be invited to meet the entire board before any decision is taken relating to the appointment.

CORPORATE GOVERNANCE STATEMENT

Audit committee

The audit committee consisted during the year of all the non-executive directors. David Dunn stepped down during the year following changes to the 2010 Code.

The board is satisfied that Terry Garthwaite, who chairs the committee, has recent and relevant financial experience.

The executive directors and the external auditor may attend at the invitation of the committee. However, the committee has the right to request invitees to withdraw from the meeting to enable discussions to take place in their absence.

The main role and responsibilities of the audit committee are set out in written terms of reference. These terms of reference are available on the company's website at www.brammer.biz.

The committee has primary responsibility for making recommendations to the board on the appointment, reappointment and removal of the external auditor which the board puts to shareholders for approval in general meetings. It keeps under review the scope and results of the audit, and its cost effectiveness and the independence and objectivity of the auditor. The committee keeps the nature and extent of non-audit services under review by regularly reviewing the balance of audit to non-audit fees. The committee is aware of the need to safeguard auditor objectivity and independence and this issue is discussed by the committee and periodically with the audit partner at PricewaterhouseCoopers LLP.

The committee reviews annual and interim financial statements before submission to the board and reviews the scope and effectiveness of the group's internal control functions. The committee will periodically review the scope, remit and effectiveness of the internal audit function.

The committee reviews the policy by which employees of the company may, in confidence, raise matters of concern, including possible improprieties in financial reporting or other matters.

The committee monitors the integrity of the group's financial statements and announcements relating to financial performance and reviews the significant financial reporting judgements contained in them.

Remuneration committee

The remuneration committee is chaired by Bill Whiteley and consists of all the non-executive directors. 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, by invitation and for matters not relating to himself, may attend meetings and is consulted by the committee on proposals relating to the remuneration of the executive directors and appropriate senior executives. He does not participate in deliberations and decisions where they have a direct personal interest.

Further details are set out in the remuneration report on page 39.

Part B Directors' remuneration

Details of directors' remuneration are set out in the remuneration report. The report details the company's compliance with the Code's requirements with regard to remuneration matters. The terms of reference of the remuneration committee are available on the company's website at www.brammer.biz.

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. Reports of these meetings, and any shareholder communications during the year, are reported to the board.

If requested, the non-executive directors are available to attend meetings with major shareholders. The board regularly receives copies of analysts' and brokers' briefings.

The annual report together with the Brammer website are a substantial means of communication with all shareholders during the year. The interim report together with interim management statements are announced to the Stock Exchange and also published on the Brammer website.

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 21 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, together with the number of abstentions will be given following the show of hands for that resolution.

CORPORATE GOVERNANCE STATEMENT

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

Independence of auditors

The audit committee oversees the relationship with the external auditors including (but not limited to) approving their remuneration, assessing annually their independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services

The directors ensure the independence of the auditors by requesting annual confirmation of independence which includes the disclosure of all non-audit fees. The group policy with regard to the provision of audit and non-audit services by the external auditors is based on the principles that they should only undertake non-audit services where they are the most appropriate and cost-effective provider of the service, and where the provision of non-audit service does not impair, or is not perceived to impair, the external auditors' independence and objectivity

The present auditors, PricewaterhouseCoopers LLP, were appointed in 2001. A review took place in 2006 leading to the continued appointment of the present auditors. The previous lead audit partner, Nicholas Boden, stepped down at the conclusion of the year ended 31 December 2010 audit and has been succeeded by Martin Heath in line with partner rotation policy pursuant to the requirements of APB Ethical Standards

The committee regularly reviews the analysis of all services provided by the external auditors. The policy is reviewed annually by the committee and approved by the board

Details of the amounts paid to the external auditors for audit and non-audit services in 2011 are set out in note 3 to the accounts on page 64

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 group's system of internal control and for reviewing its effectiveness. The board works closely with local management and has established procedures in place to monitor the operations and financial reporting processes across the group. See the 'Operational structure, review and compliance' section below for further details

The board, through the audit committee, conducts annually a review of the effectiveness of the group's system of internal controls covering all material controls including financial, operational, risk management and compliance. Management reviews monthly control reports and will identify any issues to the board

In addition, the directors at least annually conduct a review of the effectiveness of the group's process for identifying, evaluating and managing the significant risks faced by the company, this has operated throughout the year and up to the date of signing these financial statements. The board reviews the results of the process, which is in line with the Turnbull (2005) guidance

Operational structure, review and compliance

Together with board reviews, there are regular review meetings to address operating performance, plans, risks and controls between the corporate team and the country managing directors and finance directors

The corporate team takes responsibility for finance, IT, the development of pan-European supplier relationships and the development of pan-European Key Account activity, which complements the work done within each of the subsidiaries. The continuing importance to the business of European supplier agreements and customer contracts has made the role of this team all the more relevant. Each 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 system, a financial reporting and consolidation package is continually updated to improve the quality and speed of financial reporting

Brammer has had a finance manual in place for many years, it is a corporate manual with a wide range of contents, reflecting the evolution in corporate governance from financial internal control to all aspects of internal control and is continually updated

In addition to the group finance director, the group has senior financial managers at its head office. The board regularly considers the effectiveness of the internal audit department, some subsidiaries have their own internal audit function and there is a group internal audit officer

The businesses have instituted internal monthly self-assessment processes at subsidiary level, tailored to their respective operations, these assessments are submitted for review. Monthly financial results of each subsidiary are reviewed at group level, the monthly review includes meetings where performance and action plans are presented to the Brammer chief executive, finance director and controllers. This culminates in reports that cover operational, financial and control reviews being submitted to the board

CORPORATE GOVERNANCE STATEMENT

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

Work of the audit committee

The principal work carried out by the audit committee during the period included the following

- Monitoring the financial reporting process throughout the year. Receiving reports from the internal audit department and reviewing its plans during the year, a review of the internal audit work for the period to November 2011 was considered at the December 2011 meeting. The internal audit plan for 2011 was considered and approved at the January 2011 meeting.
- Accounting policies and standards – during the year the committee reviewed the application of any new accounting policies or standards which would be applicable to the group's 2011 annual report. The committee is updated regularly on actual and pending changes to the accounting standards.
- Internal controls and risk management – in February and August 2011, the committee considered reports on the operation of, and issues arising from the group's internal control procedures, together with observations from the external auditors. It also monitored at its February 2011 and December 2011 meetings, the effectiveness of the group's risk management process, which considers the key risks, both financial and non-financial, facing the group and the effectiveness of the group's controls to manage and reduce the impact of those risks.
- In December 2011, the board reviewed the committee's terms of reference and non-audit services policy, terms of reference for the committee were amended to bring them into line with the 2010 Code.
- External auditors' work and relationship – the committee assessed the external auditors' independence and objectivity throughout the year, the audit report for 2010 was reviewed and discussed with the external auditors at the February 2011 meeting prior to them issuing an unqualified audit report, a similar process has taken place in relation to the 2011 audit report, their interim report was considered at the August 2011 meeting together with their strategy for the 2011 audit.
- "Serious concerns" policy – the committee continues to operate the "serious concerns" policy, under which employees may in confidence notify the company of any concerns, inter alia, involving financial reporting. A copy of the company's serious concerns policy is available on the company's website, and
- "Bribery Act 2010" – the committee received a presentation from the external auditors at the January 2011 meeting. An anti-corruption/ bribery policy has been developed and implemented. An ongoing training programme is being rolled out across the group.

Risk management

The subsidiaries are required to carry out periodic risk assessments of their business and submit them to the head office. Taking account of risks identified during these reviews and risk assessment processes such as the meetings described above, this is distilled into an operational "Turnbull risk assessment" that is designed to summarise the key operational risks, how those risks are evolving and how they are being mitigated. The risk assessment is presented to the board on a regular basis.

As part of the process that Brammer has in place to review the effectiveness of the internal control system, there are procedures designed to capture and evaluate failings and weaknesses. In the case of those failings and weaknesses categorised by the board as "significant", procedures exist to ensure that necessary action is taken to remedy such failings.

A separate exercise is carried out as part of an ongoing review by the board that focuses on corporate risks. These are the strategic group level risks over and above the operational risks which have been reviewed and considered by the Brammer management. This was reviewed by the board in 2011 and adopted. A risk management policy has been formulated along with a board level risk assessment register.

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

Part E: Takeover directive

Share capital structures are included in the directors' report on page 32.

Approved by the board of directors on 14 February 2012 and signed on its behalf by

David Dunn
Chairman



REMUNERATION REPORT

Role of the remuneration committee

The committee, on behalf of the board, determines and approves the remuneration policy for the group and all elements of the remuneration arrangements for executive directors. Details of the membership of the committee can be found on page 36.

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 equity based incentives under the Brammer share plans, which currently are the Performance Share Plan and the Share Matching Plan.

The remuneration committee has its own terms of reference, which are approved by the committee and the board. These were reviewed and updated in 2011 to ensure compliance with the June 2010 version of the Code. They are displayed on the company's website.

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 as set out in the Code.

Summary of components of executive remuneration

Component	Objective	Details
Salary	➤ Support recruitment and retention	➤ Salaries are reviewed in December and any changes are effective from the following 1 January.
Pension and Benefits	➤ Provide competitive pension and benefit provision	<ul style="list-style-type: none"> ➤ The CEO and CFO receive cash allowances in lieu of pension contributions. ➤ The CEO is also a member of the company Defined Benefits scheme. ➤ The CFO receives contributions to a self invested personal pension. ➤ Other benefits include private healthcare, health insurance, life assurance, contribution to home telephones and a car allowance.
Annual Bonus	➤ Incentivise sustainable short-term performance	<ul style="list-style-type: none"> ➤ Opportunity of up to 100% of salary for executive directors. ➤ Based on achievement of quantified financial targets (80% on profit before tax and 20% on debt management).
Share Matching Plan	<ul style="list-style-type: none"> ➤ Provides alignment with shareholders. ➤ Reinforces the delivery of profit growth and returns to shareholders. 	<ul style="list-style-type: none"> ➤ Executive directors can invest up to 25% of salary into shares, in return for a maximum match of 1:1. ➤ Matching shares vest 50% on 3-year EPS growth and 50% on relative TSR vs the FTSE SmallCap xIT. ➤ Full vesting requires Brammer to achieve EPS growth of RPI + 25% and deliver top quartile TSR.
Performance Share Plan		<ul style="list-style-type: none"> ➤ Annual awards of nil-cost options of up to 100% of salary. ➤ Shares vest 75% on 3-year EPS growth and 25% on relative TSR vs the FTSE SmallCap xIT. ➤ Full vesting requires Brammer to achieve EPS growth of RPI + 25% and deliver top quartile TSR.
Share ownership guidelines	➤ Encourages executive ownership	➤ Executive directors are expected to build and maintain a shareholding of at least 100% of salary, within five years of appointment.

General policy

The committee and the board recognise that in order to attract, retain and motivate talented senior executives it is necessary to operate a competitive pay and benefits structure. The committee aims to reward executives fairly and responsibly for their contribution to the company's performance, but avoids paying more than necessary to achieve this objective. The company's executive remuneration policy is regularly reviewed so as to ensure it takes due account of market/best practice, as well as the particular circumstances and challenges faced by the company.

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 2011, the committee has taken advice from Kepler Associates on market and best practice with regard to certain senior executive pay and share incentive arrangements. The committee acknowledges that quantum of remuneration for senior executives is an issue of concern for shareholders and that market data, when obtained and utilised, should be considered in the context of performance, affordability and pay for the other employees. Advice is taken from Eversheds LLP on certain aspects of directors' contracts where appropriate.

REMUNERATION REPORT

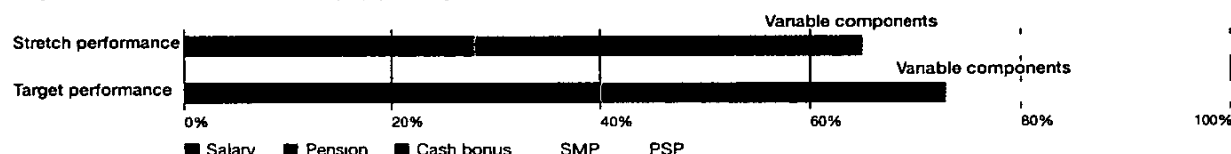
The committee also receives and considers general information on pay and employment conditions on a country by country basis around the group, especially when determining annual salary increases

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, whilst neither encouraging inappropriate operational risk-taking nor raising environmental, social or governance risks

Performance related elements of the remuneration package are the annual bonus scheme and the equity-based awards made under the Performance Share Plan and Share Matching Plan. Further details of these incentives are set out below

Proportion of executive director pay package value delivered through each pay component



Share ownership guidelines

Formal share ownership guidelines are in place for executive directors in addition to the share retention facility in the Performance Share Plan described below. Under the guidelines, executive directors are expected to build and maintain a shareholding worth at least 100% of their salary within five years from appointment. The current executive directors both satisfy this guideline.

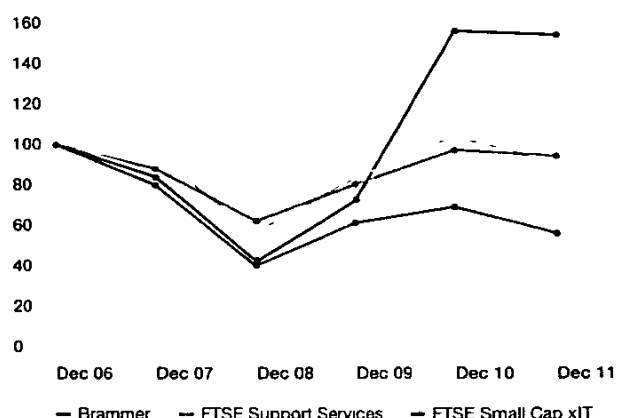
Name	Number of shares owned	Value as % salary	Guideline met?
Ian Fraser	1,365,876	952%	Yes
Paul Thwaite	951,619	1017%	Yes

Base salary is that which is effective 31 December 2011. The value of shareholdings is based on the closing price of a Brammer share on 31 December 2011.

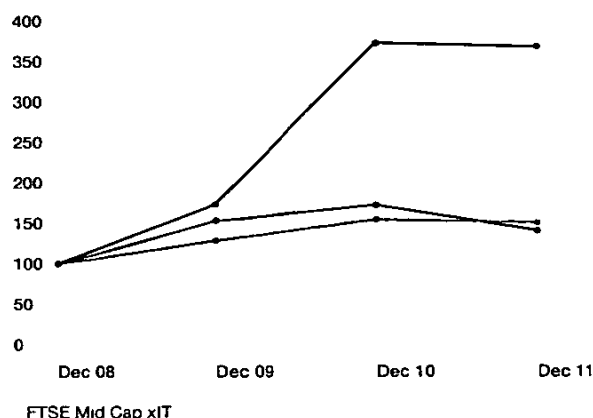
Total shareholder return graph

Set out below are two graphs showing the company's total shareholder return ("TSR") over the last five years and over the last three years. The company's TSR is compared to the TSR of the FTSE All Share Support Services Sector Index and FTSE Small Cap Index (excluding Investment Trusts). The committee has selected these groups given that Brammer is a member of both of them, and in the case of the FTSE Small Cap Index, it is the group against which its TSR performance is currently compared under the Share Matching Plan and Performance Share Plan. The graph of shareholder return over the last three years has been included, as it reflects the three year performance period of the Performance Share Plan and Share Matching Plan.

Total shareholder returns over five years



Total shareholder returns over three years



The FTSE Mid-Cap data has been included for illustrative purposes only. Whilst it is proposed to be used as the performance comparator going forward and will be directly relevant for future PSP awards, it is included here purely for historical comparison.

REMUNERATION REPORT

Remuneration of executive directors

The components of the remuneration packages for the executive directors are set out below

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. The committee approved a 2011 base salary of £345,000 in relation to Ian Fraser and £225,000 in relation to Paul Thwaite. The committee decided to increase the base salaries for these executives for 2011 given that the company had returned to pre-recession growth and profitability in 2010. In addition, the significant personal contributions of both executive directors in achieving such an improvement were an important factor in deciding these increases. In 2012, there will be a basic salary increase for Ian Fraser and Paul Thwaite of c 4.9% to base salaries of £362,000 and £236,000 respectively. These salary increases are in line with average increases across the plc and are marginally below UK RPI.

Name	2011 salary	2012 salary
Ian Fraser	£345,000	£362,000
Paul Thwaite	£225,000	£236,000

Annual bonus

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

On the achievement of quantified financial targets, executive directors can earn awards of up to 100% of salary. For 2011 the remuneration committee set performance targets based on achieving stretching profits and cash generation. Up to 80% of salary could be payable for achieving the profits target and (provided a threshold profit hurdle has been achieved) 20% for achieving the cash generation target.

As set out in the table on page 46, bonuses of £307,050 and £200,250, were earned by Messrs Fraser and Thwaite respectively in 2011 as the targets set out below were achieved at a rate of 89% of maximum.

The remuneration committee has considered bonus principles for 2012. Given the current economic climate and the uncertainties over the trading environment in Europe, it has been decided that the 2012 bonus metrics will again be based on profit and cash flow targets. For 2012, as in 2011, the targets will be split profit 80%, cash flow 20% as shown in the table below.

Name	Profit before tax % of salary	Debt management/ working capital improvement % of salary	Maximum bonus of % of salary
Ian Fraser	80%	20%	100%
Paul Thwaite	80%	20%	100%

Ian Fraser and Paul Thwaite earned bonuses of £307,050 and £200,250 respectively for 2011 (2010: £320,000 and £158,250 earned respectively) as the following targets were achieved:

Earnings: The Remuneration Committee set profit before tax on ordinary activities before amortisation of acquired intangibles ("PAI") of £27 million as the target for 2011 for which full bonus is payable. PAI for 2011 is £29 million. Accordingly, this part of the bonus target was fully achieved. The cash generation element of the bonus was 9% as cash targets were achieved or exceeded in 7 of the 12 months during the year.

Executive share option schemes

The Performance Share Plan and Share Matching Plan are now the primary arrangements through which share-based incentives are offered to executive directors and other senior executives. However, in the past, the company also made grants to executive directors and senior executives under an HMRC approved executive share option scheme which was approved by shareholders in 1997 as well as under an unapproved executive share option scheme which was approved by shareholders in 1995. Options may no longer be granted under the two executive share option schemes as, according to the rules of both schemes, no options may be granted later than 10 years after the schemes were first approved by the shareholders. All options have now lapsed in relation to the executive directors as shown on page 44.

Performance Share Plan

The Brammer plc Performance Share Plan ("the Plan") together with the Share Matching Plan described below is the primary long-term incentive for key senior Brammer executives. Under the Plan, nil cost options may be awarded with a value at grant of up to 100% of basic salary. These shares vest, at no cost to the executive, upon the achievement of stretching performance targets (together with continued employment). The targets are set by the committee having taken external advice on market and best practice.

REMUNERATION REPORT

For awards made up to and including 2008, participants receive the full number of shares over which the award was originally granted only if the company's normalised earnings per share ("EPS") over the three financial years following grant has increased by 40% in excess of RPI. EPS has to increase by at least 15% in excess of RPI for the participants to receive any shares (at which point 25% of an award vests), straight-line vesting occurs between these two points. To the extent that shares vest, directors and executives are expected to retain at least 50% of the net number of shares for three years.

For PSP awards made during 2009, 2010 and 2011, the Plan operated as follows

- Up to 75% of salary was based on EPS growth over the three financial years following grant. This required a minimum growth of 10% in excess of RPI for the participants to receive any shares (at which point 25% vests). For full vesting, the required growth is 25% growth in excess of RPI. This revised range of targets reflected broker forecasts for growth at the time, and
- Up to 25% of salary was based on relative total shareholder return ("TSR") performance. This required a TSR ranking equal to median for the participants to receive any shares (at which point 25% vests). The comparator group against which TSR is measured is the FTSE Small Cap (excluding Investment Trusts).

For outstanding awards under the Performance Share Plan and Share Matching Plan the Remuneration Committee is proposing to re-designate awards made over conditional shares as nil cost options, and extend the exercise period from 6 months to 7 years, in line with common market practice for nil cost options. This amendment will allow participants to defer exercise of their awards, which the Committee believes will encourage them to retain a greater alignment with the share price for longer.

The existing Performance Share Plan was adopted on 30 April 2002 and expires in April 2012. The Committee has therefore undertaken a review of remuneration arrangements, and is seeking approval for a revised Performance Share Plan at the AGM. Please refer to the AGM notice for details of the proposals.

In summary, the proposal is as follows

- To re-balance the weighting of EPS/TSR in the PSP from 75/25 to 50/50,
- To increase the maximum PSP opportunity linked to TSR from 25% to 75% of salary (same as for EPS),
- To benchmark Brammer's TSR against the FTSE Mid Cap (rather than the Small Cap),
- To toughen the TSR requirement for full vesting from upper quartile to upper decile, and
- To toughen the EPS requirement for full vesting from RPI +25% to RPI +50%.

The PSP awards will continue to reward 3-year TSR relative to a FTSE general index, and 3-year growth in EPS above RPI. Currently, the balance is 75% EPS and 25% TSR. For 2012 the proposal is to put equal weight on TSR and EPS, by increasing the opportunity linked to TSR. The maximum grant size under the PSP will therefore be 150% of salary. Actual award sizes each year will be determined with reference to the competitiveness of the overall package.

In summary, the vesting schedules that will apply to the 2012 awards under the Performance Share Plan are as follows

A for 50% of shares under the Performance Share Plan

EPS Growth of Brammer over three years	Vesting percentage of relevant proportion
Less than RPI + 10%	0%
RPI + 10%	16.7%
Between RPI + 10% and RPI + 25%	Between 16.7% and 66.7% on a straight-line basis
Between RPI + 25% and RPI + 50%	Between 66.7% and 100% on a straight-line basis
RPI + 50% or more	100%

B for 50% of shares under the Performance Share Plan

TSR ranking of Brammer against the FTSE Mid Cap (excluding Investment Trusts)	Vesting percentage of relevant proportion
Below median ranking	0%
Median ranking	16.7%
Between median and upper quartile ranking	Between 16.7% and 66.7% on a straight-line basis
Between upper quartile and upper decile ranking	Between 66.7% and 100% on a straight-line basis
Upper decile ranking (top 10%)	100%

It is proposed that Brammer's TSR be benchmarked against the FTSE Mid Cap (rather than the Small Cap) to reflect the company's improving FTSE rank. Additionally, for any of the TSR element to vest, the Remuneration Committee must be satisfied that the recorded TSR is a genuine reflection of Brammer's underlying financial performance over the performance period.

The Committee is satisfied that the resulting total remuneration, based on fair value assumptions, and including salary changes for 2012 will position the executive director package at around median market levels if the PSP were granted at maximum.

REMUNERATION REPORT

Share Matching Plan

In 2005 the company established the Brammer Share Matching Plan (the "SMP"), to operate alongside the Performance Share Plan. In the remuneration committee's view, the SMP produces a strong alignment between the interests of executives and shareholders as it links part of the executive's rewards to his or her retention of Brammer shares.

Matching awards (granted in the form of nil/nominal cost awards) are only granted provided that shares beneficially owned by the employee are first invested in the SMP ("Investment Shares"). Investment Shares worth up to 25% of the employee's basic salary can be lodged in the SMP each year, with matching awards then being granted on a maximum matching award ratio of 1:1 (with this ratio applying to the pre-tax number of shares that are lodged in the SMP). Investment Shares for these purposes can be any existing shares deemed beneficially owned by the employee and lodged in the SMP at the time that the matching award is granted.

The vesting of a matching award depends upon the Investment Shares continuing to be held in the SMP, the satisfaction of the performance conditions (see below) and the executive's continued employment.

If a participant sells their Investment Shares at any time during the three year performance period, this will reduce (on a pro-rata basis) the number of shares comprised in a matching award.

Vesting of one half of each matching award will be determined by the company's normalised EPS growth over the three year performance period (comparing, as is the case with Performance Share Plan awards, the company's EPS in the financial year prior to grant with its EPS in the third year following grant, with the same targets applied as are employed in the Performance Share Plan). Vesting of the other half of each award is determined by the company's performance in terms of its TSR relative to a peer group of companies over a three year period.

The vesting schedules that apply to the 2009, 2010 and 2011 awards under the Performance Share Plan and Share Matching Plan are as follows:

A for 75% of the shares under the Performance Share Plan and 50% of the matching shares under the Share Matching Plan

EPS growth of Brammer over three years	Vesting percentage of relevant proportion
Less than RPI + 10%	0%
RPI + 10%	25%
Between RPI + 10% and RPI + 25%	Between 25% and 100% on a straight-line basis
RPI + 25% or more	100%

B for 25% of the shares under the Performance Share Plan and 50% of the matching shares under the Share Matching Plan

TSR ranking of Brammer against the FTSE Small Cap (excluding Investment Trusts)	Vesting percentage of 50% of relevant proportion
Below median ranking	0%
Median ranking	25%
Between median and upper quartile ranking	Between 25% and 100% on a straight-line basis
Upper quartile (top 25%) ranking	100%

There is no opportunity to retest performance if the performance conditions are not satisfied over the three year performance period under either Plan.

In determining whether performance targets have been met, independent verification is sought where appropriate.

The performance conditions that apply to awards under both the SMP and PSP have been chosen to encourage executives to deliver (i) superior TSR performance against an appropriate group of peer companies and (ii) improving earnings per share.

As discussed in last year's remuneration report, certain adjustments were made for the 2008 and 2009 PSP and SMP awards with regards to the rights issue in 2009. These adjustments were agreed with shareholders. The adjusted EPS threshold target for assessing whether the 2009 awards under the Performance Share and Share Matching plans have vested is 36.1p. Actual adjusted EPS for 2011 is 38.4p taking into account the reduction in profit before tax on ordinary activities before amortisation of acquired intangibles for 2011 by the interest expense saved following the reduction of net debt as a consequence of the 2009 rights issue. The effects of the acquisition of Buck & Hickman have been ring-fenced and excluded from all relevant calculations for the purposes of the EPS. This one-off adjustment was considered appropriate by the committee due to the timing of the acquisition.

Shares awarded in March and November 2009 under the EPS element of the Performance Share Plan which are due to vest in March and November 2012 respectively will vest in full as the maximum EPS performance criterion has been achieved. Vesting of 50% of the awards under the Share Matching Plan granted in March 2009 which are due to vest in March 2012 will also vest in full as the above maximum EPS performance criterion has been achieved.

In addition, the 25% of shares under the Performance Share Plan which are linked to TSR performance will also vest in full as the maximum TSR performance criterion has been achieved. In addition, the 50% of the awards under the Share Matching Plan, which relate to company TSR performance, will also vest in full as the maximum performance criterion has been achieved.

REMUNERATION REPORT

Audited information

The remainder of the remuneration report is audited information with the exception of the section entitled "service contracts" and "directors' interests"

Director's options

Neither Mr Fraser nor Mr Thwaite hold any options over shares

Performance Share Plan

	Market price on award grant	31 Dec 2010	Granted	Vested	Lapsed	31 Dec 2011	Value granted £ 000s	Vesting date
Ian Fraser	250p	96,000	–		(96,000)	–		Spring 2011
Ian Fraser	73 25p	436,860	–			436,860		Spring 2012
Ian Fraser	115p	278,260	–			278,260		Spring 2013
Ian Fraser	268p	–	128,737			128,737	345	Spring 2014
Paul Thwaite	250p	63,300	–		(63,300)	–		Spring 2011
Paul Thwaite	73 25p	288,054	–			288,054		Spring 2012
Paul Thwaite	115p	183,478	–			183,478		Spring 2013
Paul Thwaite	268p	–	83,955			83,955	225	Spring 2014

Shares awarded in March and September 2008 under the Performance Share Plan which were due to vest in March and September 2011 respectively lapsed as the minimum EPS performance criteria were not achieved

Share Matching Plan

	Market price on award grant	31 Dec 2010	Granted	Vested	Lapsed	31 Dec 2011	Value Granted	Value Vested	Vesting Date
Ian Fraser	250p	75,506	–	19,858	55,648	–		54	Spring 2011
Ian Fraser	73 25p	257,699	–			257,699			Spring 2012
Ian Fraser	129 5p	126,073	–			126,073			Spring 2013
Ian Fraser	275p	–	63,948			63,948	176		Spring 2014
Paul Thwaite	250p	49,786	–	13,093	36,693	–		35	Spring 2011
Paul Thwaite	73 25p	169,922	–			169,922			Spring 2012
Paul Thwaite	129 5p	83,129	–			83,129			Spring 2013
Paul Thwaite	275p	–	41,703			41,703	114		Spring 2014

The middle market price of an ordinary share at the close of business on 19 March 2011 when the relevant shares were released was 273 3p. Following advice received from Hewitt New Bridge Street in relation to the fulfilment of performance criteria, 26.3% of the matching awards granted in 2008 vested in 2011. The balance of the awarded shares therefore lapsed. Vesting of 50% of the awards under the Share Matching Plan granted in March 2008 which were due to vest in March 2011 lapsed as the above minimum EPS performance criteria was not achieved.

The performance conditions applying to Performance Share Plan and Share Matching Plan awards are set out above.

Dilution limits

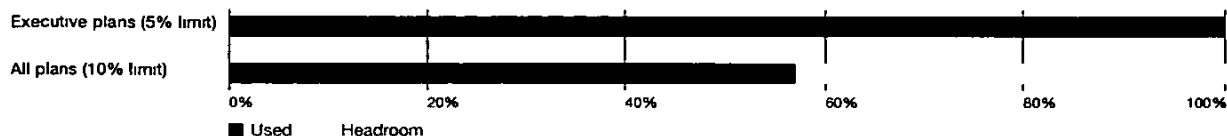
Until 2009, the company has satisfied vestings of awards under both Plans from market purchased shares sourced from the Brammer plc Employee Share Ownership Trust ("the Trust"). For calculating the dilution limits above, such awards have not been deducted until such time as the awards are satisfied. The vesting of the 2008 awards under the Share Matching Plan in 2011 was satisfied from a combination of market purchase shares sourced from the Trust and allotment of new shares. The vesting of the 2009 awards under the SMP in 2012 will be satisfied by issuing and allotting new ordinary shares in the company.

In line with ABI Guidelines, the following limits apply to the number of shares which may be issued under the company's share plans:

- The number of issued, issuable and treasury shares that may be allocated under all employee plans adopted by the company is restricted to 10% of the issued ordinary share capital of the company over any ten year period. As at 14 February 2012, there was headroom of 5,001,950 shares (i.e. 4.28% of share capital) after deducting outstanding awards and options (excluding lapsed awards and options).
- In addition, the number of issued, issuable and treasury shares that may be allocated under the "discretionary" executive share plans adopted by the company (the PSP and SMP) shall be restricted to 5% of the issued share capital of the company in the ten year period commencing from the 2005 annual general meeting when the Share Matching Plan was adopted. As at 14 February 2012, there was a total number of outstanding awards of 5,910,980 shares (i.e. 5.05% of share capital). For any awards which vest over the 5% limit, the awards will be satisfied by purchasing shares on the open market.

REMUNERATION REPORT

Dilution limits



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 as set out on page 46

Service contracts

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

	Contract date	Notice period
Ian Fraser	1 July 1998	Rolling 1 year
Paul Thwaite	24 January 2002	Rolling 1 year

When considering these contracts, the committee has due regard to the provisions of the Code. It is the committee's intention that any future executive directors will be subject to similar one year notice periods

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 Code and it will take legal advice on the company's liability to pay compensation and the appropriate amount

In this regard, the service contracts for Ian Fraser and Paul Thwaite 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. These arrangements were put in place in 2003. Going forward, liquidated damage provisions on change of control shall be restricted to basic salary, pension benefit and car allowance only, in relation to new executive appointments. Chris Short, the Company Secretary, has a similar liquidated damages clause in his service contract which was granted in 2003 where the compensation is based on six months' basic salary, benefits and accrued bonus

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 are set out below

	Ordinary Shares of 20p 31 December 2011 Shares	Ordinary Shares of 20p 31 December 2010 Shares
David Dunn	60,000	60,000
Terry Garthwaite	10,000	10,000
Ian Fraser	1,365,876	1,348,839
Paul Thwaite	951,619	923,974
Bill Whiteley	45,000	34,300
Charles Irving-Swift	7,000	5,000

Notes

- There were no changes in the above mentioned interests between 1 January 2012 and 14 February 2012
- No director was materially interested in any contract of significance with the company during the year
- During 2011, the highest mid-market price of the company's shares was 331.88p and the lowest was 219.00p. The year-end price was 240.50p

Remuneration of non-executive directors

The chairman and the other non-executive directors are paid fees for their services. 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 chairman and other non-executive directors do not participate in bonus, share incentive or pension schemes

The fees of the non-executive directors, other than the chairman, are determined by the board (excluding the non-executive directors) 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

REMUNERATION REPORT

Consideration is given to the time commitment and responsibilities of the roles. Fees are normally reviewed every two years with the last review carried out by the board in December 2010. The board agreed that for 2011 the standard fee for non-executive directors be increased to £37,000 from £35,000 with further fees being paid for additional duties, namely £5,000 for a committee chairman and £3,000 to the senior independent director. The board also approved that the remuneration of the chairman be increased from £104,000 to £110,000 for 2011. All these revised fee levels are in line with current market practice.

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 initially appointed in November 2001. Terry Garthwaite was initially appointed on 1 June 2004 for a term of three years. Bill Whiteley was appointed on 1 July 2008 for a term of three years. Charles Irving-Swift was appointed with effect from 1 March 2010 for a term of three years.

These appointments may be terminated on three months' notice by either party.

Directors' remuneration and emoluments

The remuneration and taxable benefits in kind of the directors in the year ended 31 December 2011 are set out below.

	Fees/salary £'000	Bonus £'000	Benefits (excluding pension & share options) £'000	Payments in lieu of pension contributions (2) £'000	2011 total £'000	2010 total £'000
Non-executives						
David Dunn (Chairman)	111	–	–	–	111	104
Terry Garthwaite	45	–	–	–	45	41
Bill Whiteley	42	–	–	–	42	37
Charles Irving-Swift	37	–	–	–	37	29
Executives						
Ian Fraser	345	307	20	110	782	763
Paul Thwaite	225	200	14	38	477	418
	805	507	34	148	1,494	1,392

Notes

- The highest paid director in the year ended 31 December 2011 was Ian Fraser.
- Full details of payments made in lieu of pension contributions are set out in the directors' pension entitlements section below.
- In addition Ian Fraser and Paul Thwaite will be able to acquire shares in Brammer plc to the value of £619,766 and £408,660 respectively in accordance with the Brammer plc Share Matching Plan. The Share Matching Plan relates to matching awards granted in March 2009 vesting in March 2012. Vesting of matching awards is determined by the criteria as set out on pages 41 to 43 of the remuneration report. Vesting of 50% of the matching awards relating to the EPS target has been achieved in full. Vesting of the 50% of the awards relating to TSR has been achieved in full. Brammer's TSR in 2011 resulted in 100% of the total award of the TSR element of the award vesting in March 2012. Accordingly, 100% of the matched awards shall vest. The company has received advice from Kepler Associates in this determination. The value of the shares has been estimated using the middle market share price at 31 December 2011 namely 240.50p.
- In addition Ian Fraser and Paul Thwaite will be able to acquire shares in Brammer plc to the value of £1,500,648 and £692,770 respectively in accordance with the Brammer plc Performance Share Plan. The Performance Share Plan relates to awards granted in March 2009 vesting in March 2012. Vesting of awards is determined by the criteria as set out on pages 41 to 43 of the Remuneration Report. Vesting of 75% of the Performance Share Plan awards relating to the EPS target have been achieved in full. Vesting of the other 25% of the award relating to TSR has been achieved in full. Brammer's TSR in 2011 resulted in 100% of the total award of the TSR element of the award vesting in March 2012. Accordingly, 100% of the awards shall vest. The company has received advice from Kepler Associates in the determination. The value of the shares has been estimated using the middle market share price at 31 December 2011 namely 240.50p.
- Ian Fraser was appointed as a non-executive director of Acal plc with effect from 1 January 2010. During the period from 1 January 2011 to 31 December 2011, Ian Fraser retained fees paid to him in performance of his external commitments at Acal plc of £30,000.

REMUNERATION REPORT

Directors' pension entitlements

Ian Fraser is a member of the Brammer Services Retirement Benefit Scheme. This is a defined benefits scheme which is funded and approved by HMRC. The information below sets out the disclosures under the UK Listing Rules and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 for him.

Age at 31 December 2011	Director's contributions to pension scheme during the year £ pa	Accumulated total accrued pension at 31 December 2011 (2010) £ pa	Increase in accrued pension during the year £ pa	Increase in accrued pension during the year (net of inflation) £ pa	Transfer value of accrued pension at 31 Dec 2011 £	Transfer value of accrued pension at 31 Dec 2010 £	Increase in transfer value (less director's contributions) £
56	–	10,700 (10,200)	500	–	324,000	278,800	45,200

Notes

- 1 The accumulated total accrued pension as at 31 December 2010 has been adjusted for inflation in arriving at the increase in the accrued pension at 31 December 2011.
- 2 The transfer values have been calculated on the basis agreed by the Trustees of the Scheme that was in force at the date of calculation having regard to legislative requirements. The transfer value basis was last revised in January 2011.
- 3 All figures have been rounded to the nearest £100. His pension is reviewed annually on 1 January in line with the Scheme Rules.
- 4 At 1 January 2011 Ian Fraser's pension increased to £10,710 per annum. Due to the level of price inflation over the period September 2010 to September 2011 there will be an increase to Ian Fraser's pension as at 1 January 2012 of 5%.
- 5 Ian Fraser's dependants are entitled to benefits on his death of 2/3 of the pension before commutation, increased from date of retirement to date of death in line with Scheme pension increases.
- 6 The pension increases in payment at the rate of the annual increase in Retail Price Inflation up to a maximum of 5% pa and subject to a minimum of zero.

Other pension entitlements

The company made a contribution to Paul Thwaite's SIPP (self invested personal pension) during the year of £15,007 (2010: £15,840). No contributions were made to Ian Fraser's SIPP during the year (2010: nil).

Dependants of both directors are eligible for payments of a lump sum in the event of death in service.

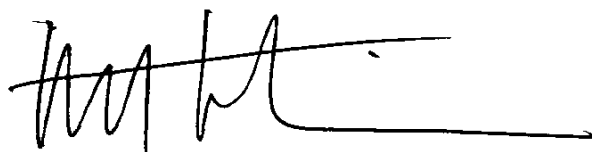
Cash allowances in lieu of pension contributions made to Ian Fraser during the year were £110,400 (2010: £102,400). Cash allowances in lieu of pension contributions made to Paul Thwaite during the year were £38,208 (2010: £33,728).

For the avoidance of doubt, the defined benefits drawn by Ian Fraser set out above relate to service completed up to 28 February 2006 and are entirely distinct and separate from his SIPP and other pension arrangements.

Approved by the board of directors on 14 February 2012 and signed on its behalf by

Bill Whiteley

Chairman of the remuneration committee



STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of directors' responsibilities in respect of the annual report, the directors' remuneration report and the financial statements

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 and the directors' remuneration report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

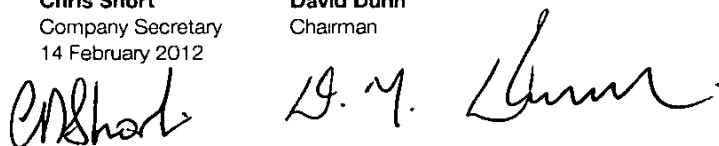
Each of the directors whose names and functions are listed on pages 20 and 21 confirm that, to the best of their knowledge

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the directors' report, the chairman's statement, the chief executive's operational review and the financial director's review contained in pages 2 to 33 include a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces

By order of the Board

Chris Short
Company Secretary
14 February 2012

David Dunn
Chairman

The block contains two handwritten signatures. On the left is the signature of Chris Short, and on the right is the signature of David Dunn. Both signatures are in black ink and appear to be written over the printed names and titles.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRAMMER PLC

We have audited the group financial statements of Brammer plc for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the accounting policies, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements

- > give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended,
- > have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- > have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- > the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements, and
- > the information given in the Corporate Governance Statement set out on pages 37 and 38 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

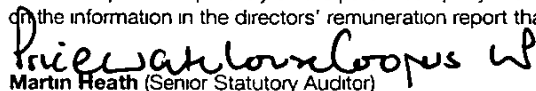
- > certain disclosures of directors' remuneration specified by law are not made, or
- > we have not received all the information and explanations we require for our audit, or
- > a corporate governance statement has not been prepared by the parent company

Under the Listing Rules we are required to review

- > the directors' statement in relation to going concern,
- > the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- > certain elements of the report to shareholders by the Board on directors' remuneration

Other matter

We have reported separately on the parent company financial statements of Brammer plc for the year ended 31 December 2011 and on the information in the directors' remuneration report that is described as having been audited.


Martin Heath (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
14 February 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	Year to 31 December 2011 £m	Year to 31 December 2010 £m
Revenue	1	571.5	468.4
Cost of sales		(398.2)	(327.3)
Gross profit		173.3	141.1
Distribution costs		(144.7)	(118.1)
Amortisation of acquired intangibles		(1.3)	(1.3)
Total sales distribution and administrative costs		(146.0)	(119.4)
Operating profit	1	27.3	21.7
<i>Operating profit before amortisation and exceptional items</i>		31.8	23.0
<i>Amortisation of acquired intangibles</i>		(1.3)	(1.3)
<i>Exceptional items</i>	4	(3.2)	–
<i>Operating profit</i>	1	27.3	21.7
Finance expense	2	(2.9)	(2.5)
Finance income	2	0.1	0.1
Profit before tax		24.5	19.3
<i>Profit before tax before amortisation and exceptional items</i>		29.0	20.6
<i>Amortisation of acquired intangibles</i>		(1.3)	(1.3)
<i>Exceptional items</i>	4	(3.2)	–
<i>Profit before tax</i>		24.5	19.3
Taxation	5	(6.2)	(5.5)
Profit for the year attributable to equity shareholders		18.3	13.8
All activities relate to continuing operations			
Earnings per share – total	7		
Basic		16.8p	13.0p
Diluted		16.4p	13.0p
Earnings per share – pre amortisation and exceptional items	7		
Basic		19.8p	13.9p
Diluted		19.3p	13.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Year to 31 December 2011 £m	Year to 31 December 2010 £m
Profit for the year	18.3	13.8
Other comprehensive income		
Net exchange differences on translating foreign operations	(3.1)	(1.0)
Actuarial (losses)/gains on pension schemes	(4.2)	5.2
Other comprehensive (expense)/income for the year, net of tax	(7.3)	4.2
Total comprehensive income for the year	11.0	18.0

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 5.

The notes on pages 54 to 82 form part of these accounts.

CONSOLIDATED BALANCE SHEET

At 31 December 2011

	Notes	31 December 2011 £m	31 December 2010 £m
Assets			
Non-current assets			
Goodwill	8	89.5	74.8
Acquired intangible assets	8	3.8	5.3
Other intangible assets	8	8.0	4.9
Property, plant and equipment	9	13.8	11.0
Deferred tax assets	18	7.0	6.4
		122.1	102.4
Current assets			
Inventories	10	90.9	71.3
Trade and other receivables	11	114.8	81.4
Cash and cash equivalents	12	15.9	21.7
		221.6	174.4
Liabilities			
Current liabilities			
Financial liabilities – borrowings	14	(3.4)	(3.8)
Trade and other payables	13	(128.9)	(94.3)
Provisions	16	(1.3)	(0.7)
Deferred consideration	17	(10.8)	(8.0)
Current tax liabilities		(5.0)	(2.7)
		(149.4)	(109.5)
Net current assets		72.2	64.9
Non-current liabilities			
Financial liabilities – borrowings	14	(47.8)	(54.6)
Deferred tax liabilities	18	(8.5)	(9.7)
Provisions	16	–	(0.2)
Deferred consideration	17	(3.6)	–
Retirement benefit obligations	27	(16.8)	(15.8)
		(76.7)	(80.3)
Net assets		117.6	87.0
Shareholders' equity			
Share capital	19	23.4	21.3
Share premium		18.2	18.1
Translation reserve		1.3	4.4
Retained earnings		74.7	43.2
Total equity		117.6	87.0

The notes on pages 54 to 82 form part of these accounts

The accounts were approved by the board on 14 February 2012 and were signed on its behalf by

David Dunn
Chairman

Paul Thwait
Finance Director

D. M. Dunn *P. Thwait*

Brammer plc

Registered number 00162925

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share Capital £m	Share Premium £m	Treasury Shares £m	Translation Reserve £m	Retained Earnings £m	Total £m
Balance at 1 January 2010	21.2	18.1	(0.2)	5.4	30.4	74.9
Profit for the year	–	–	–	–	13.8	13.8
Other comprehensive income	–	–	–	(1.0)	5.2	4.2
Total comprehensive income	–	–	–	(1.0)	19.0	18.0
Transactions with owners						
Shares issued during the year	0.1	–	–	–	–	0.1
Dividends	–	–	–	–	(6.0)	(6.0)
Total transactions with owners	0.1	–	–	–	(6.0)	(5.9)
Movement in year	0.1	–	–	(1.0)	13.0	12.1
At 31 December 2010	21.3	18.1	(0.2)	4.4	43.4	87.0
Profit for the year	–	–	–	–	18.3	18.3
Other comprehensive income	–	–	–	(3.1)	(4.2)	(7.3)
Total comprehensive income	–	–	–	(3.1)	14.1	11.0
Transactions with owners						
Shares issued during the year	–	0.1	–	–	–	0.1
Shares issued in respect of the placing*	2.1	–	–	–	22.7	24.8
Purchase of own shares	–	–	(0.1)	–	–	(0.1)
Transfer on vesting of own shares	–	–	0.1	–	(0.1)	–
Value of employee services	–	–	–	–	2.0	2.0
Tax credit on share performance plans	–	–	–	–	0.7	0.7
Dividends	–	–	–	–	(7.9)	(7.9)
Total transactions with owners	2.1	0.1	–	–	17.4	19.6
Movement in year	2.1	0.1	–	(3.1)	31.5	30.6
At 31 December 2011	23.4	18.2	(0.2)	1.3	74.9	117.6

*Ordinarily, the excess of the net proceeds over the nominal value of the share capital issued would be credited to a non-distributable share premium account. However, the placing of shares completed in September 2011 was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within retained earnings under section 612 of the Companies Act 2006.

The notes on pages 54 to 82 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Notes	Year to 31 December 2011 £m	Year to 31 December 2010 £m
Cash flows from operating activities			
Cash generated from operations	22	28.2	26.1
Interest received		0.1	–
Interest paid		(2.5)	(2.2)
Tax paid		(4.1)	(2.7)
Funding of pension schemes less income statement charge		(3.3)	(2.6)
Net cash generated from operating activities		18.4	18.6
<i>Cash generated from operating activities before exceptional items</i>		19.1	20.0
<i>Cash outflow from exceptional items</i>		(0.7)	(1.4)
Net cash generated from operating activities		18.4	18.6
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)		(26.9)	–
Deferred consideration paid on prior acquisitions		(1.8)	(7.6)
Earn-out paid on prior period acquisitions		–	(0.3)
Proceeds from sale of property, plant and equipment		0.5	0.2
Purchase of property, plant and equipment		(3.0)	(1.9)
Additions to other intangible assets		(3.3)	(1.6)
Net cash used in investing activities		(34.5)	(11.2)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		0.1	0.1
Net proceeds from placing		24.8	–
Repayment of loans under old financing facility		(56.1)	–
Net drawdown/(repayment) of other loans		50.6	(11.4)
Net (repayment)/issue of finance leases		(0.1)	0.1
Dividends paid to shareholders		(7.9)	(6.0)
Purchase of own shares		(0.1)	–
Net cash generated/(absorbed) from financing activities		11.3	(17.2)
Net decrease in cash and cash equivalents		(4.8)	(9.8)
Exchange loss on cash and cash equivalents		(0.6)	(0.6)
Net cash at beginning of year		21.0	31.4
Net cash at end of year		15.6	21.0
Cash and cash equivalents		15.9	21.7
Overdrafts		(0.3)	(0.7)
Net cash at end of year		15.6	21.0

The notes on pages 54 to 82 form part of these accounts

ACCOUNTING POLICIES

General information

Brammer plc is a company incorporated and domiciled in the UK, and listed on the London Stock Exchange. The address of the registered office is disclosed on page 24.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical 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 on the adoption of new accounting standards in the year.

The preparation of financial statements in conformity with IFRS requires the use of certain key accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements are detailed in the financial risk management section. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

New standards, amendments to standards or interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2011. They are not relevant or do not have a material effect on the group's financial statements and are as follows:

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment IAS 24*	Related party disclosures	1 January 2011
IFRIC 14, IAS 19*	Prepayments of a minimum funding requirement	1 January 2011
IFRIC 19*	Extinguishing financial liabilities with equity investments	1 July 2010
IAS 32*	Classification of rights issues	1 February 2010
Annual improvements to IFRSs (issued 2010)*	Various	1 January 2011

Standards, amendments and interpretations that are not yet effective are as follows:

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 9*	Financial instruments: Classification and measurement	1 January 2013
Amendment IAS 12*	Income Taxes	1 January 2012
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11*	Joint arrangements	1 January 2013
IFRS 12*	Disclosures of Interests in Other Entities	1 January 2013
IFRS 13*	Fair Value Measurement	1 January 2013
IAS 19R (revised 2011)	Employee benefits	1 January 2013

*These standards are not expected to be relevant to the group.

IAS 19R – Employee benefits – is likely to have a significant impact on future financial statements when it is adopted. Under IAS 19R the interest cost on the defined benefit obligation, and the expected rate of return on plan assets, will be replaced with a net interest charge that is calculated by applying the discount rate to the net defined liability. With effect from 1 January 2013 this is likely to result in a higher charge being recognised in the income statement. Management is currently assessing the impact of the new requirements.

ACCOUNTING POLICIES

Group accounting

Subsidiaries

Subsidiaries are those entities in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity.

Subsidiaries are consolidated from the date on which the group has the ability to exercise control, and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment of the asset transferred. Where necessary, the accounting policies of subsidiaries have been changed in order to ensure consistency with the policies adopted by the group.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in sterling, which is the functional and presentation currency of the parent.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

Group companies

Income statements, balance sheets and cash flows of foreign entities are translated into the group's presentation currency as follows:

- (a) assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet,
- (b) income and expenses for each income statement are translated at average exchange rates for the period, and
- (c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings designated as hedges of such investments are taken to a translation reserve within shareholders' equity. The exemption under IFRS 1, allowing these exchange differences to be reset to zero on adoption of IFRS, has been utilised. When a foreign entity is sold, these exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. 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 included.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives as follows:

Land and buildings	
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
Equipment	3-10 years
Land is not depreciated	

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the group. Major renovations are depreciated over the remaining useful life of the related asset.

ACCOUNTING POLICIES

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries occurring on or after 1 January 1998 is included in intangible assets. Goodwill on acquisitions that occurred prior to 1 January 1998 has been charged in full to retained earnings in shareholders' equity, such goodwill has not been retrospectively capitalised.

Prior to 1 January 2004, (the date of transition to IFRS) goodwill was amortised over its estimated useful life, such amortisation ceasing on 31 December 2003. Goodwill is subject to impairment review, both annually and when there are indicators that the carrying value may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Acquired intangibles

Acquired intangibles principally comprise customer relationships recognised as separately identifiable assets on acquisitions. They are carried at fair value at the date of acquisition less accumulated amortisation or any impairment loss. Customer relationships are considered to have estimated useful lives of between 5 and 10 years and amortised accordingly.

Software development

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable software systems operated by the group and will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. They are carried at cost less accumulated amortisation or any impairment loss. Direct costs include staff costs of the software development team and an appropriate portion of direct overheads.

Expenditure which enhances or extends the performance of identifiable software systems beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 7 years.

Impairment of long life assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets are reviewed on an annual basis to determine whether events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated as either the higher of the asset's net selling price or value in use, the resultant impairment (the amount by which the carrying amount of the asset exceeds its recoverable amount) is recognised as a charge in the consolidated income statement.

The value in use is calculated as the present value of estimated future cash flows expected to result from the use of assets and their eventual disposal proceeds. In order to calculate the present value of estimated future cash flows the group uses a discount rate based on the group's estimated weighted average cost of capital, together with any risk premium determined appropriate. Estimated future cash flows used in the impairment calculation represent management's best view of the likely future market conditions and current decisions on the use of each asset or asset group.

For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows.

Finance and operating leases where the group is the lessee

Leases of property, plant and equipment where the group is subject to substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Incentives received are recorded as deferred income and spread over the term of the lease on a straight line basis.

Where reference is made in the annual report and consolidated financial statements to finance leases, this includes hire purchase agreements.

Inventories

Inventories are stated at the lower of cost, determined on a weighted average cost formula, or net realisable value. Cost of inventory represents material and a proportion of procurement overheads. Provisions are made for slow moving and obsolete items. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

ACCOUNTING POLICIES

Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the best estimate of the amount recoverable.

Trade payables

Trade payables are non-interest bearing and are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Deferred consideration

The amounts recognised for deferred consideration are the directors' best estimates of the actual amounts which will be payable. Deferred consideration is discounted at an appropriate risk-free rate. Deferred consideration relates to acquisitions made prior to the application date of IFRS 3 (revised) 'Business combinations' and therefore changes in estimates are reflected in the valuation of goodwill.

Employee benefits

Defined Contribution schemes

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods. Contributions are charged to the income statement in the year in which they arise.

Defined Benefit schemes

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. Finance costs are included in distribution costs.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of comprehensive income.

Curtailment gains in respect of discontinued operations are recognised in the income statement in the year of disposal.

Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Profit sharing and bonus plans

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Share-based payments

The fair values of employee share options and share performance plans are calculated at the date of grant using the Black-Scholes model. In accordance with IFRS 2, 'Share-based Payments' the resulting cost is charged to the income statement over the vesting period of the options and plans. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. The charge in relation to employee share options and share performance plans with market vesting conditions is calculated using scenario modelling and is the expected outcome of meeting the performance criteria. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the value of the charge is adjusted to reflect expected and actual levels of options vesting for changes in non-market vesting criteria.

ACCOUNTING POLICIES

Treasury shares

The cost of the purchase of own shares is taken directly to reserves and is included in the profit and loss reserve

Borrowings

Borrowings are recognised as the proceeds received, net of transaction costs incurred. The transaction costs incurred are amortised over the expected life of the facility. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group's subsidiaries and associates operate and generate taxable income.

Deferred tax

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Current or substantively enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries, branches, associates and joint ventures, where the group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Provisions

Provisions for restructuring costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Restructuring provisions include lease termination penalties and employee termination payments. Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the best estimate of the amount to be spent and are discounted where material.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, customer rebates and discounts, and after eliminating sales within the group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, which is usually on despatch.

Dividends

The final dividend is recognised in the group's financial statements in the period in which it is approved by the group's shareholders. The interim dividend is recognised when paid.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

Corporate costs are allocated to segments on the basis of external turnover.

Exceptional items

IAS 1 – 'Presentation of financial statements' requires material items of income and expense to be disclosed separately. Exceptional items are items which, in management's judgement, need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the group's financial performance.

FINANCIAL RISK MANAGEMENT

1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange price risk and cash flow and interest rate risk), credit risk, liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of non-derivative financial instruments, and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk and hedging activities

The group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the Euro and Sterling. Foreign exchange risk arises primarily from recognised assets and liabilities and also net investments in foreign operations. The group has significant investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through hedging borrowings denominated in foreign currencies against the net assets of foreign operations denominated in the same currencies. The group documents these hedging relationships at inception and assesses, both at inception and on an on-going basis, whether they are highly effective. Where the hedges are highly effective, gains or losses on the borrowings are recognised in equity. The gains or losses relating to the ineffective portion are recognised immediately in the income statement.

In 2011 the group did not apply hedge accounting for hedges of exposures arising from recognised assets and liabilities in foreign currency. Foreign operations operate primarily in local currency or have minimal net exposure to foreign currencies. The impact on revenue and operating profit of Sterling weakening against the Euro is reflected in the segmental analysis (note 1) which shows the results at the 2011 actual average exchange rate (€1 152 £1) and at the 2011 'management rate' (€1 20 £1).

(ii) Cash flow and interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group has no fixed rate borrowings of greater than six months nor does it have any fixed rate interest rate swaps. The group minimises interest costs using cash pooling and tight management of working capital.

The group seeks to minimise cash deposits held at banks, surplus cash is used to repay external debt. The group manages liquidity with a combination of short term cash forecasts that look three months forward on a rolling basis and identify short term cash surpluses and requirements. Long term cash requirements are identified with a five year financial planning model that uses scenario based planning to assess the impact of the group's strategic plans on profitability and liquidity. The Euro yield curve at 31 December 2011 implied an increase in base rate of 1.2% over the course of 2012. An increase of 1.2% applied to the borrowing under the central facility would result in an increase of approximately £0.5 million in the group's interest expense.

(b) Credit risk

The group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Group treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the group's liquidity position on the basis of expected and projected cash flow.

Contractual obligations

The table below analyses the maturity profile of the group's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date. Short-term creditors, including trade creditors and accruals, are excluded from the analysis as they are considered to form part of the group's day-to-day operating cycle.

At 31 December 2011

	Less than 1 year £m	2-5 years £m	More than 5 years £m	Total £m
Long term debt obligations (note 14)	3.0	47.6	—	50.6
Finance lease obligations (note 15)	0.1	0.2	—	0.3
	3.1	47.8	—	50.9

FINANCIAL RISK MANAGEMENT

At 31 December 2010

	Less than 1 year £m	2-5 years £m	More than 5 years £m	Total £m
Long term debt obligations (note 14)	3 0	54 3	–	57 3
Finance lease obligations (note 15)	0 2	0 2	–	0 4
	3 2	54 5	–	57 7

Long term debt obligations comprise the principal amount of borrowings where the borrowings are drawn down against a facility which is available for more than one year. Under the facility each drawing is a separate utilisation and interest is payable at the maturity of each utilisation. No utilisation is made for a period greater than six months. Deferred tax, deferred consideration, and post employment benefit liabilities are not included in the table above. During 2010 the group agreed a deficit funding plan with the trustees of the Brammer Services Limited Retirement Benefit Scheme, which provides for the group to make payments of £2.8 million, indexed for inflation, in the years 2011 to 2023 inclusive.

2 Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The group considers the gearing and capital structure of the business periodically and adjusts as appropriate. The placing of 10,535,000 new ordinary shares, representing approximately 9.9% of the total issued share capital, on 7 September 2011 was made in order to fund the acquisition of the Buck & Hickman business.

The group monitors capital on the basis of headroom against its committed borrowing facilities, compliance with the covenants imposed by the committed borrowing facilities, and the group's ability to raise further equity capital. The group was in full compliance with all its financial covenants throughout each of the periods presented. In July 2011 the group signed new banking facilities for a five year term which provides up to €100 million (£83.9 million) of debt finance. This facility replaced the previous one which was due to expire in February 2012. At 31 December 2011 the committed facility is €100 million (2010: €120.0 million).

The group's headroom against its committed facility was as follows:

	2011 £m	2010 £m
Committed group facility	83.9	102.8
Current utilisation	46.4	51.4
Headroom (note 15)	37.5	51.4

Under the terms of the facility the group is permitted to enter into up to £21.5 million of additional net borrowings outside this facility.

3 Key accounting estimates, judgements and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated on page 56. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8).

(b) income tax provisions

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) determination of deferred consideration payable

The level of deferred consideration recognised in respect of acquisitions is subject to continual evaluation by the directors. Any subsequent revision to the amounts recognised will have no impact on the group's results as those adjustments will be reflected in the carrying value of goodwill (Note 17).

(d) retirement benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense for pensions include the discount rates. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations. Note 27 details the actuarial assumptions used in determining the carrying amount at 31 December 2011.

NOTES TO THE ACCOUNTS

1 SEGMENTAL ANALYSIS

The Board has been identified as the chief operating decision-maker. The Board reviews the group's internal reporting as the basis for assessing performance and allocating resources. Management has determined the operating segments based on these reports. The group is primarily controlled on a country by country basis, in line with the legal structure, and accordingly the operating segments are unchanged from those previously reported.

The group's internal reporting is primarily based on performance reports run at 'management' exchange rates – exchange rates which are set at the beginning of each year. For 2011 the management rate used was €1.20 £1.

Accordingly the segment information below is shown at the 'management' exchange rates with the exchange effect being a reconciling item between the segment results and the totals reported in the financial statements at actual exchange rates. The management rate applies to income statement, balance sheet and cash flows.

The Board assesses the performance of the operating segments based on their underlying operating profit, which comprises profit before interest and taxation, excluding amortisation of acquired intangibles and non-recurring or exceptional items such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event.

Segment assets include property, plant and equipment, other intangible assets, inventories, and trade and other receivables. All inter-segmental trading is on an arms-length basis.

Year ended 31 December 2011 – Continuing operations

	UK £m	Germany £m	France £m	Spain £m	Benelux £m	Eastern Europe £m	Other operating segments £m	Total £m
Revenue								
Total revenue	193.4	118.7	85.5	43.8	50.9	56.9	18.0	567.2
Inter company sales	(2.9)	(3.2)	(1.0)	(0.9)	(1.7)	(0.1)	(0.3)	(10.1)
Sales to external customers	190.5	115.5	84.5	42.9	49.2	56.8	17.7	557.1
Exchange effect								14.4
Total sales to external customers								571.5
Underlying operating profit	9.4	7.8	4.0	3.3	2.6	3.6	0.2	30.9
Exchange effect								0.9
Total underlying operating profit								31.8
Amortisation of acquired intangibles								(1.3)
Exceptional operating items								(3.2)
Total operating profit								27.3
Finance expense								(2.9)
Finance income								0.1
Profit before tax								24.5
Tax								(6.2)
Profit for the year								18.3
Segment assets	93.2	27.8	31.1	15.3	22.3	28.5	8.7	226.9
Exchange effect								0.6
								227.5
Goodwill								89.5
Acquired intangibles								3.8
Cash								15.9
Deferred tax								7.0
Total assets								343.7

NOTES TO THE ACCOUNTS

1 SEGMENTAL ANALYSIS

	UK £m	Germany £m	France £m	Spain £m	Benelux £m	Eastern Europe £m	Other operating segments £m	Total £m
Other segment items								
Capital expenditure								
– intangible assets	0.1	0.1	0.2	0.1	0.3	–	2.5	3.3
– property, plant and equipment	1.0	0.2	0.2	0.4	0.4	0.6	0.1	2.9
Exchange effect								0.1
Total capital expenditure								6.3
Amortisation/depreciation								
– intangible assets	(0.1)	(0.1)	–	(0.1)	(0.1)	–	(1.2)	(1.6)
– property, plant and equipment	(0.9)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)	(0.3)	(2.8)
Exchange effect								–
Total amortisation and depreciation								(4.4)

Year ended 31 December 2010 – Continuing operations

	UK £m	Germany £m	France £m	Spain £m	Benelux £m	Eastern Europe £m	Other operating segments £m	Total £m
Revenue								
Total revenue	144.0	102.2	75.1	39.0	45.1	47.3	16.4	469.1
Inter company sales	(2.5)	(2.9)	(1.2)	(0.9)	(1.6)	(0.3)	(0.6)	(10.0)
Sales to external customers	141.5	99.3	73.9	38.1	43.5	47.0	15.8	459.1
Exchange effect								9.3
Total sales to external customers								468.4
Underlying operating profit	6.5	5.4	2.8	2.8	2.5	2.3	0.2	22.5
Exchange effect								0.5
Total underlying operating profit								23.0
Amortisation of acquired intangibles								(1.3)
Total operating profit								21.7
Finance expense								(2.5)
Finance income								0.1
Profit before tax								19.3
Tax								(5.5)
Profit for the year								13.8
Segment assets	43.8	24.6	27.0	16.5	21.4	23.6	7.9	164.8
Exchange effect								3.8
Goodwill								168.6
Acquired intangibles								74.8
Cash								5.3
Deferred tax								21.7
Total assets								276.8

NOTES TO THE ACCOUNTS

1 SEGMENTAL ANALYSIS

	UK £m	Germany £m	France £m	Spain £m	Benelux £m	Eastern Europe £m	Other operating segments £m	Total £m
Other segment items								
Capital expenditure								
– intangible assets	–	0.1	–	–	0.1	–	1.3	1.5
– property, plant and equipment	0.2	0.2	0.6	0.1	0.1	0.4	0.3	1.9
Exchange effect								0.1
Total capital expenditure								3.5
Amortisation/depreciation								
– intangible assets	–	–	(0.1)	–	(0.1)	–	(0.9)	(1.1)
– property, plant and equipment	(1.1)	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)	(0.3)	(3.1)
Exchange effect								(0.1)
Total amortisation and depreciation								(4.3)

The table below details the 'management rate' used and the actual exchange rates used for the primary exchange rate of Sterling to Euro for the year and the comparative year

	2011 £m	2010 £m
Management rate	€1.20	€1.20
Actual average rate	€1.152	€1.165
Year end rate	€1.192	€1.167

An analysis of goodwill by operating segment is included in note 8

2 FINANCE EXPENSE AND INCOME

	2011 £m	2010 £m
Finance expense		
Bank overdrafts and short term borrowings	0.5	0.6
Loans	2.1	1.6
Finance leases	0.2	0.1
Deferred consideration – unwinding of discount	0.1	0.2
	2.9	2.5
Finance income		
Bank and other short term deposits	(0.1)	(0.1)
	2.8	2.4

NOTES TO THE ACCOUNTS

3 PROFIT BEFORE TAXATION

	2011 £m	2010 £m
The following items have been included in arriving at profit before taxation		
Staff costs (see note 24)	104.1	86.2
Cost of inventories recognised as an expense and included in cost of sales (see note 10)	396.3	324.4
Depreciation of property, plant and equipment		
– Owned assets	2.7	3.0
– Under finance leases	0.1	0.2
Amortisation of software development (included in distribution costs)	1.6	1.1
Amortisation of acquired intangibles (shown separately on the face of the income statement)	1.3	1.3
Operating leases on property, plant and equipment	10.6	9.5
Repairs and maintenance expenditure on property, plant and equipment	0.9	0.7
Trade receivables impairment	0.5	0.5
Gain on disposal of property, plant and equipment and intangible assets	(0.3)	–
Net exchange gains	0.4	0.1
Auditor remuneration		
Services provided by the company's auditors and associates		
Fees payable for audit of parent company and consolidated financial statements	0.1	0.1
Fees payable for other services		
Auditing of accounts of associates of the company pursuant to legislation (including that of countries and territories outside Great Britain)	0.3	0.2
Tax services	–	0.1
Other services	0.1	–

4 EXCEPTIONAL ITEMS

Following the acquisition of the Buck & Hickman business on 30 September 2011 the following related charges have been incurred and are considered to be exceptional items

- a programme has been announced of co-locating branches in those areas in the UK where Buck & Hickman and Brammer UK each have a branch in close proximity to one another. In some locations both businesses will relocate to one new branch in order to operate efficiently. Accordingly, a provision has been established for these branch co-location costs. The principal elements of these charges will be costs incurred in the early termination of existing leases together with the costs of refurbishing existing and new premises,
- the profile and levels of stockholding in Brammer's tools & general maintenance product portfolio has been reviewed to identify brands and product lines no longer considered core to the combined business's future trading strategy with these stocks being written down to their estimated net realisable value, and
- a reorganisation of certain senior sales management roles to focus on extending the group's sales of tools & general maintenance products across Europe. This includes the cost of settling employment contracts and other related social benefit charges.

Acquisition costs of £0.5 million were incurred which are also included as an exceptional cost

	2011 £m
Included in operating profit	
Branch co-location costs	0.8
Acquisition costs	0.5
Stock written down	0.4
Headcount and other related costs	1.5
Total exceptional items	3.2

There were no exceptional items in 2010

NOTES TO THE ACCOUNTS

5 TAXATION

	2011 £m	2010 £m
Current tax		
Current year	(6.5)	(4.3)
Prior year	(0.8)	(0.6)
	(7.3)	(4.9)
Deferred tax (note 18)		
Current year	0.3	(0.9)
Prior year	0.8	0.3
	1.1	(0.6)
Taxation	(6.2)	(5.5)
Tax on items taken to equity		
Deferred tax on share-based payments	0.6	–
Current tax on pension schemes' movements	0.8	0.1
Deferred tax on pension schemes' movements	0.1	(2.1)
Current tax relief on share awards vesting	0.1	–
Deferred tax on exchange movements posted to reserves	–	(0.1)

Factors affecting the tax charge for the period

The effective tax rate for the period of 25.42% is lower than the standard rate of corporation tax in the United Kingdom

The differences are explained below

	2011 £m	2010 £m
Profit on ordinary activities before tax	24.5	19.3
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010: 28.0%)	(6.5)	(5.4)
Effects of		
Expenses not deductible for tax purposes	(0.4)	(0.6)
Reduction in contingent tax liabilities	0.8	0.8
Different tax rates on overseas earnings	(0.1)	–
Adjustments in respect of previous periods	0.1	(0.3)
Impact of change in tax rate	(0.1)	–
Total taxation	(6.2)	(5.5)
Overall effective tax rate for the year	25.4%	28.4%

The June 2010 budget statement announced a reduction in the standard rate of UK corporation tax from 28% to 24% phased in over four years at 1% per annum from April 2011. In the March 2011 budget an additional 1% reduction was announced so that the standard rate of UK corporation tax became 26% from April 2011, reducing at 1% per annum to a rate of 23% in 2014.

The change in the corporation tax rate from 26% to 25% with effect from 1 April 2012 was enacted in the Finance Act 2011 and as a result UK deferred tax balances have been re-measured to the enacted rate of 25%. A deferred tax charge of £0.1 million has been recognised in the period in respect of this.

NOTES TO THE ACCOUNTS

6 DIVIDENDS

	2011 £m	2010 £m
Final 2010 paid July 2011 4.50p (Final 2009 3.60p) per 20p share	4.8	3.8
Interim 2011 paid November 2011 2.70p (Interim 2010 2.10p) per 20p share	3.1	2.2
	7.9	6.0

In addition the directors are proposing a final dividend in respect of the financial year ended 31 December 2011 of 5.7p per share that will absorb an estimated £6.7 million of shareholders' funds. It will be paid on 3 July 2012 to shareholders on the register of members on 8 June 2012.

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The only class of potentially dilutive ordinary shares are the company's ordinary shares contingently issuable under the group's long term incentive plan.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	Earnings £m	Earnings per share Basic	2011 Earnings per share Diluted
Weighted average number of shares in issue ('000)		109,019	111,759
Total			
Profit for the financial year	18.3	16.8p	16.4p
Amortisation of acquired intangibles	1.3		
Exceptional items	3.2		
Tax on exceptional items	(0.9)		
Tax on amortisation of acquired intangibles	(0.3)		
Earnings before amortisation of acquired intangibles and exceptional items	21.6	19.8p	19.3p

The weighted average number of shares in the year reflects the impact of shares issued as a result of the placing on 7 September 2011 (10,535,000 ordinary shares issued).

	Earnings £m	Earnings per share Basic	2010 Earnings per share Diluted
Weighted average number of shares in issue ('000)		106,290	106,290
Total			
Profit for the financial year	13.8	13.0p	13.0p
Amortisation of acquired intangibles	1.3		
Tax on amortisation of acquired intangibles	(0.3)		
Earnings before amortisation of acquired intangibles	14.8	13.9p	13.9p

NOTES TO THE ACCOUNTS

8 INTANGIBLE ASSETS

	2011 £m	Goodwill 2010 £m	Acquired intangibles 2011 £m	2010 £m	Other – Software development 2011 £m	2010 £m
Cost						
At 1 January	74.8	76.6	9.8	9.9	13.4	12.1
Exchange adjustments	(2.2)	(2.1)	(0.5)	(0.1)	(0.2)	(0.3)
Additions	8.8	0.3	–	–	3.3	1.6
Acquisitions	8.1	–	–	–	1.5	–
Disposals	–	–	–	–	(0.1)	–
At 31 December	89.5	74.8	9.3	9.8	17.9	13.4
Impairment and amortisation						
At 1 January	–	–	4.5	3.3	8.5	7.5
Exchange adjustments	–	–	(0.3)	(0.1)	(0.2)	(0.1)
Charge for the year	–	–	1.3	1.3	1.6	1.1
Acquisitions	–	–	–	–	0.1	–
Disposals	–	–	–	–	(0.1)	–
At 31 December	–	–	5.5	4.5	9.9	8.5
Net book value						
At 31 December	89.5	74.8	3.8	5.3	8.0	4.9

Additions to goodwill reflect the accrual of earn-out liabilities, of £8.8 million, relating to the performance of acquisitions made in 2007 and 2008, following recovery from the recession in 2009, a second year of strong performance, and the proximity of the end of the qualifying periods for earn-out.

Acquisitions reflect the goodwill arising on the Buck & Hickman business (note 23 below). Fair values are provisional, however, and the goodwill arising on the acquisition will be finalised in the period to 30 June 2012.

The exercise to separately identify the intangible assets acquired with the Buck & Hickman business is currently in progress and the resulting values will be reflected in the 2012 interim accounts.

Acquired intangibles principally comprise customer relationships which are considered to have estimated useful lives of between 5 and 10 years.

The amortisation of software development expenditure has been charged in distribution costs.

Goodwill is carried at cost less amortisation to the date of transition effective 1 January 2004, subject to review for potential impairment. In accordance with IAS 36 Impairment of Assets impairment testing has been carried out by comparing goodwill plus associated operating assets with the expected value in use, calculated as the net present value of discounted future cash flows expected to be derived from the assets.

Goodwill is allocated to the group's cash generating units defined as the geographical split of countries in which the group operates. An operating segment-level summary of the goodwill allocation is presented below.

	2011 £m	2010 £m
UK	17.0	5.3
France	4.8	4.9
Germany	34.0	34.7
Spain	5.2	5.3
Benelux	7.7	7.9
Eastern Europe	14.5	10.3
Other operating segments	6.3	6.4
	89.5	74.8

The expected value in use has been calculated using assumptions arising from management's data and metrics used on an ongoing basis. These assumptions reflect management's past experience arising from the application of the group strategy.

NOTES TO THE ACCOUNTS

8 INTANGIBLE ASSETS

Key assumptions are

- The cash generating operating units are defined according to the country of operation and related goodwill has been allocated on this basis
- The recoverable amount for each cash generating operating unit has been determined based on a value in use calculation using approved pre-tax budgets for 2012. Profit and cashflow data beyond this period has been extrapolated using forecast growth rates that are based on long term GDP growth rates pertinent to the country where the cash generating operating unit resides
- A nominal pre-tax weighted average cost of capital ("WACC") of 12.52% (2010: 10.15%) has been used to discount future cashflows. Although based on a company specific WACC it has been adjusted to reflect higher long term financing costs than the company currently experiences. The nominal WACC has been adjusted for tax and inflation rates in each of the countries that the company currently operates
- There are no indicators of impairment. Sensitivity tests have been run. These show that for cash generating units significantly material to the business a 15% increase in the WACC would be required to result in any indicator of impairment. Decreasing budgeted trading profit by 30% would not indicate an impairment for any significantly material cash generating units

9 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Equipment £m	2011 Total £m	Land and buildings £m	Equipment £m	2010 Total £m
Cost						
At 1 January	13.4	33.1	46.5	13.3	33.6	46.9
Exchange adjustments	(0.3)	(0.6)	(0.9)	(0.1)	(0.6)	(0.7)
Additions	0.6	2.4	3.0	0.1	1.8	1.9
Acquisitions	3.1	2.8	5.9	–	–	–
Reclassification	–	–	–	0.1	(0.1)	–
Disposals	(0.1)	(2.2)	(2.3)	–	(1.6)	(1.6)
At 31 December	16.7	35.5	52.2	13.4	33.1	46.5
Depreciation						
At 1 January	7.6	27.9	35.5	7.1	27.3	34.4
Exchange adjustments	(0.1)	(0.5)	(0.6)	(0.1)	(0.5)	(0.6)
Charge for the year	0.6	2.2	2.8	0.5	2.7	3.2
Acquisitions	1.5	1.3	2.8	–	–	–
Reclassification	–	–	–	0.1	(0.1)	–
Disposals	–	(2.1)	(2.1)	–	(1.5)	(1.5)
At 31 December	9.6	28.8	38.4	7.6	27.9	35.5
Net book value						
At 31 December	7.1	6.7	13.8	5.8	5.2	11.0
					2011 £m	2010 £m
At 31 December						
Assets held under finance leases (land and buildings and equipment included above)						
Cost					1.4	1.5
Depreciation					(0.9)	(0.9)
					0.5	0.6

NOTES TO THE ACCOUNTS

10 INVENTORIES

The group consumed £396.3 million (2010: £324.4 million) of inventory during this period.

Finished goods inventories of £90.9 million (2010: £71.3 million) comprise entirely goods for resale. Finished goods inventories of £5.5 million (2010: £3.7 million) are carried at fair value less costs to sell being lower than cost.

11 TRADE AND OTHER RECEIVABLES

	2011 £m	2010 £m
Amounts due within one year		
Trade receivables	112.6	81.4
Provision for impairment of receivables	(3.3)	(2.7)
Net trade debtors	109.3	78.7
Other debtors	2.4	1.2
Prepayments and accrued income	3.1	1.5
	114.8	81.4

The movement in the provision for impairment of receivables is analysed as follows:

	2011 £m	2010 £m
At 1 January	2.7	3.5
Exchange adjustments	(0.1)	(0.1)
Income statement charge included in distribution costs	0.5	0.5
Acquisitions	0.6	-
Recovered	(0.3)	(0.2)
Written off (as uncollectable)	(0.1)	(1.0)
	3.3	2.7

Concentrations of credit risk with respect to trade receivables are limited due to the group's customer base being large and unrelated. Accordingly, management consider that no further credit risk provision is required above the current provision for impairment.

Certain European subsidiaries of the group transferred receivable balances amounting to €5.0 million (£4.2 million) (2010: €4.4 million, £3.8 million) to banks, under bills of exchange without recourse, in exchange for cash at the year end 31 December 2011.

12 CASH AND CASH EQUIVALENTS

	2011 £m	2010 £m
Cash at bank and in hand	15.8	19.7
Short term bank deposits	0.1	2.0
	15.9	21.7

Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less at acquisition.

NOTES TO THE ACCOUNTS

13 TRADE AND OTHER PAYABLES

	2011 £m	2010 £m
Trade creditors	97.0	74.5
Other taxes and social security	9.6	6.7
Other creditors	0.3	0.3
Accruals	22.0	12.8
	128.9	94.3

14 FINANCIAL LIABILITIES – BORROWINGS

	2011 £m	2010 £m
Current		
Unsecured bank and other borrowings	0.3	0.7
Unsecured loans less than one year	3.0	3.0
Finance lease commitments due within one year	0.1	0.1
	3.4	3.8
Non-current		
Unsecured bank loan repayable		
Between one and two years	2.0	52.9
Between two and five years	45.6	1.4
Over five years	–	0.1
	47.6	54.4
Finance lease commitments		
Between one and two years	0.1	0.1
Between two and five years	0.1	0.1
Over five years	–	–
	0.2	0.2
	47.8	54.6

Bank loans are denominated primarily in Euros and bear interest based on Euro LIBOR. The effective interest rate on bank borrowings for the year to 31 December 2011 was 4.5% (year to 31 December 2010: 4.3%).

In July 2011 the company entered into a five year revolving multicurrency credit finance facility which provided for borrowings of €100.0 million, replacing the previous facility which was due to expire in February 2012. This facility can be drawn until it expires on 30 June 2016. The amount of finance available under this facility as at 31 December 2011 was €100.0 million (£83.9 million).

15 FINANCIAL LIABILITIES

Fair values of financial liabilities

The group has mainly euro denominated borrowings which it has designated as a hedge of the net investment in its subsidiaries in continental Europe. The fair value of these euro borrowings at 31 December 2011 was £39.4 million (2010: £51.4 million). The foreign exchange gain of £0.8 million (2010: gain of £1.9 million) on the translation of these borrowings into sterling at the closing exchange rate has been recognised in the translation reserve.

Where market values are not available, fair values of financial assets and liabilities have been calculated by discounting expected cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of short-term borrowings approximate to book value and there are no significant differences between the book value and fair value of non-current borrowings.

NOTES TO THE ACCOUNTS

15 FINANCIAL LIABILITIES

Maturity of financial liabilities

The maturity profile of the carrying value of the group's non-current liabilities was as follows

	Debt £m	Finance leases £m	Deferred consideration £m	Total £m
At 31 December 2011				
In more than one year but not more than two years	(2 0)	(0 1)	(3 6)	(5 7)
In more than two years but not more than five years	(45 6)	(0 1)	–	(45 7)
In more than five years	–	–	–	–
	(47.6)	(0.2)	(3.6)	(51.4)
At 31 December 2010				
In more than one year but not more than two years	(52 9)	(0 1)	–	(53 0)
In more than two years but not more than five years	(1 4)	(0 1)	–	(1 5)
In more than five years	(0 1)	–	–	(0 1)
	(54 4)	(0 2)	–	(54 6)

The group's financial liabilities are all at floating rates and comprise drawn Sterling and Euro bank facilities which are mainly central multi-currency committed lines. The unutilised portion of these central committed lines amounts to £37.5 million (2010: £51.4 million) which is available to the group up to 30 June 2016 and carries interest based on currency LIBOR.

Minimum lease payments

The minimum lease payments under finance leases fall due as follows

	2011 £m	2010 £m
Not later than one year	0.1	0.2
Later than one year but not more than five years	0.2	0.2
More than five years	–	–
	0.3	0.4
Future finance charges on finance leases	–	–
Book value of finance lease liabilities	0.3	0.4

16 PROVISIONS

	Restructuring £m	Other £m	2011 Total £m	2010 Total £m
At 1 January	0.7	0.2	0.9	2.5
Exchange adjustment	–	–	–	(0.1)
Charged to the income statement in the year	1.1	–	1.1	–
Utilised in the year	(0.7)	–	(0.7)	(1.5)
At 31 December	1.1	0.2	1.3	0.9
Amounts falling due				
Within one year			1.3	0.7
In more than one year but not more than two years			–	0.2
Total			1.3	0.9

The opening balance on the restructuring provision comprised the residual £0.7 million of costs relating to the restructuring provision established at 31 December 2009, of which a further £0.4 million was utilised during the year. The charge to the income statement in 2011 principally comprises the estimated costs of co-locating existing Brammer UK and Buck & Hickman branches as described in note 4 above. This provision is expected to be utilised within one year. Other provisions relate to warranty claims for the disposal of a discontinued business. The date for notification of any claims under the warranty expired in 2010.

NOTES TO THE ACCOUNTS

17 DEFERRED CONSIDERATION AND EARN OUT PAYABLE

	2011 £m	2010 £m
At 1 January	8.0	15.6
Exchange adjustments	(0.7)	(0.2)
Accrual of earn-outs payable	8.8	–
Unwinding of discount	0.1	0.2
Paid	(1.8)	(7.6)
At 31 December	14.4	8.0
Amounts falling due		
Within one year	10.8	8.0
In more than one year but not more than two years	3.6	–
Total	14.4	8.0

The amounts recognised on acquisition are management's best estimates of the amounts which will be payable. Both the amounts and the timing of future payments are uncertain as they are dependent upon the future performance of the businesses acquired. As described in note 8 above an accrual of £8.8 million has been reflected recognising the best estimate of earn-outs likely to be payable following a second year of strong performance by businesses acquired in 2007 and 2008.

18 DEFERRED TAX

	2011 Accelerated capital allowances £m	2011 Pension liability £m	2011 Share-based payments £m	2011 Tax losses £m	2011 Provisions £m	2011 Total £m
Assets						
At 1 January	1.4	4.2	–	0.8	–	6.4
Exchange adjustment	0.2	–	–	–	–	0.2
Acquisitions	(0.2)	–	–	–	–	(0.2)
Taken to equity	–	0.1	0.6	–	–	0.7
Income statement charge	(0.1)	(0.1)	0.5	(0.4)	–	(0.1)
At 31 December	1.3	4.2	1.1	0.4	–	7.0
Liabilities						
At 1 January	–	–	–	–	(9.7)	(9.7)
Income statement credit	–	–	–	–	1.2	1.2
At 31 December	–	–	–	–	(8.5)	(8.5)
					2011 £m	2010 £m
Net total						
At 1 January					(3.3)	(0.6)
Exchange adjustment					0.2	0.1
Acquisitions					(0.2)	–
Taken to equity					0.7	(2.2)
Income statement credit/(charge)					1.1	(0.6)
At 31 December					(1.5)	(3.3)

NOTES TO THE ACCOUNTS

18 DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate applicable to the relevant jurisdiction

Deferred tax assets have been recognised in full on taxable losses and provisions where realisation of the tax benefit from these items is probable

The deferred tax on losses not recognised amounts to £2.0 million

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and associates as there will be no additional liability arising on repatriation to the UK

Based on current capital investment plans, the group expects to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS) during the period are shown above. Deferred tax falling due after more than one year amounts to £1.5 million (2010: £3.3 million)

19 CALLED UP SHARE CAPITAL

	2011 Number	2010 Number
Ordinary shares of 20p each		
Allotted, called up and fully paid		
At 31 December	116,944,074	106,361,185

Resolution One passed at the General Meeting held on 29 October 2009 removed the limit on the company on its ability to issue shares. Accordingly the company has no limit on authorised share capital (2010: no limit)

Placing

On 7 September 2011 the company issued 10,535,000 new ordinary shares at 240p per share through a placing with institutional investors, representing approximately 9.9% of the total issued share capital. Net proceeds were £24.8 million, being gross proceeds on issue of £25.3 million less expenses of £0.5 million.

Ordinarily, the excess of the net proceeds over the nominal value of the share capital issued would be credited to a non-distributable share premium account. However, the placing was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within retained earnings under section 612 of the Companies Act 2006.

The placing shares rank *pari passu* in all respects with the existing issued shares.

Purchase of own shares

During the year the company acquired 75,447 of its own shares of 20p each through the Brammer plc Employee Share Ownership Trust ("the Trust"). The total amount paid to acquire the shares was £122,982 which has been deducted from shareholders' equity. The shares are held by the Trust to meet vestings under the group's performance share plans and share matching plans. Tranches of these plans vested during the period and 88,567 shares were transferred to directors and senior managers in order to meet vestings under these plans.

At 31 December 2011 the Trust held a total of 208,121 shares in the company in order to meet part of the company's liabilities under the performance share plans and share matching plans. The Trust deed contains a waiver provision in respect of these shares.

Ordinary shares issued

Options exercised during the period under the group's employee share option schemes resulted in 56,393 ordinary 20p shares being issued with exercise proceeds of £54,717.

NOTES TO THE ACCOUNTS

20 SHARE BASED PAYMENTS

Movements on share options and plans during the year were as follows

Price per share	1 January 2011	Granted	Exercised/ vested	Lapsed	31 December 2011	Date from which exercisable	Expiry date
Executive share option schemes							
1995 scheme							
366p	432	-	-	(432)	-	16 Mar 2004	16 Mar 2011
102p	30,906	-	-	-	30,906	7 Oct 2006	7 Oct 2013
90p	28,330	-	(10,305)	-	18,025	15 Apr 2007	15 Apr 2014
99 5p	131,647	-	(25,058)	-	106,589	6 Sep 2007	6 Sep 2014
1997 scheme							
366p	3,745	-	-	(3,745)	-	16 Mar 2004	16 Mar 2011
102p	5,151	-	(5,151)	-	-	7 Oct 2006	7 Oct 2013
90p	13,921	-	-	-	13,921	15 Apr 2007	15 Apr 2014
99 5p	17,970	-	(15,879)	-	2,091	6 Sep 2007	6 Sep 2014
Total	232,102	-	(56,393)	(4,177)	171,532		
Performance share plan							
Op	282,010	-	-	(282,010)	-	Spring 2011	
Op	180,966	-	-	(180,966)	-	Autumn 2011	
Op	1,354,822	-	-	-	1,354,822	Spring 2012	
Op	437,839	-	-	(13,134)	424,705	Autumn 2012	
Op	1,024,168	-	-	-	1,024,168	Spring 2013	
Op	409,873	-	-	(22,795)	387,078	Autumn 2013	
Op	-	491,619	-	-	491,619	Spring 2014	
Op	-	302,153	-	(1,191)	300,962	Autumn 2014	
Total	3,689,678	793,772	-	(500,096)	3,983,354		
Share matching plan							
Op	336,779	-	(88,567)	(248,212)	-	Spring 2011	
Op	960,278	-	-	-	960,278	Spring 2012	
Op	551,619	-	-	(10,468)	541,151	Spring 2013	
Op	-	375,629	-	(5,072)	370,557	Spring 2014	
Total	1,848,676	375,629	(88,567)	(263,752)	1,871,986		
Total	5,770,456	1,169,401	(144,960)	(768,025)	6,026,872		

Details of the terms of the Executive Share Option Scheme ("ESOS") Performance Share Plan ("PSP") and Share Matching Plan ("SMP") are disclosed in the remuneration report

NOTES TO THE ACCOUNTS

20 SHARE BASED PAYMENTS

In accordance with IFRS2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the group's estimate of shares that will eventually vest. A charge of £2.0 million (2010: no charge) was recognised in the year in respect of employee share based payment plans as the maximum performance targets have been achieved. The plans all comprise equity-settled share based transactions. The fair value is measured using a Black-Scholes pricing model. Previously the TSR conditions have been disregarded on the basis of materiality and treated in the same way as a non-market based performance condition, for 2011 awards the fair value has been calculated using scenario-modelling and is the expected outcome of meeting the performance criteria. The fair value per option granted and the assumptions used in the calculations are as follows:

	Share Matching Plan	Performance Share Plan	
Awards granted in the year ended 31 December 2011			
Grant date	18 March 2011	16 March 2011	12 September 2011
Share price at grant date	275.25p	268.0p	275p
Exercise price	n/a	n/a	n/a
Number of shares under option (initial grant)	375,629	491,619	302,153
Vesting Period (years)	3	3	3
Expected Volatility	0.56	0.56	0.55
Expected option life (years)	3	3	3
Risk free rate	1.65%	1.61%	0.74%
Expected dividend yield	2.40%	2.46%	2.62%
Possibility of ceasing employment before vesting	10%	10%	10%
Expectation of meeting performance criteria	100%	100%	100%
Fair value per option	256p	249p	254p

	Share Matching Plan	Performance Share Plan	
Awards granted in the year ended 31 December 2010			
Grant date	06 April 2010	17 March 2010	18 August 2010
Share price at grant date	129.5p	120.5p	171p
Exercise price	n/a	n/a	n/a
Number of shares under option (initial grant)	551,619	1,024,168	409,873
Vesting Period (years)	3	3	3
Expected Volatility	0.56	0.56	0.58
Expected option life (years)	3	3	3
Risk free rate	1.92%	1.88%	1.22%
Expected dividend yield	4.25%	4.78%	3.33%
Possibility of ceasing employment before vesting	10%	10%	10%
Expectation of meeting performance criteria	100%	100%	100%
Fair value per option	114p	100p	155p

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life.

NOTES TO THE ACCOUNTS

20 SHARE BASED PAYMENTS

A reconciliation of option and plan movements over the year to 31 December 2011 is shown below

	2011 Number	2011 Weighted average exercise price Pence	2010 Number	2010 Weighted average exercise price Pence
Share option and savings related schemes				
Outstanding at 1 January	232,102	103	422,883	151
Exercised	(56,393)	98	(75,597)	100
Lapsed	(4,177)	366	(115,184)	280
Outstanding at 31 December	171,532	98	232,102	103
Exercisable at 31 December	171,532	-	232,102	103
Performance share plan				
Outstanding at 1 January	3,689,678	-	3,418,045	-
Granted	793,772	-	1,434,041	-
Lapsed	(500,096)	-	(447,612)	-
Rights issue adjustment	-	-	(714,796)	-
Outstanding at 31 December	3,983,354	-	3,689,678	-
Exercisable at 31 December	-	-	-	-
Share matching plan				
Outstanding at 1 January	1,848,676	-	1,853,914	-
Granted	375,629	-	551,619	-
Vested	(88,567)	-	(58,629)	-
Lapsed	(263,752)	-	(498,228)	-
Outstanding at 31 December	1,871,986	-	1,848,676	-
Exercisable at 31 December	-	-	-	-

Range of exercise prices (excluding performance share plan and share matching plan)	2011 Weighted average exercise price Pence	2011 Number of shares	2011 Weighted average remaining life Contractual years	2010 Weighted average exercise price Pence	2010 Number of shares	2010 Weighted average remaining life Contractual years
1p – 100p	97.3	140,626	2.6	97.4	191,868	3.6
100p – 200p	102.0	30,906	1.8	102.0	36,057	2.8
200p – 300p	-	-	-	-	-	-
300p – 400p	-	-	-	366.0	4,177	0.2

21 RECONCILIATION OF NET CASH TO MOVEMENT IN NET DEBT

	2011 £m	2010 £m
Net decrease in cash and cash equivalents	(4.8)	(9.8)
Net decrease in borrowings	5.6	11.3
Exchange	0.8	1.5
Movement in net debt	1.4	3.2
Net debt at 1 January	(36.7)	(39.9)
Net debt at 31 December	(35.3)	(36.7)

NOTES TO THE ACCOUNTS

22 CASH FLOW FROM OPERATING ACTIVITIES

	2011 £m	2010 £m
Net profit	18.3	13.8
Tax charge	6.2	5.5
Depreciation/amortisation of tangible and intangible assets	5.7	5.6
Share options – value of employee services	2.0	–
Gain on disposal of tangible and intangible assets	(0.3)	–
Financing expense	2.8	2.4
Changes in working capital (excluding the effect of exchange movements and fair value adjustments)		
Increase in inventory	(9.0)	(2.1)
Increase in trade and other receivables	(11.8)	(11.4)
Increase in trade and other payables and provisions	14.3	12.3
Cash generated from operations after exceptional items	28.2	26.1

23 ACQUISITIONS

The group completed the purchase of the business and assets of Buck & Hickman from Travis Perkins plc on 30 September 2011 for a total cash consideration of £26.9 million on a debt-free, cash-free basis. From the date of acquisition to 31 December 2011 the business contributed £26.5 million to revenue and £0.6 million to profit after tax.

The residual excess over the net assets acquired is recognised as goodwill in the financial statements.

Acquisition of Buck & Hickman business

	Carrying values pre acquisition £m	Provisional fair value £m
Intangible assets	14.9	1.4
Property, plant and equipment	3.1	3.1
Inventories	11.8	13.0
Receivables	23.8	23.8
Payables	(22.3)	(22.3)
Taxation – deferred	–	(0.2)
	31.3	18.8
Net assets acquired		18.8
Goodwill		8.1
Consideration wholly satisfied in cash		26.9

The fair value adjustments contain some provisional amounts which will be finalised in the 2012 interim accounts.

The fair values are provisional pending the calculation of the fair values of the intangible assets acquired. The fair value adjustment to inventories is to bring the valuation of procurement overhead cost included within inventories in line with the group's accounting policy.

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. The acquisition provides significant opportunities for further development of the group's growth strategy. Such opportunity and the assembled workforce inherent in the acquired business cannot be measured as separately identifiable intangible assets. The goodwill recognised is not deductible for tax purposes.

Acquisition costs of £0.5 million were incurred which are disclosed within exceptional items in the income statement. Costs of £0.5 million arising from a share placing to raise funds for the acquisition have been deducted from distributable reserves. Further details of the share placing are given in note 19.

NOTES TO THE ACCOUNTS

23 ACQUISITIONS

The outflow of cash and cash equivalents on the acquisition of the Buck & Hickman business is calculated as follows

	£m
Cash consideration	26.9
Acquisition related costs – charged to income statement as exceptional	0.5
	27.4

The estimated results of operations for the group, as if the above acquisition had been made at the beginning of the year are as follows

	2011 £m
Revenue	650.0
Profit after tax	20.0

This information is not necessarily indicative of the results of operations that would have occurred had the purchase been made at the beginning of the period presented or the future results of the combined operations

24 EMPLOYEES AND KEY MANAGEMENT

	2011 £m	2010 £m
Staff costs for the group during the year		
Wages and salaries	82.3	69.3
Social security costs	18.2	14.6
Pension costs	1.6	2.3
Equity settled share-based payments	2.0	–
	104.1	86.2
	Number	Number
Average number of employees, including executive directors		
UK	1,000	841
Germany	428	410
France	325	326
Spain	216	216
Benelux	208	207
Eastern Europe	346	333
Other	69	67
	2,592	2,400
	2011 £m	2010 £m
Key management compensation		
Short term employee benefits	4.6	4.1
Post employment benefits	0.2	0.1
Equity settled share-based payments	2.0	–
	6.8	4.2

The key management figures shown above include all the directors together with members of the Brammer executive team as detailed on pages 22 and 23

	2011 £m	2010 £m
Directors		
Aggregate emoluments	1.5	1.4
Aggregate amounts receivable under long-term incentive schemes	0.7	–
	2.2	1.4

Details of directors' pension entitlements, together with details of benefits accrued on service completed up to 28 February 2006 under the defined benefit scheme which was closed to future accrual at that date, are given in the remuneration report on page 47

NOTES TO THE ACCOUNTS

25 OPERATING LEASE COMMITMENTS – TOTAL FUTURE MINIMUM LEASE PAYMENTS

	2011 £m	Property 2010 £m	Vehicles, plant and equipment 2011 £m	2010 £m
Commitments under non-cancellable operating leases expiring				
Within one year	8.2	6.5	3.9	2.9
Between two and five years	17.6	10.8	6.3	2.0
After five years	9.5	4.7	–	–
	35.3	22.0	10.2	4.9

26 FUTURE CAPITAL EXPENDITURE

	2011 £m	2010 £m
Commitments for which contracts have been placed	0.2	–

27 PENSION COMMITMENTS

UK Schemes

The UK group operates the Brammer Services Limited Retirement Benefit Scheme, which until 28 February 2006, provided benefits on a final salary and defined contribution basis. With effect from 1 March 2006, the defined benefit section of the scheme was closed to future accrual. Existing members of the defined benefit section were offered membership of the defined contribution section of the scheme. The defined benefit 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. An investment review took place in November 2007 and changes to the existing arrangement were carried out in 2008. The current fund managers are Fidelity Investments, BlackRock Investment Management and Key Asset Management, under a pooled arrangement in each case. Within the pooled fund the trustees have no investment in the share capital of the company.

Company contributions to the defined benefit scheme during the year were being made at the rate of 7.2% of contributory salary up to February 2006. In addition, the company paid £1.5 million in 2006 and had agreed to pay £1.95 million, indexed for inflation, per annum in each of the years 2007 to 2017 (inclusive). During 2010 the company agreed a deficit funding plan with the trustees of the scheme to make payments of £2.7 million, indexed for inflation, in the years 2010 to 2023 inclusive.

The latest completed triennial actuarial valuation of the scheme was carried out as at 31 December 2008, using the defined accrued benefit method (the same method that was used at the previous valuation), by an independent actuary employed by Barnett Waddingham LLP. The assumptions, which were agreed between the company and trustees, that have the most significant effect on the results of the valuation are those related to the rates of return on investments and the rates of increase in future price inflation and pensions. Over the long term, the returns on investments backing the scheme's liabilities were assumed to be 5.80% per annum before retirement and 4.30% per annum after retirement. For pensions in payment (for both current pensioners and non-retired members) the return on underlying investments was assumed to exceed future pension increases (in excess of the guaranteed minimum pension) by 1.55% per annum. Pensions in excess of the guaranteed minimum pension were assumed to increase at 2.75% per annum. The valuation showed that the market value of the scheme's assets was £63.5 million as at 31 December 2008, which represented 63% of the value of the benefits that had accrued to members at that date. The next triennial valuation is due to be completed as at 31 December 2011. Employer contributions for 2012 are currently estimated to be £3.0 million.

A defined contribution scheme, the "Brammer Services Defined Contribution Pension Scheme", was launched on 1 January 2002 for new UK employees joining the group and membership of that scheme was offered to existing members of the defined benefit scheme with effect from 1 March 2006, the date at which the defined benefit scheme was closed to future accrual. The charge in the year for this scheme was £0.9 million (2010: £1.1 million).

NOTES TO THE ACCOUNTS

27 PENSION COMMITMENTS

Dutch Schemes

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. Brammer Nederland 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 2012 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 of the scheme was carried out as at 31 December 2010, using the projected unit method, by an independent actuary based on data provided by the plan administrators, Nationale Nederlanden.

Other Schemes

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 income statement in respect of these schemes were £0.6 million (2010: £0.6 million).

IAS 19 retirement benefits

The valuations used for IAS 19 disclosures have been based on the most recent actuarial valuations updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme. Assets are stated at their market value at 31 December 2011.

The principal assumptions made by the actuaries were:

	2011	UK At 31 December 2010	2011	Netherlands At 31 December 2010
Inflation rate	3.20%	3.60%	2.00%	2.00%
Rate of increase in salaries	n/a	n/a	2.00%	3.00%
Rate of increase of pensions in payment	3.00%	3.60%	2.00%	2.00%
Rate of increase for deferred pensioners	2.40%	3.10%	2.00%	2.00%
Discount rate	4.80%	5.50%	5.50%	4.75%
Life expectancy at age 65 for				
Current pensioners – males	21.40	21.30		
Current pensioners – females	24.00	23.90		
Future pensioners – males	22.90	22.80		
Future pensioners – females	25.40	25.30		

The assets held and the expected rate of return were:

	Long term rate of return expected at 31 December 2011 %	Fair value at 31 December 2011 £m	Long term rate of return expected at 31 December 2010 %	Fair value at 31 December 2010 £m
UK scheme				
Equities	6.00	49.5	7.50	57.2
Corporate bonds	4.80	11.3	5.50	7.9
Fixed interest gilts	2.50	11.2	4.00	7.9
Index linked gilts	2.50	11.6	4.00	7.9
Hedge Fund	6.00	7.3	7.50	7.7
Cash	0.50	0.6	0.50	0.6
Total market value of assets	4.97	91.5	6.66	89.2
Present value of pension liabilities		(107.9)		(103.5)
Deficit		(16.4)		(14.3)
Related deferred tax asset		4.1		3.9
Net pension liability		(12.3)		(10.4)

NOTES TO THE ACCOUNTS

27 PENSION COMMITMENTS

	Long term rate of return expected at 31 December 2011 %	Fair value at 31 December 2011 £m	Long term rate of return expected at 31 December 2010 %	Fair value at 31 December 2010 £m
Netherlands scheme				
Fixed interest gilts	4.00	4.3	4.00	5.2
Total market value of assets		4.3		5.2
Present value of pension liabilities		(4.7)		(6.7)
Deficit		(0.4)		(1.5)
Related deferred tax asset		0.1		0.4
Net pension liability		(0.3)		(1.1)

Where investments are held in bonds and cash the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date

A higher rate of return is expected on equity investments, which is based more on realistic future expectations than on the returns that have been available historically. The overall expected long term rate of return is then the average of these rates taking into account the underlying asset portfolio of the pension plan

Pensions and other post retirement obligations

The amounts recognised in the balance sheet are determined as follows

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of funded obligations	112.6	110.2	107.3	81.0	95.9
Fair value of plan assets	(95.8)	(94.4)	(81.6)	(67.7)	(81.6)
Net liability recognised in the balance sheet	16.8	15.8	25.7	13.3	14.3

The amounts recognised in the income statement are as follows

	2011 £m	2010 £m
Current service cost	0.4	0.2
Interest cost	5.9	6.0
Expected return on plan assets	(6.2)	(5.6)
Total pension expense included within distribution costs	0.1	0.6

Analysis of the movement in the balance sheet liability

	2011 £m	2010 £m
Opening	15.8	25.7
On-going expense as above	0.1	0.6
Employer contributions	(3.4)	(3.3)
Actuarial loss/(gain) recognised as a reserves movement	5.1	(7.2)
Valuation adjustments to Dutch schemes	(0.8)	–
Closing	16.8	15.8

The actual return on plan assets was a positive £2.3 million (2010: £13.0 million positive return)

NOTES TO THE ACCOUNTS

27 PENSION COMMITMENTS

Reconciliation of defined benefit obligation

	2011 £m	2010 £m
Opening defined benefit obligation	110.2	107.3
Exchange adjustments	(0.1)	(0.2)
Service cost	0.4	0.2
Interest cost	5.9	6.0
Actuarial loss on defined benefit obligation	1.2	0.2
Valuation adjustments to Dutch schemes	(2.0)	–
Actual benefit payments	(3.0)	(3.3)
Closing defined benefit obligation	112.6	110.2

Reconciliation of fair value of plan assets

	2011 £m	2010 £m
Opening fair value of plan assets	(94.4)	(81.6)
Exchange adjustments	0.1	0.2
Expected return on assets	(6.2)	(5.6)
Loss/(gain) on assets	3.9	(7.4)
Valuation adjustments to Dutch schemes	1.2	–
Employer contributions	(3.4)	(3.3)
Actual benefit payments	3.0	3.3
Closing fair value of plan assets	(95.8)	(94.4)

UK Scheme

	31 December 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007
Details of experience (gains) and losses for the year					
Difference between the expected and actual return on scheme assets					
Amount (£ million)	3.7	(7.4)	(10.1)	20.8	(1.4)
Percentage of scheme assets	4.00%	8.30%	13.10%	32.80%	1.77%
Experience losses on scheme liabilities					
Amount (£ million)	–	–	–	–	–
Percentage of the present value of the scheme liabilities	–	–	–	–	–
Total amount recognised in statement of comprehensive income					
Amount (£ million)	5.3	(8.2)	13.4	1.6	(8.3)
Percentage of the present value of the scheme liabilities	4.90%	7.90%	13.20%	2.10%	8.99%

Dutch Scheme

	31 December 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007
Details of experience (gains) and losses for the year					
Difference between the expected and actual return on scheme assets					
Amount (£ million)	–	–	–	–	–
Percentage of scheme assets	–	–	–	–	–
Experience losses on scheme liabilities					
Amount (£ million)	–	–	–	–	–
Percentage of the present value of the scheme liabilities	–	–	–	–	–
Total amount recognised in statement of comprehensive income					
Amount (£ million)	(0.2)	1.0	0.5	(0.1)	(0.5)
Percentage of the present value of the scheme liabilities	3.60%	17.90%	9.80%	3.70%	14.29%

FIVE YEAR RECORD

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Profit and loss					
Revenue	571.5	468.4	426.1	478.4	379.6
Profit before goodwill, exceptional items and finance costs	31.8	23.0	18.4	26.2	19.9
Amortisation of acquired intangibles and goodwill, and exceptional items	(4.5)	(1.3)	(14.5)	(0.9)	(0.5)
Profit on ordinary activities before finance costs	27.3	21.7	3.9	25.3	19.4
Net finance costs	(2.8)	(2.4)	(5.4)	(6.4)	(4.5)
Profit on ordinary activities before tax	24.5	19.3	(1.5)	18.9	14.9
Tax	(6.2)	(5.5)	1.1	(5.9)	(4.5)
Profit on ordinary activities after tax	18.3	13.8	(0.4)	13.0	10.4
Discontinued operations	–	–	0.5	–	–
Profit for the year retained in the business	18.3	13.8	0.1	13.0	10.4
Geographic segments					
UK					
Revenue	190.5	144.0	132.8	134.3	123.6
Operating profit	9.4	6.5	4.6	3.7	2.5
Segment (net) assets	32.8	15.1	16.5	16.9	15.0
Germany					
Revenue	120.3	105.3	95.9	123.9	97.8
Operating profit	8.1	5.9	4.9	9.2	7.2
Segment (net) assets	17.0	15.6	15.2	22.0	17.0
France					
Revenue	88.0	77.4	71.8	75.2	59.0
Operating profit	4.2	3.2	2.8	2.9	2.7
Segment (net) assets	10.6	7.1	8.3	12.9	12.0
Spain					
Revenue	44.6	40.1	38.1	43.6	34.4
Operating profit	3.5	2.8	2.6	3.3	3.3
Segment (net) assets	3.2	3.4	4.6	11.9	11.0
Benelux					
Revenue	51.3	46.4	43.4	48.2	36.5
Operating profit	2.7	2.4	1.8	4.0	2.6
Segment (net) assets	9.6	9.9	10.9	14.3	9.9
Eastern Europe					
Revenue	58.2	48.5	39.6	46.1	26.2
Operating profit	3.7	2.2	2.0	3.1	1.6
Segment (net) assets	16.7	16.4	16.9	21.6	15.9
Other					
Revenue	18.6	6.7	4.6	7.1	2.0
Operating profit	0.2	–	(0.1)	–	–
Segment (net) assets	11.1	11.3	8.5	6.4	2.6
Net assets employed					
Goodwill	89.5	74.8	76.6	83.6	54.5
Property, plant, equipment and intangible assets	25.6	21.2	23.7	26.4	22.7
Other working capital	75.5	57.5	57.2	79.6	60.8
Net debt	(35.3)	(36.7)	(39.9)	(83.9)	(59.4)
Deferred consideration	(14.4)	(8.1)	(15.6)	(25.0)	(14.5)
Tax	(6.5)	(6.0)	(1.4)	(8.3)	(5.5)
Retirement benefit obligations	(16.8)	(15.8)	(25.7)	(13.3)	(14.3)
Financed by					
Shareholders' equity	117.6	87.0	74.9	59.1	44.3

FIVE YEAR RECORD

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Cash flow					
Net cash inflow from operating activities	28.2	26.1	27.3	29.2	16.7
Interest paid and received	(2.4)	(2.2)	(5.9)	(3.9)	(4.1)
Tax paid	(4.1)	(2.7)	(2.3)	(4.2)	(2.4)
Funding of pension schemes less income statement charge	(3.3)	(2.6)	(1.5)	(2.6)	(2.2)
Net fixed assets movements – Software	(3.3)	(1.6)	(1.0)	(1.0)	(1.4)
Net fixed assets movements – property, plant and equipment	(2.5)	(1.7)	(0.7)	(3.3)	(3.5)
Acquisitions, deferred consideration and earn-out payments	(28.7)	(7.9)	(8.8)	(9.8)	(12.4)
Dividends paid	(7.9)	(6.0)	(4.1)	(4.1)	(3.3)
Financing	19.3	(11.2)	11.9	9.1	12.4
Movement in cash	(4.8)	(9.8)	14.9	9.3	(0.2)
Movement in debt, finance lease and liquid resources	5.6	11.3	23.1	(11.3)	0.1
Exchange movements on opening balances	0.6	1.7	6.1	(22.6)	(5.2)
Movement in net debt	1.4	3.2	44.1	(24.5)	(5.2)
Ratios					
Earnings per share – Basic*	16.8p	13.0p	0.1p	17.4p	14.5p
Earnings per share – Fully diluted*	16.4p	13.0p	0.1p	17.1p	14.3p
Earnings per share – before amortisation and exceptionals*	19.8p	13.9p	13.1p	18.2p	14.9p
Dividend per share*	8.4p	6.6p	5.5p	5.5p	5.1p
Interest cover – profit before amortisation and exceptionals	11.3x	10.1x	4.4x	4.4x	4.6x
EBITDA – profit before amortisation and exceptionals	36.2	27.4	23.1	31.0	23.4
Return on operating capital employed (organic)	38.1%	31.0%	24.1%	28.9%	27.9%
Return on investment (excluding net pension)	25%	21%	16%	32%	36%
Gearing (excluding net pension)	27%	37%	43%	122%	108%

*2008 and prior years' earnings and dividend per share amounts have been restated to reflect the effect of the 1 for 1 rights issue completed in November 2009

Separate accounts in accordance with UK Accounting Standards

BRAMMER 

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

Principal activities

The company is the holding company for, and also provides management services to, the group

Business review, results and dividends

The profit for the year was £5.9 million (2010 profit of £5.4 million). The directors have recommended that a final dividend of £6.7 million be paid (2010 £4.8 million).

From the perspective of the company, the key performance indicators are integrated with the key performance indicators of the group and are not managed separately. Accordingly, the key performance indicators of the Brammer group, which include those of the company, are discussed in the chief executive's review and the financial review of the group's annual report which do not form part of this report.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties, including the financial risks, are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the Brammer group, which include those of the company, are discussed on pages 18 and 19 of the group's annual report which does not form part of this report, and the financial risk factors, which include those of the company, are discussed on pages 59 and 60 of the group's annual report.

Payment to suppliers

The company is a holding company and had no trade suppliers at the end of the financial year.

Directors and directors' interests

This information is shown in the group section of the annual report.

Employees

This information is shown in the directors' report in the group section of the annual report on page 27.

Tax status

The company is not a close company for tax purposes.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors, whose names and functions are listed on pages 20 and 21, confirm that, to the best of their knowledge

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company, and
- the directors' report contained in the annual report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

Auditors

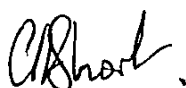
So far as the directors are aware, there is no relevant audit information of which the auditors are unaware. Each director has taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

Chris Short

Secretary

14 February 2012



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRAMMER PLC

We have audited the parent company financial statements of Brammer plc for the year ended 31 December 2011 which comprise the balance sheet, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements

- > give a true and fair view of the state of the company's affairs as at 31 December 2011,
- > have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- > the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- > the information given in the directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- > adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- > the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns, or
- > certain disclosures of directors' remuneration specified by law are not made, or
- > we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Brammer plc for the year ended 31 December 2011.


Martin Heath (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
14 February 2012

BALANCE SHEET

At 31 December 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Tangible assets	1	5.2	3.5
Investments – shares in group undertakings	2	112.7	94.8
		117.9	98.3
Current assets			
Debtors – due after more than one year	3	110.0	99.7
Debtors – due within one year	3	5.4	5.1
		115.4	104.8
Cash at bank and in hand		0.1	0.1
		115.5	104.9
Creditors – amounts falling due within one year	4	(65.0)	(57.1)
Net current assets		50.5	47.8
Total assets less current liabilities		168.4	146.1
Creditors – amounts falling due after more than one year	5	(48.9)	(51.3)
Provisions for liabilities	6,7	–	(0.1)
Net assets		119.5	94.7
Capital and reserves	8		
Called up share capital		23.4	21.3
Share premium account		18.2	18.1
Special capital reserve		12.1	12.1
Profit and loss account		65.8	43.2
Total shareholders' funds		119.5	94.7

The notes on pages 89 to 95 form part of these accounts

The accounts were approved by the board on 14 February 2012 and were signed on its behalf by

David Dunn
Chairman

Paul Thwaite
Finance director

D. M. Dunn *P. Thwaite*
Brammer plc
Registered number 00162925

ACCOUNTING POLICIES

Basis of preparation

The company financial statements have been prepared on the going concern basis and under the historical cost convention and in accordance with the Companies Act 2006 and with applicable UK accounting standards

A separate profit and loss account dealing with the results of the company has not been presented as permitted by section 408(3) of the Companies Act 2006

Cash flow statement

Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its published consolidated financial statements

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling on the balance sheet date and exchange differences are taken to the profit and loss account

Fixed assets

Fixed assets are stated at cost and include the original purchase price of the asset together with 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

Software development

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable software systems operated by the group and which will generate economic benefits exceeding costs beyond one year, are recognised as fixed assets. Direct costs include staff costs of the software development team and an appropriate portion of direct overheads

Expenditure which enhances or extends the performance of identifiable software systems beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 7 years

Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided by equal annual instalments to write off the cost of fixed assets, net of residual values, over the expected useful life of the asset concerned. In general the lives of the assets have been estimated as follows

Equipment	4 – 7 years
-----------	-------------

Investments

Shares in subsidiary companies and fixed asset investments are shown at cost subject to provision for impairment in valuation

Borrowings

Borrowings are recognised as the proceeds received, net of transaction costs incurred, which are then amortised over the expected life of the facility

Deferred consideration

The amounts recognised for deferred consideration are the directors' best estimates of the actual amount which will be payable. Deferred consideration is discounted at an appropriate risk-free rate

Pension costs

The company participates in a funded group operated defined benefit pension scheme, the Brammer Services Retirement Benefit Scheme. Under the definitions set out in FRS 17, the Brammer scheme is a multi-employer pension scheme. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and therefore treats the scheme as a defined contribution scheme. Pension costs related to defined contribution schemes are charged as contributions fall due

Provisions

Provisions in respect of liabilities are made in accordance with FRS 12 and are discounted where the effect is material. Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

ACCOUNTING POLICIES

Share based payments

The fair values of employee share option and share performance plans are calculated using the Black-Scholes model. In accordance with FRS 20, 'Share-based Payments' the resulting cost is charged to the income statement over the vesting period of the options. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the value of the charge is adjusted to reflect expected and actual levels of options vesting for changes in non market vesting criteria.

Current and Deferred tax

Current tax

Corporation tax payable is provided on taxable profits at the current rate.

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.

Directors' remuneration, employee share schemes and dividends

Details of directors' remuneration, employee share schemes and dividends are included in the group section of the annual report.

NOTES TO THE ACCOUNTS

1 FIXED ASSETS – TANGIBLE ASSETS

	2011 £m	2010 £m
Equipment		
Cost		
At 1 January	7.9	6.8
Additions	2.7	1.1
At 31 December	10.6	7.9
Accumulated depreciation		
At 1 January	4.4	3.6
Charge	1.0	0.8
At 31 December	5.4	4.4
Net book value		
At 1 January	3.5	3.2
Movement in year	1.7	0.3
At 31 December	5.2	3.5

2 FIXED ASSETS – INVESTMENTS (UNLISTED)

	2011 £m	2010 £m
Subsidiaries		
At 1 January	94.8	94.7
Additional investment in existing subsidiaries	17.9	0.1
At 31 December	112.7	94.8

Details of the principal operating subsidiaries which are either wholly owned by the company or its subsidiaries are shown in the group section of the report on page 24

The additional investment in the year includes the accrual of earn-out liabilities of £8.8 million relating to the performance of acquisitions made in 2007 and 2008. Further details are given in note 8 in the group financial statements

In the opinion of the directors, the value of the company's investments in its subsidiaries is not less than the amount at which it is stated in the balance sheet

Acquisition of Buck & Hickman business

On 30 September 2011 the company acquired the business of Buck & Hickman from Travis Perkins plc for a total cash consideration of £26.9 million on a debt-free, cash-free basis. Details of the acquisition are given in note 23 in the group section of the annual report. Subsequently, on 31 October 2011 the fair value of the trade and assets of Buck & Hickman were transferred to Brammer UK Limited for consideration of £26.9 million

NOTES TO THE ACCOUNTS

3 DEBTORS

	2011 £m	2010 £m
Amounts due after one year		
Amounts owed by group undertakings	110.0	99.7
Amounts due within one year		
Amounts owed by group undertakings	4.0	4.4
Other debtors	0.5	0.5
Prepayments and accrued income	0.4	0.2
Deferred tax (note 6)	0.5	–
	5.4	5.1
	115.4	104.8

Amounts due from group undertakings are unsecured and carry interest at varying margins relating to base rate. The loans are repayable at any time with the mutual agreement of both parties.

4 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £m	2010 £m
Bank overdrafts	8.3	4.5
Amounts owed to group undertakings	42.0	40.8
Corporation tax	0.9	1.7
Deferred consideration	10.4	6.9
Accruals	3.4	3.2
	65.0	57.1

Amounts due to group undertakings are unsecured and carry interest at varying margins relating to base rate. The loans are repayable at any time with the mutual agreement of both parties.

The amounts recognised on acquisition in respect of deferred consideration are management's best estimates of the amounts which will be payable. Both the amounts and the timing of future payments are uncertain as they are dependent upon the future performance of the businesses acquired.

5 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £m	2010 £m
Bank and other borrowings		
Unsecured bank loan repayable		
Between one and two years	45.3	51.3
Between two and five years	–	–
Over five years	–	–
	45.3	51.3
Deferred consideration	3.6	–
	48.9	51.3

Details of the bank loans are given in notes 14 and 15 of the group financial statements.

NOTES TO THE ACCOUNTS

6 DEFERRED TAX

	2011 £m	2010 £m
Deferred tax		
At 1 January	(0.1)	(0.1)
Profit and loss account	0.6	–
At 31 December	0.5	(0.1)

The movement in the year and the closing asset principally relate to deferred tax on share-based payments

7 PROVISIONS

	2011 £m	2010 £m
At 1 January	–	(0.2)
Utilised	–	0.2
At 31 December	–	–

Provisions related to restructuring costs. Further details are given in note 16 in the group financial statements

8 MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Special capital £m	Profit and loss account £m	2011 Total £m	2010 Total £m
At 1 January	21.3	18.1	12.1	43.2	94.7	95.2
Shares issued during the year	–	0.1	–	–	0.1	0.1
Net proceeds from share placing	2.1	–	–	22.7	24.8	–
Profit for the financial year	–	–	–	5.9	5.9	5.4
Dividends	–	–	–	(7.9)	(7.9)	(6.0)
Purchase of own shares (note 9)	–	–	–	(0.1)	(0.1)	–
Value of employee services	–	–	–	2.0	2.0	–
Movement in year	2.1	0.1	–	22.6	24.8	(0.5)
At 31 December	23.4	18.2	12.1	65.8	119.5	94.7

The special capital reserve is non-distributable

9 CALLED UP SHARE CAPITAL

	2011 Number	2010 Number
Ordinary shares of 20p each		
Allotted, called up and fully paid		
At 31 December	116,944,074	106,361,185

Resolution One passed at the General Meeting held on 29 October 2009 removed the limit on the Company on its ability to issue shares. Accordingly the Company has no limit on authorised share capital (2009: no limit)

In the period from 1 January 2012 to 14 February 2012 no shares were issued on the exercise of options under the company's share option schemes

NOTES TO THE ACCOUNTS

9 CALLED UP SHARE CAPITAL

Placing

On 7 September 2011 the company issued 10,535,000 new ordinary shares at 240 pence per share through a placing with institutional investors, representing approximately 9.9% of the total issued share capital. Net proceeds were £24.8 million, being gross proceeds on issue of £25.3 million less expenses of £0.5 million.

Ordinarily, the excess of the net proceeds over the nominal value of the share capital issued would be credited to a non-distributable share premium account. However, the placing was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within retained earnings under section 612 of the Companies Act 2006.

The placing shares rank *pari passu* in all respects with the existing issued shares.

Purchase of own shares

During the year the company acquired 75,447 of its own shares of 20p each through the Brammer plc Employee Share Ownership Trust ("the Trust") for an aggregate consideration of £122,982 which has been deducted from shareholders' equity. The shares are held by the Trust in order to meet vestings under the company's performance share plans and share matching plans.

During the year 88,567 shares were transferred to directors and senior managers to meet vestings under these plans.

At 31 December 2011 the Trust held a total of 208,121 shares (2010: 277,634) in the company, at a cost of £233,411 (2010: £242,508), in order to meet part of the company's liabilities under the performance share plans and share matching plans. The market value of the shares held by the Trust at 31 December 2011 was £0.5 million (2010: £0.7 million). The Trust deed contains a waiver provision in respect of these shares.

Ordinary shares issued

Options exercised during the year under the group's employee share option schemes resulted in 56,393 ordinary 20p shares being issued with exercise proceeds of £54,717.

10 EMPLOYEE BENEFIT EXPENSE

	2011 £m	2010 £m
Wages and salaries	5.1	4.2
Social security costs	0.8	0.6
Share options granted to directors and employees	2.0	–
Other pension costs	2.5	2.4
	10.4	7.2
Average number of employees (including directors on a service contract)	50	41

11 AUDITORS' REMUNERATION

Fees payable to the company's auditors for the audit of the financial statements were £0.1 million (2010: £0.1 million). Non-audit fees payable to the company's auditors were £0.1 million (2010: £0.1 million).

12 CONTINGENT LIABILITIES

The company's major subsidiaries are party to a bank guarantee whereby they agree to discharge on demand, in part or in total, bank borrowings under a specific facility of other companies within the Brammer plc group.

NOTES TO THE ACCOUNTS

13 RELATED PARTY TRANSACTIONS

The company is exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the group as these transactions are fully eliminated on consolidation

FINANCIAL CALENDAR 2012

17 May 2012	Annual general meeting at 43–45 Broad Street, Teddington, Middlesex TW11 8QZ
8 June 2012	Record date
3 July 2012	Dividend payment date
31 July 2012	Announcement of interim results for the six months to 30 June 2012

SHAREHOLDER INFORMATION

If you require any information about your shareholding please contact the company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA telephone 0871 3842215. Calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines are open from 8.30am to 5.30pm, Monday to Friday. For overseas callers the number to call is +44 (0)121 4157047.

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 Equiniti on the above number.

Our website

You can find out further information about Brammer plc and view company announcements on the Brammer website at www.brammer.biz.

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 7930 3737 or visit its website at www.sharegift.org.

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