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Brammer plc 2010

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Brammer plc Annual Report 2010

Brammer is a pan-European, added value technical distributor with a strong local presence

BRAMMER 

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.

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

Growth

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

Costs

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

Capabilities

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

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 15 countries.

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Over 300 locations in 15 countries

European market leader

With over 300 locations in 15 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.

We believe the market opportunity for our chosen product range has a value of €20 billion. We therefore have a less than 3% 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 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

Brammer is the right partner

"Brammer has been our supplier for two years now and we can completely rely on their technical support. Over 95% of the deliveries are on time. They offer solutions for our custom-specific spare parts which decreases our costs. Our contacts within Brammer are very positive and we are looking forward to continuing business with them for many more years to come."

Jerem Zweerus – Maintenance Manager, Nutrixxo, Delifrance

"Brammer supports us 24/7. They make constructive suggestions and we find them to be very flexible and reliable."

Richard Luten – Cabot Multi-site Buyer

"Brammer makes a difference. They respond very quickly, at any time of the day or night and they are really dedicated to us."

Menno Timmermans – EECV Purchase Manager, Thyssen Krupp Group

"Brammer is the right partner for us. BP has started working with Brammer in order to resolve our issues we have with bearings. The first results look very promising."

Vincent Hack – Maintenance Manager, CDU BP Refinery

Chairman's statement

In the interim review I expressed cautious optimism for Brammer's second half prospects. The outcome indicates a continuance of both the recovery, which became evident towards the end of the first quarter of 2010, and further market share gains. Consequently the group has been able to report improving results as the year progressed.

Operations in every country reported higher trading profits than for 2009 and in most cases with substantial double digit gains. The cost reductions implemented in 2009 combined with higher sales volumes to produce a strong recovery in profits. Together with a welcome improvement in our markets, these results also demonstrate the soundness of the group's strategy and the high quality of the management team.

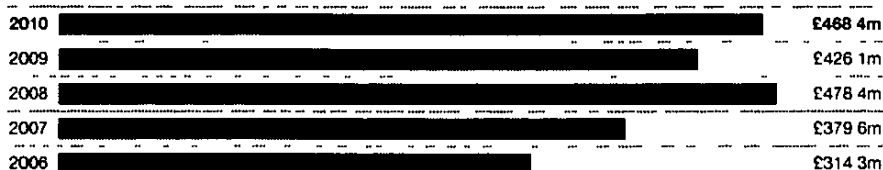
Strategy

During the year the Board conducted a full review of the strategy which was originally conceived in 2004. As has been stated previously our strategy is based on clarity and simplicity and is solidly embedded and understood by management at all levels. It is our clear intention to continue with the principles of the original strategy.

With the exception of the global recession in 2008/2009, the group's results have been robust and growing since 2004. The Board believes that with the substantial opportunities for growth through Key Accounts and new products there is a significant and continuing potential for further organic growth. Coupled with the ongoing development of our systems and people skills there is a great opportunity to continue growing strongly. We do still require a greater presence in certain of our European territories and remain alert to the possibilities for any suitable acquisitions. However we do believe the emphasis should be very clearly focused on realising the organic growth potential as a first priority.

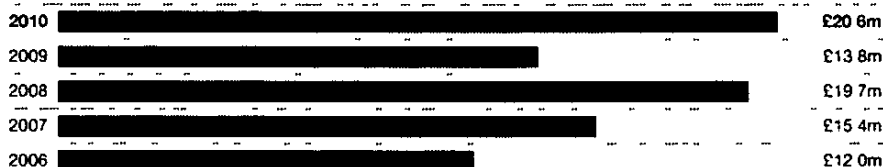
Our record

Figure one – Revenue



+10%

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



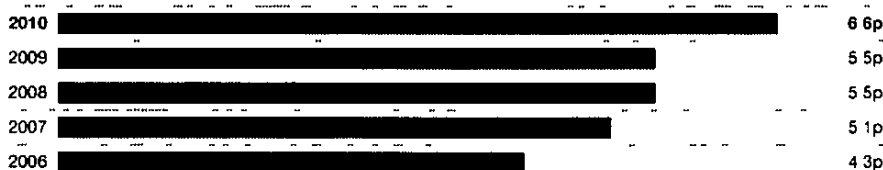
+49%

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



+6%

Figure four – Dividend per share



+20%

David Dunn – Chairman

"Our performance in 2010 demonstrated the success of our strategy with strong organic growth clearly confirming significant market share gains. The Board remains confident that Brammer's business model and the strength of its people will continue to deliver satisfactory returns for all of its stakeholders."

Results for 2010

Sales totalled £468.4 million representing a 9.9% increase year on year. In constant currency the increase was 12.5%, and in terms of sales per working day was 11.6%. At the 2010 interims the reported increase was 6.3% demonstrating the growing momentum as the year progressed. Key Accounts sales were again an important element in this growth increasing by 17.2% in the year. There continues to be an exciting pipeline of new Key Account prospects as many large corporations recognise the benefits of consolidating their maintenance, repair and operations ("MRO") purchases. Brammer remains uniquely placed to take advantage of this trend with its wide European distribution network.

That gross margins for 2010 (at 30%) were broadly similar to 2009 is encouraging given the level of new product introductions which initially tend to dilute margins. Sales, distribution, and administrative costs increased by £8.8 million or 7.6% on a like for like basis. The two principal factors accounting for this were bonus and sales commission accruals across the group and the cessation of short time working in Germany. Due to the recession and our results in 2009 group payrolls were frozen and minimal bonuses and sales commissions were paid for that year. With the improvement in results, bonuses and sales commissions will be paid for 2010 and this has required a cost increase of some £5.6 million in these accounts compared to last year.

The resultant trading outcome for 2010 is an operating profit (before amortisation of goodwill and intangibles) of £23.0 million compared with £18.4 million in 2009, an increase of 25%. Pre tax profits on the same basis were £20.6 million benefiting from a much reduced interest cost following the November 2009 rights issue, and were 49% ahead of the prior year. There were no exceptional items reported in 2010.

EPS (continuing operations before amortisation and exceptional items) increased to 13.9p (2009 13.1p) despite the weighted average number of shares reflecting the full year impact of the 2009 1 for 1 rights issue.

Balance sheet

Net debt at the year end was £36.7 million compared to last year's £39.9 million. The reduction was after paying £7.9 million of deferred acquisition payments from prior years, but includes a favourable currency movement of £1.7 million. Working capital remained well under control throughout the year with improvements in all the key ratios and a significantly better cash to cash cycle at 63.6 days (2009 78.4 days).

Dividend

The interim dividend for 2010 was increased by 10.5% to 2.1p per share. The outlook has continued to improve in the second half and, reflecting the Board's confidence, a final dividend of 4.5p per share is now proposed. This is a 25% increase over last year's final dividend and gives a total of 6.6p for the year compared to the 5.5p for 2009. In total, this represents an increase of 20% year on year. At 6.6p the dividend is covered 2.1 times.

Prospects

Our performance in 2010 demonstrated the success of our strategy, with strong organic growth clearly confirming significant market share gains. There is high morale across the group and it is a credit to all of our employees that having endured a difficult period through the recent recession the business has emerged in such good order. I should like to thank them all for their effort and commitment.

The early evidence in 2011 is encouraging with over 20% organic revenue growth in January, continued strong margins, and all four growth drivers contributing to further market share gains. Whilst there is still a high degree of economic uncertainty in Europe, the Board remains confident that Brammer's business model and the strength of its people will continue to deliver satisfactory returns for all of its stakeholders.

Jakob Alkil – Group growth director

"We have been applying our industrial market segmentation approach since 2004 and recognised the strategic advantage of expanding our business within the defensive industry sectors to reduce the impact of market cyclicality on bottom line performance. The top market segment in 2010 for Brammer in revenue terms was the Food & Drink segment generating total revenues of £59 million representing growth of 35% against 2009."

Strategic driver – Market segmentation

This strategy has proven successful, our increased focus on traditionally resilient industry segments, such as Food and Drink, FMCG and Utilities, means these industry sectors now make up 17% of the Brammer business and have contributed substantially to our robust results in what most have found to be a challenging business climate

Our approach has remained the same throughout, first we develop a clear understanding of the target segment – the overall size, drivers, customers and their unique

needs. We then use the information to gain a detailed understanding of the manufacturing process and the various applications which generate demand for the MRO products and services we supply. The resulting report provides detailed description of the application of Brammer products within that industry and gives our sales teams all the information they need to successfully target that sector. Each country's operating business then selects the key target segments and executes a detailed marketing and sales programme that provides the basis for further business growth.

Metals was the second biggest segment for us in revenue terms across the group in 2010 with significant growth of 11% generating sales of £52 million. In 2010, the Automotive segment showed a significant sign of recovery for us and was our third largest segment in revenue terms with growth of 41% translating into sales of £43 million in 2010.

Chief executive's review

2010 marked a return to significant growth and market share gains for Brammer.

In 2009 we faced the worst economic conditions since becoming a listed company, but weathered the storm well with reported sales down just 10.9%. Although we worked hard to ameliorate the mordant impact of the unfavourable economic conditions, reducing costs like many other companies, we did not cut back investment in our key growth drivers of Key Accounts, Product Range Extension, Insites and segment based marketing, nor did we close any branches. This approach served us well, and our performance improved throughout 2010, where, once again, our strategy remained unchanged, we continued to focus on our four growth drivers, and ended 2010 with a year on year organic growth rate in sales per working day at constant currency (SPWD) of 15.7% in the fourth quarter. We believe we have continued to gain market share in most territories throughout this period.

In June 2010, we carried out a review of our strategy and established a new five year plan. The conclusion was that our strategy based on Growth, Capabilities, Costs and

Synergies, continued to be appropriate for the future. We concluded that our tried and tested growth drivers will continue to effectively differentiate us from our competition, and will enable us to win market share whatever the market conditions. Moreover, we found amongst top management an increased belief and confidence in the strategy, and a strong view that our growth drivers will allow us to increase revenues at the rate of 12-15% per annum for some years to come, even if our markets are flat at best. Our five year plan is based on this confident outlook, and we have established appropriate plans, country by country, to utilise our growth drivers to achieve this level of revenue growth. Therefore, we will continue to invest in initiatives to grow in defensive segments such as Food and Drink, Fast Moving Consumer Goods ('FMCG'), and Utilities. Our Key Account activity will continue unabated, with our value and cost saving propositions becoming ever more important to our existing and potential Key Account customers. We will increase our investment in our Insite programme and our Product Range Extension and cross-selling initiatives will

Ralf Hellwig – Key Accounts director

"Our Key Account customers benefit from significant cost savings (a total of more than €35 million customer verified cost savings in 2010) as we help them to rationalise their supply base, improved production efficiency, as a result of Brammer's unique technical expertise obtained through working across virtually all industrial sectors with all top MRO brands and considerable reductions in their working capital "

Strategic driver – Key Accounts

Key Accounts remain fundamental to Brammer's continued growth – and both our pan-European and national Key Accounts have grown from strength to strength. In 2010 we won a further 12 pan-European major contracts now totalling 34 of the biggest manufacturing companies in Europe, Ahlstrom, Alcoa, Bosch, Cabot, Cargill, Coca-Cola Enterprises, Continental, Crown Cork & Seal, DuPont, Eaton, Emcon, GKN, HDC – Hanson, Heinz, Henkel, Hutchinson, Ideal Standard, Invista, Knorr-Bremse, Kraft Foods, Michelin, Monier, Philip Morris International, Procter & Gamble, Rexam, Rhodia, Rio Tinto Alcan, Saint Gobain, Schneider Electric, SKG, TI Automotive, TRW, Valeo and Yara.

As more and more major national and multi-national manufacturing companies seek to reduce and consolidate their supply base they look to suppliers who can meet their needs and supply at consistently high levels of service across the whole of Europe. Also, our national Key Accounts have grown throughout Europe and in total, Key Accounts now represents 36.1% of total Brammer sales.

PSA Peugeot Citroën

PSA Peugeot Citroën has been Brammer's partner since the site in Mulhouse was opened in 1974. PSA Peugeot Citroën has 14 major factories in France and all of them are being served by Brammer. The current contract was

signed in 2009 for three years. Asked how PSA Group rated Brammer's performance for 2010, the very positive response was "As a result of Brammer's understanding of all our industrial processes, they are ideally placed to become our preferred supplier for all of PSA's European plants. Brammer's outstanding technical expertise as well as their well established position in the market helps us optimise costs and quality for industrial supplies."

Brammer's excellent quality of service has been awarded the PSA Suppliers Award 2011."

Chief executive's review continued

continue to give 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.

Finally, our scale, geographic coverage, and focus as a technical specialist in a core range of products will continue to reinforce to our potential customers 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 2010, revenue increased by 9.9% to £468.4 million (2009 £426.1 million), whilst operating profit before amortisation and exceptional items increased by 25% to £23.0 million (2009 £18.4 million). Earnings per share (before amortisation and exceptional items and restated for the effect of the rights issue) increased by 6.1% to 13.9 pence per share

(2009 13.1 pence per share). Cash generated from operations before outflows relating to exceptional items was £27.5 million (2009 £33.3 million), driven significantly by an improvement in inventory days (from 91 days to 73 days).

Operating margin (operating profit before amortisation and exceptional items) increased from 4.3% to 4.9% and revenue per head was £195,000 (2009 £183,000).

UK

Our largest operation, and the one where the Brammer strategy is most mature, achieved sales per working day (SPWD) growth of 8%, and increased operating profit by 41% to £6.5 million. The growth rate accelerated throughout the year.

Key Account sales grew by 12.0% in the year, and now represent 58% of turnover. Several new contracts were won with customers such as Diageo, Royal Mint, GKN Aerospace and Cargill. 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 2010 we recorded nearly 3,000 individual cost savings for 800 customers, with a combined saving of more than £17 million.

John Veale – Commercial director

"The Insite strategy is a powerful growth driver helping Brammer to broaden and accelerate the support for our most important customers. Our customers benefit from the in-house best-in-class industrial engineering knowledge resource accredited to Brammer's vast experience working in virtually every industry sector across Europe. Insites help Brammer cross-sell products and services whilst reducing the customers' total acquisition cost, reducing their working capital and improving the overall production efficiency."

Strategic driver – Insites

We accelerated our Insite implementations in 2010. By the end of 2010, Brammer had 222 Insites across Europe: 83 full-time and 139 part-time. Total growth in all our Insites was 20.0% compared to 2009 with generated sales of £65.1 million.

Insites remained a very important part of the Brammer strategy in 2010 and proved that it will remain our biggest opportunity to increase our non-bearing sales. We keep strengthening our Insite capabilities by continuous training through extensive internal training programmes and workshops ensuring we assist and service our Key Account customers in the best possible way.

We have Brammer employees working within our customers' sites virtually all over Europe in a whole variety of industries and with a whole range of world class manufacturing companies including such market leading organisations as Coca-Cola Enterprises, Kraft Foods, Rexam, Procter & Gamble, Alcoa and Michelin. This shows that our customers have embraced our Insite concept across Europe: we now have our majority of Insites in Spain (15 Insites), France (22 Insites), Germany (20), Poland (10) and an impressive 143 Insites in the UK.

Through the close relationship and more detailed understanding of the customers' needs, we work to deliver true production

efficiencies and cost savings to clients in relation to: streamlining of shop floor stock, decreasing transaction costs, improving productivity through engagement of Brammer and supplier staff, reducing working capital, reducing energy consumption through consultancy services from Brammer, supplier rationalisation leading to cost reductions, and visibility of Brammer's entire pan-European inventory on site.

Chief executive's review continued

We opened twelve 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 17.4%. Eight existing Insites closed (including three factory closures, with the rest resulting from a decline in the customer's business) giving a net increase of four. We opened two new branches in Inverness and Pembroke and expect to open more in the future. We also opened a company in Iceland to support new business opportunities in the Power Generation, Metals and Food and Beverage sectors.

Finally, our cross-selling initiatives continued to be successful with sales growth of 11.1% in our Fluid Power range and 14.9% in our Tools and General Maintenance range.

Germany

SPWD on a constant currency basis grew by 13.6%, with an exit rate in the fourth quarter of 22.7%. Operating profit improved by 14%. Our investment in Key Accounts paid off with an increase in sales in this segment of 20.2% and we won new contracts with Oystar, Wepa, GDF Suez, Cargill, Ideal Standard, Yara, Schneider Electric and TI Automotive. No contracts were lost. We accelerated the development of our value proposition and provided €6.7 million of savings

to our Key Account customers. Key Accounts now represent 23.1% of total revenues.

Our earlier focused investment in Mechanical Power Transmission and Motors generated healthy sales growth of 26.6%, whilst our new investment in Tools and General Maintenance Products resulted in growth of 27.2%. We won ten new Insites with Insite sales growing 30.8%. 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; 112 customer events were held across Germany addressing more than 1,400 MRO specialists from those segments, raising the awareness of Brammer as a solution provider. The first Brammer Germany MRO catalogue was introduced, with 11,000 copies distributed to 5,800 customers.

France

SPWD in constant currency increased by 11.1%, with an exit rate of 12.7% in the fourth quarter. Operating profit increased by 11.1%. Key Account sales increased 18.8% and, including automotive, now represent 45% of turnover. We delivered a total of 558 signed-off cost savings to our customers, representing €3.3 million of savings. New contracts were won with Clemessy, La Boulangerie, SNOP,

Carl-Friedrich Wayand – European
purchasing director

"We have a substantial customer base and a broad product portfolio offered by our strategic and preferred suppliers. This simple but powerful strategy enables us to sell more products to existing customers with whom we have a close relationship and who prefer buying from us to consolidate their supplier base. Therefore, Product Range Extension and cross-selling will be key growth drivers for Brammer over the coming years."

Strategic driver – Product range extension

Our product range of bearings, Mechanical Power Transmission (MPT), Fluid Power (hydraulics and pneumatics), and Tools and General Maintenance items, are all used in the maintenance of the plant regardless of the industry our customer operates in. With the continued addition of new product ranges across our country territories, our very extensive product range means that the MRO market opportunity available to us is more than €20 billion, with bearings representing only around 10%. That means there is a significant mechanical MRO opportunity in relation to selling other products in our extended range.

With a less than 1% share of the market potential (estimated to be in excess of €10 billion) a key area of opportunity for Brammer is in the fluid power sector, and more specifically in the hydraulics area where there is a significant growth opportunity.

In October 2010, Brammer and Parker Hannifin (the world's largest manufacturer of motion and control technologies and systems) signed a strategic pan-European partnership agreement, designed to extend the level of support and product availability that Brammer and Parker Hannifin offer to customers.

Another key area of opportunity for Brammer is in the Tools and General Maintenance product group where we achieved growth of 24% (to £29 million) in 2010 giving us a less than 1% share of the market potential estimated to be worth more than €5 billion in Europe. Adding more tools and general maintenance products helps Brammer cross-sell to our existing customers whilst helping them consolidate their supply base and reduce total acquisition costs.

Chief executive's review continued

Claas, and DS Smith Packaging The recently launched new product initiative of Tools and General Maintenance produced sales growth of 52.1% and this segment now represents 5% of total sales in France. Fluid Power also continued to grow, with sales up 28.0%, and now represents 14% of total sales. We continued to focus our marketing activity on Food and Drink and Utilities with 60 customer events attracting nearly 2,000 existing and potential customers.

Spain

SPWD on a constant currency basis increased by 9.5%, with an exit rate of 15.1% in the fourth quarter, whilst operating profit increased by 20.8%. Our Key Account revenues increased by 19.5%, and we won new contracts with Berlys, Europastry, Nestle, Schneider Electric, Michelin, Henkel and TI Automotive. Key Accounts now represent 26.8% of sales and we provided over €1.6 million of cost savings to our Key Account customers. Three new Insites were won, with Insite sales increasing by 22%. Our marketing focus was on Food and Drink (up 13%), Automotive (up 24%), Metals (up 30%) and Chemical (up 25%). Seventeen customer symposiums attracted 271 customers. Good progress was made in Product Range Extension, with sales of the Tools and General Maintenance range up 48.0%, and Fluid Power up 34.2%. These two product ranges

which represented only 9% of sales in 2009 contributed over one third of total revenue growth in 2010.

Benelux

SPWD in the Benelux countries grew by 10.7%, with an exit rate of 17.4% in the fourth quarter, whilst operating profit increased by 62.5%. We opened a new branch in Zeeland. We won new contracts with Cargill, AGC Glass, Yara, TI Automotive, Mora, and many others. In Holland we introduced many new product lines, with Mechanical Power Transmission sales growing by 20.1% and Fluid Power by 24.3%. In Belgium, Fluid Power grew by 32%, and Tools and General Maintenance by 71.2%. We opened five new Insites in Belgium, increasing sales through Insites by 87.1%. Our focus on Food and Drink gave rise to 91% growth in Holland and 39% growth in Belgium in this segment, and now represents 11.2% of Benelux sales.

Eastern Europe

In our Eastern European businesses (comprising Poland, Hungary, the Czech Republic and Slovakia), total SPWD in constant currency grew by 17.6% whilst operating profit increased by 26.3%. In Poland, SPWD increased by 19.3% at constant currency. The new Key Account team continued to be successful, with Key Account growth of 50.4% and

Chief executive's review continued

good development with Colgate, Timken, Saint Gobain, Cadbury, Michelin, Kraft Foods, Heinz and Procter & Gamble. In the Czech Republic and Slovakia, SPWD in constant currency increased by 15.5%. Key Accounts grew by 37.1%, and new contracts were won with Ideal Standard, PMI and TI Automotive. We opened our first two Insites in Hungary, the SPWD growth was 26.2%, and new contracts were won with Alcoa, Coca-Cola Enterprises and Michelin. 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 19.9%, whilst operating profit increased to £0.2 million from a loss of £0.3 million. In Austria SPWD were up 7.4%, in Italy SPWD were up 25.7% and in Ireland SPWD were up 22.3%.

Strategy

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

Growth

Overall revenue growth in constant currency was 12.5%, a result we believe is significantly better than the 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 £15.4 million or 35.3%, to £59.1 million. Over the last three years our Food and Drink business has grown by 104% and increased from 6.7% of sales in 2007 to 12.2% of sales in 2010.
- Pulp and Paper grew by 32% overall to £22 million.
- Utilities, a relatively new segment for many of our businesses, declined by 2.5% due to a small number of large customers decreasing their demand.
- Automotive saw a good recovery with sales up 41% to £42.9 million.

Key Account sales grew by 17.2% and now represent 36.1% 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 £70 million. We continued to focus our business on defensive segments and increased our sales to the Food and Drink segment by 23.2%, FMCG by 33.9%, and Chemical by 29.1%. We also saw good recovery in the more cyclical sectors of Automotive (up 36.1%), Construction (up 13.7%),

and Metals (up 22.2%). Our value proposition proved increasingly attractive to customers and we provided nearly 5,000 separate cost savings to our customers worth over €35 million.

We opened 44 new Insites: 18 full time and 26 part time, with overall growth of 20% to £65 million. However, 35 Insites were closed due to customer factory closures or reduced demand, giving rise to a total of 222 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 7%, non bearing sales rose 15.6%, suggesting significant market share gains driven by growth of 24.2% in Tools and Maintenance to £28.9 million and 15% growth in Fluid Power to £74.1 million. Interestingly, our cross selling activities became significant in the base business in the second half of 2010. Overall sales growth in the second half was 17.0%, which represented 18.5% growth in Key Accounts (37.1% of the total sales) and 16.1% growth in the base business (62.9% of total sales). This growth rate in the base business represents a significant improvement compared with anything we have seen before. Clearly having introduced the product ranges of Hydraulics, and Tools and General Maintenance to our Key Account customers, which necessitated the introduction of many new suppliers and extensive training of the sales force, our sales teams are now able to introduce those products to our base business customers. As a result we saw Fluid Power grow 17.8% in the base business in the second half, Tools and General Maintenance by 23.1%, and Fasteners and Standard Parts by 24.4%. This is clearly a very exciting development as we have significantly less than 1% market share across Europe in Fluid Power and Tools and General Maintenance.

We eschewed acquisitions in 2010 but maintained contact with and are monitoring a number of interesting opportunities.

Capabilities

The focus of our people and organisational capability is on supporting our growth. To that end, our pan-European Marketing team are continuing the roll out of our Market Segmentation material across the group, with an on-going audit of the branch network and continued implementation work and training on how to use our sector specific material. Through our pan-European sales team we continued our development of the Brammer Manual for Insite Operations with this manual available in English, French, German and Spanish and in 2011 we will be testing and rolling out an Insite training programme to help raise the awareness of the processes and tools involved in identifying, targeting and setting up Insites. Furthermore, a sales training programme has been developed considering best practices, industry sector approach and our value proposition. The course will be launched in all businesses during 2011.

In our developing businesses we have focused on strengthening the management teams and training particularly in market segmentation, value proposition and specialist products. We have also significantly strengthened our Key Accounts' central team and management teams throughout Europe.

Following feedback from our customer survey, we have continued work on identifying the energy saving potential of manufacturing and process driven companies in Europe. The conservative assessment remains that over €13 billion of energy is wasted across Europe in the production processes. We have had great support from some of our partner suppliers and have set up a research activity with a German Technical Institute to identify how we can maximise the benefits from this work. During 2010, there was significant progress through the research done by the Technical Institute which has now given us the basic tools we need to develop our Energy Savings proposition in 2011. Development of the Brammer Energy Audit is continuing and will be tested, finalised and marketed to customers in 2011.

In January and February 2011 we are also conducting an in-depth customer satisfaction survey, which unlike our previous surveys involves 250 telephone interviews with customers across Europe, along with an online questionnaire sent out to a random sample of our 80,000 customers. This will bring us a greater level of insight about our customers and will help us really understand our customers' needs more comprehensively and so be able to serve them more effectively.

We continue to roll out our bespoke suite of Distributed Learning programmes which is made available electronically to our people in eight languages. In crucial customer facing areas of the business the goal is to achieve 100% take-up of the two major foundation programmes which explain the technical aspects of the product range, and the fundamental way the business works. These foundation programmes have been rebuilt with improved functionality and will be relaunched in early 2011 together with new product training modules to provide a better learning experience. We will continue to work with our suppliers ensuring our people receive the best product training. We also plan to upgrade our learning management system to track, record and report consistently on all training activity across the group.

Following our seventh annual internal survey we have analysed the responses by region and by function for each of the larger countries in order to develop detailed action plans which were rolled out in the second half of the year. The target is to maintain and enhance the excellent links between our strategy and our people and to this end we have worked with a new supplier to produce an updated and improved survey using the feedback from our European teams.

We have increased our use of the intranet for internal communications and we have continued to produce 'One Brammer' Newsletters with the first electronic version of this newsletter created and sent out to all of our people this year. This newsletter which is sent to each member of Brammer across Europe informs our people about developments, successes, activities, and matters that concern them about our performance.

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 heard and addressed. During the year we successfully launched the cycle to work scheme in the UK. Finally, in 2011 we will be introducing a new HR database to allow consolidation of all personnel information.

Synergies

During 2010, our pan-European Capital Employed Task Force ("CETF"), which began work on identifying and delivering opportunities for capital employed reduction through stock optimisation in 2008, continued to produce pleasing results. The CETF utilises the Brammer Foundation Systems to identify and implement best practice planning processes across group operations, identifying excess stocks, matching them using Master Data Management ("MDM") and transferring them internally using Brammer Inline to countries where they can be sold, together with additional measures designed to eliminate tardigrade stock through a range of initiatives on both the supply side and sales side.

We continued to roll out the MDM application which now contains over 2.7 million part numbers and over 5 million technical features. The increasing volume and completeness of the data held in MDM has supported a 29.3% increase in the volume of product traded internally using our Brammer Inline platform. Brammer Inline provides visibility of stock across 10 European countries, and fully integrated electronic trading between Brammer country businesses. The Brammer Inline application continued to evolve, with the focus on reducing order processing times and costs, and has been progressively extended to all internal warehouses as well as suppliers' stocks. In 2011 we expect the MDM and Inline platforms to form the basis for our first pan-European webshop.

The MOMASSE demand forecasting and planning tool continued to be implemented successfully across Brammer, and has dealt effectively with an apparently stochastic sales progression. Each country has been able 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.

Figure five – External revenue by geography in constant currency terms

2010	UK	£141.5m	+9%
2009		£130.3m	
2010	Germany	£104.0m	+14%
2009		£90.9m	
2010	France	£77.5m	+12%
2009		£69.1m	
2010	Spain	£39.9m	+11%
2009		£35.9m	
2010	Benelux	£45.6m	+12%
2009		£40.7m	
2010	Eastern Europe	£48.0m	+20%
2009		£40.0m	
2010	Other	£16.6m	+21%
2009		£13.7m	

Figure six – Operating profit/(loss) by geography before amortisation and exceptional items in constant currency terms

2010	UK	£8.5m	+41%
2009		£4.6m	
2010	Germany	£5.7m	+14%
2009		£5.0m	
2010	France	£3.0m	+11%
2009		£2.7m	
2010	Spain	£2.9m	+21%
2009		£2.4m	
2010	Benelux	£2.6m	+62%
2009		£1.6m	
2010	Eastern Europe	£2.4m	+26%
2009		£1.9m	
2010	Other	£0.2m	
2009		£(0.3)m	

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

	2010	2009
UK	8.0%	-0.4%
Germany	13.6%	-30.8%
France	11.1%	-14.6%
Spain	9.5%	-22.3%
Benelux	10.7%	-20.0%
Eastern Europe	17.6%	-10.5%
Other	19.9%	-7.6%

Ian Fraser – Chief executive

"We have now enjoyed 19 consecutive months of sequential growth since the low point in June 2009. We have started 2011 at a very good rate with overall sales in January up 21.8%, and SPWD up 17.5%, and this rate has continued in the first three weeks of February. Encouragingly, this strong start to the year has been accompanied by a robust gross margin."

Chief executive's review continued

The combination of MDM, Inline, and MOMASSE have helped the CETF to deliver an increase in inventory of just 3% against revenue growth of 16.1% in the fourth quarter of 2010 while maintaining and improving stock availability for customer service. This represents an increase in turns from 4.0 to 5.0 (based on Q4 sales) despite pressures on inventory arising from cost increases, lengthening lead times, and Brammer product range extension. We estimate that having taken these factors into account, we have mitigated the increase in inventory by around €10 million.

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. Gross margin remained more or less constant year on year.

Control of costs was a key focus of the group in 2009, with an annualised reduction of £15.8 million at constant exchange rates. In 2010, reflecting the improved results, incremental costs for bonus and sales commission of £5.6 million were charged, representing 4.8% of the total 7.6% constant currency increase in Sales Distribution and Administrative expense (SDA). The balance of the increase, £3.2 million or 2.8%, represents inflation, the cessation of short time working in Germany, and investment in additional sales people in the final quarter of 2010 to support our planned growth levels in 2011.

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 increased the rate at which we are able to deliver those savings.

Our strategy of developing a focused approach to defensive market segments, demonstrating a clear understanding of the unique customer needs of that segment, will continue to improve our new customer win rate and further improve the retention rate of existing customers. We shall accelerate the development of our Insite approach to meet the demands of our customers and will continue to strengthen the product portfolio in each country, affording greater opportunities for cross-selling. Increasingly, we will transfer our ability to sell a wider product range and our skill in providing added value cost saving to our base business customers. Our pipeline of acquisition opportunities is substantial and we will recommence acquisitive growth in 2011, albeit at a lower rate than in the 2004-2008 period, to support our strong organic growth.

We have now enjoyed 19 consecutive months of sequential growth since the low point in June 2009. We have started 2011 at a very good rate with overall sales in January up 21.8%, and SPWD up 17.5%, and this rate has continued in the first three weeks of February. Encouragingly, this strong start to the year has been accompanied by a robust gross margin. Our Key Account business growth continues (up 24.1% in January), 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 2011. 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.

Figure eight – Trading during the year

	First half £m	Second half £m	Full year £m
2010			
Revenue	230.0	238.4	468.4
Underlying operating profit*	11.0	12.0	23.0
2009			
Revenue	216.3	209.8	426.1
Underlying operating profit*	8.8	9.6	18.4

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

Figure nine – Cash flow

	2010 £m	2009 £m
Cash inflow from operating activities	26.1	27.3
Cash inflow from operating activities before exceptional items	27.5	33.3
Cash outflow from exceptional items	(1.4)	(6.0)
Cash inflow from operating activities	26.1	27.3
Net capital expenditure (purchases net of disposals)	(3.3)	(1.7)
Operational cash generation	22.8	25.6
Deferred consideration and earn out	(7.9)	(8.8)
Tax	(2.7)	(2.3)
Interest, dividends, pension obligations and other	(10.8)	(11.5)
Net proceeds from rights issue	-	35.3
Purchase of own shares	-	(0.3)
Net proceeds from issue of shares	0.1	-
Decrease in net debt	1.5	38.0
Opening net debt	(39.9)	(84.0)
Exchange	1.7	6.1
Closing net debt	(36.7)	(39.9)

Paul Thwaite – Finance director

"Both the first half and the second half enjoyed substantial growth compared to the prior year representing a strong recovery from the challenging economic environment experienced in that year"

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 9.9%, of which continental Europe accounted for 7.3% of the increase and UK the remaining 2.6%. Revenue in continental Europe increased by 11.9% and in the UK by 8.5%. At constant exchange rates, revenue increased by 12.5%. This equates to an increase in organic sales per working day of 11.6%, with growth of 13.0% in continental Europe and 8.0% in the UK. There were no acquisitions during the year.

Gross profit

The gross profit for the year was £141.1 million (2009 £128.1 million before exceptional items). Underlying gross margins were maintained at 30%.

Profit/(loss)

The profit before tax from continuing operations for the year was £19.3 million (2009 loss of £1.5 million having borne net exceptional costs of £13.7 million). Profit before tax, amortisation and exceptional items but after finance expense was £20.6 million (2009 £13.8 million before exceptional items).

Earnings per share

Basic earnings per share increased by 12.9p from 0.1p to 13.0p in 2010. Earnings per share, on profit before amortisation and exceptional items, increased by 6.1% from 13.1p in 2009 to 13.9p in 2010.

Return on operating capital employed

The return on operating capital employed, based on operating profit before amortisation and exceptional items, was 31.0% (2009 24.1%) for the total group.

Goodwill

Goodwill in the balance sheet stands at £74.8 million at the end of the year (2009 £76.6 million). In 2010, goodwill decreased by a net £1.8 million, £2.1 million decrease due to exchange movements on goodwill held in foreign currencies and £0.3 million increase from earn-out payments. 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 25.0% to £23.0 million (2009 £18.4 million), of which £11.0 million was delivered in the first half and £12.0 million in the second half (see figure 8).

Both the first half and the second half enjoyed substantial growth compared to the prior year representing a strong recovery from the challenging economic environment experienced in that year. For the first half, revenue increased by £13.7 million and underlying operating profit by £2.2 million. For the second half, revenue increased by £28.6 million resulting in an increase in underlying profit of £2.4 million, as this half reflected a significant proportion of the increase in bonus charges.

Exchange rates had an adverse impact on the year's results offsetting 2.3% of the growth in revenue and 2.3% of the growth in underlying operating profit.

Exceptional items

There are no exceptional items in 2010. In 2009, in response to the difficult trading conditions during the year, a wide ranging review of the operating cost base, strategy, working capital and financing was performed. The costs relating to this exercise totalling £12.9 million were separately disclosed as exceptional items within operating profit from continuing operations. There was a £0.7 million credit, before tax, arising from discontinued operations.

Interest

The net interest charge for the year was £2.5 million (2009 £5.4 million) which included a discount unwind charge on deferred consideration of £0.2 million (2009 £0.5 million). There were no exceptional items in 2010 (2009 £0.8 million expense). Excluding the discount unwind charge, the effective interest rate on average net borrowings was 4.3% (2009 4.7%) reflecting the benefit of qualifying for lower interest bandings on primary debt due to reducing average debt levels in 2010. The margin over interbank rates paid by the group reduced by 0.22%. Profit before tax, on ordinary activities before amortisation and exceptional items, covers interest by 10.1 times (2009 4.6 times).

Tax

The overall tax charge for the year of £5.5 million (2009 £1.1 million credit and a further £0.2 million charge relating to discontinued operations) comprises a current year charge of £5.2 million and a prior year charge of £0.3 million. Current year tax represents an effective tax rate of 26.9% which is lower than the expected rate of 28% primarily as a result of a credit arising from a release of tax contingent liabilities of £0.8 million less unrecognised losses arising in the year of £0.5 million and other permanent differences of £0.1 million.

Cash flow

Net debt decreased by £3.2 million from £39.9 million to £36.7 million. At the year end, net debt/EBITDA stood at 1.39 times (2009 1.98 times).

Net cash inflow from operating activities of £26.1 million decreased by £1.2 million from £27.3 million in 2009, which is after £1.4 million outflow (2009: £6.0 million) associated with exceptional items in 2009 and associated provision utilisation in 2010. This inflow enabled the payment of £7.9 million of deferred consideration, £2.7 million taxation payments, and £10.8 million for dividends, interest and pension obligations. Average net borrowings in 2010 were £52.8 million compared to £87.6 million in 2009.

Pensions

The net pension liability relating to the defined benefit pension schemes decreased by £9.9 million to £15.8 million (2009: £25.7 million). The principal factors contributing to this reduction were a £7.4 million higher than expected return on scheme assets and a one-off reduction in scheme liabilities of £4.75 million relating to the UK scheme. This one-off reduction reflects the impact on the assessment of the scheme liabilities due to the Government's decision to use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) to determine the statutory minimum rate at which pensions will increase in future. For the UK scheme this applies to pension increases in deferment only.

The main financial assumptions used were a discount rate of 5.5% (2009: 5.75%), a 3.60% (2009: 3.65%) rate of increase for pensions in payment and a 3.1% (2009: 3.65%) rate of increase for pensions in deferment, which reflects the change to CPI. The main demographic assumptions used are unchanged. The charge recognised in the income statement decreased by £0.7 million to £0.6 million (2009: £1.3 million) as a result of an increase in the expected return on scheme assets.

Treasury

In November 2008 the company entered into a three year revolving credit finance facility which provided for borrowings of €165 million. Following the rights issue in November 2009, the facility was reduced by €20.7 million in December 2009 and €11.4 million in May 2010. In October 2010 the company made a voluntary reduction of €12.9 million. The amount of finance available under this facility as at 31 December 2010 was therefore €120.0 million (£102.8 million). This facility can be drawn until it expires on 28 February 2012. In addition to the revolving credit facility, the company also has £21 million of other available financing facilities. The revolving credit facility requires, among other matters, compliance with three financial covenant ratios. These requirements are (1) the ratio of net debt to EBITDA shall not be greater than 3.25:1, (2) consolidated net worth shall exceed £25 million and (3) the ratio of consolidated profit plus consolidated rent to net interest plus consolidated rent shall exceed 2.50:1. 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 2010, and current forecasts indicate significant headroom for all covenants in the next twelve months. As at 31 December 2010 the company had €60 million (£51.4 million) of borrowings drawn under the revolving credit facility.

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 exposure from fixed price contracts: the group 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 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 company has demonstrated the capability to reduce costs and the ability 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

Brammer does not have dependency on a single customer. Key Account customers are, however, continually 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 and Brammer's Eastern European operations all reported growth throughout 2010. 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 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.

Adverse euro exchange rates

Brammer reports its results in sterling however the company trades significantly in euros. 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 above. Following the successful rights issue during 2009 the group has reduced its level of external debt. Along with the established facility already in place, Brammer has sufficient available resources to meet its foreseeable requirements.

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 has agreed a deficit funding plan with the trustees of the scheme which provides for the group to make annual payments of £2.7 million, indexed for inflation, in the years 2010 to 2023 inclusive.

Expected benefits from acquisitions may not be realised

Acquisitions involve a number of risks related to the performance of the acquired business and challenges arising from integration. Brammer has a track record of successfully integrating acquired businesses with an established integration plan and an experienced management team. Potential acquisitions are carefully researched prior to any purchase and closely monitored by Brammer's management subsequent to acquisition.

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.

Risk of bad debt

Along with most businesses Brammer is exposed to bad debt risk. Debtors are monitored both locally and at a central level and on an ongoing basis. Working capital and debt management forms a key part of how Brammer manages its cash to cash cycle.

Litigation, environmental, employment and health and safety related issues

Brammer is exposed to the risk of litigation through the ordinary course of business and operates in countries and sectors requiring compliance with various laws and regulations. Brammer maintains insurance coverage for a wide range of potential claims and maintains legal advisors to address issues arising. Brammer is focused on employee safety and compliance with applicable laws and regulations and is currently working to ensure all its businesses across the group achieve environmental accreditation.

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 and the audit committee. 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.

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 Fosco 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.

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.

Charles Irving-Swift***

Independent non-executive director

Appointed to the board in January 2010 with effect from 1 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.

Paul Forman***

Independent non-executive director

Appointed to the board in December 2006. He was appointed chairman of the remuneration committee with effect from 1 July 2008. He has a wide range of corporate finance and international industrial experience and has been chief executive of Coats plc since January 2010. He was previously group chief executive of Low and Bonar PLC, managing director, European Aftermarket Division, of Unipart and has previously held advisory positions in Bain and Company and BZW Corporate Finance. He stepped down from the board at the end of February 2010.

Chris Short

Company secretary

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

- * Remuneration committee
- Audit committee
- ♦ Nominations committee



The board

David Dunn
Ian Fraser
Terry Garthwaite
Paul Thwaite

Bill Whiteley
Charles Irving-Swift
Appointed from March 2010
Paul Forman
Stepped down February 2010
Chris Short
Company secretary

The executive team

The Brammer executive team is subdivided into three, 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 – Commercial director

Country managing directors

Ian Ritchie – UK
Philippe Hervieux – France

Eric Dijkstra – Netherlands
Jochen Diehm – Germany
Neil Rogers – Spain

Functional directors

Nigel Trend – Business integration
Ralf Hellwig – Key Accounts
Carl Friedrich Wayand – Purchasing
Jakob Alkil – Group growth

Brammer, its advisers and principal subsidiaries

Registered office

Brammer plc
Claverton Court
Claverton Road
Wythenshawe
Manchester M23 9NE

Registered in England and Wales
number 00162925

Bankers

HSBC Bank plc
8 Canada Square
London E14 5HQ

Royal Bank of Scotland plc
280 Bishopsgate
London EC2M 4RB

BNP Paribas Fortis
8th Floor Ship Canal House
98 King Street
Manchester M2 4WU

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
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Lower Mosley Street
Manchester M2 3PW

Financial advisers

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Spain

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Neil Rogers +34 94 457 94 00

United Kingdom

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.

Brammer plc 2010

Accounts for the group

BRAMMER 

Directors' report

The directors present their annual report for the year ended 31 December 2010

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 26 together with details of their locations.

As at 31 December 2010, the principal activity of the group (including that of its principal operating subsidiaries as shown on page 26) is the provision of value added business to business services, through being a leading value added supplier of power transmission components and related inventory management, procurement and logistics services in Europe.

Financial results and dividend

The chairman's statement, 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 operating capital employed 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 4.5p per ordinary share for the year ended 31 December 2010 (2009: 3.6p), which together with the interim dividend of 2.1p (2009: 1.9p as restated for the rights issue) per ordinary share brings the total dividend paid and proposed to 6.6p (2009: 5.5p) per ordinary share for the year. Subject to the approval of shareholders at the annual general meeting, the final dividend will be paid on 5 July 2011 to all shareholders on the register at close of business on 10 June 2011.

Directors

Details of each of the directors who served throughout the year are shown on page 22. All directors are subject to retirement by rotation under the company's articles of association.

The directors retiring by rotation are Terry Garthwaite and David Dunn and being eligible, offer themselves for re-election. David Dunn is now subject to annual election as he has served as a director for more than 9 years.

Paul Forman retired from the Board on 28 February 2010. In January 2010, Charles Irving-Swift was appointed as a non-executive director with effect from 1 March 2010 for a period of three years.

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 and Bill Whiteley was appointed in July 2008.

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 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 22 February 2011, the company had notification that the following were interested in 3% or more of the company's issued share capital:

BlackRock Investment Management (UK)	13.77%	JP Morgan Asset Management	6.71%
AXA Framlington Investment Management	13.38%	Old Mutual Asset Managers	5.14%
Majedie Asset Management	7.76%	Discretionary Unit Fund Managers	3.38%
Legal & General Investment Management	7.72%	M&G Investment Management Limited	3.09%

Directors' report

Charitable and political donations in the United Kingdom

No charitable donations were made during the year (2009 £nil) No political donations were made (2009 £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 acquired 4,377 of its own ordinary shares of 20p each, representing 0.004% of the issued ordinary share capital of the company as at 31 December 2010, through the Brammer plc Employee Share Ownership Trust ("the Trust") for an aggregate consideration of £6,076.

The Trust currently holds a total of 277,634 shares (2009: 331,886 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 75 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 18 May 2010, 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 2010. 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 2010 interim results published on 6 August 2010 were not sent to shareholders. Furthermore the 2011 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 coming into force 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 2010 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 61.

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.

Directors' report

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. 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 2011 as the survey has been redesigned, taking into account feedback from the various countries, to enhance the quality of the process. A new provider, B2B International, has been appointed.

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

	2010 £'000	2009 £'000
Sales per employee	195.00	182.79
Training costs per employee	0.11	0.12

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,
- 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 nightly. 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.

Directors' report

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:

	2010	2009
Packaging costs as % of costs of goods sold	0.23%	0.23%
Distribution costs as a % of sales (representing delivery costs to customer)	1.17%	1.24%

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 drive at low speeds as this is more energy efficient.

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 maintenance improvements brought a 60.4% reduction in the amount of waste sent to landfill since 2007, also a 28.6% increase in the volumes of cardboard and 261% paper sent for re-cycling since 2007. Waste sent to landfill averaged 1.43 tonnes per month 2010 down from 7.68 tonnes per month in 2005. Cardboard recycled up from 0.81 tonnes per month in 2005 to an average of 5.15 tonnes per month in 2010. Where possible Brammer UK continues to minimise CO2 emissions with improved GPS delivery routes introduced to reduce fuel costs. During 2010 Brammer UK achieved ISO 14001:2004 accreditation across the entire Branch Network, Gearbox Centres, Workshops, NDC and Head Office.
- 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.
- In France, preparatory work for ISO 14001 certification has begun. This accreditation process will place in several steps which will extend over a time frame of approximately 7 years. Brammer France has also decided to adopt the United Nations Global Compact in June 2010 in the area of environmental compliance. For 2011, it was decided to carry out the following actions:
 - Reduce the CO2 emissions of the car fleet,
 - Improve the management of waste,
 - Eco-friendly compliance.

A selective sorting of waste has been set up within the NDC and the head office at Nozay. Brammer France has reduced paper invoicing for two of its major customers which is currently 50,000 invoices a year. They have invested in a folding machine to fold mail, allowing up to eight invoices in a single envelope. This will reduce postage cost and stationery.

- Brammer Germany successfully passed its yearly surveillance audit regarding DIN EN ISO 14001 certification for the NDC in Dortmund without non-conformity. Legal compliance was achieved in all areas regarding environmental management. A printer project was introduced in 2010 whereby all printers, fax machines and photocopiers were changed with a view to reducing the amount of equipment, lowering energy consumption and using less toner variety.

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

- During 2010 Brammer UK have achieved OHSAS18001:2007 accreditation across the entire branch network, gearbox centres, workshops, NDC and head office which require health and safety audits to be conducted at all locations with additional actions and controls implemented to ensure that employees can carry out their functions in a safe and effective manner. 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 are 'Safecontractor' for the installation, repair and maintenance of gear box system at customer premises, and Approved House Assemblies, a certification mark by the British Fluid Power Distributors Association has been obtained. Brammer UK also achieved accreditation to Achilles 'Building Confidence' which is a collaborative supply chain accreditation standard designed for the construction industry, providing an effective solution for managing supply chain risk in the areas of health and safety, sustainability, CRS, quality and financial stability. Brammer UK has become a member of 'Sedex' – The Supplier Ethical Data Exchange – which is a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains. A driver online assessment programme which was introduced and implemented in 2007 was extended to all employees who had a vehicle in 2010. The aim is to reduce the number of road accidents involving employees whilst driving company vehicles. In 2010 there was a reduction of 23% in the motor accident frequency rate. 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 employees leading to the prevention of accidents and work related illnesses. Routine medical examinations of employees is carried out every year in accordance with Spanish health and safety legislation in order to monitor the health of employees. The same applies to new starters. 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 will take place during 2011. In early 2010, 12 employees in the Head Office in Bilbao were trained on CPR, (cardiopulmonary resuscitation), and on how to act in case of emergency or evacuation. Improvements and alternative methods regarding manual handling operations will be 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. Brammer Spain during 2010 updated and introduced new operating rules in the main warehouses (Head Office: Sant Julia: Rubi) to improve the safety of all employees. Near misses have been reduced in 2010 as a consequence of these FLT initiatives. Security at the Head Office in Bilbao has 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 in 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 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 at the NDC.
- In Germany the Health and Safety Committee meets on a regular basis in different locations. At the NDC in Dortmund, a review of the condition of stacking shelves was carried out in 2010. In order to improve stability and safety, improvements were carried out. A risk assessment of all workshop equipment was also undertaken in 2010.

Directors' report

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 35 to 40 of these financial statements.

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 47.

As part of the resolutions approved at the 2010 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 2010 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 75,597 shares were made in relation to employees who exercised options during the year pursuant to the Executive Share Option Schemes. As at 31 December 2010 the directors have the power to allot up to 35,352,932 ordinary shares of 20p each representing 33.3% of the issued share capital as at the date of the 2010 annual general meeting.

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 14 November 2006 (as amended and restated by supplemental agreements dated 6 November 2007, 27 March 2008 and 7 November 2008) in respect of the €120 million revolving credit facility (2009: €144.3 million) ("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 46, 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 one class of share or is in favour of more than four joint holders.

Transfer 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 2010 the group met its day to day working capital requirements principally through a €120.0 million (2009: €144.3 million) group facility which is fully committed until 28 February 2012 and an overdraft facility that is due for renewal on 31 October 2011. The group facility was reduced by a further €24.3 million during 2010 of which €11.4 million in May 2010 was pursuant to the terms of the 2009 rights issue and the balance of €12.9 million a voluntary cancellation. The reduced commitment under the group facility is now €120.0 million.

Directors' report

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.

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.

Re-appointment

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

New articles of association

New articles were adopted at the 2010 annual general meeting to reflect principally the changes imposed by the Companies (Shareholders' Rights) Regulations 2009 and the implementation of the final part of the Companies Act 2006 (as amended).

Annual general meeting

The annual general meeting of the company is to be held at 13.00 on 17 May 2011 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

Secretary

22 February 2011



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 FRC 2008 Combined Code (which came into effect for accounting periods beginning after 29 June 2008) ("the Code") in all respects. The June 2010 version of the Code shall be adopted for the reporting period commencing on 1 January 2011.

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 page 22.

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, David Dunn, at the time of his appointment did meet and continues to 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 2010.

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 committee 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) 3 Meetings	Audit Committee 2 Meetings	Remuneration Committee 6 Meetings	Nomination Committee 2 Meetings
David Dunn	8	3	2	6	2
Ian Fraser	8	3	n/a	n/a	2
Terry Garthwaite	8	3	2	6	2
Paul Forman	2	1	1	2	1
Paul Thwaite	8	3	n/a	n/a	n/a
Bill Whiteley	8	3	2	6	2
Charles Irving-Swift	6	2	1	4	1

Corporate governance statement

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.

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 page 22). 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. Terry Garthwaite 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. In January 2010, Charles Irving-Swift was appointed a director with effect from 1 March 2010 and was elected at the 2010 annual general meeting. Paul Forman stepped down from the board at the end of February 2010. Biographical details of these directors are set out on page 22.

Nominations committee

The nominations committee and the board seek to maintain an appropriate balance between the executive and non-executive directors. The nominations committee is chaired by David Dunn and consists of all the non-executive directors and the chief executive. The chairman will not chair the committee when it deals with the appointment of a successor to the chairmanship. It meets periodically as required, but at least once a year.

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.

Both David Dunn and Terry Garthwaite, who are offering themselves for re-election at the 2011 annual general meeting, have been subject to more formal evaluations. Both directors, who have served more than six years, have been subject to more rigorous reviews in accordance with the provisions of the Code. The nominations committee has concluded that each of them continues to contribute effectively and demonstrates their commitment to the respective board and committee roles that they hold.

Corporate governance statement

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. This process was followed in relation to the appointment of Charles Irving-Swift. The company was assisted in the appointment of Charles Irving-Swift by the external recruitment consultants, Milbury and Associates Ltd.

Audit committee

The audit committee consisted during the year of all the non-executive directors.

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. Bill Whiteley took over as chairman of the remuneration committee on 1 March 2010 following the departure of Paul Forman from the board on 28 February 2010. 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 41.

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.

Corporate governance statement

The annual report together with the Brammer website are 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.

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 current lead audit partner, Nicholas Boden, has stepped down at the conclusion of the year ended 31 December 2010 audit and is to be 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 2010 are set out in note 3 to the accounts on page 66.

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, annually conducts 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.

Corporate governance statement

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.

These control processes are under continuing 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 from February to July 2010 was considered at the August 2010 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 2010 annual report. The committee is updated regularly on actual and pending changes to the accounting standards.
- Internal controls and risk management – the internal audit plan for 2010 was reviewed and adopted at the December 2009 meeting. In February and August 2010, 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 2010 meeting 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 2010, the board reviewed the committee's terms of reference and non-audit services policy. Terms of reference for the committee will be further reviewed in 2011 to bring them into line with the 2010 Code which will apply to the 2011 reporting period.
- External auditors' work and relationship – the committee assessed the external auditors' independence and objectivity throughout the year. The audit report for 2009 was reviewed and discussed with the external auditors at the February 2010 meeting prior to them issuing an unqualified audit report, a similar process has taken place in relation to the 2010 audit report, the external auditors' interim report was considered at the August 2010 meeting. The external auditors' strategy for the 2010 audit was reviewed and adopted during the period.
- "Serious concerns" policy – the committee updated the "serious concerns" policy following the appointment of a new group internal audit officer, 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 is being developed.

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 other 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.

Corporate governance statement

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 "Turnbull" operational risks which have been reviewed and considered by the Brammer management. This was reviewed by the board in 2010 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 33.

Approved by the board of directors on 22 February 2011 and signed on its behalf by

David Dunn

Chairman

Remuneration report

Role of the 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 37.

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 during the year, to ensure compliance with the Code and are displayed on the company's website. It is proposed that the committee's terms of reference be reviewed in 2011 to ensure compliance with the June 2010 version of the Code.

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 within the Code.

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 2010, the committee has taken advice from Hewitt New Bridge Street ("HNBS") on market and best practice with regard to senior executive pay and share incentive arrangements. They also supplied the committee with benchmarking data in relation to the senior executive base salary review. In particular, HNBS advised the committee with regard to the consultation in 2010 concerning the rights issue adjustments to Earnings per Share for assessing share plan performance. HNBS were appointed by the committee and provide no other services to the company. Advice is taken from Eversheds LLP on certain aspects of directors' contracts where appropriate.

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 not encouraging inappropriate operational risk-taking nor raising environment, 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 benefits are set out below.

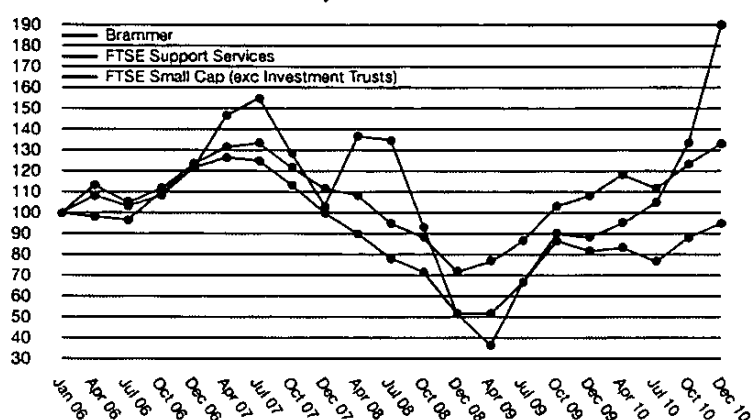
All executive directors are encouraged to be shareholders of the company, as evidenced by the share retention facility in the Performance Share Plan described below. Furthermore, formal share ownership guidelines are in place for executive directors. Under the guidelines, executive directors will be expected to build and maintain a shareholding worth at least 100% of their salary, ideally within five years from appointment. The current executive directors both satisfy this guideline.

Total shareholder return graph

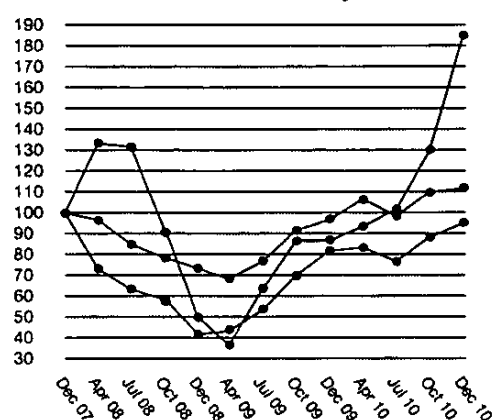
Set out below are two graphs showing the company's total shareholder return ("TSR") over the last five years and over the last three years. The company's TSR is compared to the TSR of the FTSE All Share Support Services Sector Index and FTSE Small Cap Index (excluding Investment Trusts). The committee 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.

Remuneration report

Total shareholder return over five years



Total shareholder return over three years



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 2010 base salary of £320,000 in relation to Ian Fraser and £211,000 in relation to Paul Thwaite, which was unchanged from the salaries paid in 2009 and 2008. 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 was an important factor in deciding to award these increases. There will be a basic salary increase for Ian Fraser and Paul Thwaite in 2011 to base salaries of £345,000 and £225,000 respectively. These salaries are also based on the benchmark data supplied to the committee.

Annual bonus

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

On the achievement of quantified financial targets, awards of up to 100% and 75% of salary for Ian Fraser and Paul Thwaite respectively can be earned. For 2010 the remuneration committee set a performance related bonus scheme for executive directors based on achieving stretching profits and cash generation targets. For Ian Fraser 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. A similar split of targets applied to Paul Thwaite's bonus opportunity namely 60% of salary could be payable for achieving the profit target (subject to the threshold profit hurdle being achieved) and 15% for achieving the cash generation target.

As set out in the table below, bonuses of £320,000 and £158,250, were earned by Messrs Fraser and Thwaite respectively in 2010 as the targets set out on page 48 were met in full.

The remuneration committee has considered bonus principles for 2011. Given the current economic climate and the uncertainties over the trading environment in Europe, it has been decided that the 2011 bonus principles will again be based on profit and cash flow targets. For 2011, the targets will be split profit 80%, cash flow 20%. The committee has agreed that Paul Thwaite's maximum bonus opportunity will increase to 100% from 75% in 2011, an increase that brings Paul Thwaite's bonus opportunity in line with that of Ian Fraser and comparable benchmarks. In summary, the performance metrics for the year under review and the following year are shown in the table below.

Name	Year	Profit before tax % of salary	Debt management/ working capital improvement % of salary	Maximum bonus of % of salary
Ian Fraser	2010	80%	20%	100%
	2011	80%	20%	100%
Paul Thwaite	2010	60%	15%	75%
	2011	80%	20%	100%

Remuneration report

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 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 approved by the shareholders. All options have now lapsed in relation to the executive directors as shown on page 45.

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, conditional awards of shares may be awarded with a value at grant of up to 100% of basic salary. 100% of salary is also the current policy award under PSP. 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.

For awards made up to and including 2008, participants only receive the full number of shares over which the award was originally granted 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 since 2009, and proposed to be made in 2011, the Plan will operate as follows:

- Up to 75% of salary is based on EPS growth over the three financial years following grant. This requires 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 reflects the current forecasts for growth.
- Up to 25% of salary is based on relative total shareholder return ("TSR") performance. The comparator group against which TSR is measured is the FTSE Small Cap (excluding Investment Trusts).
- TSR is the percentage change in the return index (i.e. share price plus net dividends reinvested) over a period of time, in this case the performance period of three years beginning on the first day of the financial year in the year in which the awards were granted. The base return index for the performance period is the average net return index figure over each weekday in the three months ending on the day before the start of the performance period. The final return index is the average net return index figure over each weekday in the last three months of the performance period, and
- The vesting schedules for each element are set out below.

The performance conditions applying to awards made before 2009 are shown above.

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 per annum, 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 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 single three year period.

EPS growth targets used for one half of the Share Matching Awards made up to and including those granted in 2008 are identical to the EPS growth targets used for awards under the Performance Share Plan made up to and including 2008 as set out above.

Remuneration report

Consistent with the TSR element of the Performance Share Plan (shown above), from 2009, the composition of the peer group is currently the FTSE Small Cap index (excluding Investment Trusts). Before 2009, a smaller group was used, the details of which are set out in the summary of outstanding awards on page 46.

In summary, the vesting schedules that apply to the 2009 and 2010 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 will be 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.

Rights issue adjustments to methodology for assessing share plan performance

During 2010, the committee reviewed the methodology to be used in adjusting the EPS performance conditions applicable to the company's outstanding awards under the Performance Share and Share Matching Plans to take account of the company's rights issue in 2009.

It concluded that the most appropriate method for calculating the EPS performance conditions, in relation to the 2008 and 2009 awards, is to neutralise the start and end EPS for the rights issue when assessing performance under the EPS performance share targets taking into account the reasons for which the rights issue was carried out namely to pay down debt. Under this approach, the base and end number of shares are assumed to be constant, and there will be an adjustment to add back the notional interest expense saved following the reduction of net debt as consequence of the rights issue.

The committee took the view that the above proposal was in the best interests of shareholders and will ensure that management remained focused on achieving stretching earnings targets in 2010 and 2011 and remain suitably incentivised.

The committee following feedback from major shareholders has also decided the following:

- As well as adjusting the EPS figures to a "rights issue neutral" basis, the committee has also reversed the upwards adjustment to the number of shares under the 2008 and 2009 PSP awards granted before the rights issue, thereby restoring the number of these awards to those originally held by participants before the rights issue took place.
- No adjustment will be made to reduce the number of shares under the 2008 and 2009 SMP awards to the pre-rights position as participants had been required to increase their Investment Shares following the rights issue in order to receive the adjustments to the corresponding Matching awards.

In consultation with major shareholders, the majority of those who provided feedback have indicated their support for the proposals.

The adjusted EPS threshold target for assessing whether the 2008 awards under the Performance Share and Share Matching plans have vested is 25.9p. Actual adjusted EPS for 2010 is 25.7p taking into account the reduction in profit before tax on ordinary activities before amortisation of acquired intangibles for 2010 by the interest expense saved following the reduction of net debt as a consequence of the 2009 rights issue and the associated accounting charge should such a vesting occur.

Shares awarded in March and September 2008 under the Performance Share Plan which were due to vest in March and September 2011 respectively will lapse in that the above minimum EPS performance criteria have not been achieved. Vesting of 50% of the awards under the Share Matching Plan granted in March 2008 which were due to vest in March 2011 will lapse in that the above minimum EPS performance criteria has not 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

Options on shares held by directors

	31 Dec 2009	Granted	Lapsed	Exercised during year	31 Dec 2010	Exercise price pence	Date from which exercisable	Expiry date
Ian Fraser								
Discretionary	90,490	-	(90,490)	-	-	280.0	12 Sep 03	12 Sep 10
	90,490	-	(90,490)	-	-			
Paul Thwaite								
Discretionary	-	-	-	-	-			

Performance Share Plan

	Market price on award grant	31 Dec 2009	Granted	Vested	Lapsed	Reversal of rights issue adjustments	31 Dec 2010	Value granted £'000s	Vesting date
Ian Fraser	347.25p	89,000	-	-	(89,000)	-	-		Spring 2010
Ian Fraser	250.00p	133,646	-	-	-	(37,646)	96,000		Spring 2011
Ian Fraser	73.25p	608,174	-	-	-	(171,314)	436,860		Spring 2012
Ian Fraser	115.00p	-	278,260	-	-	-	278,260	320	Spring 2013
Paul Thwaite	347.25p	58,632	-	-	(58,632)	-	-		Spring 2010
Paul Thwaite	250.00p	88,123	-	-	-	(24,823)	63,300		Spring 2011
Paul Thwaite	73.25p	401,014	-	-	-	(112,960)	288,054		Spring 2012
Paul Thwaite	115.00p	-	183,478	-	-	-	183,478	211	Spring 2013

Following the consultation with major shareholders in 2010 as set on page 44, the committee has reduced the number of shares under the 2008 and March 2009 awards so as to restore the number of these awards to those originally held by the participants before the rights issue took place

See page 44 above in relation to the lapses of shares under the Performance Share Plan in March 2011. This award was made in March 2008

Share Matching Plan

	Market price on award grant	31 Dec 2009	Granted	Vested	Lapsed	31 Dec 2010	Value granted £'000	Value vested £'000	Vesting date
Ian Fraser	347.25p	50,283	-	(13,526)	(36,757)	-		19	Spring 2010
Ian Fraser	250.00p	75,506	-	-	-	75,506			Spring 2011
Ian Fraser	73.25p	257,699	-	-	-	257,699			Spring 2012
Ian Fraser	129.50p	-	126,073	-	-	126,073	163		Spring 2013
Paul Thwaite	347.25p	33,125	-	(8,911)	(24,214)	-		12	Spring 2010
Paul Thwaite	250.00p	49,786	-	-	-	49,786			Spring 2011
Paul Thwaite	73.25p	169,922	-	-	-	169,922			Spring 2012
Paul Thwaite	129.50p	-	83,129	-	-	83,129	108		Spring 2013

The middle market price of an ordinary share at the close of business on 23 April 2010 when the relevant shares were released was 138.5p. Following advice received from HNBS in relation to the fulfilment of performance criteria, 26.9% of the matching awards granted in 2007 vested in 2010. The balance of the awarded shares therefore lapsed.

See note 3 on page 48 for the vesting of shares under the Share Matching Plan in March 2011. This award was made in March 2008.

Remuneration report

The performance conditions applying to Performance Share Plan and Share Matching Plan awards in 2009 and 2010 are set out above. The TSR comparator groups used for Share Matching Awards up to and including those granted in 2008 are as follows:

ACAL	British Polythene Ind	Lavendon Group	Ricardo	Tnfast
Aggreko	Castings	Metalrax Group	Senior	WSP Group
Ashtead Group	Diploma	MICE Group ¹	Simon Group ²	
Autologic Holdings	Fenner	Molins	Spirax-Sarco Engineering	

1 In administration. Shares suspended from dealing and not included in 2008 group.

2 Now de-listed and not included in 2008 group.

Dilution limits

In line with ABI Guidelines, the following limits apply to the number of shares which may be issued under the Performance Share Plan and Share Matching Plan:

- The number of issued, issuable and treasury shares that may be allocated under the Performance Share Plan, the Share Matching Plan or any other employee plan adopted by the company will be restricted to 10% of the issued ordinary share capital of the company over any ten year period. As at 22 February 2011, there was headroom of 5,107,538 shares (i.e. 4.80% 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 above Plans plus any other "discretionary" executive share plan adopted by the company 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 22 February 2011, there was headroom of 384,788 shares (i.e. 0.36% of share capital) after deducting relevant outstanding awards (excluding lapsed awards) under the above Plans.

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 2007 awards under the Share Matching Plan in 2010 was satisfied from market purchase shares sourced from the Trust.

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 48.

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.

Remuneration report

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 2010 Shares	Ordinary Shares of 20p 31 December 2009 Shares
David Dunn	60,000	60,000
Terry Garthwaite	10,000	10,000
Ian Fraser	1,348,839	1,335,313
Paul Thwaite	923,974	898,249
Bill Whiteley	34,300	20,000
Charles Irving-Swift	5,000	–
Paul Forman	6,000	6,000

Notes

- 1 Charles Irving-Swift was appointed a non-executive director with effect from 1 March 2010. The comparative figure is at the date of appointment.
- 2 Paul Forman stepped down as a non-executive director on 28 February 2010. His shares are stated at that date.
- 3 There were no changes in the above mentioned interests between 1 January 2011 and 22 February 2011.
- 4 No director was materially interested in any contract of significance with the company during the year.

Remuneration of non-executive directors

The chairman and the other non-executive directors are paid fees for their services. During 2010 these non-executive directors were paid a standard fee of £35,000 with further fees being payable for additional responsibilities such as being a chairman of a committee. The non-executive chairman's fee is £104,000. 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 and they do not receive any benefits in kind.

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. 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 in January 2008 by HNBS. A review was carried out by the board in December 2010 as such a review was due. A review had not taken place in January 2010 due to the difficult trading conditions which had existed in 2009. The board has agreed that 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 has approved that the remuneration of the chairman be increased from £104,000 to £110,000. 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. Paul Forman was appointed on 1 December 2006 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.

Remuneration report

Directors' remuneration and emoluments

The remuneration and taxable benefits in kind of the directors in the year ended 31 December 2010 are set out below

	Fees/salary £'000	Bonus £'000	Benefits (excluding pension & share options) £'000	Payments in lieu of pension contributions (2) £'000	2010 total £'000	2009 total £'000
Non-executives						
David Dunn (Chairman)	104	–	–	–	104	104
Terry Garthwaite	40	–	1	–	41	40
Paul Forman	6	–	–	–	6	38
Bill Whiteley	37	–	–	–	37	35
Charles Irving-Swift	29	–	–	–	29	–
Executives						
Ian Fraser	320	320	21	102	763	444
Paul Thwaite	211	158	15	34	418	261
	747	478	37	136	1,398	922

Ian Fraser and Paul Thwaite earned bonuses of £320,000 and £158,250 respectively for 2010 (2009 no bonuses earned) as the following targets were achieved

- **Earnings** The Remuneration Committee set profit before tax on ordinary activities before amortisation of acquired intangibles ("PAI") of £20m as the target for 2010 for which full bonus is payable. PAI for 2010 is £20.6m. Accordingly, this part of the bonus target was fully achieved
- **Cash generation** this element of the bonus was also fully achieved as cash targets were exceeded each month

Notes

- 1 The highest paid director in the year ended 31 December 2010 was Ian Fraser
- 2 Full details of payments made in lieu of pension contributions are set out in the directors' pension entitlements section below
- 3 In addition Ian Fraser and Paul Thwaite will be able to acquire shares in Brammer plc to the value of £49,645 and £32,732 respectively in accordance with the Brammer plc Share Matching Plan. The Share Matching Plan relates to matching awards granted in March 2008 vesting in March 2011. Vesting of matching awards is determined by the criteria as set out on pages 43 and 44 of the Remuneration Report. Vesting of 50% of the matching awards relating to the EPS target have not been achieved. Vesting of the other half of the award has been achieved in part. Brammer's TSR in 2010 result in 52.6% (26.3% of the total award) of the TSR element of the award vesting in March 2011. Accordingly, 26.3% of the matched awards shall vest. The company has received advice from HNBS in the determination. The value of the shares has been estimated using the middle market share price at 31 December 2010 namely 250p.
- 4 Ian Fraser was appointed as a non-executive director of Acal plc with effect from 1 January 2010. During the period from 1 January 2010 to 31 December 2010, 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 2010	Director's contributions to pension scheme during the year £ pa	Accumulated total accrued pension at 31 Dec 2010 (2009) £ 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 2010 £	Transfer value of accrued pension at 31 Dec 2009 £	Increase in transfer value (less director's contributions) £
55	–	10,200 (10,200)	–	100	278,800	262,100	16,700

Notes

- 1 The accumulated total accrued pension as at 31 December 2009 has been adjusted for inflation in arriving at the increase in the accrued pension at 31 December 2010. As the corresponding inflation figure for the period was -1.4%, the pension has increased slightly in real terms.
- 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 June 2010.
- 3 All figures have been rounded to the nearest £100. Ian Fraser has drawn his defined benefit pension on 1 July 2008 ahead of the normal retirement date of 60 whilst continuing to remain in service and is not accruing further benefits from the Scheme. His pension is reviewed annually on 1 January in line with the Scheme Rules.
- 4 At 1 January 2010 Ian Fraser's pension remained at £10,239 per annum. Due to the level of price inflation over the period September 2009 to September 2010 there will be an increase to Ian Fraser's pension as at 1 January 2011 of 4.6%.
- 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 £15,840 (2009: £15,840). No contributions were made to Ian Fraser's SIPP during the year (2009: nil).

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

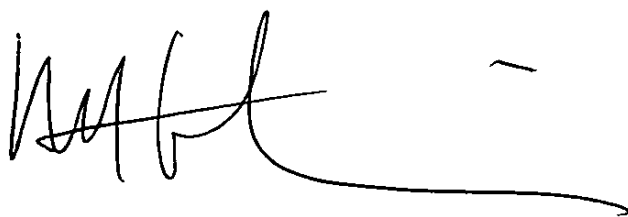
Cash allowances in lieu of pension contributions made to Ian Fraser during the year were £102,400 (2009: £102,400). Cash allowances in lieu of pension contributions made to Paul Thwaite during the year were £33,728 (2009: £33,728).

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 22 February 2011 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.

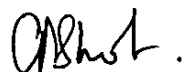
Each of the directors who were directors of the company as at 22 February 2011 and whose names and functions are listed on page 22 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, 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 review and the financial review contained in pages 3 to 34 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
22 February 2011



David Dunn

Chairman



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 2010 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 directors' responsibilities statement, 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.

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 2010 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 38 to 40 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,
- 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, and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Brammer plc for the year ended 31 December 2010 and on the information in the directors' remuneration report that is described as having been audited.



Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 February 2011

Consolidated income statement

For the year ended 31 December 2010

	Notes	Year to 31 December 2010 £'000	Pro exceptional items 2009 £'000	Exceptional items Note 4 2009 £'000	Year to 31 December 2009 £'000
Revenue	1	468,367	426,093	–	426,093
Cost of sales		(327,256)	(298,039)	(2,560)	(300,599)
Gross profit		141,111	128,054	(2,560)	125,494
Distribution costs		(118,074)	(109,610)	(10,367)	(119,977)
Amortisation of acquired intangibles		(1,260)	(1,641)	–	(1,641)
Total sales distribution and administrative costs		(119,334)	(111,251)	(10,367)	(121,618)
Operating profit	1	21,777	16,803	(12,927)	3,876
<i>Operating profit before amortisation of acquired intangibles</i>		23,037	18,444	(12,927)	5,517
<i>Amortisation of acquired intangibles</i>		(1,260)	(1,641)	–	(1,641)
<i>Operating profit</i>	1	21,777	16,803	(12,927)	3,876
Finance expense	2	(2,510)	(4,679)	(753)	(5,432)
Finance income	2	43	63	–	63
Profit/(loss) before tax from continuing operations		19,310	12,187	(13,680)	(1,493)
<i>Profit/(loss) before tax before amortisation of acquired intangibles</i>		20,570	13,828	(13,680)	148
<i>Amortisation of acquired intangibles</i>		(1,260)	(1,641)	–	(1,641)
<i>Profit/(loss) before tax</i>		19,310	12,187	(13,680)	(1,493)
Taxation	5	(5,487)	(3,007)	4,081	1,074
Profit/(loss) for the year from continuing operations		13,823	9,180	(9,599)	(419)
Discontinued operations	4	–	–	477	477
Profit for the year attributable to equity shareholders		13,823	9,180	(9,122)	58
Earnings per share – total	7				
Basic – 2009 continuing (0.5)p, discontinued 0.6p		13.0p			0.1p
Diluted – 2009 continuing (0.5)p, discontinued 0.6p		13.0p			0.1p
Earnings per share – from continuing operations before amortisation and exceptional items	7				
Basic		13.9p	13.1p		
Diluted		13.9p	13.1p		

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Profit for the year	13,823	58
Other comprehensive income		
Net exchange differences on translating foreign operations	(973)	(4,627)
Actuarial gains/(losses) on pension schemes	5,132	(10,047)
Other comprehensive income/(expense) for the year, net of tax	4,159	(14,674)
Total comprehensive income/(expense) for the year	17,982	(14,616)

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 56 to 84 form part of these accounts.

Consolidated balance sheet

At 31 December 2010

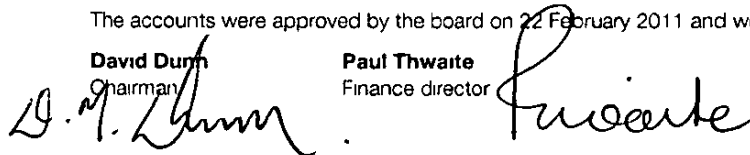
	Notes	31 December 2010 £'000	31 December 2009 £'000
Assets			
Non-current assets			
Goodwill	8	74,802	76,570
Acquired intangible assets	8	5,248	6,617
Other intangible assets	8	4,927	4,556
Property, plant and equipment	9	11,031	12,533
Deferred tax assets	18	6,377	8,245
		102,385	108,521
Current assets			
Inventories	10	71,283	70,772
Trade and other receivables	11	81,436	71,218
Cash and cash equivalents	12	21,699	33,272
		174,418	175,262
Liabilities			
Current liabilities			
Financial liabilities – borrowings	14	(3,760)	(6,248)
Trade and other payables	13	(94,264)	(82,305)
Provisions	16	(762)	(2,156)
Deferred consideration	17	(8,054)	(7,880)
Current tax liabilities		(2,748)	(761)
		(109,588)	(99,350)
Net current assets		64,830	75,912
Non-current liabilities			
Financial liabilities – borrowings	14	(54,613)	(66,898)
Deferred tax liabilities	18	(9,671)	(8,856)
Provisions	16	(186)	(325)
Deferred consideration	17	–	(7,742)
Retirement benefit obligations	26	(15,792)	(25,668)
		(80,262)	(109,489)
Net assets		86,953	74,944
Shareholders' equity			
Share capital	19	21,272	21,257
Share premium		18,152	18,092
Translation reserve		4,411	5,384
Retained earnings		43,118	30,211
Total equity		86,953	74,944

The notes on pages 56 to 84 form part of these accounts

The accounts were approved by the board on 22 February 2011 and were signed on its behalf by

David Dunn
Chairman

Paul Thwaite
Finance director



Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share Capital £'000	Share Premium £'000	Treasury Shares £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2009	10,590	18,092	(627)	10,011	21,024	59,090
Profit for the year	-	-	-	-	58	58
Other comprehensive income	-	-	-	(4,627)	(10,047)	(14,674)
Total comprehensive income	-	-	-	(4,627)	(9,989)	(14,616)
Transactions with owners						
Shares issued during the year	39	-	-	-	-	39
Shares issued in respect of the rights issue*	10,628	-	-	-	24,677	35,305
Purchase of own shares	-	-	(301)	-	-	(301)
Transfer on vesting of own shares	-	-	680	-	(680)	-
Tax on share option scheme movements	-	-	-	-	201	201
Value of employee services – share based payments	-	-	-	-	(696)	(696)
Dividends	-	-	-	-	(4,078)	(4,078)
Total transactions with owners	10,667	-	379	-	19,424	30,470
Movement in year	10,667	-	379	(4,627)	9,435	15,854
At 31 December 2009	21,257	18,092	(248)	5,384	30,459	74,944
Profit for the year	-	-	-	-	13,823	13,823
Other comprehensive income	-	-	-	(973)	5,132	4,159
Total comprehensive income	-	-	-	(973)	18,955	17,982
Transactions with owners						
Shares issued during the year	15	60	-	-	-	75
Purchase of own shares	-	-	(6)	-	-	(6)
Transfer on vesting of own shares	-	-	12	-	(12)	-
Dividends	-	-	-	-	(6,042)	(6,042)
Total transactions with owners	15	60	6	-	(6,054)	(5,973)
Movement in year	15	60	6	(973)	12,901	12,009
At 31 December 2010	21,272	18,152	(242)	4,411	43,360	86,953

* 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 rights issue completed in November 2009 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 56 to 84 form part of these accounts.

Consolidated cash flow statement

For the year ended 31 December 2010

	Notes	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Cash flows from operating activities			
Cash generated from operations	22	26,058	27,319
Interest received		43	63
Interest paid		(2,202)	(5,964)
Tax paid		(2,686)	(2,333)
Decrease in pension obligations		(2,600)	(1,542)
Net cash generated from operating activities		18,613	17,543
<i>Cash generated from operating activities before exceptional items</i>		20,082	23,573
<i>Cash outflow from exceptional items</i>		(1,469)	(6,030)
Net cash generated from operating activities		18,613	17,543
Cash flows from investing activities			
Deferred consideration paid on prior acquisitions		(7,561)	(8,294)
Earn-out paid on prior period acquisitions		(327)	(506)
Proceeds from sale of property, plant and equipment		188	906
Purchase of property, plant and equipment		(1,935)	(1,558)
Additions to other intangible assets		(1,548)	(1,045)
Net cash used in investing activities		(11,183)	(10,497)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		75	39
Net proceeds from rights issue		–	35,305
Repayment of loans following rights issue		–	(16,355)
Net repayment of other loans		(11,403)	(6,623)
Net issue/(repayment) of finance leases		174	(116)
Dividends paid to shareholders		(6,042)	(4,078)
Purchase of own shares		(6)	(301)
Net cash (absorbed)/generated from financing activities		(17,202)	7,871
Net (decrease)/increase in cash and cash equivalents		(9,772)	14,917
Exchange loss on cash and cash equivalents		(642)	(1,655)
Net cash at beginning of year		31,448	18,186
Net cash at end of year		21,034	31,448
Cash and cash equivalents		21,699	33,272
Overdrafts		(665)	(1,824)
Net cash at end of year		21,034	31,448

The notes on pages 56 to 84 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 26.

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 new standards, amendments to standards or interpretations which were effective in the financial year beginning 1 January 2010 and have impacted or are likely to have a future impact on, the financial statements are as follows:

IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The adoption of this revised standard will result in a number of changes in the way in which the group accounts for any future business combinations. The principal changes include the expensing of all acquisition-related costs in the income statement instead of including them in the cost of the investment, and the recording of all payments to purchase a business at fair value at acquisition date with contingent payments classified as debt and subsequently remeasured through the income statement.

IFRS 7 (amendment), 'Improving disclosures about financial instruments' issued in March 2009 requires the group to make enhanced disclosures about fair value measurement and liquidity risk.

Other standards, amendments and interpretations now applicable but which are not relevant or do not have a material effect on the group's financial statements are:

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 1*	First-time adoption of International Financial Reporting Standards	1 July 2009
IAS 39*	Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009

Standards, amendments and interpretations that are not yet effective and not expected to have significant impact on the group's financial statements:

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 9*	Financial instruments: Classification and measurement	1 January 2013
Amendment IAS 24*	Related party disclosures	1 January 2011
IFRIC 14, IAS 19*	Prepayments of a minimum funding requirement	1 July 2011
IFRIC 19*	Extinguishing financial liabilities with equity investments	1 July 2010
IAS 32*	Classification of rights issues	1 February 2010
Amendment IFRS 1*	Additional exemptions for first-time adopters	1 January 2010
Amendment IFRS 2*	Group cash-settled share-based payment transactions	1 January 2010

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

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 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. 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. 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 report and 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 purpose of 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 option 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 are not deemed to be material to the group. 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. Currently 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 dispatch.

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), credit risk, liquidity risk, cash flow and interest rate 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 the UK pound. Foreign exchange risk arises primarily from recognised assets and liabilities and 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.

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 2010 actual average exchange rate (€1 165 £1) and at the 2009 actual average exchange rate (€1 117 £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 Euro yield curve at 31 December 2010 implied an increase in base rate of 1% over the course of 2011. An increase of 0.9% applied to the borrowing under the central facility would result in an increase of approximately £200,000 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

	Less than 1 year £'000	2-5 years £'000	More than 5 years £'000	Total £'000
Long term debt obligations (note 14)	2,952	54,337	45	57,334
Finance lease obligations (note 15)	159	244	–	403
Operating leases (note 24)	9,371	12,761	4,713	26,845
	12,482	67,342	4,758	84,582

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 has 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 £2.7 million, indexed for inflation, in the years 2010 to 2023 inclusive.

Financial risk management

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, as demonstrated by the capital raised through the rights issue in 2009 and subsequent repayment of debt

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 November 2008 the group successfully renegotiated its €66 million 364 day revolving facility to be coterminous with its €99 million term loan so that fully committed facilities of €165 million were in place through to 28 February 2012. In November 2009 the group completed a rights issue and, following receipt of the rights issue proceeds of £35.3 million net, under the terms of the group facility the committed facilities were reduced from €165 million to €144.3 million. During 2010 the committed facility has been reduced by a further €24.3 million of which €11.4 million in May 2010 was pursuant to the terms of the 2009 rights issue and the balance of €12.9 million a voluntary cancellation. At 31 December 2010 the committed facility is €120.0 million

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

	2010 £m	2009 £m
Committed group facility	102.8	128.2
Current utilisation	51.4	64.6
Headroom (note 15)	51.4	63.6

Under the terms of the facility the group is permitted to enter into up to £21.0 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 58. 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

(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 rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations

Note 26 details the actuarial assumptions used in determining the carrying amount at 31 December 2010

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 2010 the management rate used was €1.145 £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 at an arms-length basis.

Year ended 31 December 2010

Continuing operations

	UK £'000	Germany £'000	France £'000	Spain £'000	Benelux £'000	Eastern Europe £'000	Other operating segments £'000	Total £'000
Revenue								
Total revenue	144,033	107,102	78,748	40,825	47,222	48,358	17,233	483,521
Inter company sales	(2,531)	(3,056)	(1,276)	(875)	(1,664)	(320)	(655)	(10,377)
Sales to external customers	141,502	104,046	77,472	39,950	45,558	48,038	16,578	473,144
Exchange effect								(4,777)
Total sales to external customers								468,367
Underlying operating profit	6,542	5,655	2,985	2,882	2,611	2,433	201	23,309
Exchange effect								(272)
Total underlying operating profit								23,037
Amortisation of acquired intangibles								(1,260)
Total operating profit								21,777
Finance expense								(2,510)
Finance income								43
Profit before tax								19,310
Tax								(5,487)
Profit for the year								13,823
Segment assets	43,756	25,736	28,243	17,319	22,393	24,078	8,305	169,830
Exchange effect								(1,153)
								168,677
Goodwill								74,802
Acquired intangibles								5,248
Cash								21,699
Deferred tax								6,377
Total assets								276,803

Notes to the accounts

1 Segmental analysis

	UK £ 000	Germany £ 000	France £ 000	Spain £ 000	Benelux £ 000	Eastern Europe £ 000	Other operating segments £ 000	Total £'000
Other segment items								
Capital expenditure								
– intangible assets	18	104	–	–	125	22	1,282	1,551
– property, plant and equipment	192	177	613	166	109	390	308	1,955
Exchange effect								(23)
Total capital expenditure								3,483
Amortisation/depreciation								
– intangible assets	(1)	(155)	–	(18)	(88)	(30)	(867)	(1,159)
– property, plant and equipment	(1,143)	(187)	(327)	(395)	(437)	(452)	(268)	(3,209)
Exchange effect								33
Total amortisation and depreciation								(4,335)

Year ended 31 December 2009

Continuing operations

	UK £ 000	Germany £ 000	France £ 000	Spain £ 000	Benelux £ 000	Eastern Europe £ 000	Other operating segments £ 000	Total £ 000
Revenue								
Total revenue	132,776	93,568	70,036	37,127	42,306	40,370	14,047	430,230
Inter company sales	(2,506)	(2,697)	(905)	(1,220)	(1,559)	(385)	(332)	(9,604)
Sales to external customers	130,270	90,871	69,131	35,907	40,747	39,985	13,715	420,626
Exchange effect								5,467
Total sales to external customers								426,093
Underlying operating profit	4,600	5,034	2,744	2,433	1,574	1,852	(306)	17,931
Exchange effect								513
Total underlying operating profit								18,444
Amortisation of acquired intangibles								(1,641)
Exceptional operating items								(12,927)
Total operating profit								3,876
Finance expense								(4,679)
Finance income								63
Exceptional finance expense								(753)
Loss before tax continuing operations								(1,493)
Tax								1,074
Discontinued operations								477
Profit for the year								58
Segment assets	40,540	25,012	26,704	16,805	21,587	19,839	7,476	157,963
Exchange effect								1,116
Goodwill								159,079
Acquired intangibles								76,570
Cash								6,617
Deferred tax								33,272
Total assets								283,783

Notes to the accounts

1 Segmental analysis

	UK £ 000	Germany £ 000	France £ 000	Spain £ 000	Benelux £ 000	Eastern Europe £ 000	Other operating segments £ 000	Total £ 000
Other segment items								
Capital expenditure								
– intangible assets	–	30	–	–	198	52	484	764
– property, plant and equipment	312	117	125	205	314	323	152	1,548
Exchange effect								291
Total capital expenditure								2,603
Amortisation/depreciation								
– intangible assets	–	(165)	–	–	(72)	(27)	(792)	(1,056)
– property, plant and equipment	(1,499)	(216)	(261)	(391)	(448)	(396)	(309)	(3,520)
Exchange effect								(86)
Total amortisation and depreciation								(4,662)

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

	2010	2009
Management rate	€1 145	€1 145
Actual average rate	€1 165	€1 117
Year end rate	€1.167	€1 126

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

2 Finance expense and income

	2010 £'000	2009 £ 000
Finance expense		
Bank overdrafts and short term borrowings	596	991
Loans	1,643	3,185
Finance leases	55	38
Deferred consideration – unwinding of discount	216	465
	2,510	4 679
Finance income		
Bank and other short term deposits	(43)	(63)
	2,467	4 616

In 2009 there was also an exceptional finance charge of £753,000 incurred which is described in note 4

Notes to the accounts

3 Profit before taxation

	2010 £'000	2009 £ 000
The following items have been included in arriving at profit before taxation		
Staff costs (see note 23)	86,236	80,759
Cost of inventories recognised as an expense and included in cost of sales (see note 10)	324,386	296,430
Release of inventory provision in 2009	–	(1,135)
Depreciation of property, plant and equipment		
– Owned assets	3,020	3,494
– Under finance leases	159	113
Amortisation of software development (included in distribution costs)	1,156	1,055
Amortisation of acquired intangibles (shown separately on the face of the income statement)	1,260	1,641
Operating leases on property, plant and equipment	9,531	10,202
Repairs and maintenance expenditure on property, plant and equipment	744	764
Trade receivables impairment	534	875
Gain on disposal of property, plant and equipment and intangible assets	(42)	(133)
Net exchange gains	57	122
Auditor remuneration		
Services provided by the company's auditors and associates		
Fees payable for audit of parent company and consolidated financial statements	83	84
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)	249	254
Tax services	70	70
Services relating to corporate finance transactions entered into on behalf of the company *	–	466
Other services	–	23

* Fees incurred in 2009 in respect of the rights issue were recognised in equity as part of the net proceeds of the rights issue

4 2009 Exceptional items

In 2009, in response to the difficult market conditions in which the group operated, an extensive review of the group's operating cost base, strategy and stock management was carried out. As a result of this review, actions were taken to reduce headcount and to reprofile stock. Costs arising were charged as exceptional restructuring and stock scrapping costs.

Following the receipt of rights issue proceeds, the group repaid Euro borrowings drawn down under the group facility. Capitalised borrowing costs of £0.75 million relating to that portion of the group facility were charged to the income statement as exceptional finance cost.

The credit relating to discontinued operations comprises the release of a substantial part of the provision held in respect of potential warranty claims. This amount is shown net of taxation on the income statement. Further details of the exceptional items were given in note 4 on page 62 of the 2009 Annual Report.

Notes to the accounts

5 Taxation

	2010 £'000	2009 £'000
Current tax		
Current year	(4,245)	(726)
Prior year	(626)	1,069
	(4,871)	343
Deferred tax (note 18)		
Current year	(954)	295
Prior year	338	251
	(616)	546
Taxation	(5,487)	889
Tax on items taken to equity		
Tax on pension schemes movements	(2,031)	3,888
Tax on share options	-	201
Tax on exchange movements posted to reserves	(114)	(457)

Factors affecting the tax charge for the period

The effective tax rate for the period of 28.4% is higher than the standard rate of corporation tax in the United Kingdom

The differences are explained below

	2010 £'000	Pro exceptional items 2009 £'000	Exceptional items 2009 £'000	Total 2009 £'000
Continuing operations				
Profit/(loss) on ordinary activities before tax	19,310	12,187	(13,680)	(1,493)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28.0%)	(5,407)	(3,412)	3,830	418
Effects of				
Expenses not deductible for tax purposes	(592)	(863)	251	(612)
Release of tax provision	789	211	-	211
Release of deferred tax on share options	-	(326)	-	(326)
Different tax rates on overseas earnings	11	63	-	63
Adjustments in respect of previous periods	(288)	1,320	-	1,320
Total taxation on continuing operations	(5,487)	(3,007)	4,081	1,074
Overall effective tax rate for the year – continuing operations	28.4%	24.7%	29.8%	71.9%
Tax charge on discontinued operations			(185)	(185)

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

The change in the corporation tax rate from 28% to 27% with effect from 1 April 2011 was enacted in the Finance Act 2010 and as a result UK deferred tax balances have been re-measured to the enacted rate of 27%. A deferred tax charge of £62,000 has been recognised in the period in respect of this

Notes to the accounts

6 Dividends

	2010 £'000	2009 £'000
Final 2009 paid July 2010 3 60p (Final 2008 3 60p) per 20p share	3,816	2,701
Interim 2010 paid November 2010 2 10p (Interim 2009 1 90p) per 20p share	2,226	1,377
	6,042	4,078

In addition the directors are proposing a final dividend in respect of the financial year ended 31 December 2010 of 4 5p per share that will absorb an estimated £4 786,000 of shareholders' funds. It will be paid on 5 July 2011 to shareholders on the register of members on 10 June 2011.

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 £'000	Earnings per share Basic	2010 Earnings per share Diluted
Average number of shares in issue ('000)		106,290	106,290
Total			
Profit for the financial year	13,823	13 0p	13 0p
Amortisation of acquired intangibles	1,260		
Tax on amortisation of acquired intangibles	(322)		
Earnings before amortisation of acquired intangibles	14,761	13.9p	13.9p

The weighted average number of shares in the year reflects the full year impact of last year's rights issue (53,142,794 ordinary shares issued).

	Earnings £'000	Earnings per share Basic	2009 Earnings per share Diluted
Average number of shares in issue ('000)		79,351	79,351
Total			
- from continuing operations	(419)	(0 5)p	(0 5)p
- from discontinued operations	477	0 6p	0 6p
Profit for the financial year	58	0 1p	0 1p
Amortisation of acquired intangibles	1,641		
Exceptional items	13,018		
Tax on exceptional items	(3,896)		
Tax on amortisation of acquired intangibles	(427)		
Earnings before amortisation of acquired intangibles and exceptional items	10,394	13 1p	13 1p

Notes to the accounts

8 Intangible assets

	2010 £'000	Goodwill 2009 £'000	Acquired intangibles 2010 £'000	2009 £'000	Other - Software development 2010 £'000	2009 £'000
Cost						
At 1 January	76,570	83,586	9,945	7,133	12,064	11,400
Exchange adjustments	(2,095)	(6,056)	(142)	(544)	(178)	(554)
Additions	327	1,476	-	-	1,548	1,045
Reclassification	-	(2,436)	-	3,356	-	197
Disposals	-	-	-	-	(14)	(24)
At 31 December	74,802	76,570	9,803	9,945	13,420	12,064
Impairment and amortisation						
At 1 January	-	-	3,328	1,813	7,508	6,512
Exchange adjustments	-	-	(33)	(126)	(166)	(366)
Charge for the year	-	-	1,260	1,641	1,156	1,055
Impairment charge included in exceptional items in 2009	-	-	-	-	-	331
Disposals	-	-	-	-	(5)	(24)
At 31 December	-	-	4,555	3,328	8,493	7,508
Net book value						
At 31 December	74,802	76,570	5,248	6,617	4,927	4,556

Additions to goodwill reflect the earn-out payments of £327,000 made in respect of prior period acquisitions

Reclassifications in 2009 comprised the reclassification from goodwill to acquired intangibles of the separately identifiable intangible assets recognised from the acquisitions of businesses, which were completed in 2008

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.

	2010 £'000	2009 £'000
UK	5,262	5,262
France	4,940	5,103
Germany	34,716	35,980
Spain	5,286	5,479
Benelux	7,906	8,194
Eastern Europe	10,281	10,164
Other operating segments	6,411	6,388
	74,802	76,570

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 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 2011. 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 10.15% (2009: 8.97%) 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 that the company currently experiences. The nominal WACC has been adjusted for 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 an increase in the WACC in excess of 1% would be required to result in any indicator of impairment. Decreasing budgeted trading profit by 15% would not indicate an impairment for any significantly material cash-generating units. For smaller cash-generating units within 'other operating segments' with sensitivities a potential impairment of £0.2 million would arise from a decrease in the budgeted trading profit for 2011 of 15%.

9 Property, plant and equipment

	Land and buildings £'000	Equipment £'000	2010 Total £'000	Land and buildings £'000	Equipment £'000	2009 Total £'000
Cost						
At 1 January	13,287	33,669	46,956	14,220	35,414	49,634
Exchange adjustments	(159)	(605)	(764)	(513)	(1,414)	(1,927)
Additions	110	1,825	1,935	195	1,363	1,558
Reclassification	148	(148)	–	–	(197)	(197)
Disposals	(13)	(1,581)	(1,594)	(615)	(1,497)	(2,112)
At 31 December	13,373	33,160	46,533	13,287	33,669	46,956
Depreciation						
At 1 January	7,101	27,322	34,423	6,755	26,689	33,444
Exchange adjustments	(83)	(560)	(643)	(132)	(1,157)	(1,289)
Charge for the year	543	2,636	3,179	627	2,980	3,607
Reclassification	57	(57)	–	–	–	–
Disposals	–	(1,457)	(1,457)	(149)	(1,190)	(1,339)
At 31 December	7,618	27,884	35,502	7,101	27,322	34,423
Net book value						
At 31 December	5,755	5,276	11,031	6,186	6,347	12,533
					2010 £'000	2009 £'000
At 31 December						
Assets held under finance leases (land and buildings and equipment included above)						
Cost					1,490	1,202
Depreciation					(906)	(790)
					584	412

10 Inventories

The group consumed £324,386,000 (2009: £296,430,000) of inventory during this period.

Finished goods inventories of £71,283,000 (2009: £70,772,000) comprise entirely goods for resale. Finished goods inventories of £3,681,000 (2009: £3,740,000) are carried at fair value less costs to sell being lower than cost.

Notes to the accounts

11 Trade and other receivables

	2010 £'000	2009 £'000
Amounts due within one year		
Trade receivables	81,359	71,609
Provision for impairment of receivables	(2,665)	(3,474)
Net trade debtors	78,694	68,135
Other debtors	1,268	1,610
Prepayments and accrued income	1,474	1,473
	81,436	71,218

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

	2010 £'000	2009 £'000
At 1 January	3,474	2,811
Exchange adjustments	(94)	(237)
Income statement charge included in distribution costs	534	875
Acquisitions	–	135
Recovered	(751)	(220)
Written off (as uncollectable)	(498)	(693)
Charge included in exceptional items in 2009	–	803
	2,665	3,474

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 there is no further credit risk provision above the current provision for impairment.

Certain European subsidiaries of the group transferred receivable balances amounting to €4.4 million (£3.8 million) (2009: £3.9 million) to banks, under bills of exchange without recourse, in exchange for cash during the year ended 31 December 2010.

12 Cash and cash equivalents

	2010 £'000	2009 £'000
Cash at bank and in hand	19,650	24,771
Short term bank deposits	2,049	8,501
	21,699	33,272

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.

13 Trade and other payables

	2010 £'000	2009 £'000
Trade creditors	74,465	66,634
Other taxes and social security	6,706	5,664
Other creditors	329	418
Accruals	12,764	9,589
	94,264	82,305

Notes to the accounts

14 Financial liabilities – borrowings

	2010 £'000	2009 £'000
Current		
Unsecured bank and other borrowings	665	1,824
Unsecured loans less than one year	2,952	4,330
Finance lease commitments due within one year	143	94
	3,760	6,248
Non-current		
Unsecured bank loan repayable		
Between one and two years	52,941	383
Between two and five years	1,396	65,198
Over five years	45	1,205
	54,382	66,786
Finance lease commitments		
Between one and two years	83	81
Between two and five years	148	31
Over five years	–	–
	231	112
	54,613	66,898

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 2010 was 4.3% (year to 31 December 2009: 4.7%).

In November 2008 the €66 million Tranche A element of the €165 million central borrowing facility was amended from a 364 day facility to a committed facility until 28 February 2012. As part of the amended terms it was agreed that limited asset security would be provided by the UK, France, Germany and Spain subsidiary undertakings. This security was put in place on 18 February 2009.

Following the rights issue in November 2009 the committed facilities were reduced from €165 million to €144.3 million. During 2010 the facility was reduced by a further €24.3 million of which €11.4 million in May 2010 was pursuant to the terms of the 2009 rights issue and the balance of €12.9 million a voluntary cancellation, accordingly at 31 December 2010 the committed facility is €120.0 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 2010 was £51,414,000 (2009: £64,565,000). The foreign exchange gain of £1,872,000 (2009: gain of £5,744,000) 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 £'000	Finance leases £'000	Deferred consideration £'000	Total £'000
At 31 December 2010				
In more than one year but not more than two years	(52,941)	(83)	–	(53,024)
In more than two years but not more than five years	(1,396)	(148)	–	(1,544)
In more than five years	(45)	–	–	(45)
	(54,382)	(231)	–	(54,613)
At 31 December 2009				
In more than one year but not more than two years	(383)	(81)	(7,880)	(8,344)
In more than two years but not more than five years	(65,198)	(31)	(7,742)	(72,971)
In more than five years	(1,205)	–	–	(1,205)
	(66,786)	(112)	(15,622)	(82,520)

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 £51.4 million (2009: £63.6 million) which is available to the group up to February 2012 and carries interest based on currency LIBOR.

Minimum lease payments

The minimum lease payments under finance leases fall due as follows

	2010 £'000	2009 £'000
Not later than one year	159	103
Later than one year but not more than five years	244	117
More than five years	–	–
	403	220
Future finance charges on finance leases	(31)	(14)
Book value of finance lease liabilities	372	206

16 Provisions

	Restructuring £'000	Other £'000	2010 Total £'000	2009 Total £'000
At 1 January	2,281	200	2,481	1,030
Exchange adjustment	(57)	(7)	(64)	(95)
Charged to the income statement in the year	–	–	–	2,295
Utilised in the year	(1,469)	–	(1,469)	(87)
Released in the year	–	–	–	(662)
At 31 December	755	193	948	2,481
Amounts falling due				
Within one year			762	2,156
In more than one year but not more than two years			186	325
Total			948	2,481

The restructuring provision principally represents the estimated costs which the group is committed to incur after the year-end in respect of specified employees who had been notified by 31 December 2009 of the intention to terminate their contracts of employment. This provision is expected to be utilised within one to two years. 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

	2010 £'000	2009 £'000
At 1 January	15,622	24,963
Exchange adjustments	(223)	(1,512)
Unwinding of discount	216	465
Paid	(7,561)	(8,294)
At 31 December	8,054	15,622
Amounts falling due		
Within one year	8,054	7,880
In more than one year but not more than two years	-	7,742
Total	8,054	15,622

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.

18 Deferred tax

	2010 Accelerated capital allowances £'000	2010 Pension liability £'000	2010 Tax losses £'000	2010 Provisions £'000	2010 Total £'000
Assets					
At 1 January	-	7,166	1,079	-	8,245
Exchange adjustment	-	(8)	(37)	-	(45)
Adjustments arising from change in tax rate (taken to income statement)	-	(143)	-	-	(143)
Taken to equity	-	(2,113)	-	-	(2,113)
Income statement credit	-	(661)	(297)	-	(958)
Reclassification	1,391	-	-	-	1,391
At 31 December	1,391	4,241	745	-	6,377
Liabilities					
At 1 January	(1,167)	-	-	(7,689)	(8,856)
Exchange adjustment	26	-	-	179	205
Adjustments arising from change in tax rate (taken to income statement)	9	-	-	154	163
Net amount taken to equity	-	-	-	(114)	(114)
Income statement charge	2,523	-	-	(2,201)	322
Reclassification	(1,391)	-	-	-	(1,391)
At 31 December	-	-	-	(9,671)	(9,671)
				2010 £'000	2009 £'000
Net total					
At 1 January				(611)	(4,345)
Exchange adjustment				160	510
On fair value adjustments to prior period acquisitions				-	(531)
Taken to equity				(2,227)	3,209
Income statement (charge)/credit				(616)	546
At 31 December				(3,294)	(611)

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 £1,958,000

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 £3,294,000 (2009 £611,000)

19 Called up share capital

	2010 Number	2009 Number
Ordinary shares of 20p each		
Allotted, called up and fully paid		
At 31 December	106,361,185	106,285,588

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)

2009 rights issue

Under the terms of a fully underwritten rights issue, ordinary shareholders of the company on the register at the close of business on 27 October 2009 were offered 53,142,794 new ordinary shares of 20p each at a price of 72p each on the basis of one new ordinary share for each existing ordinary share held. These shares were fully subscribed on 13 November 2009, resulting in net proceeds of £35.3 million being gross proceeds on issue of £38.3 million less expenses of £3.0 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 rights issue 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

Purchase of own shares

During the year the company acquired 4,377 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 £6,076 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 58,629 shares were transferred to directors and senior managers in order to meet vestings under these plans

At 31 December 2010 the Trust held a total of 277,634 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 75,597 ordinary 20p shares being issued with exercise proceeds of £75,316

Notes to the accounts

20 Share based payments

Movements on share options during the year were as follows

Price per share	1 January 2010	Granted	Exercised/ Vested	Lapsed	Reversal of Rights Issue Adjustment	31 December 2010	Date from which exercisable	Expiry date
Executive share option schemes								
1995 scheme								
280p	107,892	-	-	(107,892)	-	-	12 Sep 2003	12 Sep 2010
366p	432	-	-	-	-	432	16 Mar 2004	16 Mar 2011
102p	30,906	-	-	-	-	30,906	7 Oct 2006	7 Oct 2013
90p	28,330	-	-	-	-	28,330	15 Apr 2007	15 Apr 2014
99 5p	198,381	-	(66,734)	-	-	131,647	6 Sep 2007	6 Sep 2014
1997 scheme								
280p	7,292	-	-	(7,292)	-	-	12 Sep 2003	12 Sep 2010
366p	3,745	-	-	-	-	3,745	16 Mar 2004	16 Mar 2011
102p	9,014	-	(3,863)	-	-	5,151	7 Oct 2006	7 Oct 2013
90p	13,921	-	-	-	-	13,921	15 Apr 2007	15 Apr 2014
99 5p	22,970	-	(5,000)	-	-	17,970	6 Sep 2007	6 Sep 2014
Total	422,883	-	(75,597)	(115,184)	-	232,102		
Performance share plan								
Op	235,534	-	-	(235,534)	-	-	Spring 2010	
Op	189,099	-	-	(189,099)	-	-	Spring 2010	
Op	392,600	-	-	-	(110,590)	282,010	Spring 2011	
Op	258,845	-	-	(4,966)	(72,913)	180,966	Autumn 2011	
Op	1,886,115	-	-	-	(531,293)	1,354,822	Spring 2012	
Op	455,852	-	-	(18,013)	-	437,839	Autumn 2012	
Op	-	1,024,168	-	-	-	1,024,168	Spring 2013	
Op	-	409,873	-	-	-	409,873	Autumn 2013	
Total	3,418,045	1,434,041	-	(447,612)	(714,796)	3,689,678		
Share matching plan								
Op	217,950	-	(58,629)	(159,321)	-	-	Spring 2010	
Op	408,904	-	-	(72,125)	-	336,779	Spring 2011	
Op	1,227,060	-	-	(266,782)	-	960,278	Spring 2012	
Op	-	551,619	-	-	-	551,619	Spring 2013	
Total	1,853,914	551,619	(58,629)	(498,228)	-	1,848,676		
Total	5,694,842	1,985,660	(134,226)	(1,061,024)	(714,796)	5,770,456		

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

Rights issue adjustment

The value of all awards under the Performance Share Plan decreased due to the issue of new shares under the 2009 rights issue at a discount. As per standard practice the Plan Rules allow the Trustees of Brammer plc Employee Share Ownership Trust ("the Trustees") to take steps to compensate all participants for the reduction in value of awards. Having received advice, the Trustees adjusted the option awards under the Plan by increasing the number of shares under the awards and reducing the exercise price per share. The adjustment factor was 1.39215.

As explained in the remuneration report on page 44, during 2010 the remuneration committee reviewed the methodology to be used in adjusting the EPS performance conditions applicable to the company's outstanding awards under the Performance Share and Share Matching plans to take account of the company's rights issue in 2009. As a result of this review the committee reversed the upwards adjustment to the number of shares under the 2008 and 2009 PSP awards granted before the rights issue, thereby restoring the number of these awards to those originally held by participants before the rights issue took place.

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. No charge (2009 credit of £696,000) was recognised in the year in respect of employee share based payment plans as the minimum performance targets have not been achieved. The plans all comprise equity-settled share based transactions. The fair value is measured using a Black-Scholes pricing model. For the purposes of the fair value calculation for these plans the TSR conditions have been disregarded on the basis of materiality and treated in the same way as a non-market based performance condition. 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 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	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	–	–	–
Fair value per option	1.14p	100p	155p

	Share Matching Plan	Performance Share Plan	
Awards granted in the year ended 31 December 2009			
Grant date	19 March 2009	18 March 2009	17 November 2009
Share price at grant date	73.25p	73.25p	130.8p
Exercise price	n/a	n/a	n/a
Number of shares under option (initial grant)	881,414	1,671,986	455,852
Revised number of shares after rights issue adjustment	1,227,060	n/a	n/a
Vesting Period (years)	3	3	3
Expected Volatility	0.49	0.49	0.54
Expected option life (years)	3	3	3
Risk free rate	1.91%	1.97%	1.90%
Expected dividend yield	10.51%	10.51%	5.89%
Possibility of ceasing employment before vesting	10%	10%	10%
Expectation of meeting performance criteria	–	–	–
Fair value per option	54p	54p	110p

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 movements over the year to 31 December 2010 is shown below

	2010	2010	2009	2009		
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence		
Share option and savings related schemes						
Outstanding at 1 January	422,883	151	385,938	175		
Exercised	(75,597)	100	(10,500)	100		
Lapsed	(115,184)	280	(71,675)	291		
Rights issue adjustment	-	-	119,120	151		
Outstanding at 31 December	232,102	103	422,883	151		
Exercisable at 31 December	-	-	422,883	151		
Performance share plan						
Outstanding at 1 January	3,418,045	-	1,380,350	-		
Granted	1,434,041	-	2,127,838	-		
Vested	-	-	(444,944)	-		
Lapsed	(447,612)	-	(479,609)	-		
Rights issue adjustment	(714,796)	-	834,410	-		
Outstanding at 31 December	3,689,678	-	3,418,045	-		
Exercisable at 31 December	-	-	-	-		
Share matching plan						
Outstanding at 1 January	1,853,914	-	599,978	-		
Granted	551,619	-	881,414	-		
Vested	(58,629)	-	(95,355)	-		
Lapsed	(498,228)	-	(54,345)	-		
Rights issue adjustment	-	-	522,222	-		
Outstanding at 31 December	1,848,676	-	1,853,914	-		
Exercisable at 31 December	-	-	-	-		
Range of exercise prices (excluding performance share plan and share matching plan)	2010 Weighted average exercise price Pence (adjusted price)	2010 Number of shares	2010 Weighted average remaining life Contractual years	2009 Weighted average exercise price Pence (original price)	2009 Number of shares	2009 Weighted average remaining life Contractual years
1p-100p	97.4	191,868	3.6	-	-	-
100p-200p	102.0	36,057	2.8	137.1	303,522	4.5
200p-300p	-	-	-	-	-	-
300p-400p	366.0	4,177	0.2	390.0	115,184	0.7
400p-500p	-	-	-	-	-	-
500p-600p	-	-	-	510.0	4,177	1.2

Notes to the accounts

21 Reconciliation of net cash to movement in net debt

	2010 £'000	2009 £'000
Net (decrease)/increase in cash and cash equivalents	(9,772)	14,917
Net decrease in borrowings	11,229	23,094
	1,457	38,011
Exchange	1,743	6,064
Movement in net debt	3,200	44,075
Net debt at 1 January	(39,874)	(83,949)
Net debt at 31 December	(36,674)	(39,874)

22 Cash flow from operating activities

	2010 £'000	2009 £'000
Net profit	13,823	58
Tax charge/(credit) on continuing operations	5,487	(1,074)
Tax charge on discontinued operations	–	185
Depreciation/amortisation of tangible and intangible assets	5,595	6,634
Share options – value of employee services	–	(696)
Gain on disposal of tangible and intangible assets	(42)	(133)
Financing expense	2,467	4,616
Changes in working capital (excluding the effect of exchange movements and fair value adjustments)		
(Increase)/decrease in inventory	(2,163)	24,578
(Increase)/decrease in trade and other receivables	(11,434)	17,077
Increase/(decrease) in trade and other payables and provisions	12,325	(23,926)
Cash generated from operations after exceptional items	26,058	27,319

23 Employees and key management

	2010 £'000	2009 £'000
Staff costs for the group during the year		
Wages and salaries	69,317	64,077
Social security costs	14,662	14,493
Pension costs	2,257	2,885
Equity settled share based payments	–	(696)
	86,236	80,759
	Number	Number
Average number of employees, including executive directors		
UK	841	823
Germany	410	417
France	326	288
Spain	216	211
Benelux	207	201
Eastern Europe	333	320
Other	67	65
	2,400	2,325

Notes to the accounts

23 Employees and key management

Key management compensation

	2010 £'000	2009 £'000
Short term employee benefits	4,061	3,116
Post employment benefits	107	120
Termination benefits	–	329
	4,168	3,565

The key management figures shown above include all the directors together with members of the Brammer executive team as detailed on pages 24 and 25

Directors

	2010 £'000	2009 £'000
Aggregate emoluments	1,398	922

No director has any retirement benefits accruing under money purchase pension schemes or under the company's defined benefit pension scheme

24 Operating lease commitments – total future minimum lease payments

	2010 £'000	Property 2009 £'000	Vehicles, plant and equipment 2010 £'000	2009 £'000
Commitments under non-cancellable operating leases expiring				
Within one year	6,469	6,588	2,902	2,834
Between two and five years	10,791	11,888	1,970	2,892
After five years	4,713	2,443	–	–
	21,973	20,919	4,872	5,726

25 Future capital expenditure

	2010 £'000	2009 £'000
Commitments for which contracts have been placed	–	161

Notes to the accounts

26 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, Legal & General 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 has 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 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.

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 £1,089,329 (2009: £1,031,008).

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 2011 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 2009, 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 £562,000 (2009: £586,000).

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 2010.

Notes to the accounts

26 Pension commitments

The principal assumptions made by the actuanes were

	2010	UK At 31 December 2009	2010	Netherlands At 31 December 2009
Inflation rate	3.60%	3.65%	2.00%	2.00%
Rate of increase in salaries	n/a	n/a	3.00%	3.00%
Rate of increase of pensions in payment	3.60%	3.65%	2.00%	2.00%
Rate of increase for deferred pensioners	3.10%	3.65%	2.00%	2.00%
Discount rate	5.50%	5.75%	4.75%	5.40%
Life expectancy at age 65 for				
Current pensioners – males	21.30	21.20		
Current pensioners – females	23.90	23.80		
Future pensioners – males	22.80	22.70		
Future pensioners – females	25.30	25.20		

The assets held and the expected rate of return were

	Long term rate of return expected at 31 December 2010 %	Fair value at 31 December 2010 £m	Long term rate of return expected at 31 December 2009 %	Fair value at 31 December 2009 £m
UK scheme				
Equities	7.50	57.2	8.00	47.0
Corporate bonds	5.50	7.9	5.75	8.3
Fixed interest gilts	4.00	7.9	4.50	5.9
Index linked gilts	4.00	7.9	4.50	7.7
Hedge Fund	7.50	7.7	8.00	7.5
Cash	0.50	0.6	0.50	0.6
Total market value of assets	6.66	89.2	7.08	77.0
Present value of pension liabilities		(103.5)		(101.8)
Deficit		(14.3)		(24.8)
Related deferred tax asset		3.9		7.0
Net pension liability		(10.4)		(17.8)
Netherlands scheme				
Fixed interest gilts	4.00	5.2	4.50	4.6
Total market value of assets		5.2		4.6
Present value of pension liabilities		(6.7)		(5.5)
Deficit		(1.5)		(0.9)
Related deferred tax asset		0.4		0.2
Net pension liability		(1.1)		(0.7)

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.

Notes to the accounts

26 Pension commitments

Pensions and other post retirement obligations

The amounts recognised in the balance sheet are determined as follows

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of funded obligations	110.2	107.3	81.0	95.9	100.0
Fair value of plan assets	(94.4)	(81.6)	(67.7)	(81.6)	(74.8)
Net liability recognised in the balance sheet	15.8	25.7	13.3	14.3	25.2

The amounts recognised in the income statement are as follows

	2010 £m	2009 £m
Current service cost	0.2	0.2
Interest cost	6.0	5.1
Expected return on plan assets	(5.6)	(4.0)
Total pension expense included within distribution costs	0.6	1.3

Analysis of the movement in the balance sheet liability

	2010 £m	2009 £m
Opening	25.7	13.3
On-going expense as above	0.6	1.3
Employer contributions	(3.3)	(2.8)
Actuarial (gain)/loss recognised as a reserves movement	(7.2)	13.9
Closing	15.8	25.7

The actual return on plan assets was a positive £13.0 million (2009: £14.0 million positive return)

Reconciliation of defined benefit obligation

	2010 £m	2009 £m
Opening defined benefit obligation	107.3	81.0
Exchange adjustments	(0.2)	(0.4)
Service cost	0.2	0.2
Interest cost	6.0	5.1
Actuarial loss on defined benefit obligation	0.2	24.0
Actual benefit payments	(3.3)	(2.6)
Closing defined benefit obligation	110.2	107.3

Reconciliation of fair value of plan assets

	2010 £m	2009 £m
Opening fair value of plan assets	(81.6)	(67.7)
Exchange adjustments	0.2	0.4
Expected return on assets	(5.6)	(4.0)
Gain on assets	(7.4)	(10.1)
Employer contributions	(3.3)	(2.8)
Actual benefit payments	3.3	2.6
Closing fair value of plan assets	(94.4)	(81.6)

Notes to the accounts

26 Pension commitments

The actuarial loss on the defined benefit obligation is net of a £4.75 million one-off reduction in liabilities relating to the UK defined benefit scheme. This one-off reduction reflects the impact on the assessment of the liabilities due to the government's decision to use the Consumer Prices Index ('CPI') in place of the Retail Prices Index ('RPI') to determine the statutory minimum rate at which pensions will increase in future. For the UK scheme this applies to pension increases in deferment only. As CPI is expected to be lower than RPI in the long-term, this has resulted in a reduction in the long-term obligations in respect of deferred pensioners.

UK Scheme

	31 December 2010	31 December 2009	31 December 2008	31 December 2007	31 December 2006
Details of experience (gains) and losses for the year					
Difference between the expected and actual return on scheme assets					
Amount (£ million)	7.4	10.1	20.8	(1.4)	(0.4)
Percentage of scheme assets	8.30%	13.10%	32.80%	1.77%	0.54%
Experience losses on scheme liabilities					
Amount (£ million)	-	-	-	-	8.0
Percentage of the present value of the scheme liabilities	-	-	-	-	8.00%
Total amount recognised in statement of comprehensive income					
Amount (£ million)	(8.2)	13.4	1.6	(8.3)	(4.4)
Percentage of the present value of the scheme liabilities	7.92%	13.20%	2.10%	8.99%	4.55%

Dutch Scheme

	31 December 2010	31 December 2009	31 December 2008
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)	1.0	0.5	(0.1)
Percentage of the present value of the scheme liabilities	17.90%	9.80%	3.70%

Five year record

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Profit and loss					
Revenue	468,367	426,093	478,409	379,577	314,345
Profit before goodwill, exceptional items and finance costs	23,037	18,444	26,153	19,880	15,079
Amortisation of acquired intangibles and goodwill and exceptional items	(1,260)	(14,568)	(848)	(444)	2,609
Profit/(loss) on ordinary activities before finance costs	21,777	3,876	25,305	19,436	17,688
Net finance costs	(2,467)	(5,369)	(6,416)	(4,515)	(3,096)
Profit/(loss) on ordinary activities before tax	19,310	(1,493)	18,889	14,921	14,592
Tax	(5,487)	1,074	(5,925)	(4,473)	(4,818)
Profit/(loss) on ordinary activities after tax	13,823	(419)	12,964	10,448	9,774
Discontinued operations	-	477	-	-	-
Profit for the year retained in the business	13,823	58	12,964	10,448	9,774
Geographic segments					
UK					
Revenue	144,033	132,776	134,336	123,586	109,373
Operating profit ¹	6,542	4,600	3,722	2,549	1,549
Segment net assets	15,106	16,532	16,906	14,973	15,530
Germany					
Revenue	105,264	95,913	123,894	97,761	83,574
Operating profit ¹	5,901	4,855	9,171	7,180	6,009
Segment net assets	15,585	15,167	22,010	17,044	14,666
France					
Revenue	77,396	71,792	75,189	59,046	53,950
Operating profit ¹	3,181	2,765	2,883	2,679	2,435
Segment net assets	7,114	8,255	12,872	11,964	10,293
Spain					
Revenue	40,124	38,058	43,605	34,432	28,568
Operating profit ¹	2,758	2,582	3,346	3,274	2,694
Segment net assets	3,373	4,627	11,853	11,032	2,714
Benelux					
Revenue	46,411	43,366	48,161	36,539	29,049
Operating profit ¹	2,422	1,763	3,959	2,580	2,008
Segment net assets	9,854	10,944	14,344	9,929	8,201
Eastern Europe					
Revenue	48,450	39,558	46,141	26,245	9,025
Operating profit ¹	2,220	1,966	3,076	1,633	372
Segment net assets	16,381	16,928	21,605	15,940	3,578
Other					
Revenue	6,689	4,630	7,083	1,968	806
Operating profit ¹	13	(87)	(4)	(15)	12
Segment net assets	11,300	8,457	6,442	2,582	202
Net assets employed					
Goodwill	74,802	76,570	83,586	54,464	39,426
Property, plant, equipment and intangible assets	21,206	23,706	26,398	22,696	15,516
Other working capital	57,507	57,204	79,635	60,768	39,668
Net debt	(36,674)	(39,874)	(83,949)	(59,404)	(54,176)
Deferred consideration	(8,054)	(15,622)	(24,963)	(14,476)	(3,735)
Tax	(6,042)	(1,372)	(8,284)	(5,484)	786
Pension	(15,792)	(25,668)	(13,333)	(14,257)	(25,211)
Financed by					
Shareholders' equity	86,953	74,944	59,090	44,307	12,274

Five year record

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Cash flow					
Net cash inflow from operating activities	26,058	27,319	29,215	16,729	11,943
Interest paid and received	(2,159)	(5,901)	(3,924)	(4,092)	(2,782)
Tax paid	(2,686)	(2,333)	(4,178)	(2,432)	(2,132)
Decrease in pension obligations	(2,600)	(1,542)	(2,600)	(2,172)	(3,743)
Net fixed assets movements – software	(1,548)	(1,045)	(1,041)	(1,433)	(1,777)
Net fixed assets movements – property, plant and equipment	(1,747)	(652)	(3,318)	(3,493)	(1,854)
Acquisitions and disposals	(7,888)	(8,800)	(9,844)	(12,375)	(1,098)
Dividends paid	(6,042)	(4,078)	(4,063)	(3,327)	(2,583)
Financing	(11,160)	11,949	9,102	12,415	2,938
Movement in cash	(9,772)	14,917	9,349	(180)	(1,088)
Movement in debt, finance lease and liquid resources	11,229	23,094	(11,332)	119	(3,359)
Exchange movements on opening balances	1,743	6,064	(22,562)	(5,167)	923
Movement in net debt	3,200	44,075	(24,545)	(5,228)	(3,524)
Ratios					
Earnings per share – Basic ²	13.0p	0 1p	17 4p	14 5p	14 5p
Earnings per share – Fully diluted ²	13.0p	0 1p	17 1p	14 3p	14 4p
Earnings per share – before amortisation and exceptionals ²	13.9p	13 1p	18 2p	14 9p	11 8p
Dividend per share ²	6.6p	5 5p	5 5p	5 1p	4 3p
Interest cover ³	10 2x	4 4x	4 4x	4 6x	4 9x
EBITDA ³	27,372	23,106	30,960	23,388	17,939
Return on investment (excluding net pension)	21%	17%	32%	36%	43%
Gearing (excluding net pension)	37%	43%	122%	109%	178%

1 Operating profit before amortisation of acquired intangibles and exceptional items

2 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

3 Based on profit before amortisation of acquired intangibles and exceptional items

Brammer plc 2010

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 2010

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 £5,421,000 (2009 profit of £5,429,000) The directors have recommended that a final dividend of £4,786,000 be paid (2009 £3,826,000)

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 20 and 21 of the group's annual report which do not form part of this report, and the financial risk factors which include those of the company, are discussed on pages 61 and 62 of the group's annual report

Employees

This information is shown in the directors' report in the group section of the annual report on page 29

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

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 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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, 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 confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements 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

Auditors

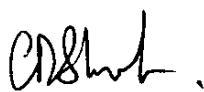
So far as the directors are aware, there is no relevant audit information of which the auditors are unaware Each director has taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors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

By order of the board

Chris Short

Secretary

22 February 2011



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 2010 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 directors' responsibilities statement, 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.

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 2010,
- 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 2010.



Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 February 2011

Balance sheet

At 31 December 2010

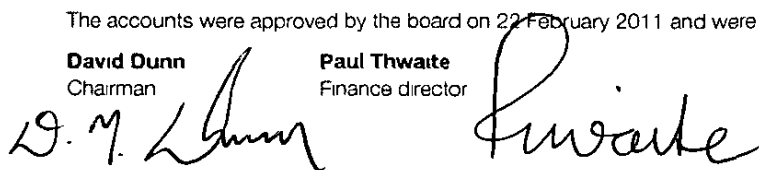
	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	1	3,484	3,232
Investments – shares in group undertakings	2	94,845	94,706
		98,329	97,938
Current assets			
Debtors – due after more than one year	3	99,721	107,087
Debtors – due within one year	3	5,063	6,282
		104,784	113,369
Cash at bank and in hand		114	8,617
		104,898	121,986
Creditors – amounts falling due within one year	4	(57,115)	(53,315)
Net current assets		47,783	68,671
Total assets less current liabilities		146,112	166,609
Creditors – amounts falling due after more than one year	5	(51,333)	(71,086)
Provisions for liabilities	6, 7	(58)	(250)
Net assets		94,721	95,273
Capital and reserves			
Called up share capital	9	21,272	21,257
Share premium account		18,152	18,092
Special capital reserve		12,077	12,077
Profit and loss account		43,220	43,847
Total shareholders' funds	8	94,721	95,273

The notes on pages 91 to 96 form part of these accounts

The accounts were approved by the board on 22 February 2011 and were signed on its behalf by

David Dunn
Chairman

Paul Thwaite
Finance director



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

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
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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

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 profit and loss account 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

	2010 £'000	2009 £'000
Equipment		
Cost		
At 1 January	6,841	6,316
Additions	1,027	525
At 31 December	7,868	6,841
Accumulated depreciation		
At 1 January	3,609	2,440
Charge	775	1,169
At 31 December	4,384	3,609
Net book value		
At 1 January	3,232	3,876
Movement in year	252	(644)
At 31 December	3,484	3,232

2 Fixed assets – investments (unlisted)

	2010 £'000	2009 £'000
Subsidiaries		
At 1 January	94,706	92,306
Additional investment in existing subsidiaries	139	2,400
At 31 December	94,845	94,706

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 26

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

3 Debtors

	2010 £'000	2009 £'000
Amounts due after one year		
Amounts owed by group undertakings	99,721	107,087
Amounts due within one year		
Amounts owed by group undertakings	4,345	5,541
Other debtors	509	520
Prepayments and accrued income	209	221
	5,063	6,282
	104,784	113,369

Amounts owed by 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

Notes to the accounts

4 Creditors – amounts falling due within one year

	2010 £'000	2009 £'000
Bank overdrafts	4,454	–
Amounts owed to group undertakings	40,829	47,829
Corporation tax	1,675	2,370
Deferred consideration	6,906	2,082
Accruals	3,251	1,034
	57,115	53,315

Amounts owed 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

	2010 £'000	2009 £'000
Bank and other borrowings		
Unsecured bank loan repayable		
Between one and two years	51,333	–
Between two and five years	–	64,409
Over five years	–	–
	51,333	64,409
Deferred consideration	–	6,677
	51,333	71,086

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

6 Deferred tax

	2010 £'000	2009 £'000
Deferred tax		
At 1 January	(51)	(125)
Profit and loss account	(7)	74
At 31 December	(58)	(51)

Notes to the accounts

7 Provisions

	2010 £'000	2009 £'000
At 1 January	(199)	-
Utilised	199	(199)
At 31 December	-	(199)

Provisions related to restructuring costs incurred in 2009 which were settled in 2010. See note 16 in the group consolidated financial statements

8 Movement in Shareholders' funds

	Share capital £'000	Share premium £'000	Special capital £'000	Profit and loss account £'000	2010 Total £'000	2009 Total £'000
At 1 January	21,257	18,092	12,077	43,847	95,273	59,575
Shares issued during the year	15	60	-	-	75	39
Net proceeds from rights issue	-	-	-	-	-	35,305
Profit for the financial year	-	-	-	5,421	5,421	5,429
Dividends	-	-	-	(6,042)	(6,042)	(4,078)
Purchase of own shares (note 9)	-	-	-	(6)	(6)	(301)
Value of employee services	-	-	-	-	-	(696)
Movement in year	15	60	-	(627)	(552)	35,698
At 31 December	21,272	18,152	12,077	43,220	94,721	95,273

The special capital reserve is non-distributable

The company owns 277,634 (2009: 331,886) of its own shares at a cost of £242,508 (2009: £248,158)

9 Called up share capital

	2010 Number	2009 Number
Ordinary shares of 20p each Allotted, called up and fully paid		
At 31 December	106,361,185	106,285,588

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 2011 to 22 February 2011 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

Purchase of own shares

During the year the company acquired 4,377 of its own shares through the Brammer plc Employee Share Ownership Trust ("the Trust") for an aggregate consideration of £6,076 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 58,629 shares were transferred to directors and senior managers to meet vestings under these plans.

At 31 December 2010 the Trust held a total of 277,634 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 year under the group's employee share option schemes resulted in 75,597 ordinary 20p shares being issued with exercise proceeds of £75,316.

10 Employee benefit expense

	2010 £'000	2009 £'000
Wages and salaries	4,216	3,157
Social security costs	648	433
Share options granted to directors and employees	—	(696)
Other pension costs	2,395	1,902
	7,259	4,796
Average number of employees (including directors on a service contract)	41	40

11 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.

12 Related party transactions

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the group as these transactions are fully eliminated on consolidation.

Financial calendar 2011

17 May 2011	Annual general meeting at 43–45 Broad Street, Teddington, Middlesex TW11 8QZ
10 June 2011	Record date
5 July 2011	Dividend payment date
5 August 2011	Announcement of interim results for the six months to 30 June 2011

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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