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Brammer plc Annual Report 2014

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COMPANIES HOUSE

# Brammer saves customers money.

2014 £66.2m

We saved our customers a record £66 million in 2014 and have saved them £310 million in 11 years.

2013 £60.0m

2012 £51.5m

2011 £34.9m

2010 £30.0m

2009 £25.2m

2008 £15.0m

2007 £15.1m

2006 £8.8m

2005 £2.6m

2004 £0.4m

**BRAMMER** 

## Our value proposition

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.

## 1 Reduce procurement costs

### Products

- > Product transformation/adaptation
- > Original Equipment ("OE") parts conversion
- > Substitute parts

### Business processes

- > Transaction analysis reporting
- > Consolidated invoicing
- > Blanket orders
- > Electronic ordering/invoicing
- > Purchase cards
- > Self billing

## 2 Improve production efficiency

### Products

- > Performance measurement
- > Condition monitoring
- > Technical support
- > Repairs
- > Drive design
- > Application advice

### Business processes

- > Technical consultancy
- > 24/7/365 service
- > Component kitting
- > Delivery to line

## 3 Reduce working capital

### Products

- > Product and brand rationalisation
- > Standardisation

### Business processes

- > Stock profiling

**"I understand how important it is to reduce inventory and procurement costs."**

See page 9

**Organisation**

- > Supplier reduction
- > Vendor managed inventory
- > Training
- > Equipment surveys
- > Insite™ services
- > Energy survey/monitoring
- > Consignment stock management

**"A small improvement can make a huge difference."**

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**Organisation**

- > Supplier reduction
- > Vendor managed inventory
- > Training
- > Equipment surveys
- > Insite™ services
- > Energy survey/monitoring
- > Consignment stock management

**"The customer can invest the savings in many other things such as hiring new employees or improved facilities."**

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**Organisation**

- > Supplier reduction
- > Vendor managed inventory
- > Training
- > Equipment surveys
- > Insite™ services
- > Energy survey/monitoring
- > Consignment stock management

# Brammer

Brammer is the leading pan-European added value distributor of industrial maintenance, repair and overhaul products with a strong local presence.

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 eleven years and is focused on four key areas of growth, capabilities, costs and synergies.

# Strategy

## Growth

- > Country organic growth
- > New Accounts
- > Ingres<sup>SM</sup>
- > Product range extension
- > Customer service

See page 17

## Capabilities

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

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## Cost

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

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## Synergies

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

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# Record

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## Revenue

2014	£723.6m	+11%	<div></div>
2013	£651.9m	+2%	<div></div>
2012	£639.6m	+12%	<div></div>

## Profit before tax (pre amortisation of acquisition related costs & exceptional items)

2014	£35.1m	+1%	<div></div>
2013	£35.4m	+4%	<div></div>
2012	£33.9m	+17%	<div></div>

## Profit before tax statutory

2014	£17.7m	+36%	<div></div>
2013	£32.9m	+26%	<div></div>
2012	£26.2m	+7%	<div></div>

## Earnings per share (pre amortisation of acquisition related costs & exceptional items)

2014	20.7p	+6%	<div></div>
2013	22.1p	+3%	<div></div>
2012	21.5p	+9%	<div></div>

## Dividend per share

2014	10.7p	+5%	<div></div>
2013	10.2p	+9%	<div></div>
2012	9.4p	+12%	<div></div>

2012 restated on adoption of IAS 19(R) – Employee Benefits.  
\*Amortisation of acquired intangibles.

## Performance

## Priorities

- SPMG growth
- Key Account growth in revenue and contracts
- Industrial growth in revenue and number
- Non-bearing T&GM market segment growth
- Customer satisfaction

Our number one priority is growth – achieved in five areas: using our experience and focus on key market segments and producing solutions for our customers based on this experience; providing solutions for key Account customers on a national and pan-European basis; developing the Inera™ concept with our larger customers; cross-selling; and acquisition.

- Sales per employee / training spend per employee
- Graduate training scheme
- E-learning programme
- Employee satisfaction survey / European council of employees representatives

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

- Supplier payments: 80% of purchases
- Gross margin %
- RoB 1% growth / EPS growth / SDA % / sales
- ROCE % / stock turns

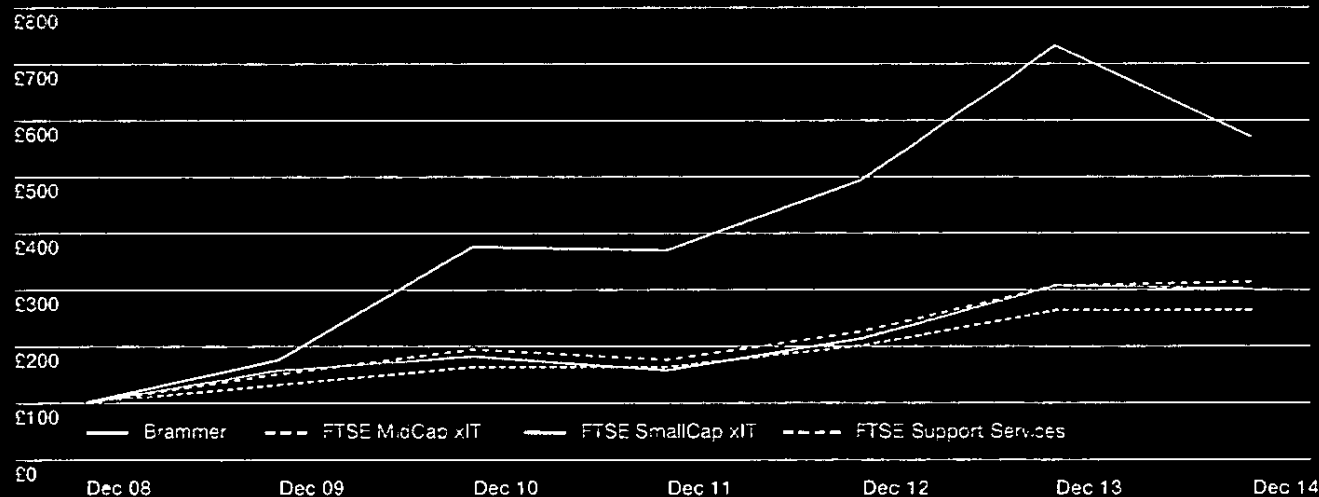
Our cost strategy ensures that we source product under the most advantageous terms for our customers, and that our sales, distribution and administration costs are spent as efficiently as possible.

- Standard internal processes and manuals
- MDW / E-shop / Brammer online / online
- Roebuck brand awareness and sales
- Supplier scorecards

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 460 locations in 25 countries.

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Total shareholder returns over six years



# Reasons to invest

**1 Our business** – We provide solutions for our customers' need for profitability, productivity, quality and consistency. We work with our customers to reduce their number of suppliers and the overall cost to them of procuring MRO products which drives the European MRO market ahead of GDP.

**2 Market size and Brammer's share** – We are the European market leader operating in a highly fragmented market, though with only just over a 1% share of the market, estimated to be worth more than €70 billion, our market share will not be a constraint to growth for many years to come.

**3 Market nature** – Our business is focused on higher growth market segments, minimising our exposure to more cyclical market segments.

**4 Customer base** – We have a robust and diverse blue chip client base, and through our Key Account and Insite™ strategies we embed ourselves with our customers.

**5 Product range extension through organic and acquisitive growth** – We constantly monitor opportunities to extend our geographical footprint and to consolidate the market through strategic acquisitions such as tools distributor Buck & Hickman in 2011. In 2014 the acquisition of the Lönne business gives us a major presence in all the key Scandinavian markets providing opportunities for cross-selling our product range and servicing Key Accounts in the region.

**6 Margin opportunity and development** – Since inception our strategy has delivered margin improvement with an EBITA margin target of 8% in the medium term

**7 Management team and capabilities** – Our business is led by a highly experienced and proven management team with a solid group balance sheet to support further growth.

**8 North American market** – In the more developed North American market those businesses which focused on similar growth initiatives have demonstrated consistent outperformance against GDP and the largest five businesses now have an estimated 25% share of the total MRO market, which demonstrates the strategic opportunity for Brammer in Europe

## Growth from inception of strategy

	2004	2005	2006	2007	2008	2009	2010	2011	2012 <sup>3</sup>	2013	2014
Revenue	£270.8m	£287.4m	£314.3m	£379.6m	£478.4m	£426.1m	£463.4m	£571.5m	£639.6m	£651.9m	£723.6m
Gross margin	30.1%	30.9%	30.5%	30.4%	30.0%	30.1%	30.1%	30.3%	30.5%	31.5%	31.7%
Operating profit <sup>1</sup>	£9.8m	£12.5m	£15.1m	£19.9m	£26.2m	£18.4m	£23.0m	£31.8m	£37.3m	£39.8m	£41.2m
Return on sales <sup>1</sup>	3.6%	4.4%	4.8%	5.2%	5.5%	4.3%	4.9%	5.6%	5.8%	6.1%	5.7%
Profit before tax (statutory)	£6.2m	£10.1m	£14.6m	£14.9m	£18.9m	£11.5m	£19.3m	£24.5m	£26.2m	£32.9m	£17.7m
Operating cash flow	£18.7m	£15.7m	£11.9m	£16.7m	£29.2m	£33.3m	£27.5m	£28.9m	£28.7m	£48.4m	£20.6m
Net debt	£57.0m	£50.7m	£54.2m	£59.4m	£83.9m	£39.9m	£36.7m	£35.3m	£53.8m	£52.9m	£85.3m
Total customer signed off cost savings	£0.4m	£2.6m	£8.8m	£15.1m	£15.0m	£25.8m	£30.0m	£34.9m	£51.5m	£60.0m	£66.2m
Earnings per share (statutory) <sup>2</sup>	5.6p	11.2p	14.5p	14.5p	17.4p	0.1p	13.0p	16.8p	16.6p	20.5p	9.2p
Earnings per share <sup>1,2</sup>	6.5p	11.2p	11.8p	14.9p	18.2p	13.1p	13.9p	19.8p	21.5p	22.1p	20.7p
Dividends per share <sup>2</sup>	3.4p	3.8p	4.3p	5.1p	5.5p	5.5p	6.6p	8.4p	9.4p	10.2p	10.7p

1. Based on profit before amortisation of acquired intangibles, acquisition related costs and exceptional items.

2. Amounts per share for 2008 and prior years were restated to reflect the effect of the 1 for 1 rights issue completed in November 2009.

3. 2012 restated on adoption of IAS 19R – Employee Benefits.

## Strategic growth drivers

Despite challenging conditions in Europe, Brammer continued to outperform the market in 2014 – gaining significant market share and delivering growth in relation to revenue, margin and profits through consistent focus on the key growth drivers that underpin all we do

### Country organic growth

Our market segmentation approach, which enables us to demonstrate our understanding of the individual needs of specific industries, once again served us well in 2014. A continuing focus on defensive sectors enabled us to grow sales in areas such as Utilities (9.9% up on 2013) and Food & Drink (up 9.5%). But even in the more cyclical industries such as Automotive (up 11.1%) and Construction & Aggregates (up 11.7%) Brammer achieved impressive growth.

### Key Accounts

The revenue contribution from Brammer's Key Account contracts has grown every year since we started targeting Europe's leading manufacturers more than 10 years ago. Key Account sales now account for 53.2% of our overall Group sales. Sales Per Working Day growth in Key Accounts was up 8.7% as a whole in 2014 and revenue growth in our Tier 1 pan-European Key Accounts saw a substantial 26.8% increase. In fact, we signed 14 new pan-European agreements in 2014 and have a strong pipeline of prospects for 2015.

### Insites™

Our customers hugely value our Insite™ service – where we provide a Brammer branch within their plant – a fact underlined by the continuing growth in the total number of Insites™.

At the end of 2014, we were running a total of 427 Insites™ across Europe, representing an increase of 44 over 2013. We now have 179 full time Insites™ and 248 part time ones, contributing 51% of total Key Account business. Insites™ sales grew by 11.1% in 2014.

### Product range extension

Our 100,000 strong customer base and wide product range gives us plenty of scope to sell more to organisations that we already supply. Non-bearing sales were up 18.8% in 2014, with Mechanical Power Transmission sales up 9.1% and Fluid Power sales up 11.2%. But the most substantial growth in continental Europe continues to be driven by Tools and General Maintenance sales – where we saw an 80% increase in 2014. This rapid growth is set to continue in 2015, as exit growth rates of sales on the continent in Q4 2014 were running at 138.3%.

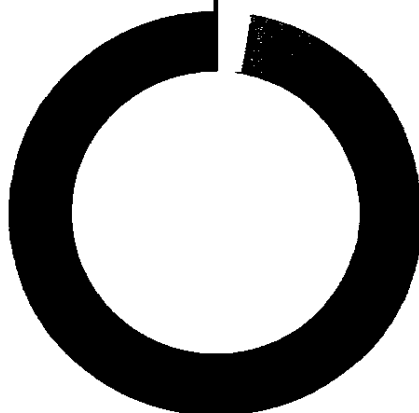
### Customer service

Brammer's customers buy from 6.8 million order lines, manufactured by 27,000 suppliers, and every year we fulfil three million orders, so we need to maintain consistently high standards, every minute of every day. That's why we have now defined the Brammer Way of Excellence in Customer Service and began its roll out across the whole business in 2014. A further tangible proof of this commitment to customer service is the delivery of real savings in relation to customer costs. In 2014 we delivered £66.2 million of signed-off customer cost savings across 4,721 different projects, bringing the cumulative total to £310.3 million since 2004.

**Ian Fraser** Chief Executive

Our potential market is worth over €70 billion.

Our sales are £724 million, a share of just 1.3%.



Market opportunity   Bearings €2 billion   MPT €5 billion   Fluid power €10 billion   T&GM and PPE €55 billion

## Strategic report

### Our market

Brammer is the leading pan-European added value distributor of high quality industrial maintenance, repair and overhaul products. We are the authorised distributor of many of the world's leading engineering component manufacturers. We supply Bearings, Mechanical Power Transmission components, Fluid Power, and Tools and General Maintenance products, together with engineering and associated industrial services, to the maintenance repair and overhaul ("MRO") market across Europe.

We estimate the European MRO bearings market to be worth around €2 billion annually and we have approximately 10% share of that market making us the clear European market leader.

In Mechanical Power Transmission we have approximately 3% of an estimated €5 billion market. In Fluid Power we have just over 1% of an estimated €10 billion European market and in our developing product range of Tools and General Maintenance we have less than 1% of what we now estimate to be a market worth at least €55 billion across Europe.

Overall we estimate the market for our entire range of products to be worth in excess of €70 billion, of which we currently have a market share of just 1.3%. We estimate our existing customer base spends around €6.5 billion on our defined product range. Our share of our customers' total spend is, therefore, just over 10%, representing an opportunity to achieve significant growth through cross-selling.

We are the European market leader but we operate in a highly fragmented marketplace. Consequently our market share will not be a constraint to growth for many years to come, especially with our expansion into Scandinavia this year.

### Our operations

Our geographic footprint has further extended this year, now covering 23 countries, which gives us a European coverage far greater than any of our competitors. With our unique pan-European scale we are the only distributor of industrial products in Europe able to offer a single source of supply, which is highly valuable to our customers who are increasingly seeking a trusted level of consistent quality and service across multiple countries and locations. Over recent years we have striven to achieve a consistent level and quality of service, staff skills, and product range at each of our locations.

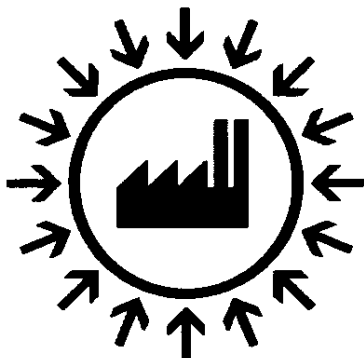
### Our unique selling points

Our customers across Europe realise that purchasing MRO supplies can be complex and expensive. They have chosen to partner with us to take advantage of our value proposition which, based on our knowledge of the production process, understanding of supplier products, specific market requirements and extensive product range, is designed to help customers:

- consolidate MRO spend with a lower number of suppliers
- reduce their total purchasing spend
- increase production line efficiency
- avoid breakdowns
- minimise costly and unplanned downtime
- improve working capital

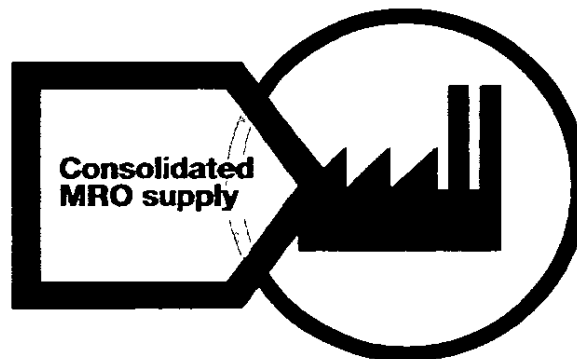


### Multi supplier model



Pan-European manufacturers who continue to use many suppliers to satisfy their MRO requirements complicate their procurement process and waste time and money. They are increasingly looking to rationalise their MRO purchasing.

### Brammer business model



Brammer's model consolidates MRO supply – reducing the total costs of component acquisition, increasing production efficiency, reducing working capital and making life easier for our customers.

Customers rely on Brammer for their MRO products and services, as Brammer offers

- authorised dealership status for the world's leading manufacturers
- an unrivalled inventory of over 500,000 individual MRO components
- nearly 6 million individual product lines on our central database from world class manufacturers
- sourcing from thousands of suppliers including all the top OEM brands

We serve over 100,000 customers in every manufacturing sector, leveraging our pan-European network and delivering 24/7/365 locally across Europe from our 16 state-of-the-art, high-tech national distribution centres

In an environment where most businesses are facing increased cost pressures and competition, our value proposition specifically addresses opportunities for the customer to improve productivity and reliability, assisted by our field sales engineers and technical specialists, often in association with our suppliers. All of our customers recognise the need to have healthy cash flow and a strong balance sheet, and our value proposition here has provided substantial cost savings to our customers by helping them better manage their shop floor inventory, thereby reducing working capital. In 2014 we delivered an eleventh straight year of increases in customer recognised cost-saving solutions, yielding a record £66 million savings for our customers

### Strategy

Our bearings presence gives us access to a significant proportion of the key industrial procurement personnel within businesses of all sizes across Europe. We see bearings as the entry ticket into our customers giving us the opportunity to sell the rest of our product range by building relationships and demonstrating our experience, based on our market leading position. The engineer who installs bearings, to repair and maintain the machinery on the shop floor, is normally also responsible for installing Power Transmission and Fluid Power products and in doing his job uses our range of tools and general maintenance products. The buyer responsible for purchasing bearings at our customers is generally also responsible for purchasing the rest of our product range


The number of manufacturing companies seeking to reduce their number of suppliers has increased significantly, prompting them to look for partners who can meet their needs both locally and on a pan-European level. Brammer's model consolidates MRO supply – reducing the total costs of component acquisition and increasing production efficiency

We work with our customers to reduce their number of suppliers and the cost of acquiring MRO supplies. As customers use more of our MRO products they substantially reduce their number of MRO suppliers and overall cost of procurement

Our business model, strategy and priorities are further outlined in the fold-out cover



## Consolidating the market



***What excites us the most about Brammer is how they set up and implement their strategy. We are really excited about our current relationship.***

**Schaeffler Robert Schullian** Member of the Executive Board at Schaeffler AG & President of Schaeffler Industrial

***The vision of Brammer and the vision of PFERD are very close. Brammer talk about quality and the best solution for the end user customer and we do the same.***

**PFERD Stefan Heimes** Head of European Sales

***Our strategies match. Brammer are a pan European company and we need to develop pan European activity with pan European partners. There is plenty of opportunity for growth and we will grow with Brammer I have no doubt.***

**NSK Jean-Yves Chapelet** European After Market Development Director

***So what excites me about Brammer is the brand name and the footprint. I think there's a long way we can go together.***

**Parker Joachim Guhe** President: Europe, Middle East & Africa

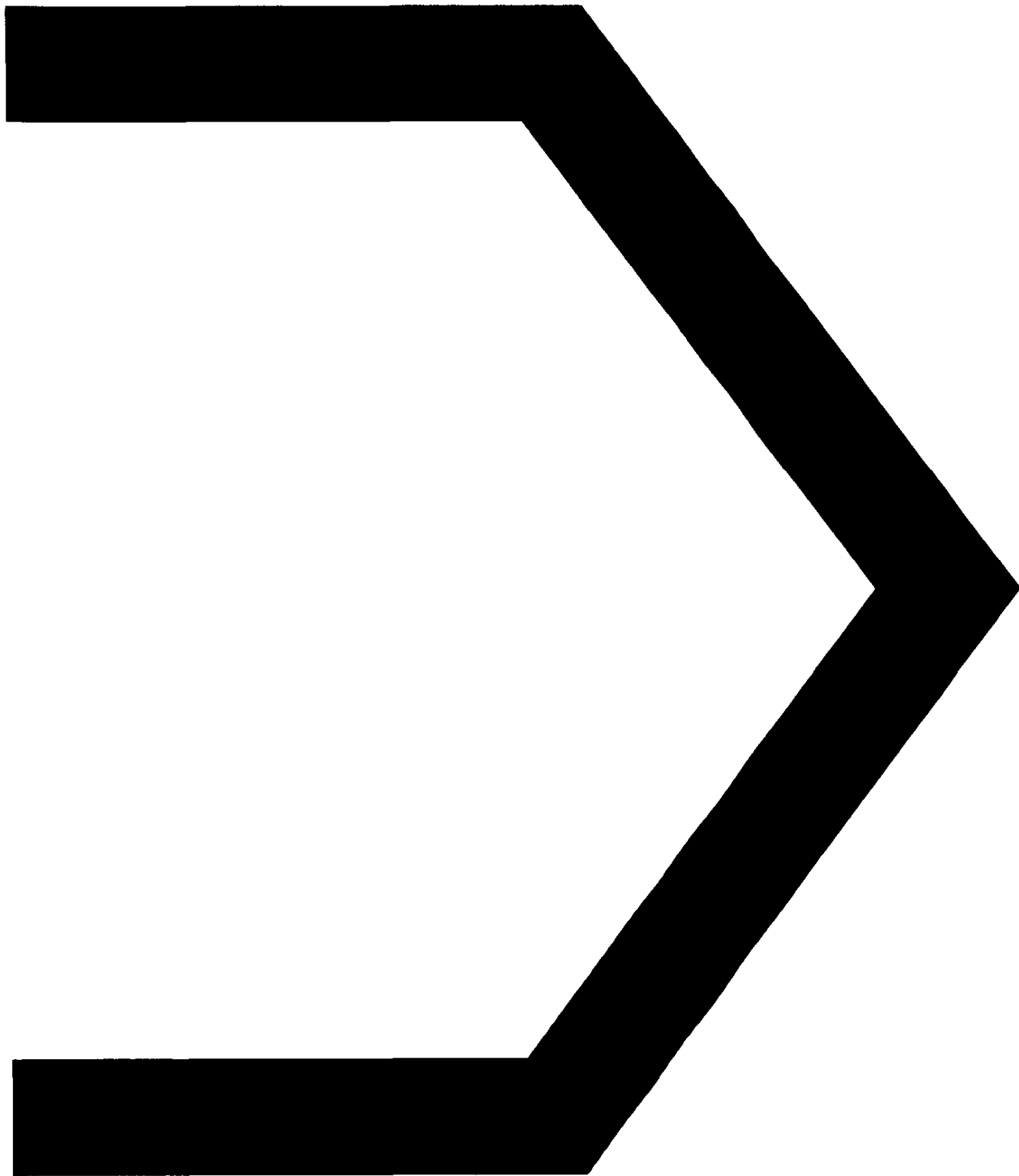
***Brammer is one of our strategic partners in Europe with a strong value proposition for MRO. Combined with the SKF Knowledge Engineering capabilities we create great value towards our common customers.***

**SKF Ole Kristian Joedahl** President Industrial Market, Sales and Marketing

***We are proud to work with Brammer. Brammer is a very powerful machine.***

**Newell Rubbermaid Emilio Capelli** VP Sales Europe





- |                                |                               |
|--------------------------------|-------------------------------|
| 1 Alar Protección Laboral S.L. | 9 O.A.T. BV                   |
| 2 CCH Transtech AB             | 10 Sirio SRL                  |
| 3 Elektro-Motor I Göteborg AB  | 11 Suministros Ondiz          |
| 4 F.I.C.A.                     | 12 Parkerstore                |
| 5 Kipab AB                     | 13 Premier Bearing Co Limited |
| 6 KOMA Commercial s.r.o        | 14 Röstberg & Bengtsson AB    |
| 7 Lönne Group                  | 15 Tissot Srl                 |
| 8 Martin Depner GmbH           |                               |

## 15 acquisitions in 2014

1 Alar Protección  
PPE distributor in the Bilbao  
area of Spain.

2 CCH Transtech  
Bearings and MPT specialist  
and significant Schaeffler  
distributor in Sweden.

6 KOMA Commercial  
Bearings and MPT distributor  
in eastern Czech Republic.

Austria  
Belgium  
Czech Republic  
Denmark  
Finland  
France  
Germany  
Hungary  
Iceland  
Ireland  
Italy  
Luxembourg  
The Netherlands  
Norway  
Poland  
Slovakia  
Spain  
Sweden  
United Kingdom

**44**  
new Insites™ in 2014 bringing  
the total across Europe to

**427**

**14**  
new pan-European Key Accounts  
bringing our total to

**73**

The total number of locations  
we operate from throughout  
Europe is now over

**460**

7 Lönne  
Distributor of OEM and MRO  
industrial products, in Norway,  
Sweden, Finland and Denmark.

8 Martin Depner  
German specialist Tools  
& General Maintenance  
distributor near Hannover

9 O.A.T.  
Bearings, power transmission,  
tools and general maintenance  
distributor near Zwolle.

10 Sirio  
Leading regional T&GM  
specialist distributor in  
northern Italy

11 Suministros Ondiz  
Regional Spanish T&GM  
specialist distributors,  
who also sell PPE products.

**Total SPWD growth rate by segment at constant currency**

	First half	Second half	Full year	Full year excluding acquisitions
SPWD				
UK	-1.4%	-4.1%	-2.8%	-2.8%
Germany	7.7%	8.4%	8.1%	3.2%
France	3.9%	12.8%	8.5%	0.7%
Spain	14.0%	16.2%	15.1%	10.6%
Benelux	7.7%	2.9%	4.7%	3.8%
Scandinavia	-	-	-	-
Eastern Europe and Other	27.7%	55.4%	41.3%	35.0%
<b>Total group</b>	<b>14.1%</b>	<b>15.5%</b>	<b>14.5%</b>	<b>3.4%</b>

**Operating performance**

	2014 £m	2013 £m
Revenue	723.6	651.9
Gross margin %	31.7%	31.5%
Gross profit	229.4	205.3
Sales, distribution and administration costs <sup>1</sup>	(200.8)	(165.5)
Operating profit <sup>1</sup>	41.2	39.8
Operating return on sales <sup>1</sup>	5.7%	6.1%
Finance expense – net	(6.1)	(4.4)
Profit before tax <sup>1</sup>	35.1	35.4
Cash generated from operations	13.7	45.5
Earnings per share <sup>1</sup>	20.7p	22.1p
Dividend per share	10.7p	10.2p

1. Before amortisation of acquired intangibles, acquisition related costs and exceptional items.

**Performance review**

We continue to gain market share through organic growth and strategic acquisitions despite challenging market conditions in continental Europe and the UK. This included focusing on our self-help growth driver strategies which enable us to outperform our markets. Overall we delivered a record £66.2 million of customer validated cost savings to our customers.

Overall, revenue grew by 11.0% with sales in the year totalling £723.6 million. As a sizeable proportion of our operations are based in continental Europe, we experienced a currency headwind equivalent to 3.6% of revenue growth. At constant currency, revenue increased by 14.6% – a resilient performance achieved through clear focus on our self-help growth drivers, which delivered organic sales per working day (SPWD) growth (including incremental growth of our new Scandinavian business and the impact of the bolt-on acquisitions) of 6.8%, a rate that accelerated through the year. Key Account SPWD grew by 8.7% and base business SPWD grew by 22.2% in total, 4.4% organic growth (including incremental growth of Scandinavia and the impact of bolt-on acquisitions).

We experienced an overall sequential improvement in SPWD growth during the year with total growth of 15.5% (8.2% organic growth, including the impact of bolt-on acquisitions) in the second half compared to total growth of 14.1% (5.4% organic growth, including the impact of bolt-on acquisitions) in the first half. However, market conditions affected our regions in differing ways, with all regions experiencing this sequential SPWD improvement apart from the UK, which declined 2.8% overall and 4.1% in the second half.

As previously announced, this is largely due to six large UK customers, with annualised revenues of £58 million in 2013 reducing their spend by over 20%, as a result of challenging conditions in their end markets which resulted in a year on year revenue decline in 2014 of around £14 million. The UK result contributes an adverse effect of 1.3 percentage points to the Group SPWD growth rate. Continental Europe reflected a SPWD total growth rate of 29.5% (14.7% organic growth, including the impact of bolt-on acquisitions), growth rates significantly exceeding the market.

Gross margin increased by 20 basis points compared to the previous year, reaching 31.7% despite the dilutive effect of an increasing proportion of our sales being of lower margin Tools and General Maintenance products. As our volume of purchases rises we expect the margin on Tools and General Maintenance products to increase.

Underlying operating profit (profit before amortisation of acquired intangibles and acquisition related costs and exceptional items) increased by 3.5% to £41.2 million (2013: £39.8 million), supported by tight control of underlying operating costs. We recognise that self-help is essential, and have therefore continued to make significant investment in future business development opportunities, especially in Tools and General Maintenance and Vending. Sales, distribution, and administrative costs ("SDA") (excluding amortisation and acquisition related costs) increased by £22.7 million, including a £4.7 million foreign exchange impact and £14.6 million due to the Scandinavian acquisitions. Costs increased by 8.0% reflecting the effect of the bolt-on acquisitions and also £4.4 million incremental business.

### Key performance indicators

	2014	2013
Group sales growth <sup>1</sup>	14.6%	-0.2%
Organic <sup>2</sup> SPWD growth <sup>1</sup>	6.8%	-0.2%
Key Account SPWD growth <sup>1</sup>	8.7%	8.7%
Return on Capital employed	27.2%	34.8%
Net debt to EBITDA	1.82:1	1.15:1
Interest Cover	7.9	11.4
Stock turn	3.8	4.3

1. At constant currency.

2. Including incremental growth of Scandinavia and the impact of the bolt-on acquisitions.

### Trading during the year

	First half £m	Second half £m	Full year £m
<b>2014</b>			
Revenue	364.1	359.5	723.6
Gross profit	114.0	115.4	229.4
Underlying operating profit <sup>1</sup>	20.6	20.6	41.2
<b>2013</b>			
Revenue	328.4	323.5	651.9
Gross profit	100.8	104.5	205.3
Underlying operating profit <sup>1</sup>	17.2	22.6	39.8

1. Profit from operations before amortisation of acquired intangibles, exceptional items and acquisition related costs, interest and tax.

development investment of which the majority was in our vending capability which is a major long term growth driver. This also included the development of our ecommerce capability, the Brammer Trading Platform. Our annualised business development spend is nearing the optimum and we do not anticipate material increases in 2015. Clearly in the short term, these investments are a drag on profitability and therefore the resulting underlying operating return on sales of 5.7% is 40 basis points below the previous year. Underlying basic earnings per share were down 6.3% to 20.7 pence per share (2013 22.1 pence per share), which includes the dilutive effect of the 10% share placing during the year.

### Operating performance and key performance indicators

We use the above key performance indicators (KPIs) to measure and track performance. Each KPI relates directly to our long term strategy.

In addition the following other performance measures are monitored – as per the data tables in this Performance Review – including the number of Key Account contract wins, number of new Insites opened, the company's TSR performance, and the results of the customer satisfaction survey.

### Financial review

#### Revenue

Revenue increased by 11.0%, of which continental Europe contributed 12.2%, with the UK contributing a 2.8% decrease. At constant exchange rates, revenue for the Group increased by 14.6% compared to the prior year.

### Trading during the year

Profit from operations before amortisation, exceptional items and acquisition related costs, interest and tax ("underlying operating profit") increased by 3.5% to £41.2 million (2013 £39.8 million), of which £20.6 million was delivered in the first half and £20.6 million in the second half (see table above).

In the first half, revenue increased by £35.7 million reflecting the effect of acquisitions, notably in Scandinavia but also reflecting organic growth from Key Accounts and Tools and General Maintenance sales in continental Europe. Underlying operating profit increased by £3.4 million. In the second half, revenue increased by £36.0 million and underlying operating profit declined by £2.0 million, reflecting effects of currency headwinds, declining sales in several large customers and continuing investment in growth driver projects.

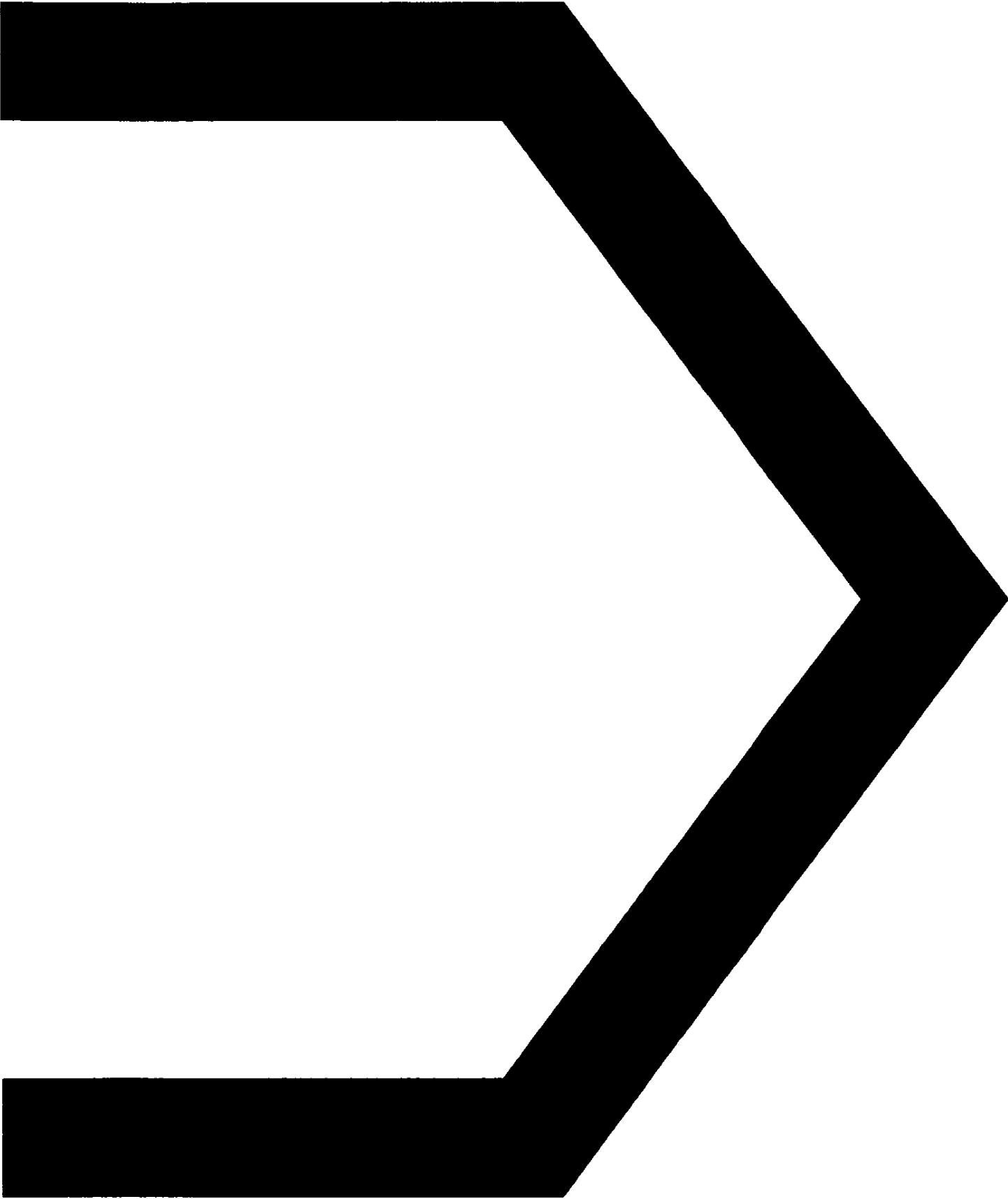
Exchange rates had an adverse impact on the year's results reducing reported growth in revenue by 3.6% in revenue and underlying operating profit by 2.1%.

### Gross profit

The gross profit for the year was £229.4 million (2013 £205.3 million), with gross margin increasing by 20 basis points to 31.7% (2013 31.5%).

### Sales, distribution and administrative expense

Total reported SDA costs increased by £37.6 million from £168.0 million in 2013 to £205.6 million, excluding amortisation of acquired intangibles ("amortisation"), exceptional items and acquisition related costs, the increase was 13.7% from £165.5 million in 2013 to £188.2 million.





# 1.

**Anna Andersen** Material Control Team Leader

"A great thing about the Brammer Graduate Programme is that you get to know how the different departments work and what their main objectives are. Having worked in purchasing has made me understand about the total cost of acquisition and how important it is to reduce it, especially the inventory and procurement costs."

## Reduce procurement costs

### Our customer's challenge

We were working with a customer in Germany who was having problems with vacuum filter units on their production line. They kept failing and, as there were four filters in each of 60 line installations, that was a lot of filters to replace. When you add to that the complexity of the replacement process – which needs special tools – and the time taken to do it you can see how it was a real problem.

### Our solution

Our Insite™ Manager and Fluid Power expert suggested using a new type of filter from one of our strategic partner brands, SMC, instead of the ones the customer was using. The thing about these filters is that only the filter needs replacing, which is easy as it only needs a single clip. That means less time spent fitting them and no special tools needed. A saving in itself. But added to this, these filters came at a lower price and delivered a far longer service life. To give you some idea of the service life scale we're talking about here, it reduced the number of filters replaced from more than 7,000 a year to only 550. The overall saving in maintenance and product costs? €121,857.

Underlying SDA at constant currency increased by 17.0% primarily reflecting the effect of acquisitions. A total expenditure of £8.0 million was incurred in the year on strategic growth initiatives of which £1.5 million was capitalised.

#### Operating profit

Underlying operating profit increased by £1.4 million to £41.2 million in 2014 from £39.8 million in 2013. Return on sales decreased to 5.7% (2013: 6.1%).

#### Interest

The net finance expense for the year was £6.1 million (2013: £4.4 million), which included £1.1 million (2013: £0.9 million) interest expense relating to the retirement benefit liability. The £1.7 million increase in net finance expense arises primarily due to an increase in average net debt driven by timing of acquisitions, together with a higher effective interest rate on average net borrowings of 4.8% (2013: 4.5%) as a greater proportion of financing now consists of long-term loan notes. Underlying operating profit covers interest by 7.9 times (2013: 11.4 times).

#### Profit before tax

Profit before tax from continuing operations for the year was £17.7 million (2013: £32.9 million). Profit before tax, amortisation, exceptional items, and acquisition related costs but after finance expense was £35.1 million (2013: £35.4 million).

#### Tax

The overall tax charge for the year of £6.2 million (2013: £8.8 million) consisted primarily of the current year charge of £6.2 million. Current year tax represents an effective tax rate of 35.0% which is higher than the expected rate of 21.5% primarily as a result of tax deductions not available on the impairment of the Czech goodwill of £0.8 million, the release of deferred tax attributable to share scheme awards no longer expected to vest of £0.4 million, charges arising from the differences in tax rates across Europe of £0.4 million, disallowable acquisition costs of £0.2 million and adjustments arising from tax losses in the year on which no benefit was recognised of £0.9 million, offset by miscellaneous credits of £0.3 million.

#### Earnings per share

Basic earnings per share decreased by 11.3p from 20.5p to 9.2p in 2014 as a result of the exceptional items charge, a higher effective tax rate in the year and the effect of the share placing on the weighted average number of shares. Earnings per share, before amortisation, exceptional items and acquisition related costs decreased by 6.3% from 22.1p in 2013 to 20.7p in 2014.

#### Amortisation of acquired intangibles and acquisition related costs

Amortisation of acquired intangibles totalled £1.8 million (2013: £1.2 million). Acquisition related costs of £3.0 million increased from £1.3 million in 2013 due to the increased level of acquisition activity in the year.

#### Exceptional items

In 2014 a pre-tax operating exceptional charge of £12.6 million was recognised. This included headcount, property and other restructuring costs of £5.0 million associated with the previously announced closure of the Buck & Hickman

National Distribution Centre in Coventry and the merger of all supply chain operations in the UK. A further £4.5 million charge was recognised reflecting restructuring activities in continental Europe following acquisitions during the year. Other exceptional costs comprise a goodwill impairment charge of £3.6 million in respect of the Czech business and a £0.5 million profit arising on the disposal of our remaining investment in Livingston Group Limited. There were no exceptional items in 2013.

#### Dividend

Given the Board's confidence in the Group's proven strategy, the Board is now proposing a 4.4% increase in the final dividend to 7.1 pence per share, resulting in total dividends for 2014 of 10.7 pence per share, a 4.9% increase over the prior year and covered 1.9 times by earnings. Subject to shareholder approval, the final dividend will be paid on 2 July 2015 to shareholders on the register at close of business on 5 June 2015.

#### Goodwill and acquired intangible assets

Goodwill in the balance sheet stands at £118.5 million at the end of the year (2013: £91.2 million). This represents an increase of £27.3 million, with £21.8 million arising from our Scandinavian acquisition and £17.4 million arising from further bolt-on acquisitions during the year, along with adverse exchange movements of £8.3 million due to goodwill held in foreign currencies and a £3.6 million impairment charge. Impairment reviews have been performed in accordance with IAS 36 and no impairment has been identified apart from the Czech component of goodwill.

The Czech business has continued to experience challenging market conditions and has continued to post losses. These losses have arisen due to the illegal actions taken by one of the former owners of the business in relation to which a loss claim settlement has been received in the year. A turnaround programme has improved performance, although this has been slower than expected, with the result that the impairment review identified that the value in use was such that a full impairment of the Czech component was required. The resulting impairment charge has been included as an exceptional item in the consolidated income statement.

Acquired intangible assets in the balance sheet stand at £23.6 million at the end of the year (2013: £9.2 million). This represents an increase of £14.4 million reflecting £18.4 million identified from acquisitions during the year offset by a £2.2 million exchange movement on intangible assets held in foreign currencies and a £1.8 million amortisation charge.

#### Working capital

Working capital increased due to the acquisitions made during the year. Working capital measurements for debtors and creditors are in line with the previous year. However, there has been some decrease in underlying stock turns reflecting substantial investment to support the Tools & General Maintenance, and Vending growth drivers, and investment in safety stock for the relocation of the Coventry National Distribution Centre.

#### Return on operating capital employed

The return on operating capital employed, based on underlying operating profit, was 27.2% (2013: 34.8%) mainly reflecting the effect of acquisitions on operating capital employed.

## Cash flow

	2014 £m	2013 £m
Cash inflow from operating activities before working capital change	37.2	47.2
Working capital increase	(23.5)	(1.7)
Cash inflow from operating activities	13.7	45.5
Cash inflow from operating activities before exceptional items and acquisition related costs	20.6	48.4
Cash outflow from acquisition related costs	(3.0)	(0.7)
Cash outflow from exceptional items	(3.9)	(2.2)
Cash inflow from operating activities	13.7	45.5
Net capital expenditure (purchases net of disposals)	(16.0)	(13.5)
Operational cash (absorption)/generation	(2.3)	32.0
Acquisitions (including net debt acquired)	(57.5)	-
Deferred consideration and earn out on prior year acquisitions	(0.3)	(4.2)
Tax	(7.8)	(7.5)
Interest, dividends, pension obligations & other	(19.8)	(16.4)
Purchase of own shares	(1.6)	(2.4)
Net proceeds from issue of shares	52.4	0.1
(Increase)/decrease in net debt	(36.9)	1.6
Opening net debt	(52.9)	(53.8)
Exchange	4.5	(0.7)
Closing net debt <sup>1</sup>	(85.3)	(52.9)

1 Total borrowings net of cash and cash equivalents.

## Cash flow

Net debt increased by £32.4 million from £52.9 million to £85.3 million. At the year end, net debt/EBITDA stood at 1.81 times (2013: 1.151 times).

Net cash inflow from operating activities of £13.7 million decreased by £31.8 million from £45.5 million in 2013. This inflow is after £3.0 million outflow (2013: £0.7 million) of acquisition related costs, and £3.9 million outflow (2013: £2.2 million) from exceptional items and reflects £23.5 million increase in working capital, reflecting strategic investment to support Tools & General Maintenance and vending during the year and investment in safety stock during restructuring activities. The operating cash inflow was supplemented by net proceeds from the issue of shares of £52.5 million. This funded the payment of £57.5 million for acquisitions and £0.3 million deferred consideration on previous acquisitions, £7.8 million of taxation payments and £19.8 million for dividends, interest and pension obligations. Net capital expenditure increased by £2.5 million reflecting continued investment in industrial vending and other strategic growth initiatives.

## Pensions

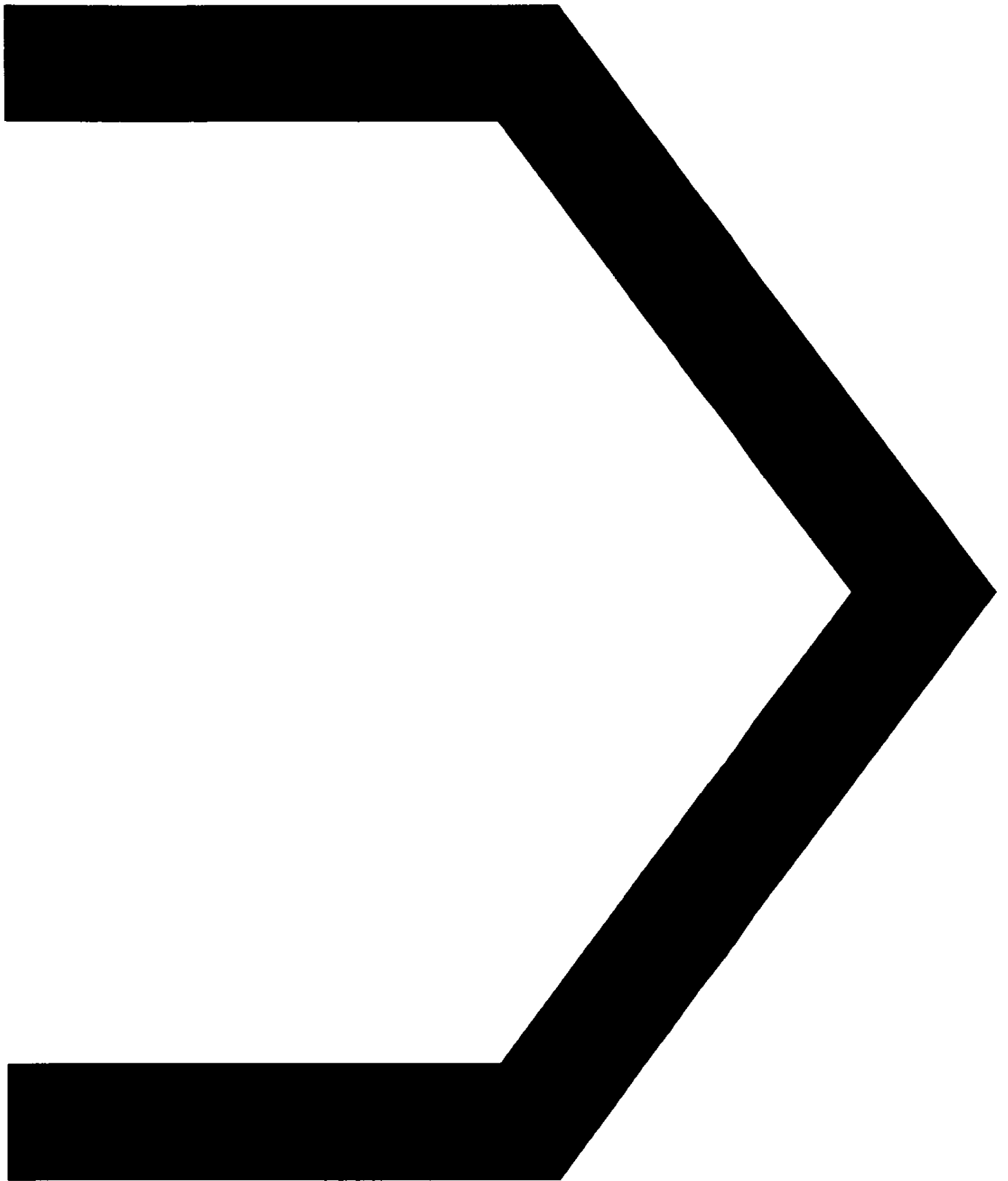
The net pension liability relating to the defined benefit pension schemes increased by £10.8 million to £38.6 million (2013: £27.8 million). The principal factors contributing to this increase were a £12.5 million net actuarial loss on the schemes offset by £3.7 million of employer contributions. The principal reason for the increase in the liabilities is the change in financial assumptions, in particular the reduction in the discount rate.

The main financial assumptions used for the UK scheme were a discount rate of 3.6% (2013: 4.45%), a 3.0% (2013: 3.3%) rate of increase for pensions in payment and a 2.4% (2013: 2.7%) rate of increase for pensions in deferment. The charge recognised in the income statement increased to £2.1 million (2013: £1.9 million) including a £0.2 million higher net interest charge.

## Financing and covenants

The Group is principally financed by a €100 million floating rate revolving credit facility which can be drawn until it expires on 30 June 2016. In addition to the revolving credit facility, £11.3 million of undrawn overdraft facilities are available. The amount drawn under the revolving credit facility as at 31 December 2014 was £25.8 million (£33.3 million).

In addition the Group is financed by a \$100m (or currency equivalent) private placement shelf facility, which was initially established in 2013, under which €40 million notes had been issued. In January 2014, the remainder of the initial facility was drawn down with a further issue of €35.4 million private placement notes with a term of seven years maturing in January 2021. In December 2014, the private placement shelf facility was extended by a further \$75 million making a total of \$175 million (or currency equivalent), under which €10 million private placement notes were issued on 22 December 2014. A further €30 million was issued on 6 January 2015. Both of these issues are unsecured, bear interest at a fixed rate and mature in 2025.



**Babatunde Ologundudu Mechanical Engineer**

**"During the Brammer Graduate Programme I have seen many different customers from different industry segments. Improving production efficiency is key to all of them. A small improvement can make a huge difference for their business."**

**2.**

## **Improve production efficiency**

### **Our customer's challenge**

We were working with a metals manufacturer in the UK when we found out that they had a serious problem with bearing failures at their coal plant. The failing bearings were running very hot, so our customer was using compressed air in an attempt to get the temperature down. When our team looked into this they found that the bearings in question were only supposed to operate at 110°C, but actually the temperature regularly reached 130°C. We also found that the output shaft was in poor condition, which wasn't helping things.

### **Our solution**

So we made three recommendations. The first was to use a higher temperature rated bearing from our brand partner NSK that could work at up to 180°C. The second thing we recommended was to repair the output shaft. The repair would allow the bearing to 'float' as it heated and expanded. The third recommendation was to use a different grease designed for use in high temperature environments and to use more of it. All this meant that the customer could switch off the compressed air and, at the same time, stop bearing failure due to overheating. All of this gave them improved production efficiency and a cost saving of €99,587.

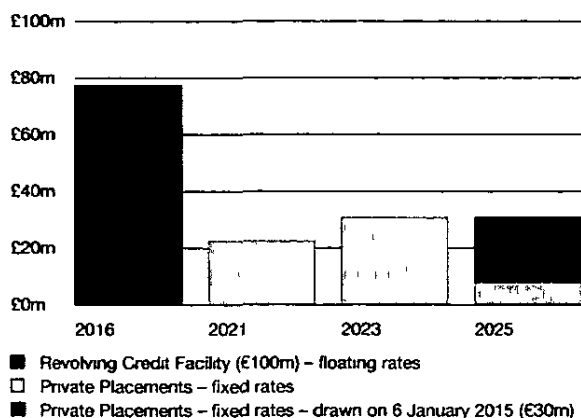
## Business area revenue at constant currency

	Quarter One 2014 Growth rate	Quarter Two 2014 Growth rate	Quarter Three 2014 Growth rate	Quarter Four 2014 Growth rate	Annual 2014 Growth rate	Revenue 2014 £m
<b>SPWD</b>						
Total group	13.1%	15.4%	14.6%	16.9%	14.5%	725.6
Organic <sup>1</sup>	5.0%	6.7%	6.1%	8.6%	6.8%	676.2
Excluding acquisitions	4.5%	3.2%	3.5%	2.6%	3.4%	655.1
<b>Revenue</b>						
Bearings	2.9%	-1.5%	0.9%	-0.8%	0.4%	145.9
Non-bearings	15.9%	17.9%	18.9%	22.7%	18.8%	579.9
of which Tools & Maintenance	8.1%	1.5%	6.7%	15.7%	8.0%	180.1
of which continental T&GM	47.0%	54.4%	67.1%	138.3%	80.0%	44.1
<b>Key Accounts</b>	10.7%	8.6%	8.2%	7.3%	8.7%	385.9
Base business	15.4%	19.5%	23.5%	31.6%	22.2%	339.7
excluding Scandinavia	-3.7%	2.5%	4.9%	9.9%	3.2%	286.8

1. Including incremental growth of Scandinavia and the impact of the bolt-on acquisitions.

The revolving credit facility requires, among other matters, compliance with three financial covenant ratios. These requirements are (1) consolidated total net borrowings shall not exceed 3.0 times consolidated EBITDA, (2) consolidated net worth shall be not less than £50.0 million (3) the ratio of consolidated EBITDA to consolidated net interest payable shall not be less than 4.5:1, in addition, the guarantor subsidiaries must account for more than 75% of the Group's total gross assets, turnover and pre-tax profit. EBITDA is a measure of liquidity and is defined in the finance facility. The company has not breached these covenants throughout the period to 31 December 2014, and current forecasts indicate significant headroom for all covenants in the next twelve months.

## Maturity profile of committed loan facilities



The Group uses interest rate swaps to manage exposure to floating interest rates. During the year the company had in place interest rate swap contracts hedging a proportion of its variable rate debt. These contracts are designated as hedging instruments.

In April, Brammer placed 11.3 million shares at a price of 475 pence per share, representing 2.66% discount to the prevailing market price. The placing was significantly oversubscribed and raised a net £52.4 million after expenses.

## Growth drivers and capabilities underpinning our performance

Our consistent and proven strategy encompasses Growth, Synergies, Capabilities and Costs.

## Growth drivers

Brammer's single minded focus on growth has meant that the company has consistently outperformed the market since 2004. It is our tried and tested growth drivers of Key Accounts, Product Range Extension, Insites™ and Market Segmentation all underpinned by Customer Service that is responsible for this track record.

## Key Accounts

Key Accounts sales grew at 8.7%, the eleventh year of growth. Fourteen additional pan-European contracts were won during the year representing potential annual revenues of up to €60 million. Key Accounts now represent 53.2% of the Group's total sales, slightly lower than last year due to the nature of our acquisitions. The Key Account growth rate has been adversely affected by a small number of underperforming national UK Key Accounts and therefore, the national contract

# **Key Account sales performance at 2014 constant currency rates (£1.25 : £1)**

Multi-site	Status	Scope	Sales 2014	Sales 2013	Growth
Tier 1	EU contract	Part EU Group	€188.7m	€148.8m	26.8%
Tier 2	National contract	Part EU Group	€156.4m	€158.4m	-1.2%
Tier 3	No contract	Part EU Group	€44.5m	€44.0m	1.0%
Tier 4	National contract	National Group	€92.7m	€92.7m	-
<b>Total Key Accounts</b>			<b>€482.3m</b>	<b>€443.9m</b>	<b>8.7%</b>

tier of Key Accounts, Tier 2, experienced a small decline. However, the Tier 1 group of pan-European Key Accounts actually achieved significant growth of 26.8%. Our Key Account total now stands at 1,486 accounts across the business, with over 70 pan-European Key Accounts.

Our Key Account contract with Alcoa and Ma'aden Aluminium continues to perform well, and our large Insite™ in Saudi Arabia is now fully operational and delivering strong growth following the set-up phase in 2013.

The Key Account pipeline remains strong and the prospects for further wins remain excellent.

## **Product range extension**

Throughout 2014, we continued our commitment to increase our share of the substantial European Tools and General Maintenance market. We launched the third edition of our European Tools and General Maintenance catalogue at the end of the year, significantly increasing our product offering. Printed in nine languages, in 13 editions and available in 16 countries, it now includes products in 16 sections from 84 leading brands.

Since launching our hand tools, cutting tools and tool storage brand – Roebuck – in continental Europe in 2013, we have now gained nearly 4,300 active individual customers. Throughout 2014, we built on Roebuck's success by launching our second, more comprehensive edition of the Roebuck catalogue and extending the Roebuck product range. One of the flagship products of the range – The Roebuck Uniwrench – also won two awards in 2014, having been voted the Tools Product of the Year at the Product of the

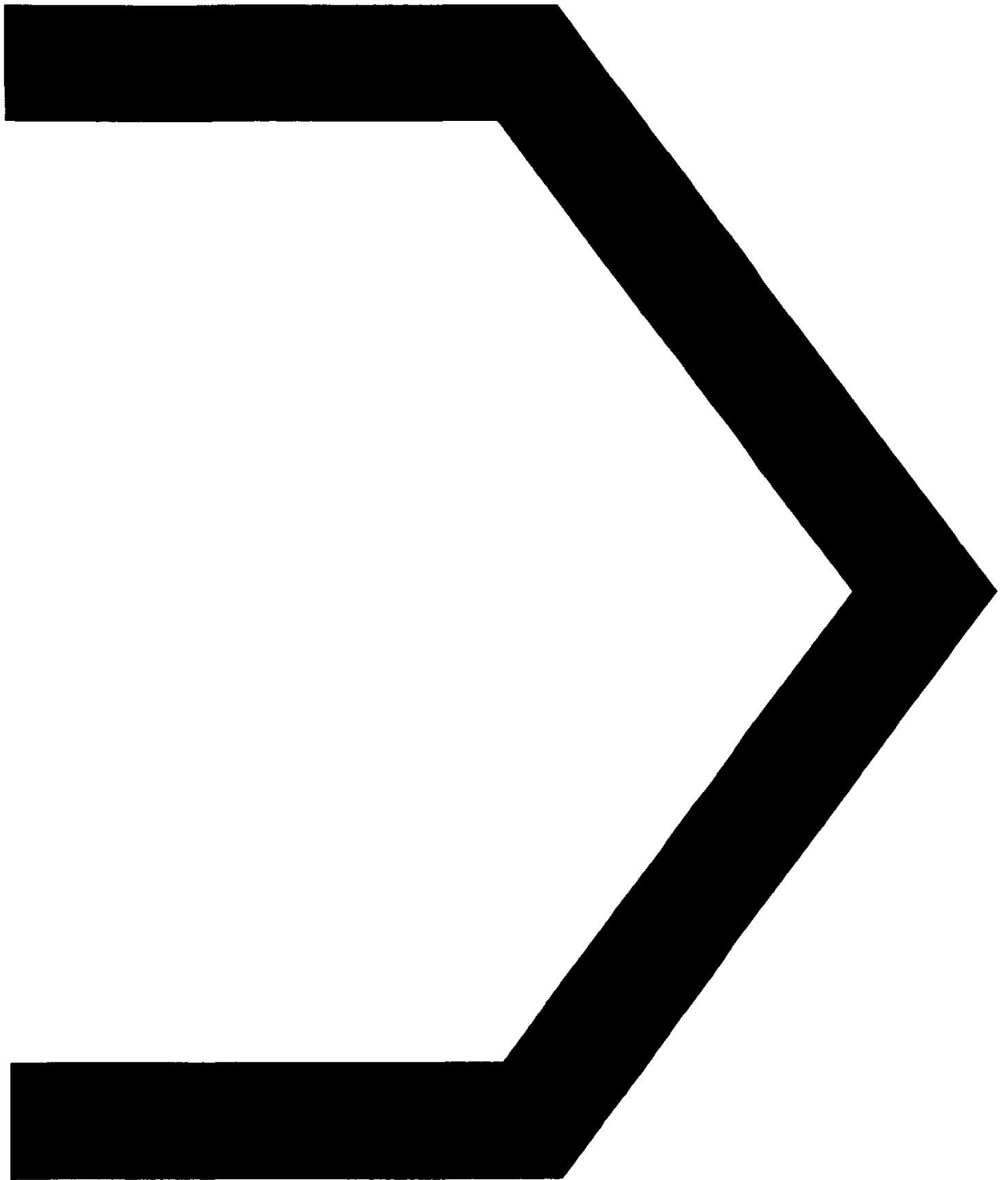
Year Awards and Global Product of the Year at Acquisition International's Business Excellence Awards.

We spent the second half of the year preparing to launch a new personal protection equipment and health and safety brand called Q-Safe into a market worth in excess of £12 billion. Q-Safe provides fully compliant personal protection equipment, represents real value for money, and will be widely available, with the full market launch taking place early in 2015.

We also launched our first pan-European MRO catalogue in 2014, distributing 52,000 copies of the 1,706 page publication to customers in 10 countries – the first time a single publication has been produced for all of our MRO businesses across continental Europe.

The pilot marketing of our Vending brand, Invend™ continued throughout the year as we are still building our capabilities and capacity. Brammer is already the industrial vending market leader in Europe, and in 2014 we installed over 400 machines at an accelerating rate. We took orders for 73 machines in December alone, and we expect growth momentum to continue throughout 2015.

2014 also saw the launch of our e-Procurement programme designed to create a direct link between our customers' ordering systems and our product database. This 'PunchOut' solution as we call it, gives customers access to a customised product range and real-time stock information whilst helping them to reduce their costs through more efficient spend management, inventory control and automation expertise.





# 3.

**Marco Bertusi** Key Account Manager

"Cost savings is one of the main objectives for Brammer. I have rotated around four different business areas within the Brammer Graduate Programme and all of them had something to do with cost savings. One example is the consignment stock. The customer can invest the savings in many other things such as hiring new employees or improved facilities."

## Reduce working capital

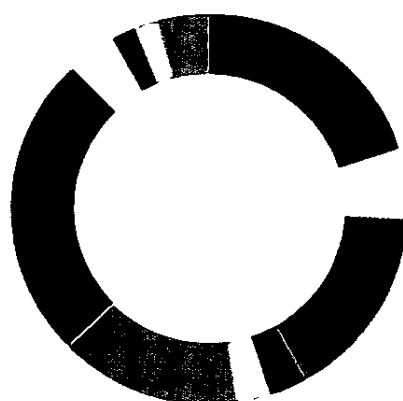
### Our customer's challenge

One of our packaging manufacturer customers needed to find cost savings. So they decided to look at their warehouse operations and the amount of spares that they were stocking

### Our solution

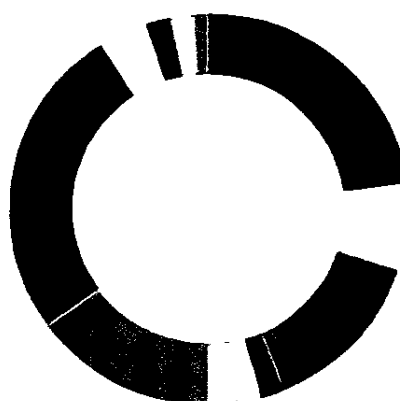
To save as much working capital as possible in this area, we took on the entire warehouse operation for them, which also meant that we monitored stock and incoming goods transactions. This, in turn, meant we could save them €16,750 through stock reduction alone. But we also put in place a consignment stock system. This included taking responsibility for costs like those relating to interest, logistics for incoming inspection, goods storage and goods receipt. All this gave the customer a further €125,000 of savings, so our solutions saved our customer a total of €141,750.

Revenue by product 2014



■ Bearings – 20%	■ Fluid power – 15%
■ Seals – 6%	■ Tools & maintenance – 25%
■ Mechanical power trans – 10%	■ Chemicals – 4%
■ Gearboxes and motors – 6%	■ Fasteners – 2%
■ Industrial automation – 3%	■ Services – 2%
■ Linear motion – 3%	■ Other – 4%

Revenue by product 2013



■ Bearings – 23%	■ Fluid power – 15%
■ Seals – 7%	■ Tools & maintenance – 26%
■ Mechanical power trans – 11%	■ Chemicals – 4%
■ Gearboxes and motors – 3%	■ Fasteners – 2%
■ Industrial automation – 2%	■ Services – 2%
■ Linear motion – 4%	■ Other – 1%

### Cross-selling

We continue to extend the product offering to reflect the full Brammer range in every territory, and cross-selling contributed strongly to the Group's growth; non-bearings sales grew by 18.8%. Bearings sales grew by 0.4%, broadly reflecting challenging underlying market conditions and our relatively large market share.

### Tools and General Maintenance & vending

Tools and General Maintenance sales grew 8.0% overall, but experienced a far higher growth rate of 80.0% in continental Europe, a result of the focus on this market. SPWD growth rates accelerated through each quarter in the year resulting in an exit growth rate of 138% with Q4 sales up to €55 million.

Our capabilities continue to grow and we now have 45 people solely dedicated to support Tools and General Maintenance business development in continental Europe. In addition, selective bolt-on acquisitions of Tools and General Maintenance businesses have enhanced our market presence in several countries, and will add further growth momentum.

We have introduced more mobile demonstrators of the Brammer service offering including a mobile Health & Safety Centre of Excellence, several Hand and Power Tool demonstration vehicles and two European T&GM Demonstration vehicles. Together they have visited thousands of individual customers in the year, taking our value proposition direct to the customer's premises and demonstrating to them our increasing capabilities in these product ranges. This direct approach complements our other routes to market and has created a significant number of enquiries and sales orders.

We continued our evaluation of the potential growth opportunity from Vending in the UK, Germany, France, Spain, and Poland. We have introduced our vending capability to the Netherlands and Belgium and have increasing confidence in the scalability of our processes. We now have 116 employees supporting the vending initiative and, at the year-end had installed 501 machines in 10 countries at 295 customer locations. Our value proposition is proving interesting for various customer types, including strong interest from many existing Key Account customers. The programme is gaining traction with an accelerating rate of contract agreements and installations.

The provision of a high quality vending service, and the presence of Brammer personnel on-site is proving to be a valuable platform to demonstrate the quality of the overall Brammer offering. The annualised run rate of revenues to customers with a vending machine (both revenues directly through the machines and indirectly outside the machines – the "halo" effect), based on the fourth quarter exit rate was over £23.6 million, up 44.9% on the same period last year.

### Insites™

On a constant currency basis Insite™ sales grew by 11.1%, with 86 new insites opened which, along with 42 closures due to changing customer requirements, totals a net addition of 44 new Insites™. The Group operated a total of 427 Insites™ at year end. The value-added services provided by the Insite™ model, inventory optimisation, cost-saving projects and ready access to Brammer's product specialists continues to be an attractive proposition for our customers. We were also able to extend the geographic reach of our Insites™ to our new Scandinavian markets following our acquisition of a Scandinavian business in this region in early 2014.

### Acquisitions

Country	Month acquired	Annualised revenues	Product group
Scandinavia <sup>1</sup>	January	£54.2m	Motors & Gearboxes
Germany	March	£7.1m	Tools & General Maintenance
France	April	£8.6m	Fluid Power
Spain	July	£2.8m	Personal Protective Equipment
Italy	July	£3.1m	Mechanical Power Transmission ("MPT")
Netherlands	October	£2.2m	Bearings & MPT
Poland	October	£1.7m	Hydraulics & MPT
Czech Republic	October	£8.4m	Bearings & MPT
Italy	November	£2.9m	Tools & General Maintenance
Spain	November	£3.4m	Tools & General Maintenance
UK	November	£3.8m	Bearings & MPT
<b>Total</b>		<b>£98.2m</b>	

1. Including 4 additional bolt-on acquisitions in Sweden in the first half.

### Market segmentation

We continue also to focus on market segmentation as a growth driver. This not only allows us to demonstrate our understanding of our customers' industry specific needs and respond to them accordingly, it also allows us to focus on segments that are likely to give us the best opportunities for growth. In 2014 we saw our market share increase in Food and Drink with growth of 9.5%. Sales to the Recycling segment grew by 106% and Metals by 28.0%. In 2014, we also added to our range of segment specific brochures, producing specialist material for the Aluminium manufacturing industry, the Canning industry and the Paper and Packaging industry.

### Customer service

Customer service underpins everything we do, with the success of our growth drivers depending on successful delivery of customer service excellence.

Providing real validated cost savings to our customers is a key part of Brammer's value proposition and finding more cost saving opportunities each year is 'hard wired' into the 'DNA' of the business. Once again in 2014, for the eleventh year in a row, we saw a significant improvement in the value of the cost savings we provided to our customers. By the end of last year we delivered over £66 million of signed-off cost savings to our customers.

During the year, we conducted our fourth annual pan-European customer satisfaction survey. This annual survey enhances our understanding of how our customers perceive us and is crucial to our growth as it helps us gain insight into what we are doing well and areas where we could improve. In 2014, 2,907 customers completed online questionnaires.

Overall, Brammer achieved good results across all key performance areas and, following analysis of the survey, we created action plans on both country and business-wide levels.

To complement the survey results, the launch of the Brammer Way of Excellence in Customer Service provides a set of process and review tools in a consistent framework to enable our customer facing personnel to deliver continuous improvements in the way they interact with our customers.

### Acquisitions

Our organic growth has been supplemented by strategic acquisitions during the year. During 2014 we have added 15 new businesses to the Group with a combined annual turnover of nearly £100 million. With these businesses we also welcomed hundreds of new people into the Group. Together, they have expanded our geographical footprint, our capabilities and grown our customer base. With these additions to the Group we will leverage the effect of our tried and tested growth drivers, accelerating the rate at which we gain market share.

In January 2014, Brammer announced the acquisition of a Scandinavian business, giving us a major presence in all of the key Scandinavian markets. An additional four bolt-on acquisitions in Sweden in the first half broadened the product range available to Scandinavian customers to include bearings and traditional MRO products.

Our acquisitions this year provide Brammer with many cross-selling opportunities particularly in Tools and General Maintenance. These additions represent a step change in capabilities for certain key product areas in some countries.

**Summary trading performance by segment at 2014 constant currency rates (£1.25 : £1)**

	External Revenue 2014 £m	External Revenue 2013 £m	Revenue Growth 2014 %	SPWD <sup>2</sup> Growth 2014 %	Operating Profit <sup>1</sup> 2014 £m	Operating Profit <sup>1</sup> 2013 £m	Operating Profit growth <sup>3</sup> 2014 %
UK	285.2	293.3	-2.8%	-2.8%	15.5	21.0	-26.2%
Germany	121.1	112.1	8.1%	8.1%	7.5	6.5	15.4%
France	86.3	79.5	8.5%	8.5%	4.8	4.2	14.3%
Spain	49.2	42.7	15.2%	15.1%	6.0	4.7	27.7%
Benelux	52.8	50.3	4.8%	4.7%	2.6	2.6	-
Scandinavia	53.1	-	n/a	n/a	2.6	n/a	n/a
Eastern Europe & Other	77.9	55.4	40.4%	41.3%	2.1	-	n/a
<b>Total</b>	<b>725.6</b>	<b>633.3</b>	<b>14.6%</b>	<b>14.5%</b>	<b>41.1</b>	<b>39.0</b>	<b>5.6%</b>
Exchange effect <sup>3</sup>	(2.0)	18.6	-3.6%	-3.5%	0.1	0.8	-2.1%
<b>As reported</b>	<b>723.6</b>	<b>651.9</b>	<b>11.0%</b>	<b>11.0%</b>	<b>41.2</b>	<b>39.8</b>	<b>3.5%</b>

1. Operating profit before amortisation of acquired intangibles, acquisition related costs and exceptional items.

2. Sales per working day

3. To reconcile results and analysis to actual exchange rates for 2014 and 2013.

As the Brammer growth drivers become embedded and post-acquisition synergies are realised, these businesses will fuel growth and enhance profitability in future years.

In these challenging markets, many of our competitors are finding business increasingly difficult and we are seeing still more opportunities to acquire businesses which would complement and enhance the Group. The pipeline remains strong and we will continue to pursue further promising opportunities, though we will take a break from acquisitions in the first half as we aim to harvest the synergies from those made in 2014.

### Synergies

Significant synergies and operational benefits will be realised from the re-organisation undertaken in the UK, representing the final phase of the Buck & Hickman integration, including the exit of the Buck & Hickman National Distribution centre and merger of all supply chain operations. The synergies realised from the integration of our acquisitions this year will also be earnings accretive in future years. As a result of these restructuring operations, related costs of £9.5 million are included within exceptional items in the income statement.

We continued to work on increasing our spend with a smaller number of key suppliers, thereby improving the level of marketing support, pricing, and co-operation in the field received from those suppliers. Gross margin improved by 20 basis points year on year to 31.7%.

### Capabilities and costs

#### Technology

2014 saw some very significant advances in Brammer's technology capability. Whilst significant savings continue to be made by further consolidation of data centre services and our on-going country technology modernisation programme, the headline development for the year has been e-commerce in the form of the Brammer Trading Platform.

At the heart of the Brammer Trading Platform is the new Brammer MDM (master data management) system which we believe to be industry leading. It forms the core of our e-commerce systems and provides clean, quality controlled product data into our e-commerce channels. For the first time we can provide a flexible, consistent, fully integrated e-commerce solution to our customers, one that incorporates all aspects of modern, automated document exchange. This is a major new Brammer customer offering, one that reduces significantly the cost of the procurement process for our customers whilst also making it easier and more efficient to do business with Brammer.

#### Our people

We are committed to recruiting and retaining the best people. During the year Brammer's Distributed Learning programme (e-learning) was updated with new product training modules and enhanced functionality to provide a better learning experience in nine languages. This training is a key element of Brammer's employee induction programme and is continuously improved and expanded to meet the needs of the growing business.

## UK

	2010	2011	2012 <sup>1</sup>	2013 <sup>1</sup>	2014 <sup>1</sup>
SPWD growth – %	8.0	16.8	7.6	2.2	(2.8)
Key Accounts proportion of total sales – %	57.3	62.5	67.7	71.6	76.6
Key Account sales growth – %	12.2	22.4	7.2	8.6	(0.4)
Non Key Accounts proportion of total sales – %	42.7	37.5	32.3	28.4	23.4
Non Key Accounts growth – %	4.9	5.6	2.1	(9.4)	(8.2)
Insite numbers	143	152	163	191	197
Insites as a proportion of total sales – %	33.7	35.2	24.4	42.5	42.7
Insite sales growth – %	17.4	24.5	2.2	9.6	(3.9)
Bearings proportion of total sales – %	22.1	20.6	12.4	11.9	10.5
Bearings growth – %	8.0	12.2	(1.6)	(1.8)	(7.2)
Non bearings proportion of total sales – %	77.9	79.4	87.6	88.1	89.5
Non bearings growth – %	9.3	16.7	2.7	3.4	(2.2)
T&GM as a proportion of total sales – %	10.7	13.0	47.5	47.7	47.7
Tools and General Maintenance (T&GM) sales growth – %	14.8	28.4	2.8	3.3	(4.4)
MPT as a proportion of total sales – %	14.3	13.5	7.6	7.4	6.9
Mechanical Power Transmission sales growth – %	7.8	7.5	(5.0)	0.5	(1.4)
Fluid Power as a proportion of total sales – %	20.4	19.9	12.0	12.3	13.2
Fluid Power sales growth – %	11.1	20.3	(3.0)	5.3	2.4

<sup>1</sup> Includes Buck & Hickman.

The 2014 employee survey again provided positive feedback for management and identified areas to focus upon to increase employee engagement still further; Brammer already has best in class employee engagement levels and continues to improve its employee relations at every opportunity

During 2014 the company took its third cohort into the graduate training programme, building upon the success of prior years. All of the members of the 2012 intake who completed the programme were rewarded with permanent positions within strategically important areas of the business. This highlights our commitment to develop our people to ensure that excellence comes as standard across all areas of the business and that the delivery of great customer service remains a priority

### Operating segments UK

Our largest operation, and the one where the Brammer development strategy is most advanced, experienced some challenges during the year, mainly due to reduced spend amongst a small number of large customers reflecting tough market conditions. However, good underlying progress was made in other areas. SPWD growth declined by 2.8% as six large customers with annualised revenues of £58 million in 2013 reduced spend by over 20%, giving a year on year decline in 2014 of around £14 million. Operating profit has therefore decreased by 26.2%, to £15.5 million, a decrease of £5.5 million primarily related to this adverse sales volume effect.

Despite these year on year declines in a few national Key Account customers, overall Key Account sales declined by only 0.4%, reflecting significant growth with other customers, including Siemens, Ministry of Defence and Land Rover. As a result of our market segmentation strategy, there was good Key Account growth in resilient sectors such as Food & Drink and Power Generation and the proportion of turnover which is Key Accounts has increased to 76.6%.

The number of full time and part time Insites™ now totals 197 – six more than last year. There were 22 new full time Insites™ opened this year, although nine closed due to changing customer requirements, and there are now 111 full-time Insites™.

In a challenging market, our service value proposition continues to be attractive in helping customers to manage their cost base, and we have provided more than 4,000 separate recognised solutions saving our customers £28.5 million in their costs this year.

Bearing sales declined 7.2% reflecting the challenging market and effect of the volume decrease from large customers. However, our cross-selling initiatives continued to gain traction with continued growth in Fluid Power and a small decrease in Mechanical Power Transmission products. Several large accounts from the legacy Buck & Hickman business accounted for the 4.4% decrease in Tools & General Maintenance sales, but excluding these, year on year growth continued to be strong.

Going forward, significant synergies and operational benefits will be realised from the re-organisation undertaken this year, resulting in the closure of the legacy Buck & Hickman National Distribution centre and the transfer of the supply chain operations to the UK National Distribution Centre in Wolverhampton. In addition the separate finance functions and other ancillary departments were streamlined and amalgamated during the year.

A bolt-on acquisition in the Northampton area in late 2014 has now given us the capacity we need in this increasingly important location where we previously had no existing branches.

#### Germany

SPWD increased by 8.1% in the year and trading profit increased by 15.4%. Growth reflected success in our organic growth drivers along with the contribution from the bolt-on acquisition of a Tools & General Maintenance specialist in March.

Bearings sales declined 3.0% in the year reflecting a challenging market, but our focus on product range extension saw 12.1% growth in non-bearings products. Tools and General Maintenance grew by 143.7%, both organically as more than 800 specialist training days improved workforce capabilities, and also due to the contribution from the bolt-on acquisition.

Key Accounts grew by 9.1% and now account for 38.0% of turnover. Several new Key Accounts were won during the year including Meplato and DS Smith. The number of Insites™ locations increased by a net six, including five full time Insites™ with a single Key Account customer. There are now 60 Insites™, which represents a trebling of Insites™ numbers over a five year period. As a result of this increased activity, Insites™ sales growth accelerated by 7.5 percentage points to 19.6%.

#### France

SPWD grew by 8.5% compared to a 4.7% decline in the previous year. Trading profit increased by 14.3%. Bearings sales declined by 5.6% as continued economic uncertainty contributed to a weak market in France. However, Tools

and General Maintenance sales continued robust growth of 39.0% including a successful introduction of the Roebuck brand into the market. A bolt-on acquisition of a Fluid Power specialist in April has introduced significant capabilities and know-how into the business as well as contributing to good sales growth.

Key Account growth of 6.2% was lower than previous years, but reflected an accelerating growth rate through the year as Key Account wins including Danone, Safran and Umcor contributed to revenues. Key Accounts now represent 44.7% of sales.

The Insites™ programme grew with a net 11 sites added, making 56 Insites™ in total. Insites™ sales grew by 7.7% and the success of this year should ensure that good growth is likely in the future.

Regionally embedded cost savings champions have supported the drive for excellence in customer service during the year. As a result, several large value cost savings have been delivered and signed with France reporting £22.5 million of cost savings.

#### Spain

SPWD growth accelerated by 11.3 percentage points to 15.1% while operating profit improved by 27.7%. This represents strong growth in a weak market as a result of good development of all of our growth drivers, allied with two bolt-on acquisitions in the second half.

Key Account revenues accelerated to 26.0% and now represent nearly half of sales. New contract wins during the year including Huntsman, Johnson Controls AE and Colfax among others will drive future Key Accounts growth. Significant Insites™ sales growth continued for the fifth consecutive year, up 43.3% from last year as a further twelve Insites™ were established. After four closures the number of Insites™ totals 46.

Excellent progress continued in product range extension and sales of Tools and General Maintenance more than doubled, while Fluid Power and Mechanical Power Transmission products also generated good growth.

#### Germany

	2010	2011	2012	2013	2014
SPWD growth – %	13.4	19.2	–	(2.4)	8.1
Key Accounts proportion of total sales – %	24.1	26.8	30.5	35.3	38.0
Key Account sales growth – %	20.9	24.1	7.2	11.5	9.1
Non Key Accounts proportion of total sales – %	75.9	73.2	69.5	64.7	62.0
Non Key Accounts growth – %	12.3	13.6	(3.0)	1.4	7.4
Insites numbers	20	37	47	54	60
Insites as a proportion of total sales – %	4.5	7.9	10.4	11.4	16.5
Insites sales growth – %	36.8	37.2	16.4	12.1	19.6
Bearings proportion of total sales – %	32.0	31.6	28.5	26.0	24.0
Bearings growth – %	9.7	14.7	(10.6)	(10.6)	(3.0)
Non bearings proportion of total sales – %	68.0	68.4	71.5	74.0	76.0
Non bearings growth – %	16.5	17.1	3.2	1.4	12.1
T&GM as a proportion of total sales – %	2.3	3.4	3.9	4.3	10.0
Tools and General Maintenance (T&GM) sales growth – %	24.4	58.6	13.9	45.9	143.7
Mechanical Power Transmission proportion of total sales – %	8.7	8.3	8.4	9.2	8.5
Mechanical Power Transmission sales growth – %	27.0	11.0	1.4	7.3	(3.3)
Fluid Power as a proportion of total sales – %	16.2	17.9	20.5	22.2	22.8
Fluid Power sales growth – %	2.3	28.1	13.0	1.3	7.7

## France

	2010	2011	2012	2013	2014
SPWD growth – %	11.1	14.2	3.5	(4.7)	8.5
Key Accounts proportion of total sales – %	33.3	35.8	40.0	44.1	44.7
Key Account sales growth – %	18.8	19.1	12.3	3.1	6.2
Non Key Accounts proportion of total sales – %	66.7	64.2	60.0	55.9	55.3
Non Key Accounts growth – %	9.5	9.0	(1.2)	(8.9)	10.6
Insite numbers	22	31	39	45	56
Insites as a proportion of total sales – %	6.2	6.6	9.6	12.7	13.7
Insite sales growth – %	38.7	16.0	27.3	30.9	7.7
Bearings proportion of total sales – %	36.5	35.0	32.1	30.6	27.3
Bearings growth – %	6.1	9.2	(5.0)	(8.4)	(5.6)
Non bearings proportion of total sales – %	63.5	65.0	67.9	69.4	72.7
Non bearings growth – %	16.4	16.3	8.2	(1.8)	15.1
T&GM as a proportion of total sales – %	4.0	4.6	5.2	7.6	10.0
Tools and General Maintenance (T&GM) sales growth – %	84.4	32.7	16.5	39.8	39.0
MPT as a proportion of total sales – %	20.6	20.1	20.0	18.9	17.4
Mechanical Power Transmission sales growth – %	9.8	10.6	3.5	(9.4)	(2.8)
Fluid Power as a proportion of total sales – %	13.9	15.4	17.0	18.0	18.4
Fluid Power sales growth – %	28.0	25.6	14.6	1.5	8.3

## Spain

	2010	2011	2012	2013	2014
SPWD growth – %	9.5	12.3	(0.3)	3.8	15.1
Key Accounts proportion of total sales – %	26.8	31.2	36.4	40.6	47.8
Key Account sales growth – %	19.5	28.5	15.3	19.5	26.0
Non Key Accounts proportion of total sales – %	73.2	68.8	63.6	59.4	52.2
Non Key Accounts growth – %	6.8	6.2	(7.4)	1.6	3.1
Insite numbers	15	22	30	38	46
Insites as a proportion of total sales – %	6.3	10.5	14.5	22.0	26.9
Insite sales growth – %	22.0	46.3	31.8	56.0	43.3
Bearings proportion of total sales – %	41.2	37.9	34.1	32.6	27.9
Bearings growth – %	4.4	3.3	(10.1)	3.3	(7.3)
Non bearings proportion of total sales – %	58.8	62.1	65.9	67.4	72.1
Non bearings growth – %	14.2	18.6	5.7	10.6	26.8
T&GM as a proportion of total sales – %	2.3	2.7	5.1	8.0	16.0
Tools and General Maintenance (T&GM) sales growth – %	48.0	33.2	89.0	71.5	115.6
MPT as a proportion of total sales – %	19.1	19.5	18.6	17.0	16.9
Mechanical Power Transmission sales growth – %	7.0	14.9	(4.9)	(0.9)	7.9
Fluid Power as a proportion of total sales – %	8.9	11.6	14.3	16.4	18.4
Fluid Power sales growth – %	34.2	46.1	23.9	23.4	21.9

### Benelux

SPWD in the Benelux countries increased by 4.7%, compared to a 1.3% decrease in the prior year. Operating profit has remained flat. Tools and General Maintenance sales continue to grow at an accelerating rate, and are up 24.5% year on year.

Key Accounts grew by 9.2% and several significant wins including Unilever and Tata Steel were recorded in the year which should see good growth continue. Key Accounts now represents 37.0% of total sales, slightly higher than last year. Eight high performing new Insites™ are now well established in the Netherlands with ten in Belgium. Insite™ sales grew by 18.4% the fifth year of double digit increases.

### Scandinavia

This new segment currently represents our Scandinavian business acquired in January 2014, together with the four Swedish bolt-on acquisitions made late in the first half. This segment contributed £53.1 million to Group turnover and £2.6 million to trading profit in the period. These strategic acquisitions have expanded our geographical footprint to establish a platform in all key Scandinavian markets

We have already identified many areas where the application of the Brammer growth drivers will build on the strong base we now have in this region. There has been strong interest from our existing Key Accounts customers currently operating in the region and three Insites™ have already been established with a strong potential pipeline identified

As over half of this segment's sales are currently motors and gearboxes, there are significant cross-selling opportunities for the rest of the Brammer product portfolio. During the second half of the year, a specialist Tools and General Maintenance regional distribution facility has been established in Gothenburg, which will provide the infrastructure to drive strong future growth in this key product range

### Eastern Europe and Other

In our Eastern European and other businesses (comprising Poland, the Czech Republic and Slovakia, Hungary, Italy and our Saudi Arabian Insite™) total SPWD increased by 41.3% and operating profit increased by £2.1 million compared to break-even last year. Key Accounts now represent 51% of total sales and grew by 90%. Insite™ sales tripled, having established nine net additional Insites™. Significant growth was seen in all key product areas with 22.1% increases in Mechanical Power Transmission products, 52.8% in Fluid Power products and 161.2% growth in Tools and General Maintenance products

In Poland, SPWD increased by 14.9%. In Italy, SPWD increased by 31.9% as strong Key Accounts growth of 46.3% was underpinned by good Insite™ development. Two bolt-on acquisitions in northern Italy have given Brammer a significant presence in this key industrial area, which will provide good opportunities for future growth. The Czech Republic and Slovakia returned to growth with a 3.3% increase in SPWD, although conditions still proved to be challenging in the market. The acquisition of a well-respected bolt-on business in the Czech Republic should deliver growth and synergistic benefits to this region in the future. In Hungary, the SPWD growth was 30.6%, with Key Accounts sales growth of 35.7%.

### The future

In 2014 we have continued to demonstrate our resilience whilst expanding our European footprint into Scandinavia. We have invested heavily in growth drivers to counter difficult market conditions; as a result we have enjoyed improving year on year growth rates in the last eight quarters (excluding the benefit from our Scandinavian acquisition) as our strategy of focusing on Key Accounts, Insites™, Vending, and cross-selling initiatives continues to deliver results.

Our continental European businesses have performed well, whilst the performance of our UK business has been disappointing, as previously indicated almost entirely due to a small number of large national and European Key Accounts reducing their spend reflecting challenging conditions in their end markets. We expect that our investment in growth drivers will enable us to continue to gain market share and provide good revenue and profit growth in the years to come.

### Principal risks & uncertainties

#### Corporate risks

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 and appropriate processes and controls are also put in place to monitor and mitigate these risks within the risk management structure set out opposite

The principal risks affecting the Group are considered below

#### Slowdown of industrial activity

The Group's activities are almost entirely within the UK and the Euro-zone which are geographical markets currently subject to economic uncertainty. A continued deterioration in current economic conditions may lead to a decline in demand within the industrial base of these markets with an associated decline in demand in the maintenance and original equipment markets which Brammer supplies

The Group has a well spread market and geographic presence and has concentrated growth activities in defensive sectors such as food and drink, utilities and fast moving consumer goods. The Group has also focused growth activities in larger Key Account customers who have a wider global presence and are therefore likely to prove more resilient during any economic downturns in Europe and surrounding areas. Economic conditions vary throughout the Euro-zone and accordingly a slowdown will have a different level of impact on each country

The sales and purchasing activity for each business unit is largely confined to its own geographical area which means each business can react to variations in demand without encountering issues associated with cross border sales and purchase management. Also, in the extreme case of a breakup of the Euro, currency issues would be minimised because purchases and sales would be largely in the same currency. The Group has also demonstrated the capability to reduce costs and to align the cost base in response to market conditions



**Benelux**

	2010	2011	2012	2013	2014
SPWD growth – %	10.7	12.8	7.5	(1.3)	4.7
Key Accounts proportion of total sales – %	24.5	27.3	32.1	34.3	37.0
Key Account sales growth – %	21.3	22.9	20.1	5.5	9.2
Non Key Accounts proportion of total sales – %	75.5	72.7	67.9	65.7	63.0
Non Key Accounts growth – %	8.8	9.6	2.8	(4.0)	2.7
Insite numbers	8	9	16	17	18
Insites as a proportion of total sales – %	5.4	7.5	10.2	10.1	12.6
Insite sales growth – %	104.8	22.7	33.1	10.5	18.4
Bearings proportion of total sales – %	52.6	50.7	48.9	46.2	44.5
Bearings growth – %	3.0	8.7	3.6	(6.5)	(1.2)
Non bearings proportion of total sales – %	47.4	49.3	51.1	53.8	55.5
Non bearings growth – %	23.0	17.7	10.0	4.5	10.5
T&GM as a proportion of total sales – %	11.2	11.5	13.3	15.3	16.3
Tools and General Maintenance (T&GM) sales growth – %	28.3	16.1	20.8	13.9	24.5
MPT as a proportion of total sales – %	16.2	15.9	16.1	15.7	14.8
Mechanical Power Transmission sales growth – %	16.3	10.3	0.5	(3.5)	(3.2)
Fluid Power as a proportion of total sales – %	8.3	8.8	9.7	10.7	11.2
Fluid Power sales growth – %	27.3	19.3	20.8	9.1	7.5

**Eastern Europe and Other**

	2010	2011	2012	2013	2014
SPWD growth – %	18.7	18.8	(5.3)	(3.1)	41.3
Key Accounts proportion of total sales – %	17.1	23.7	29.7	34.8	51.1
Key Account sales growth – %	45.9	36.6	9.4	12.0	90.6
Non Key Accounts proportion of total sales – %	82.9	76.3	70.3	65.2	48.9
Non Key Accounts growth – %	16.1	15.0	(19.3)	(9.1)	7.2
Insite numbers	14	19	32	38	47
Insites as a proportion of total sales – %	2.9	4.6	6.9	10.0	29.2
Insite sales growth – %	27.1	6.0	15.8	13.3	203.8
Bearings proportion of total sales – %	44.6	44.1	37.8	34.8	27.0
Bearings growth – %	7.7	44.1	(22.6)	(10.9)	7.5
Non bearings proportion of total sales – %	55.4	55.9	62.2	65.2	73.0
Non bearings growth – %	32.8	21.2	0.1	2.2	58.6
T&GM as a proportion of total sales – %	3.0	2.9	3.2	4.7	8.9
Tools and General Maintenance (T&GM) sales growth – %	17.4	13.2	1.8	42.5	161.2
MPT as a proportion of total sales – %	11.9	11.2	11.7	12.1	10.8
Mechanical Power Transmission sales growth – %	30.5	12.2	(4.8)	0.4	22.1
Fluid Power as a proportion of total sales – %	15.2	15.3	16.7	16.5	18.3
Fluid Power sales growth – %	32.0	20.4	(1.1)	(4.3)	52.8

**Risk management structure**

		Statutory	Operational	Internal functions
Risk management		External audit	Management and peer review	Internal audit and central support
Business functions	Developed businesses <sup>1</sup>	X	X	X
	Regional businesses <sup>2</sup>	X	X	X
	Central functions	X	X	X
	IT and infrastructure	X	X	X
	Secretarial, legal and human resources	X	X	X

1 Developed businesses comprise the larger, more mature business segments – UK, Germany and France

2 Regional businesses comprise Spain, Benelux, Eastern Europe and other businesses

**Withdrawal of a major supplier**

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

**Loss of major customers**

A core part of the growth strategy for the Group is a focus on winning and maintaining those significant customers it views as Key Accounts. The loss of significant numbers of Key Accounts would have an adverse effect on turnover growth and an impact on other strategic focus areas of cross-selling opportunities and Insite development.

As a distributor in a fragmented market Brammer derives great benefits from its first class reputation as an industry leader in its service offering to Key Accounts which could be potentially damaged with significant loss of major customers. However, Brammer does not have dependency on any single customer

Key Account customers are carefully monitored by the senior management team who also document the acknowledged cost savings achieved. Further growth in Key Accounts in the current year suggests the template offering is proving attractive to a profit conscious customer base.

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

**Customers relocating to lower cost countries**

Brammer continues its strategy to grow its business successfully by expanding in a fragmented market. We will evaluate suitable opportunities in lower cost countries as they arise

**Loss of infrastructure/systems**

As with most large organisations that depend on Information Technology (IT) for their day-to-day operations, there are disaster recovery plans in place for the major countries where Brammer operates. In these territories, there are overnight back up systems in place which can be expected to mitigate the worst effects of such disruption. Integration teams continually work to develop group-wide solutions to business critical processes which provide improved resilience against failure in the event that issues occur in our operations

For Brammer, a quoted company which is a distributor of product, these key processes are in the area of stock and order management, sales and delivery management and transactional record keeping, including financial books and records

**Loss of key employees**

The Group regularly reviews its remuneration and succession plan arrangements to ensure that key managers are recognised and developed. To ensure continuity and maximise our competitive advantage the Group remains committed to a number of incentive schemes linked to the group's results, which have been designed to retain key managers

Where appropriate, employment contracts also contain relevant provisions concerning interaction with competitors and customers. Industry benchmarking and the use of external assessments and advisors form part of the recruitment process for key managers to ensure high calibre recruits to key roles.

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

**Adverse Euro exchange rates**

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

**Financial and capital risks**

The Group's principal financing facility is in place until 2016. This facility is supplemented with additional long-term funding obtained through the issue of €85 million of private placement notes, with maturity dates between 2023 and 2025, under a private shelf facility. Brammer has sufficient available resources to meet its foreseeable requirements.

The 10% share placing during the year raised funds to partly fund our acquisition activity, ensuring that our debt to equity ratio remains within acceptable parameters to minimise financial and capital risks.

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

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 and to reduce volatility in the interest charge.

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.

**Expected benefits from acquisitions may not be realised**

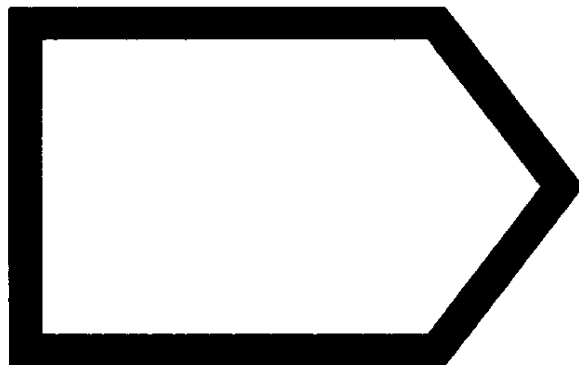
Part of the Brammer strategy is growth through selective acquisitions. Acquisitions involve a number of risks related to the performance of the acquired business and challenges arising from integration. Potential acquisitions are carefully researched prior to any purchase and closely monitored by Brammer's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

**We expect that our investment in growth drivers will enable us to continue to gain market share and provide good revenue and profit growth in the years to come.**

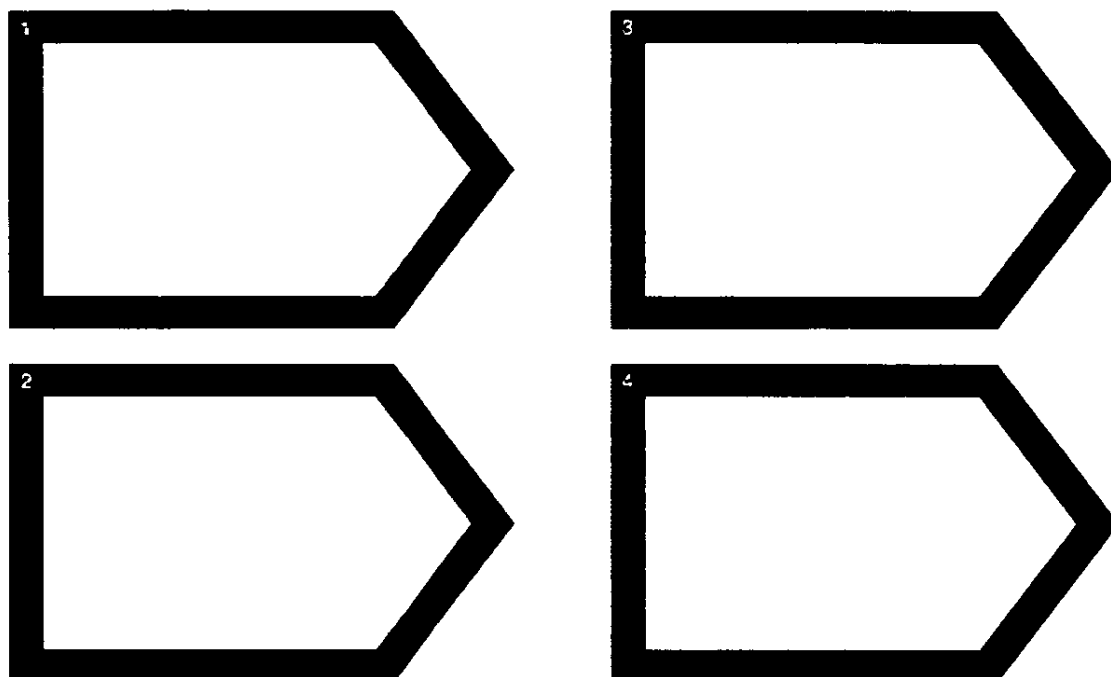
**Expected benefits from strategic growth initiatives may not be realised**

Part of the Brammer strategy is growth through targeted product and service initiatives. These initiatives include the formation of new teams and infrastructure, including software development, and involve a number of risks related to their successful development and implementation. The risks include effective project management and the delivery of effective IT solutions and services.

Potential projects and initiatives are carefully researched prior to any investment in capital expenditure and personnel. Projects are developed in line with detailed business plans which are aligned to central IT and project management functions. Investment and progress is reviewed against these business plans which are reviewed at senior levels on a regular basis. Brammer has a track record of successfully introducing new service offerings to customers and markets across Europe.



**Ian Fraser**  
17 February 2015



## Directors and officers

### 1 Bill Whiteley✚

#### *Non-executive chairman*

Bill Whiteley took over as chairman of the company following the 2012 AGM. He was 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 Spirax Sarco Engineering.

### 2 Ian Fraser✚

#### *Chief executive*

Appointed to the board in 1998. 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.

### 3 Terry Garthwaite✚✚✚

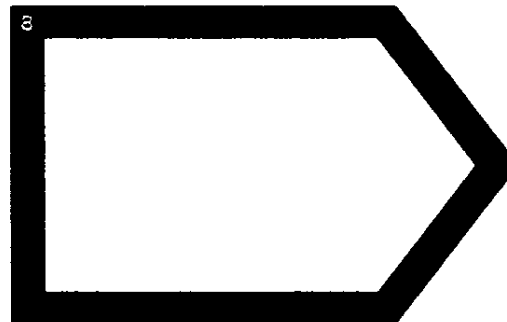
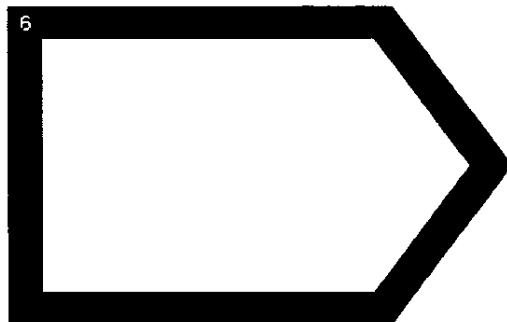
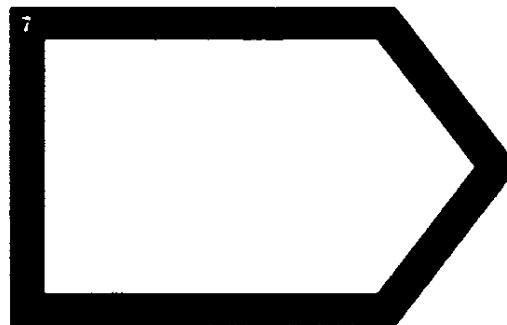
#### *Independent non-executive director*

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. He held a number of senior finance positions within Foseco plc including director of corporate finance, prior to spending 11 years as group finance director at Senior plc. He is a non-executive director of Wilmington Group plc. During 2014, Mr Garthwaite was succeeded as Senior Independent Director by Duncan Magrath and he will not seek re-election at the 2015 AGM.

### 4 Paul Thwaite

#### *Finance director*

Joined Brammer in February 2002 and appointed to the board in May 2002. A qualified 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 Elwell and group controller. After the merger between Siebe and BTR, he became chief finance officer of Invensys Controls Division based in USA.



**5 Charles Irving-Swift \*♦♦**

***Independent non-executive director***

Appointed to the board in March 2010. He took over as chairman of the remuneration committee with effect from the 2012 AGM. 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.

**6 Duncan Magrath \*♦♦**

***Senior independent non-executive director***

Appointed to the board in March 2012. He joined Balfour Beatty plc in 2006 as Deputy Finance Director and was appointed to his position of Chief Financial Officer in 2008. He will step down from the board of Balfour Beatty during 2015. Duncan is a fellow of the Institute of Chartered Accountants having qualified with Price Waterhouse. He left Price Waterhouse and joined Exel plc where he held numerous positions in the UK and USA during his 13 year tenure, culminating in his appointment as Director of Investor Relations and Financial Strategy. Duncan has a wide range of financial and corporate experience, and replaced Terry Garthwaite as Senior Independent Director following the 2014 AGM. Subject to his re-election, he will take over as audit committee chairman.

**7 Andrea Abt \*♦♦**

***Independent non-executive director***

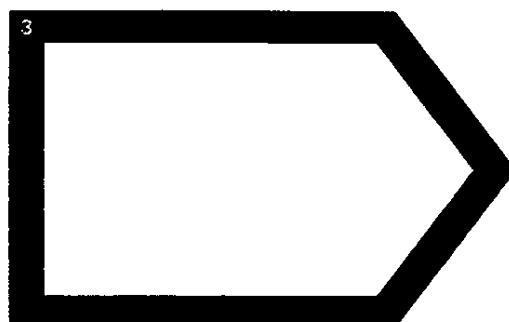
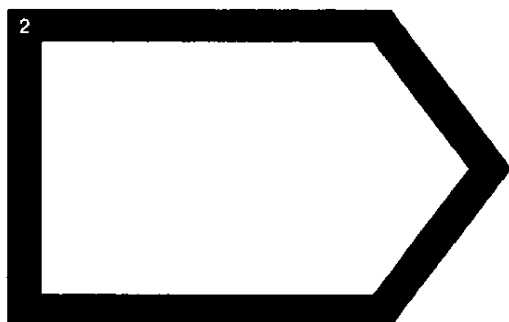
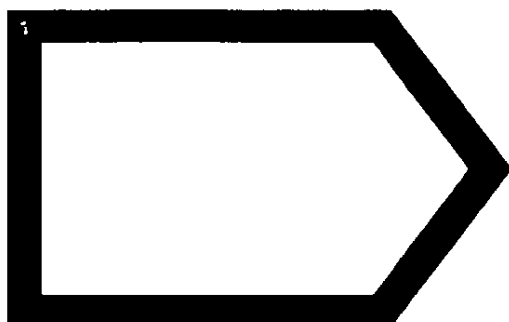
Appointed to the board in July 2014. Andrea was the Head of Supply Chain Management and Chief Purchasing Officer of Sector Infrastructure & Cities at Siemens AG from 2011 to 2014. Since joining Siemens in 1997, she held numerous positions in finance, Productivity and Supply Chain Management in Germany and internationally. Andrea started her career in industry in the Daimler Benz group where she was responsible for different teams in aircraft and postal automation service sales.

**8 Steve Hodkinson**

***Company secretary***

Appointed group company secretary in July 2012. Qualified as a solicitor in 1998. He has previously held the position of General Counsel for both Umbro plc and Bentley Motors Ltd, having earlier been European Counsel for the Celestica group of companies. He has a broad range of international legal experience and holds both an LLB and MBA.

- \* Remuneration committee
- \* Audit committee
- ♦ Nominations committee



### Corporate team

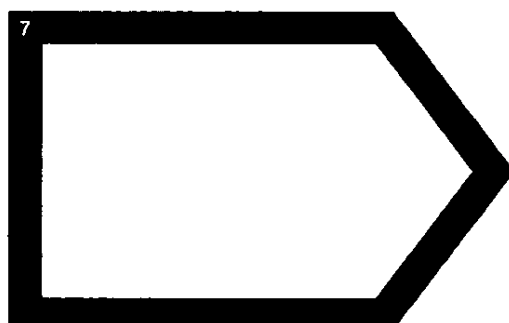
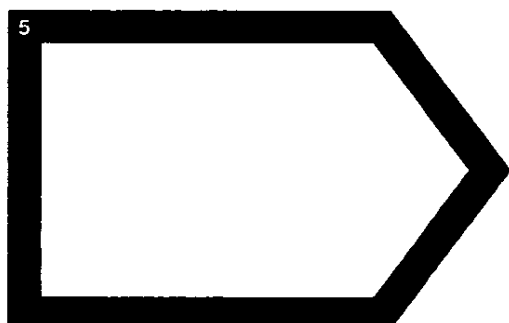
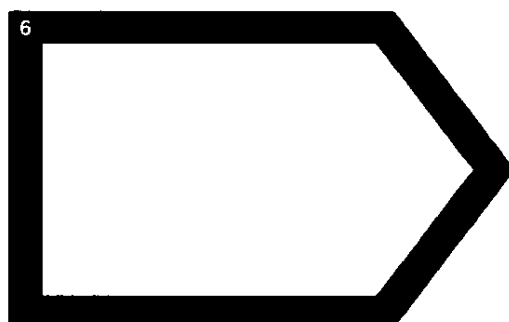
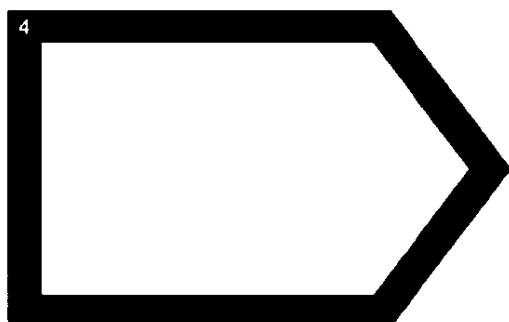
- 1 Ian Fraser Chief executive
- 2 Paul Thwaitte Finance director
- 3 Chris Short Corporate development director

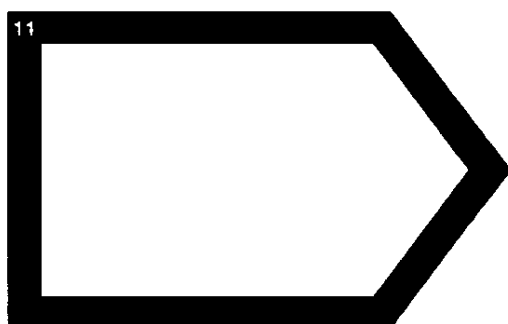
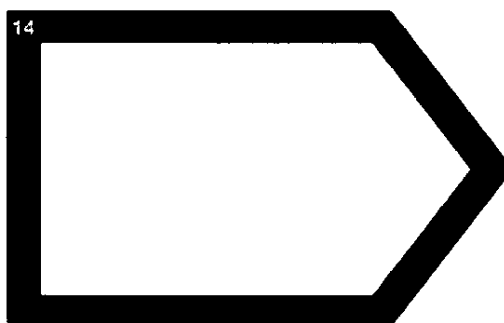
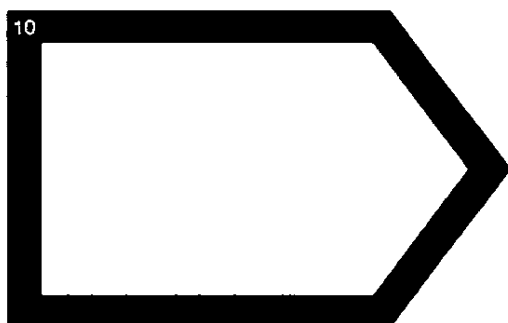
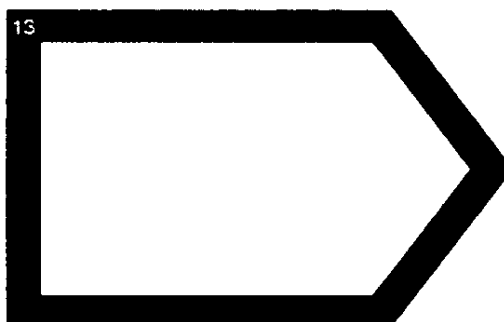
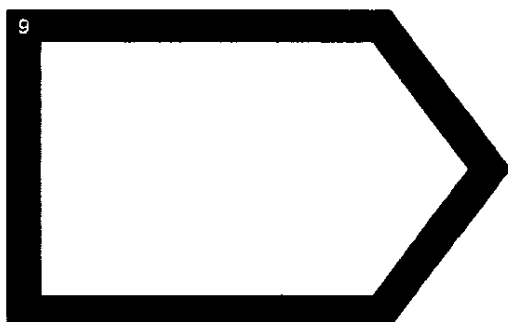
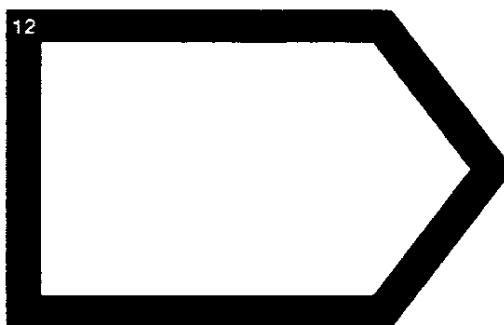
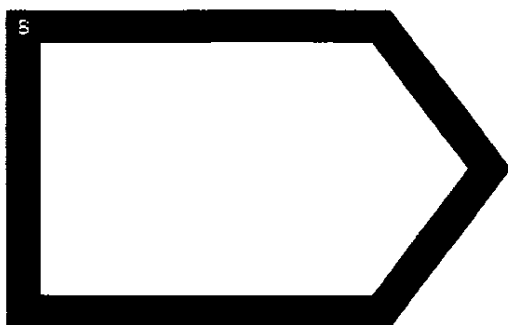
The Brammer executive team is subdivided into three elements:

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

### Country managing directors

- 4 Neil Rogers Regional managing director
- 5 Jochen Diehm Germany
- 6 Ian Ritchie UK
- 7 Julien Monteiro France





### **Functional directors**

- 8 Nigel Trend** Business integration
- 9 Ralf Hellwig** Key Accounts
- 10 Carl Friedrich Wayand** Purchasing
- 11 Philippe Hervieux** European managing director Tools and General Maintenance
- 12 Steve Hodgkinson** Secretarial, legal and human resources
- 13 Nigel Duke** Chief information officer
- 14 Paul Boughton** Head of Corporate Development

Brammer plc Accounts for the group

**Brammer  
saves customers  
money.**

**BRAMMER** 



## Directors' report

The directors present their annual report and audited consolidated financial statements for the year ended 31 December 2014.

### 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 124 together with details of their locations.

As at 31 December 2014, the principal activity of the group (including that of its principal operating subsidiaries as shown on page 124) is the provision of value added business to business services, through being a leading pan-European added value distributor of industrial maintenance, repair and overhaul products and related inventory management, procurement and logistics services.

### Financial results and dividend

The strategic report contains information 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 strategic report on pages 24 to 27. The financial key performance indicators of the business, which are considered to be sales per working day, gross margin, return on sales, return on operating capital employed, earnings per share and interest cover, are reviewed in the strategic report on pages 7 and 10. 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 7.1p per ordinary share for the year ended 31 December 2014 (2013: 6.8p), which, together with the interim dividend of 3.6p (2013: 3.4p per ordinary share), brings the total dividend paid and proposed to 10.7p (2013: 10.2p) per ordinary share for the year. Subject to the approval of shareholders at the annual general meeting, the final dividend will be paid on 2 July 2015 to all shareholders on the register at close of business on 5 June 2015.

### Directors

Details of each of the directors who served throughout the year and up to the date of signing the financial statements are shown on pages 28 and 29. All directors are subject to retirement by rotation under the company's articles of association.

The directors are aware of the retirement by rotation provisions of the Code that apply to FTSE 350 companies, and have chosen to voluntarily adopt these provisions. Terry Garthwaite completed ten years of service in June 2014 and will not stand for re-election at the 2015 AGM. The other directors will offer themselves for re-election at the 2015 AGM.

Each non-executive director is appointed for fixed terms of three years. Bill Whiteley was appointed in July 2008, Charles Irving-Swift was appointed in March 2010, Duncan Magrath was appointed in March 2012, and Andrea Abt was appointed in July 2014.

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. 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 17 February 2015, the company had notification that the following were interested in 3% or more of the company's issued share capital:

Fidelity Worldwide Investment	10.85%	Legal & General Investment Management	5.64%
AXA Framlington	10.38%	BlackRock Investment Management (UK)	5.09%
Mondrian Investment Partners	8.14%	Oppenheimerfunds	3.08%
Kames Capital	6.26%		

## Directors' report

### Purchase of own shares

During the year the company purchased none of its own ordinary shares of 20p each (2013: none).

The Employee Benefit Trust currently holds a total of 188,056 shares (2013: 56,683 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 pages 97 and 98 and consists of ordinary shares of 20p each. All of the issued ordinary shares rank *par 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 (AGM), held on 16 May 2014, the company was authorised by shareholders to purchase in the market up to 11,800,407 ordinary shares of 20p each, representing 10% of the issued ordinary share capital of the company as at 1 April 2014. 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 2014 interim results published on 29 July 2014 were not sent to shareholders. We do not intend to send the 2015 interim results and subsequent interim results to shareholders. The interim results and other information about Brammer are available on the company's website at [www.brammer.biz](http://www.brammer.biz).

### Electronic and website communication with shareholders

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

The company has implemented electronic and website communication with its shareholders. Shareholders who consented to website communication will be notified in writing when documents and communications have been published by the company so that they can view them on the company's website. It is intended that the Annual Report 2014 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 82.

### 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 of the group's employees.

A formal human resources policy framework continues to be followed throughout the group. The framework includes a process of appraisal and development to ensure companies get the best from their people, emphasis has been placed on career pathways with individual training and development programmes. Motivational events are organised during the year. The group operates internationally and therefore its employment practices are varied to meet local conditions and requirements. These are established on the basis of the best practice for each individual country. New and existing staff at all levels are trained to become familiar with products, markets, systems, service standards and management skills in order to better satisfy customer needs and to enhance their own career prospects. 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 group 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 group continues and the appropriate training is arranged.

The group will be carrying out the eleventh Brammer Employee survey (which is conducted electronically) in early 2015.

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.

## Directors' report

### Employee performance indicators

	2014 £000	2013 £000
Sales per employee	199	201
Training costs per employee	0.15	0.20

Brammer continues to invest in training for its employees and during the year a greater proportion of training was delivered electronically or was provided directly by suppliers at no cost to the company.

### Human rights

Brammer is committed to upholding and respecting human rights and is in the process of becoming a full signatory to the United Nations Global Compact (UNGC) which includes commitments to report and respect the protection of human rights and ensure we are not complicit in human rights abuses. Brammer ensures that each and every one of its operating companies is compliant with all legislation and the provisions of the Universal Declaration of Human Rights. Through its annual employee survey Brammer provides a confidential basis upon which to appraise the engagement and wellbeing of its employees and also has a formal whistleblowing process in place to allow any abuses to be notified in a timely and confidential manner.

### Percentage of male and female employees within Brammer Group by employment level

	2013 Male	2013 Female	2014 Male	2014 Female
Total Gender Split	76%	24%	67%	33%
Manager	87%	13%	80%	20%
Senior Manager	89%	11%	87%	13%
Executive	100%	0%	86%	14%

### 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 its operations. It is the policy of Brammer across all its operations to

- meet all relevant legislative requirements on environmental 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
- look favourably upon suppliers who have committed themselves to reducing their own impact upon the environment
- promote energy awareness amongst employees and customers, ensuring that all staff are aware of the Brammer energy policy available on the company intranet,
- implement energy awareness and savings throughout all our premises and equipment where it is cost effective to do so,
- monitor and report energy performance in an appropriate way;
- ensure that during refurbishment of any Brammer premises consideration is given to environmental impacts, and
- comply with all applicable legislation concerning the impacts of Brammer's energy usage

The group's aim is to encourage more recycling and reduce energy costs, thereby improving efficiency and reducing the relative carbon footprint of the group. The UK is leading the way in this regard. The group has extended this policy to other countries. Group initiatives include employing the services of Carbon Clear to produce a Carbon Accounting tool which is being used to measure our global carbon footprint. The carbon accounting methodology adopted follows the GHG Protocol Corporate Standard, an internationally recognised standard which provides guidelines for companies and other organisations preparing a GHG emissions inventory. Carbon Clear were involved in the measurement and reporting of our footprint ensuring that the data is credible, consistent and reliable. Implementing a structured and integrated approach to carbon accounting allows Brammer to report an accurate and credible carbon footprint, enabling the organisation to identify opportunities for improving its environmental performance across the group.

#### Working environment

The group continues to update its IT systems and to utilise the most efficient technology available. Employees are encouraged to leave all computers on standby mode if they are away from the computer.

At weekends, all non-essential servers, faxes and printers are shut down and all computers are turned off. Better control of temperature and regulation of the hours of use of oil at National Distribution Centres ("NDCs") to reduce consumption now takes place. The promotion of electronic mail and telephone rather than post is encouraged. The Group has invested in video and mobile conferencing facilities in order to further reduce the amount of travel undertaken by its employees.

## Directors' report

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. Movement sensors are installed in lighting wherever practical to ensure reduced usage of electricity in low traffic areas.

### 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

	2014	2013
Packaging costs as % of costs of goods sold	0.24%	0.20%
Distribution costs as a % of sales (representing delivery costs to customer)	0.82%	0.89%

Investment was made into reusable packaging during the year and whilst this will improve operational performance over the longer term, there is a short term impact upon packing costs. In addition, the acquired Lönne business was packaging intensive due to the nature and size of a number of their key products.

### 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. Overnight delivery routes are reviewed regularly to ensure maximum efficiency in scheduling to reduce fuel usage and thereby reduce vehicle emissions.

Employees are encouraged to optimise their use of car pooling, use of public transport and limit the amount of air flights. Drivers are asked to conserve their speed as this is more energy efficient. Hybrid and electric cars are offered to employees as part of the group car scheme.

### Recycling and waste reduction

Recycling is implemented where possible in relation to paper, glass and residual waste. Recycling is encouraged within NDC and administration centres 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 reuse 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. Re-usable plastic totes have been introduced with certain customers to reduce waste further.

### 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. The group is committed to reducing its carbon footprint through reducing energy consumption and proactive waste management.

Brammer is committed to being a responsible company and to taking all reasonable steps to reduce its impact upon the environment. As a distribution company, the interests of our major stakeholders, customers and the environment are well aligned as increased efficiencies reduce our carbon footprint, drive increased shareholder value and improve costs for customers.

As noted earlier, the group has partnered with Carbon Clear regarding a detailed assessment of its emission levels across Europe.

### Greenhouse gas emissions

This details Brammer's GHG emissions for the 12 months ended 31 December 2014. Using an operational control approach, Brammer assessed its boundaries to identify all of the activities and facilities for which it is responsible. Relevant activity data were identified and collected and provided to the independent consultant, Carbon Clear. The validity and completeness of the data were checked by Carbon Clear and used to calculate the carbon emissions for Brammer. The calculations performed follow the GHG Protocol and give an absolute and intensity factor for the group's emissions.

The results show that GHG emissions in the period were 27,018 tonnes of CO<sub>2</sub>e, comprised of the following.

#### Scope 1&2 – Mandatory Greenhouse Gas Reporting

- > Direct Emissions (Scope 1) amounted to 6,728 tonnes of CO<sub>2</sub>e or 24.9% of Brammer's total greenhouse gas emissions
- > Indirect Emissions (Scope 2) amounted to 7,067 tonnes of CO<sub>2</sub>e or 26.2% of Brammer's total greenhouse gas emissions

#### Scope 3 – Additional Activity Data Reported

- > The sources of Other Indirect Emissions (Scope 3) comprised 48.9% of total emissions or 13,223 tonnes of CO<sub>2</sub>e

## Directors' report

The tables below gives a more detailed breakdown of the emissions by activity and by country.

### Comparison of emissions by activity between 2013 & 2014

Type of emissions	Activity	Total 2013 tCO2e	Total 2014 tCO2e	% Change
Direct (Scope 1)	Gas	1,692	1,035	-38.8%
	Company vehicles	3,657	5,583	44.8%
	Refrigerants	-	-	-
	Other fuels	218	110	-49.3%
	<b>Subtotal</b>	<b>5,767</b>	<b>6,728</b>	<b>16.7%</b>
Indirect energy (Scope 2)	Supplied electricity	5,000	7,066	41.3%
	Supplied heat & steam	1	1	6.0%
	<b>Subtotal</b>	<b>5,001</b>	<b>7,067</b>	<b>41.3%</b>
Indirect other (Scope 3)	Non-company owned vehicles	5,066	5,502	8.6%
	Train travel	73	53	-27.0%
	Freight transport	1,484	1,928	29.9%
	Flights	1,909	1,373	-28.1%
	Waste	4,081	3,146	-22.9%
	Water	38	37	-1.4%
	Paper	136	116	-14.9%
	Packaging materials	786	1,068	35.9%
	<b>Subtotal</b>	<b>13,573</b>	<b>13,223</b>	<b>-2.6%</b>
<b>Total emissions (tCO2e)</b>		<b>24,341</b>	<b>27,018</b>	<b>11.0%</b>
Intensity metric		2013	2014	% Change
Total GHG emissions/£m turnover		38.43	37.24	-3%

### Year on year analysis

Carbon intensity has reduced year on year by 3% showing that Brammer emitted less carbon per unit of revenue than in the previous period. There has been an 11% increase in total Carbon Emissions from 2013 to 2014. Of the increase, 5% relates to the acquisition of Lönne and the associated increased activity levels.

Scope 1 emissions have risen by 16.7%, which is predominantly due to an increase in company vehicle emissions.

Scope 2 emissions have increased significantly by 41.3% with supplied electricity emissions solely responsible for this rise. This is in part due to increased activity and in part due to changes in emission factors.

Scope 3 emissions have remained fairly constant with a small decline noted.

### Specific country initiatives are as follows.

In the UK, the Brammer UK employees continue to receive environmental training and awareness, which, along with other environmental improvements, has resulted in Brammer UK continuing with their ISO 14001 2004 accreditation and also confirming that zero tonnes of waste per month were sent to Landfill in 2004 (2013 – zero tonnes per month, 2005 – 7.68 tonnes per month) which is a significant achievement given the size and volume of transactions.

The NDC continues to recycle cardboard, plastic and paper, which, due to better working practices with our suppliers, has continued to decrease from our 2013 figures. Cardboard, paper and plastic all decreased significantly, however Electricity increased by 3.5% due to additional hours worked at weekends. During 2014 the UK introduced 'Dry Mix Recycling' which combines cardboard, plastic, paper and tin/aluminium cans. This will reduce the number of skips required, thus limiting the number of deliveries and meaning reduced CO2 emissions into the environment. Where possible Brammer UK continues to minimise CO2 emissions, with improved GPS delivery routes introduced to reduce fuel costs. Brammer UK continues to adhere to the ISO 14001 2004 accreditation across the entire branch network, gearbox centres, workshops, NDC and Head Office.

In France, the NDC in Nozay holds full ISO 14001 2004 certification, valid until 2017. All sites in France hold full ISO 9001 2008 certification, valid until July 2017.

## Directors' report

Brammer France is a full signatory to the United Nations Global Compact in June 2010 in the areas of environmental compliance, human rights, labour standards, and anti-corruption. It publishes an annual Communication on Progress which is available through the UN Global Compact Website. For 2014, the following actions were undertaken regarding environmental matters:

- > The average carbon footprint of the company car fleet was reduced by 4 points and is now 114g/km;
- > Selective sorting of waste has been established within the NDC, the head office at Nozay and the site at Schiltigheim. 60% of all waste is now recycled;
- > "Eco-friendly" compliance initiatives established;
- > All cardboard packaging is made from 100% recycled and recyclable materials; and
- > Installation of a hydrocarbon separator at Nozay to improve the treatment of storm water.

In Germany all sites hold full ISO 14001:2009 and ISO 9001:2008 certifications. An ISO 14001 audit in 2014 for Dortmund, Karlsruhe and 4 other locations was passed with no documented non-conformities. A further five locations are to be audited in 2015.

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

In Poland, all sites hold full ISO 9001:2009 certification, valid until November 2015, and are working towards ISO 14001 certification over the next two years. The vehicle fleet in Poland continues to be updated to significantly reduce emissions and the company invested in a transformer to convert high frequency energy into a lower form, which significantly reduces energy consumption. Additionally when carrying out building renovation, new energy efficient lighting and windows are being installed.

Brammer Spain has full ISO 14001:2004 certification, which is valid until February 2017. The NDC in Spain is also ISO 50001:2011 accredited, valid until September 2017. Brammer Spain has also implemented a policy of reducing packaging, replacing plastic bags for packaging paper or cardboard, reusing packaging whenever possible and recycling paper, cardboard, plastics and toners through authorised waste managers in the NDC and all other branches. Additionally, in the NDC in Spain, energy consumption has been reduced by the replacement of HVAC equipment and lighting with more efficient equipment; this has led to a substantial improvement in energy consumption when compared with 2013, with energy savings of around 15% in 2014 and an expectation of an additional 15% energy saving in 2015.

All Brammer sites in the Czech Republic, Slovakia, the Netherlands, Hungary, Norway, Denmark and Finland, and the site in Helsingborg, Sweden, hold full ISO 9001:2008 certification.

### 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 of 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 2014 Brammer UK achieved the OHSAS18001:2007 accreditation across the entire branch network, gearbox centres, workshops, NDC and Head Office ensuring that all employees carry out their functions in a safe and effective manner. The investment in automation at the NDC in relation to the picking and despatch processes continues to bring about further reductions in the amount of manual handling.

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

- > British Fluid Power Hose Association – BFFA certification accreditation – dedicated to improving the performance of distribution within the fluid power industry
- > Approved SAFE contractor – A leading health and safety pre-qualification assessment scheme, dedicated to promoting higher standards of competence and compliance through the provision of relevant industry specific and tailored health and safety assessments for all professions and sectors

## Directors' report

- > Achilles – UVDB Verify (utilities industry) Quality, Health, Safety and Environmental Assessment Certification and assessment for contracts of high operational risk, the Utility second stage pre-qualification scheme UVDB Verify applies. UVDB Verify shows the company's ability to demonstrate compliance to health, safety, environmental and quality requirements.
- > Achilles – Building Confidence (Construction Industry). A Quality, Health, Safety and Environmental Assessment providing an effective pre-qualification and accreditation services for the UK construction industry.
- > Achilles – Link-up (Rail Industry) is the rail industry supplier qualification scheme, providing a single common registration, qualification and audit process for suppliers that is shared by the UK rail industry in Quality, Health, Safety and Environmental Assessment.
- > Achilles – FPAL (Oil and Gas Industry). FPAL Accreditation is the direct route to business in the Oil & Gas Industry, which aims to find the perfect supplier for every buyer. FPAL works to identify, qualify, evaluate and monitor suppliers on behalf of its Purchasing members in Quality, Health, Safety and Environmental activities.
- > Sedex – Supplier Ethical Data Exchange – is a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains.
- > CIPS – Chartered Institute of Purchasing and Supply is an established international standard of excellence in procurement policies and procedures. The Purchasing Accreditation assesses the company's Sustainability, Corporate Social Responsibility, Quality Health & Safety and Financial Stability
- > Quality Management System – ISO 9001 accreditation – Implementing an effective and robust Quality Management System (QMS) helps our focus on the important areas of the business to improve efficiency. The Management processes that are established throughout our business will provide a sound foundation, leading to increased productivity and profit. This in turn will improve our customer acquisition and retention.
- > Environmental Management – ISO 14001 accreditation – Developed to provide a management system to help organisations reduce their environmental impact. The standard provides the framework for organisations to demonstrate their commitment to the environment by reducing harmful effects on the environment and to provide evidence of continual improvement of environmental management.
- > Occupational Health & Safety – OHSAS 18001 accreditation – which provides a framework to help organisations meet their legal obligations to Health and Safety in the workplace.
- > BSIF – Certificate of Membership – British Safety Industry Federation – is the UK's leading trade body within the safety industry who provide support and guidance on a wide range of occupational safety issues
- > PICS – Pacific Industrial Contractor Screening – Membership – providing assistance to maintain high levels of compliance to risk and safety management.

A driver online assessment programme has continued throughout 2014. The aim is to reduce the number of road accidents involving employees whilst driving company vehicles. All new medium sized delivery vans ordered for the UK fleet are supplied with a 62mph speed restrictor to improve the fuel efficiency of the vehicles and to prevent driving at excess speed.

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

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

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

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

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

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

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

## Directors' report

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

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

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

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

### Employment of disabled persons

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

### Corporate governance

The company's statement on Corporate Governance is included in the Corporate Governance report on pages 43 to 48 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 pages 62 and 63

As part of the resolutions approved at the 2014 annual general meeting of shareholders, shareholders' authority was given to the company's directors for the allotment of up to 39,334,691 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 2014 annual general meeting.

During the year, the directors did not fully exercise the authorities given to them (to allot shares), however 100,000 shares were issued in relation to the options exercised under the Executive Share Option Schemes and a further 11,300,407 shares were issued by way of a placing which raised approximately £53.7 million. As at 31 December 2014, the directors have the power to allot up to 78,669,382 ordinary shares of 20p each representing 66.6% of the issued share capital as at the date of the 2014 annual general meeting in connection with a rights issue, subject to a reduction of any amount of shares issued in accordance with the preceding paragraph.

There are no significant agreements to which the company is a party which take effect, alter or terminate in the event of change of control of the company except that the revolving credit facility agreement dated 11 July 2011 in respect of the €100 million revolving credit facility ("the group facility") contains mandatory pre-payment provisions on a change of control. The group facility contains a prohibition on a merger of the company with another entity without the prior consent of the relevant banks. During the year, the company agreed a further \$75 million loan note facility with the Prudential Insurance Company of America ("Pricoa"). This note purchase agreement contains provisions requiring the repayment of all outstanding notes upon a change of control of the company.

As stated in the remuneration report on page 55, 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

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

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

### Variation of rights

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

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



## Directors' report

### Going concern

As highlighted in the financial review, during 2014 the group met its day to day working capital requirements through a €100.0 million banking facility with HSBC, Yorkshire Bank and KBC Bank and a US\$175 million uncommitted facility with Pricoa. \$150 million of the \$175 million facility is now fully committed until 2021. 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 facilities for the foreseeable future.

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

### Independent auditors

So far as each director is 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

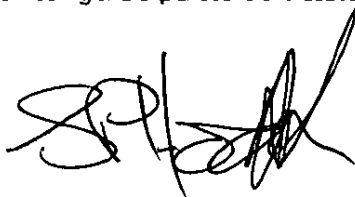
Resolutions to re-appoint PricewaterhouseCoopers LLP (PwC) as independent auditor to the company and to authorise the directors to determine their remuneration will be proposed at the annual general meeting.

### Annual general meeting

The annual general meeting of the company is to be held at 13.00 on 15 May 2015 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  
Steven Hodgkinson  
Company Secretary  
17 February 2015



## 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 referred to in the Listing Rules of the UK Listing Authority. A copy of this Code is publicly available from [www.frc.org](http://www.frc.org).

For the year under review, the company has complied with the UK Corporate Governance Code ("the Code") in all respects.

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

### Part A: Directors

#### Board balance and independence

The board currently comprises a non-executive chairman, two executive directors and four non-executive directors, who are equally responsible for the proper stewardship and leadership of the company. The directors holding office at the date of this report and their biographical details are given on pages 28 and 29.

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. During the year they each met the independence criteria set out in the Code. Terry Garthwaite, having completed 10 years of service with the company may no longer be considered as independent under the terms of the Code and as a result will not stand for re-election at the 2015 AGM. Andrea Abt was appointed as a non-executive director in July 2014. Ridgeway Partners were retained to assist in this process. 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.

Bill Whiteley, the chairman of the company met the independence criteria set out in the Code at the time of his appointment 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 2014. In addition, the training needs of the board are reviewed regularly and, where appropriate, addressed.

Duncan Magrath is currently 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 is detailed in the chart below.

	Main Board 7 Meetings	Main Board (Telephone) 3 Meetings	Audit Committee 3 Meetings	Remuneration Committee 4 Meetings	Nomination Committee 1 Meeting
Bill Whiteley	7	3	n/a	n/a	1
Ian Fraser	7	3	n/a	n/a	1
Terry Garthwaite	7	3	3	4	1
Paul Thwaite	7	3	n/a	n/a	n/a
Charles Irving-Swift	7	3	3	4	1
Duncan Magrath	7	3	3	4	1
Andrea Abt (appointed July 2014)	3	1	2	3	1

#### Appointment and resignation of directors

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

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.

## Corporate governance statement

### Advice for directors

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

### Delegation and working through committees

The board has a formal schedule of matters specifically reserved to it for approval. This schedule is reviewed periodically. The board's main focus is on strategic and policy issues and reviewing objectives and performance. The board operates in such a way to ensure that all decisions are made by the most appropriate people in a timely manner that will not unnecessarily delay progress. The board has formally delegated specific responsibilities to board committees, including the audit committee, remuneration committee and nominations committee (see pages 28 and 29). 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 compulsory retirement by rotation at intervals of no more than three years. The directors are aware of the retirement by rotation provisions of the Code that apply to FTSE 350 companies, and have chosen to voluntarily adopt these provisions. Accordingly, all directors shall be offering themselves for re-election at the 2015 AGM. Terry Garthwaite completed nine years of service with the group on 1 June 2013. The board, however, considered his experience, knowledge and contribution to be such that he continued to serve beyond his 9th anniversary but will not stand for re-election at the 2015 AGM. Biographical details of these directors are set out on pages 28 and 29.

### Nominations committee

The nominations committee and the board seek to maintain an appropriate balance between the executive and non-executive directors. During the year, the nominations committee was chaired by Bill Whiteley and consists of all the non-executive directors and the chief executive. 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](http://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.

All directors who are offering themselves for re-election at the 2015 AGM have been subject to a formal evaluation process. The nominations committee has concluded that they continue to contribute effectively and demonstrate their commitment to the respective board and committee roles that they hold.

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.

### Audit committee

During the year the audit committee consisted of all the non-executive directors. The board is satisfied that Terry Garthwaite, who chairs the committee, has recent and relevant financial experience. Mr Garthwaite's professional qualifications and experience are set out in his biography on page 28. Duncan Magrath will succeed Mr Garthwaite as audit committee chairman subject to his re-election at the AGM.

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](http://www.brammer.biz).

## Corporate governance statement

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 ratio 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 PwC.

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 Charles Irving-Swift and consists of all the non-executive directors. Members of the committee have no personal financial interest in the company other than as shareholders and the fees paid to them as non-executive directors. They are not involved in the day-to-day running of the company.

Ian Fraser, by invitation and for matters not relating to him, 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 he has a direct personal interest.

Further details are set out in the remuneration report on page 57.

### 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](http://www.brammer.biz).

### Part C: Relations with shareholders

The board is accountable to shareholders for the company's continued success. The company accordingly places great emphasis on maintaining good communications with shareholders. The chairman, chief executive and finance director meet regularly with major shareholders to discuss the group's performance, strategic issues and shareholder investment objectives. Reports of these meetings, and any shareholder communications during the year, are reported to the board.

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

The annual report together with the Brammer website are a substantial means of communication with all shareholders during the year. The Interim Report together with Interim Management Statements are announced to the Stock Exchange and also published on the Brammer website.

The notice of the AGM accompanies this report and accounts. The notice is despatched 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 AGM. 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 an 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.

## Corporate governance statement

The current auditors, PwC, were appointed in 2001. There are no contractual obligations that restrict the committee's choice of external auditor. Internal reviews, assessing the cost effectiveness and value for money aspects of the audit, were conducted in 2006 and 2013 but on neither occasion was it considered necessary to conduct a formal competitive tender. Martin Heath, the current engagement partner, has served four years of his five year term and will rotate after the 31 December 2015 accounts are signed. Based on EU regulations, the current expectation of ten year mandatory rotation with transitional rules would result in a change of auditors no later than 16 June 2023. The Department for Business, Innovation and Skills ("BIS") and the Financial Reporting Council ("FRC") have both recently issued consultation documents on how to adopt the EU Regulations in the UK. The timing of a competitive tender will continue to be assessed on an annual basis, considering both the results of the annual effectiveness review, discussed below, and UK legislation when effected.

The committee regularly reviews the analysis of all services provided by PwC. The policy is reviewed annually by the committee and approved by the board. The committee also undertakes an annual review of the external audit effectiveness following the completion of the audit process. Country management teams together with the central finance function are asked to formally appraise the effectiveness and quality of the audit process. The Chair of the Audit Committee undertakes a formal review of these comments reporting back to the committee who then share these comments with PwC and, where necessary, discuss how the finance teams and auditors can work together more effectively.

### Internal control

Internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The board is responsible for the group's system of internal control and for reviewing its effectiveness. The board works closely with local management and has established procedures in place to monitor the operations and financial reporting processes across the group. See the 'Operational structure, review and compliance' section below for further details.

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

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

### Operational structure, review and compliance

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

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

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

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 by the head office finance team and the regional finance controllers. 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 ongoing continuous review to ensure adequacy for the purpose and efficient working in furtherance of their objectives.

The main areas the board focused on during 2014 were

### Strategy formulation, implementation and monitoring:

- Received regular updates from the CEO on management development and succession planning
- Met the executive board in June to discuss the group's strategy
- Received detailed presentation surrounding cyber risks and corporate IT security

## Corporate governance statement

### *Performance monitoring:*

- > Reviewed monthly reports from the CEO and the business line managing directors on the key issues affecting the business.
- > Reviewed monthly reports from the CFO on performance against budget and forecast. For more information on our financial performance see pages 6 to 27
- > Received detailed Health & Safety report from UK HS Manager.
- > Reviewed reports from the CFO on the financial position of the group, which included treasury management.
- > Reviewed regular reports from the chairmen of the audit, remuneration and nomination committees on matters discussed at the committee meetings.
- > Approved the full year and half year results for the group
- > Reviewed reports on peer group comparison of results.
- > Made recommendations regarding the 2013 final dividend and approved the 2014 interim dividend.
- > Approved the group's budget for 2015.

### *Governance and risk:*

- > Reviewed reports on governance issues, including changes arising from the introduction of the UK Corporate Governance Code 2012 and the revised remuneration reporting regulations from BIS.
- > Performed regular reviews of the significant risks affecting the group. For more information on our risk management framework and processes see page 46
- > Reviewed and updated the matters reserved for the board.
- > Reviewed regular reports and key performance indicators on health and safety and corporate social responsibility issues. For more information on our corporate responsibility and health and safety policies and procedures, see pages 36 to 41.

### *Meeting country management/site visits:*

Attended meetings with the executive board in April, June and November including

- > Meeting the Dutch management team in June 2014

### *Shareholder engagement:*

- > Reviewed 2014 AGM proxy voting figures. For more information on the 2014 AGM visit our website at [www.brammer.biz](http://www.brammer.biz).
- > Reviewed reports from brokers on shareholder feedback from meetings with the CEO and CFO.
- > Made preparations in respect of the 2015 Annual General Meeting.

### *Other:*

- > Reviewed and agreed the specification for the appointment of a new non-executive director
- > Approved the 2014 Annual Report and Accounts

### *Work of the Audit Committee*

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

- > Monitoring the country audits and group wide process reviews performed throughout the year, receiving reports from the internal audit department and reviewing its results during the year. A review of the internal audit work for the period to July was considered at the July 2014 meeting, and a review of further work carried out for the period to November was considered at the November 2014 meeting. The internal audit plan for 2015 was considered and approved at the November 2014 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 2014 annual report. The committee is updated regularly on actual and pending changes to the accounting standards.
- > Internal controls and risk management – in February 2014 the committee reviewed observations from the external auditors and in July and November 2014, the committee considered reports on the operation of and issues arising from the group's internal control procedures. It also monitored at its July and November 2014 meetings, the effectiveness of the group's risk management process, which considers the key risks, both financial and non-financial, facing the group and the effectiveness of the group's controls to manage and reduce the impact of those risks.
- > In November 2014, the board reviewed the committee's terms of reference and non-audit services policy.
- > External auditors' work and relationship – the committee assessed the external auditors' independence and objectivity throughout the year. The audit report for 2013 was reviewed and discussed with the external auditors at the February 2014 meeting prior to them issuing an unqualified audit report, a similar process has taken place in relation to the 2014 audit report. Their interim findings were considered at the July 2014 meeting together with their strategy for the 2014 audit.
- > "Whistleblowing" policy – the committee reviewed a draft of an updated policy which was approved for issue to the group in early 2015, under which employees may in confidence notify the company of any concerns, inter alia, involving financial reporting. A copy of the updated policy will be available on the company's website and will be distributed to employees through an online training module, where completion will be monitored.
- > "Bribery Act 2010" – an anti-corruption/ bribery policy was developed and implemented in previous years. An ongoing training programme was rolled out across the group and compliance monitored.

## Corporate governance statement

### Audit committee reporting of areas of focus

The primary areas of judgement considered by the committee in relation to the 2014 accounts and how these were addressed were as follows:

#### *Valuation of pension scheme deficit (IAS 19)*

The valuation of the pension scheme deficit depends on the application of significant judgements in the actuarial assumptions applied, including discount rates, future RPI and mortality rates and on the expected returns on investments. These are addressed through the committee discussing with management the key judgements made including relevant actuarial advice that has been received. The committee also reviews the findings of PwC's testing of pension scheme assets and liabilities.

#### *Goodwill impairment assessment*

The judgements in relation to asset impairment largely concern the assumptions underlying the calculation of the value in use of the businesses being tested for impairment, primarily the achievability of the long-term business plan and macroeconomic assumptions underlying the valuation process. During the year the group have recognised an impairment to reduce the value of the Czech goodwill to nil. The committee addresses these judgements through reviewing and challenging reports from management outlining the basis for the assumptions used, including the basis for the impairment recognised relating to the Czech goodwill. In addition, the committee considers the findings of the work of the auditors in this area.

#### *Classification of exceptional items*

The judgements in relation to exceptional items relate to the appropriateness of their classification as exceptional items and the accuracy of the amounts recorded, including any provisions remaining at the balance sheet date. The committee reviewed reports from management outlining the nature of the costs incurred and the basis for classification as outside the normal scope of the Group's business. The committee also considers any findings of the auditors in this area.

#### *Accounting for acquisitions and fair value of acquired intangibles*

For each acquisition made, judgements include assessment of the fair value of assets and liabilities acquired. In particular the valuation of acquired intangibles is inherently subjective and is assessed by reference to the net present value of future cash flows based on long-term forecasts. This is also an area of audit focus and accordingly, PwC's reporting in respect of this area has been reviewed by the committee.

#### *Valuation of rebate income receivable*

The valuation of rebate income accruals at the balance sheet date includes judgements surrounding the calculation of the year end accrual. The degree of judgement required is low, as agreements with suppliers are cash based, co-terminous with year-end and supported by signed contracts, and the group receives confirmations of the achievement of relevant targets based on historic performance from suppliers at year end. The committee reviewed reports from management detailing the controls that management has in place for the recording of rebate income and reviews the findings of PwC's testing of the supplier rebate income accrual.

The committee was satisfied that each of the matters set out above had been fully and adequately addressed by the executive directors, appropriately tested and reviewed by the external auditors and that the disclosures made in the Annual Report & Accounts were appropriate.

#### *Risk management*

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

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

A separate exercise is carried out as part of an ongoing review by the board that focuses on corporate risks. These are the strategic group level risks over and above the operational risks which have been reviewed and considered by the Brammer management. This was reviewed by the board in 2014 and adopted. A risk management policy has been formulated along with a board level risk assessment register.

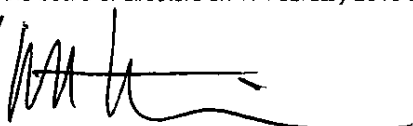
Brammer's insurance continues to be managed and co-ordinated centrally with the assistance of insurance brokers. This gives the group full visibility of both claims history and the insurance industry's perception of the group's overall risk via the respective insurance premiums. Brammer examines the 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 41.

Approved by the board of directors on 17 February 2015 and signed on its behalf by

**Bill Whiteley**  
Chairman



## Remuneration report

### A statement to shareholders from the Chairman of the remuneration committee

In this second year of reporting on remuneration under the regulations introduced in 2013 we have sought to continue to improve our disclosure. Our Remuneration Policy was approved by shareholders at the 2014 AGM and applied from 1 January 2015. Following a review of our incentive arrangements in 2014, triggered by the impending expiry of the Share Matching Plan (SMP) in 2015, a revised Remuneration Policy will be put to shareholders at our 2015 AGM to apply from 1 January 2016 (subject to approval). It remains the policy of the remuneration committee to ensure that our reward packages are competitive, simple, transparent and aligned with shareholder expectations. As part of the simplification of our remuneration structures we have sought to align performance further and reward in such a way that shareholders benefit from sustained long-term performance of the company and that management are appropriately motivated to deliver this.

### Review of Remuneration Policy for 2016

The Brammer Share Matching Plan (SMP) was approved by shareholders in 2005, to operate alongside the Performance Share Plan (PSP), and allowed a one-for-one match on investments of up to 25% of salary (with the match applying to the pre-tax number of shares lodged in the SMP). Whilst the plan's design reinforced our policy objectives of alignment, ownership and retention, the Committee is conscious of shareholders' preference for simpler remuneration arrangements, in particular, a single long term incentive.

Following advice received from our remuneration consultants, Kepler Associates, the proposed approach has been formulated to ensure that:

- > the fair value of total remuneration is broadly unchanged,
- > the balance between short- and long-term incentives is broadly maintained,
- > participants continue to defer (albeit mandatorily) a proportion of earned bonus into Brammer shares, and
- > Brammer's incentive arrangements are consistent with current institutional shareholder thinking on best practice and recent changes to the UK Corporate Governance Code.

The Committee will not seek re-approval of the SMP after its expiry following the final grant of matching awards in 2015. Instead, following a review of executive remuneration arrangements during the year, the Committee proposes to split the fair value of SMP awards roughly equally between the annual bonus and the PSP to maintain the balance of short- vs. long-term incentive opportunities. The proposed changes from 2016 are to

- > cease granting awards under the SMP,
- > increase the annual bonus opportunity for Executive Directors from 100% to 125% of salary but mandate the deferral of 20% of any bonus into Brammer shares for 3 years;
- > increase the Executive Director PSP opportunity from 150% to 175% of salary (note that the PSP performance targets are more stretching than those of the SMP), and
- > introduce malus/clawback provisions for share awards granted under the new policy (including the deferred annual bonus, unvested PSP awards and vested PSP awards in their 2-year holding period)

The Committee believes that these changes, together with the mandatory two-year holding period on PSP awards implemented at the last AGM, will provide simpler and clearer alignment between management and shareholder interests, and simplify our incentive arrangements.

We pro-actively engaged in dialogue with our shareholders on these changes during the year. In particular, each of our major shareholders was consulted and was given the opportunity to comment on the proposals which are detailed in this report, and we were delighted that no objections were received during that period of engagement.

### Remuneration vesting in 2014

In spite of Brammer's strong performance in 2012 and 2013, the 2012 SMP and PSP awards will lapse, reflecting the more difficult operating environment in 2014. During the year, threshold bonus objectives were not met, and so the Remuneration Committee has not awarded bonuses to the executive directors in respect of 2014.

### Remuneration for 2015

The annual salary review also resulted in only modest salary increases being applied to Executive Directors, broadly in line with those applied to the wider workforce. In 2015, the Committee will operate the Remuneration Policy approved at the last AGM with

- > annual bonus opportunities of 100% of salary, based on 80% on profit growth and 20% on cashflow, and payable in cash
- > PSP opportunities of 150% of salary, based 50% on EPS growth and 50% on relative TSR,
- > a final cycle of SMP awards, where participants will be invited to invest up to 25% of salary in Brammer shares to qualify for a matching opportunity based 50% on EPS growth and 50% on relative TSR, and
- > vested PSP and SMP awards subject to a 2-year holding period

### Charles Irving-Swift

Chairman of the remuneration committee  
17 February 2015





## Remuneration report

### Compliance statement

This report has been prepared by the remuneration committee on behalf of the board and complies with the requirements of the Listing Rules of the UK Listing Authority, Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UK Corporate Governance Code. In accordance with Section 439 of the Companies Act, an advisory resolution to approve the Annual Report on Remuneration for 2014 and a binding vote on the Remuneration Policy from 1 January 2016 will be proposed at the Annual General Meeting ("AGM") of the Company to be held on 15 May 2015.

### Part A: Remuneration policy

This section provides Brammer's remuneration policy for Directors which will apply from 1 January 2016, subject to approval at the 2015 AGM. Until 1 January 2016, the Policy approved by shareholders at the 2014 AGM will remain in place. Changes to the current Policy are described in the notes on page 49. Last year's full Remuneration Report is also available on our website.

#### 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 avoid paying more than necessary to achieve this objective. The company's executive remuneration policy is regularly reviewed to ensure it takes due account of market practice and 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. The committee acknowledges that the quantum of remuneration for senior executives is an issue of concern for shareholders and that market data, when obtained and utilised, should be considered in the context of performance, affordability and pay for other employees.

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

#### Performance related pay

The committee and the board seek to link a significant proportion of the remuneration package to financial and individual performance. 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 or 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. Further details of these incentives are set out below.

#### Summary of Brammer's remuneration policy for executive directors

Purpose and link to strategy	Operation	Opportunity	Performance metrics
<b>Fixed pay</b>			
<b>Salary</b> To support recruitment and retention of talent by ensuring base salaries are competitive in the market in which the individual is employed	Base salaries are reviewed annually with changes normally effective from 1 January of each year.  Reviews take account of the individual's role, experience and performance, performance of the business, salary levels at relevant comparators, and the range of salary increases applying across the Group.	Any salary increases are applied in line with the outcome of the annual review, and would have due regard to those for the wider employee population of the Group.  There is no prescribed maximum to avoid setting unhelpful expectations.	Individual and business performance are key considerations in setting base salary.
<b>Pension</b> To provide competitive and cost effective retirement benefits	The CEO and CFO receive cash allowances in lieu of pension contributions.  The CEO is also a member of the company DB scheme, in which his participation has been frozen since 2006.	Executive directors may receive pension benefits of up to 25% of salary.	Not specifically linked to performance.

## Remuneration report

Purpose and link to strategy	Operation	Opportunity	Performance metrics
<b>Benefits</b> To provide competitive benefits within the market in which the individual is employed	Benefits include private healthcare, health insurance, life assurance, contribution to home telephone, and car allowance  Where appropriate, other benefits may be offered, including, but not limited to, accommodation, relocation, other expatriate benefits and participation in all-employee share schemes, childcare and other voucher schemes, cycle to work or other employee benefit programmes	Benefits values vary by role and individual circumstance, and are reviewed periodically against market practice	Not specifically linked to performance
<b>Variable pay</b>  <b>Annual Bonus</b> To incentivise sustainable short-term performance	Performance measures are selected and quantified targets are set at the start of the year to reinforce the business strategy  At the end of the year, the remuneration committee determines the extent to which these have been achieved  For bonuses earned in respect of 2016 onwards, 20% of any bonus earned is mandatorily deferred into Brammer shares for three years. The remainder of the bonus is payable in cash  The remuneration committee has discretion to allow dividends to accrue on deferred shares that vest  Clawback and malus apply on unvested deferred bonus shares in exceptional circumstances such as gross misconduct or material misstatement	Maximum opportunity for executive directors of 125% of salary  Threshold opportunity is 0% of maximum, and target opportunity is 50% of maximum	Performance measures, and their respective weightings, may vary from year to year to reflect the business priorities for the year  The annual bonus is typically based: > 80% on profit growth > 20% on cashflow  In exceptional circumstances, the committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the Plan where it believes the outcome is not truly reflective of overall performance and to ensure fairness to both shareholders and participants  Measures used for the 2014 short term incentive plan and proposed for 2015 are set out in the Annual Report on Remuneration on page 60

## Remuneration report

### Purpose and link to strategy

#### Share Matching Plan (SMP)

To encourage executive share ownership, support the alignment of interests of executives and shareholders; incentivise long-term profit growth and returns to shareholders; and support retention of talent

### Operation

Final awards under the SMP will be made in 2015, after which the Plan will expire

Participants may invest up to 25% of salary p.a. in Brammer shares under the SMP. Shares must be held for three years to qualify for any matching opportunity

Any matching shares which vest are required to be held for a further 2 years before being released

### Opportunity

Participants may earn up to one matching share for each invested share with all such shares having been grossed up for tax purposes

### Performance metrics

The vesting of awards is usually subject to:

- > the Company's performance over a 3-year performance period
- > continued employment

Some awards in recent cycles have vested subject to stretching EPS and relative TSR targets, however, the 2012 awards will lapse in 2015 as the performance conditions have not been met. The performance conditions applied to SMP awards are reviewed before each award cycle to ensure they remain appropriate and aligned with business strategy and shareholder interests. Should the committee opt to make changes to the measures, the weighting on EPS and relative TSR combined will be not less than 50% of the total award

Measures used for outstanding SMP awards, and proposed for the 2015 SMP award, are set out in the Annual Report on Remuneration on page 61

#### Performance Share Plan (PSP)

To incentivise the delivery of profit growth and returns to shareholders

The remuneration committee has the ability to grant performance shares or nil-cost options under the PSP. To date, the remuneration committee has awarded nil cost options

The remuneration committee has discretion to allow dividends to accrue on awards which are paid on shares that vest

Vested awards are required to be held for a further 2 years

Clawback and malus applies on unvested awards and vested awards in their 2-year holding period in exceptional circumstances such as gross misconduct or material misstatement

The PSP provides for annual awards of performance shares or nil-cost options up to an aggregate limit of 175% of salary in any given year

Actual awards are determined with reference to the competitiveness of the overall package

16.7% of maximum vests for threshold performance, 66.7% for stretch performance, and full vesting for exceptional performance

The vesting of awards is subject to:

- > the Company's performance over a 3-year performance period
- > continued employment

Awards in recent cycles have been based on achieving stretching EPS and relative TSR targets. The performance conditions applied to PSP awards are reviewed before each award cycle to ensure they remain appropriate and aligned with business strategy and shareholder interests. Should the committee opt to make changes to the measures, the weighting on EPS and relative TSR combined will be not less than 50% of the total award

Measures used for outstanding PSP awards, and proposed for the 2015 PSP award, are set out in the Annual Report on Remuneration on page 60

In addition to the above elements of remuneration, the committee may consider it appropriate to grant an award under a different structure in order to facilitate the buy-out of awards on recruitment, exercising the discretion available under the Listing Rule 9.4.2 R. The committee also retains discretion to make non-significant changes to the policy without reverting to shareholders

## Remuneration report

### Changes from the Policy effective 1 January 2015, approved by shareholders at the 2014 AGM

The table above summarises Brammer's remuneration policy for Directors which will apply from 1 January 2016, subject to approval at the 2015 AGM. Until 1 January 2016, the Policy approved by shareholders at the 2015 AGM will remain in place. The main changes proposed are to:

- > cease granting awards under the SMP;
- > increase the maximum annual bonus opportunity for Executive Directors from 100% to 125% of salary, but mandate deferral of 20% of any earned bonus into Brammer shares for 3 years;
- > increase the Executive Director PSP opportunity from 150% to 175% of salary; and
- > introduce malus/clawback provisions for all share awards granted under the new policy.

### Payments from existing awards

Executive Directors remain eligible to receive any payments earned under awards made prior to the approval and implementation of the remuneration policy detailed in this report, i.e. before 1 January 2016. The awards which fall into this category may include, but are not limited to awards made under both the SMP and PSP Schemes.

### Rationale for selection of performance measures and basis for setting targets

The measures selected by the committee for the annual bonus and their respective weightings reflect Brammer's business priorities for the year. Annual performance targets are set to be stretching and achievable, taking into account the Company's strategic goals, the economic environment, and the Group's annual operating plan.

Long-term incentive performance targets are also reviewed by the committee prior to each award to ensure they remain aligned with the long-term strategy of the business and are appropriately stretching and achievable. The PSP and SVP are based equally on 3-year relative TSR (Total Shareholder Return) and 3-year absolute EPS growth. TSR helps align participants with shareholders' interests. It is measured relative to a relevant FTSE broad market index to help isolate the impact of management's contribution to growth in shareholder value from external market factors. EPS growth is used to incentivise long-term growth in revenue and cost management. A profit measure is also used in the annual bonus to reward progress along the way, and cash generation is also incentivised to encourage tight management of cash and working capital.

The remuneration committee reviews the performance conditions attached to share awards prior to the start of each cycle to ensure they remain appropriate. Any material changes in targets would be subject to prior consultation with shareholders.

### Differences between executive director and general employee remuneration

The policy and practice with regard to the remuneration of senior executives below the Board is consistent with that for the executive directors. The company seeks to offer competitive packages that reward good or excellent performance accordingly. It is our goal to ensure that basic packages are consistent with market dynamics but that stretch performance targets, if achieved, result in significant benefit to both the employee and the company.

The remuneration policy for the wider group is based on the same principles and philosophy. Remuneration at all levels is designed to motivate the delivery of our growth drivers, create a performance orientated culture and reward both long and short term business objectives.

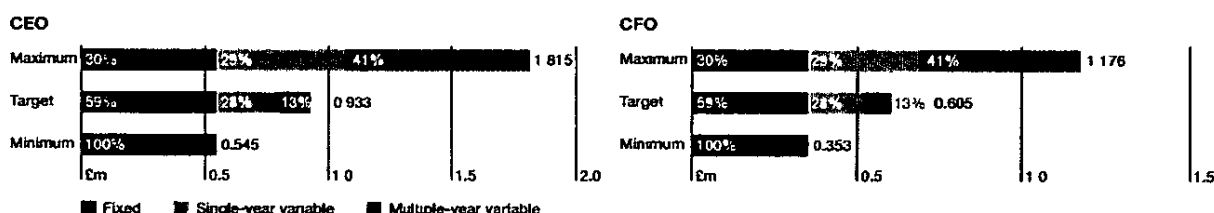
Senior executives participate in the same long-term incentives as the executive directors with the same performance measures applied, although the levels of awards vary with the seniority of the directors in question. The company does not currently operate an all employee share plan.

### Share ownership guidelines

Executive directors are expected to build and maintain a shareholding worth at least 100% of their salary within five years of their appointment. Executive directors' compliance with these guidelines is shown in the table on page 62.

### Pay-for-performance scenario analysis

The graphs below provide estimates of the future reward opportunity potentially available to executive directors and the split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'Target' and 'Maximum'.



Potential reward opportunities illustrated above are based on the policy applicable from 1 January 2016 (subject to approval) applied to the base salaries in force at 1 January 2015. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the 2016 financial year. It should be noted that the PSP awards would only vest on or after the third anniversary of grant, and will also be subject to a two year holding period. The projected values for PSP awards exclude the impact of share price growth.

## Remuneration report

The Minimum scenario reflects salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the executive directors' remuneration packages not linked to future performance.

The Target scenario reflects fixed remuneration as above, plus bonus payout of 50% of salary and PSP threshold vesting at 16.7% of maximum.

The Maximum scenario reflects fixed remuneration, plus full payout of all incentives.

### Approach to recruitment remuneration

Pay element	Policy on recruitment	Maximum opportunity
Salary	Based on size and nature of responsibilities of the proposed role; the candidate's experience; implications for total remuneration positioning vs. market pay levels for comparable roles; internal relativities; and the candidate's current salary	n/a
Pension	On similar basis to other executives	n/a
Benefits	May include, but not limited to, private healthcare, health insurance, contribution to home telephones, car allowance and potentially relocation expenses	n/a
Annual bonus	As described in the policy table, pro-rated for proportion of year served	125% of salary
Long-term incentives	New appointees may participate in the PSP on similar terms to other executives	175% of salary
Recruitment policy	In determining appropriate remuneration for new executive directors, the committee will take into consideration all relevant factors (including quantum, the nature of remuneration, where the candidate was recruited from etc.) to ensure that arrangements are in the best interests of Brammer and its shareholders. The committee may also make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the committee will consider relevant factors including any performance conditions attached to these awards and the likelihood of those conditions being met. The committee may avail itself of Listing Rule 9.4.2 R if required to buy out awards on recruitment on an equal fair value basis	n/a
Other recruitment events	Policy on recruitment	Maximum opportunity
Internal promotion	When appointing a new executive director by way of promotion, the policy will be consistent with that for external hires, as detailed above. Where an individual has received contractual commitments prior to their promotion, the Company will continue to honour those arrangements, however any such arrangements would be expected to transition over time to the arrangements described above	n/a
Non-Executive Director	When recruiting a new non-executive director, the committee will structure pay in line with the existing policy. Base fees and additional fees will be in line with the fee schedule in place at the time	n/a

### Consideration of shareholder views

When determining remuneration, the committee pays close attention to the views of its shareholders and to general investor guidelines. The committee is always open to feedback from shareholders on its remuneration policy, and commits to undergoing shareholder consultation in advance of any significant changes to remuneration policy. Details of the 2013 Directors' Remuneration Report ("DRR") vote and the Committee's response to shareholder feedback are provided in the Annual Report on Remuneration. During 2014, the company engaged in dialogue with all of its major shareholders in connection with the proposed changes to the Remuneration Policy.

### Consideration of employee views

When reviewing and setting executive remuneration, the committee takes into account the pay and employment conditions of employees across the Group. The Group-wide pay review budget is one of the key considerations when reviewing the salaries of the executive directors. Although the Group has not carried out a formal employee consultation regarding Board remuneration, it does comply with local regulations and practices regarding employee consultation more broadly.

## Remuneration report

### External appointments of Executive Directors

Executive directors may accept external appointments with the prior approval of the Chairman, provided that such appointments do not prejudice the executive's ability to fulfil their duties for the Group. Any fees for outside appointments would be retained by the director.

### Service contracts and exit payments policy

Executive director service contracts have no fixed term and are subject to a notice period of 12 months from both the executive and the Group. Executive director service contracts are available to view at the Group's registered office. The dates of the executive director service contracts and the relevant notice period are as follows:

Executive Director	Position	Contract date	Notice period
Ian Fraser	CEO	1 July 1998	Rolling 1 year
Paul Thwaite	FD	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 notice periods.

If a contract is to be terminated, the committee will determine such mitigation as it considers fair and reasonable in the circumstances and the compensation that may be paid. It will take into account the best practice provisions of the Code and 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 and termination of employment, 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. For new executive appointments, liquidated damages provisions on change of control shall be restricted to basic salary, pension benefit and car allowance only.

In addition to the contractual provisions regarding payment on termination set out above, the Company's incentive plans and share schemes contain provisions for termination of employment as follows:

Component	Bad leaver	Good leaver	Change-of-control
Annual Bonus	No bonus payable	Eligible for an award to the extent that performance conditions have been satisfied, pro-rated for the proportion of the financial year served, with committee discretion to treat otherwise	Eligible for an award to the extent that performance conditions have been satisfied up to the change of control, pro-rated for the proportion of the financial year served, with committee discretion to treat otherwise
Share Matching Plan (SMP) (final awards to be made in 2015)	Matching shares are forfeited	Outstanding awards will be pro-rated to the date of leaving with committee discretion to either immediately assess whether or not relevant performance criteria have been met, or to test at end of relevant performance periods	Outstanding awards will normally vest and be tested for performance over the period to change-of-control, and matching shares will be pro-rated for time based on the proportion of the period served, with committee discretion to treat otherwise
Performance Share Plan (PSP)	Outstanding awards are forfeited	Outstanding awards will be pro-rated to the date of leaving with committee discretion to either immediately assess whether or not relevant performance criteria have been met, or to test at end of relevant performance periods	Outstanding awards will normally vest and be tested for performance over the period to change-of-control, and be pro-rated for time based on the proportion of the period served, with committee discretion to treat otherwise

## Remuneration report

### Chairman and Non-executive Directors

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 for three years, although it is generally 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 further terms if their continued appointment is considered to be in the interests of the Group. These appointments may be terminated on three months' notice by either party.

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 few years with the last review carried out by the Board in May 2014. 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.

Details of the policy on fees paid to our Non-executive Directors are set out in the table below:

Purpose and link to strategy	Operation	Opportunity	Performance metrics
To attract and retain Non-executive Directors of the highest calibre with broad commercial and other experience relevant to the Company	<p>Fee levels are reviewed against market practice from time to time (by the Chairman and the Executive Directors in the case of the Non-executive Director fees and by the Remuneration Committee in respect of the fees payable to the Chairman)</p> <p>Additional fees are payable for acting as Chairman of the Audit and Risk, and Remuneration Committees</p> <p>Fee levels are reviewed by reference to FTSE listed companies of similar size and complexity. Time commitment, level of involvement required and responsibility are taken into account when reviewing fee levels</p> <p>Fees for the year ended 31 December 2014 are set out in the Annual Report on Remuneration on page 62</p>	<p>Non-executive Director fee increases are applied in line with the outcome of the fee review</p> <p>Any increases to the Non-executive Director fee will typically be in line with general market levels of Non-executive Director fee inflation</p> <p>In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-executive Director role, the Board has discretion to make an appropriate adjustment to the fee level</p>	None

The latest written terms of appointment are available for inspection at the Company's registered office and at the Company's Annual General Meeting. The time commitment expected of each Non-executive Director is set out in their written terms of appointment.

Non-executive Director	Position	Date of appointment	Next date of re-election
Bill Whiteley	Chairman (from 17 May 2012)	July 2008	May 2015
Terry Garthwaite	Non-executive Director	1 June 2004	
Charles Irving-Swift	Non-executive Director	1 March 2010	May 2015
Duncan Magrath	Senior Independent Non-executive Director	1 March 2012	May 2015
Andrea Abt	Non-executive Director	1 July 2014	May 2015

Mr Garthwaite will not be seeking re-election at the AGM in May 2015

## Remuneration report

### Part B: Annual report on remuneration

The following section provides details of how the remuneration policy was implemented during the year.

#### Role of the remuneration committee

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

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 to ensure compliance with the latest version of the Code. They are displayed on the Company's website.

The Chairman of the Company and the Chairman of the remuneration committee are available to shareholders to discuss remuneration policy.

In its deliberations, the committee gives full consideration to the principles of good governance as set out in the Code.

#### Remuneration committee membership in 2014

The remuneration committee in 2014 was composed of four independent Non-executive Directors. Charles Irving-Smyth is the Chairman of the committee, and its other members are Terry Garthwaite, Duncan Magrath and Andrea Abt (joined July 2014). The remuneration committee met four times during the year. Attendance at meetings by individual members is detailed in the Corporate Governance Statement on page 43.

The Chairman and CEO usually attend meetings of the remuneration committee at the invitation of the Chairman of the remuneration committee, and the Company Secretary acts as secretary to the committee. No Director is present when his own remuneration is being discussed.

A summary of the major topics discussed in 2014 is detailed below:

- > Salary levels for Executive Directors and senior management
- > Bonus outcomes
- > Approval of 2014 PSP and SMP awards and vesting of the 2011 PSP and SMP awards
- > Replacement of the SMP Scheme

#### Advisers

The committee is advised by Kepler Associates, who were appointed by the committee in 2010 after a market review and competitive selection process. Kepler Associates is a founding member and signatory to the Code of Conduct for Remuneration Consultants, details of which can be found at [www.remunerationconsultantsgroup.com](http://www.remunerationconsultantsgroup.com). During 2014, the committee has taken advice from Kepler Associates on market and best practice with regard to certain senior executive pay and share incentive arrangements. Other than advice to the remuneration committee, no other services were provided by Kepler Associates to the company. The fees paid to Kepler Associates in respect of work carried out in 2014 totalled £36,605, and were based on time and materials.

#### Summary of shareholder voting at the 2014 AGM

The following table shows the results of the binding shareholder vote on the Remuneration Policy and advisory shareholder vote on the 2013 Annual Report on Remuneration at the 2014 AGM.

	Remuneration Policy		Annual Report on Remuneration	
	Total number of votes	% of votes	Total number of votes	% of votes cast
For (including discretionary)	107,522,681	99.99%	106,339,697	99.92%
Against	134,567	0.01%	87,572	0.08%
Total votes cast (excluding withheld votes)	107,657,248	100%	106,427,269	100%
Votes withheld	562,201		1,792,178	
Total votes cast (including withheld votes)	108,219,449		108,219,447	



## Remuneration report

### Single total figure of remuneration for executive directors

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 31 December 2014 and the prior year:

Components of single figure for total remuneration	Ian Fraser		Paul Threlkeld	
	2014 £	2013 £	2014 £	2013 £
Base salary	415,000	380,000	265,000	248,000
Taxable benefits <sup>1</sup>	16,000	16,000	13,000	13,000
Pension	103,750	121,600	63,600	61,404
Single-year variable <sup>2</sup>	–	90,725	–	59,210
Multiple-year variable <sup>3</sup>	–	935,495	–	610,075
<b>Total</b>	<b>534,750</b>	<b>1,543,820</b>	<b>341,600</b>	<b>991,689</b>

1. Taxable benefits include private health care and car allowance
2. Annual bonus paid for performance over the relevant financial year. Annual bonus is paid in cash. Further details on performance criteria, achievement and resulting awards can be found on page 60
3. Value of long-term incentive awards which vested on performance to 31 December (or may vest shortly thereafter) of the relevant year. This includes for 2014 the estimated value at vesting of 2012 SMP and 2012 PSP awards, details of which can be found below, based on the 3-month average share price to 31 December 2014 of 313.1p. For 2013, 100% of the 2010 SMP and 2010 PSP awards vested on performance to 31 December 2013 and the closing share price on 17 March 2014 was 486 5p for the PSP, and on 18 March 2014 was 483 5p for the SMP. For 2014, no awards will vest under either the PSP or SMP Scheme.

### Single total figure of remuneration for non-executive directors

The table below sets out a single figure for the total remuneration received by each Non-executive Director for the year ended 31 December 2014 and the prior year:

Components of single figure for total remuneration	Bill Whiteley		Terry Garthwaite		Charles Irving Swift		Duncan Magrath		Andrea Abt	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Fees	126,666	110,000	48,846	45,000	47,426	42,000	43,250	37,000	18,717	n/a
Taxable benefits, Pension, Single-year variable, Multiple-year variable	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total</b>	<b>126,666</b>	<b>110,000</b>	<b>48,846</b>	<b>45,000</b>	<b>47,426</b>	<b>42,000</b>	<b>43,250</b>	<b>37,000</b>	<b>18,717</b>	<b>n/a</b>

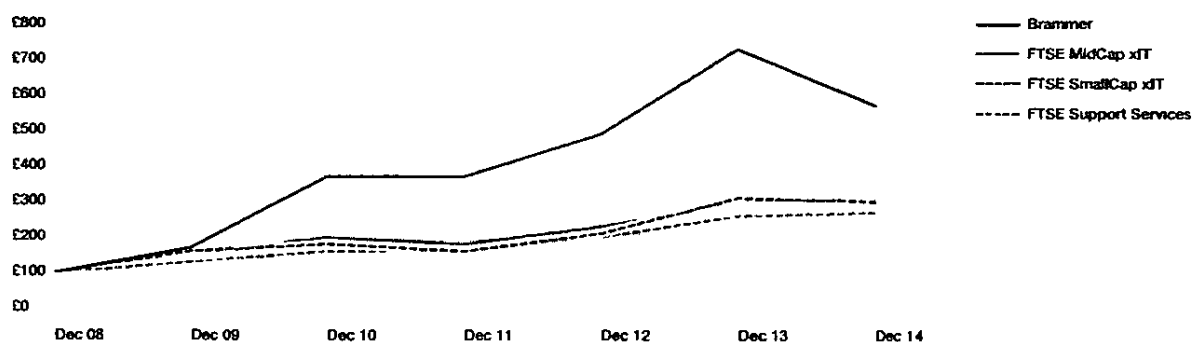
See page 62 of the Annual Report on Remuneration for further details of Non-Executive Director fees.

### Review of Group performance

Set out below are two graphs showing the company's total shareholder return ("TSR") over the last six years and over the last three years

The first chart compares the value of £100 invested in Brammer shares, including re-invested dividends, on 31 December 2008 compared to the equivalent investment in 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 compared under the Share Matching Plan prior to 2013 and Performance Share Plan prior to 2012. For 2012 and later PSP awards and 2013 and later SMP awards, the performance comparator is FTSE Mid Cap x IT and is also included below for that reason. The table below shows the single figure for the CEO over the 6-year period 2009 to 2014.

Total shareholder returns over six years

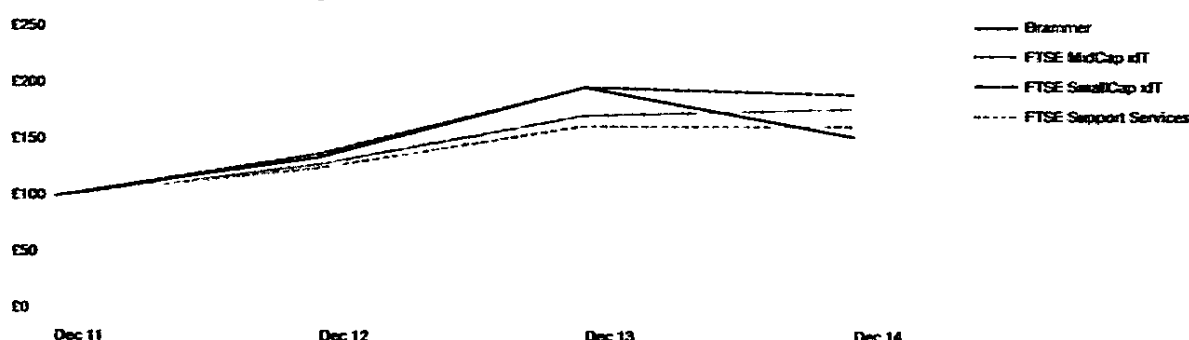


## Remuneration report

Financial year	2009	2010	2011	2012	2013	2014
CEO single figure	£463k	£819k	£3,165k	£2,183k	£1,544k	£535k
Annual bonus (% of max)	0%	100%	89%	38%	23.85%	0%
SMP vesting (% of max)	27%	26%	100%	100%	100%	0%
PSP vesting (% of max)	0%	0%	100%	100%	100%	0%

The graph below shows total shareholder return over the last three years as it reflects the three year performance period of the Performance Share Plan and Share Matching Plan.

Total shareholder returns over three years



### Remuneration of executive directors

#### Basic salary

Basic salary is reviewed at 31 December each year. The committee seeks to pay salaries which take account of individual performance and are appropriately competitive. The committee uses comparisons with caution to avoid increasing remuneration levels without a corresponding improvement in performance.

2014 was a year of consolidation for Brammer. Adjusted PBT was broadly flat at £35.1 million and Total Shareholder Return was 39% over the 3 year period to 31 December 2014.

From 1 January 2015, the salaries for Ian Fraser and Paul Thwaite increased to £423,300 and £274,275 respectively.

Name	2014 salary	2015 salary	% increase
Ian Fraser	£415,000	£423,300	2%
Paul Thwaite	£265,000	£274,275	3.5%

#### Pensions

Pension contributions for 2014 were 25% of salary for the CEO and 24% of salary for the CFO. Pension contributions will be at the same level in 2015.

In 2014, the company made a contribution to Paul Thwaite's SIPP (Self Invested Personal Pension) of £0 (2013: £15,741). No contributions were made to Ian Fraser's SIPP during the year (2013: also nil). Dependents of both directors are eligible for payment 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 £103,750 (2013: £121,600). Cash allowances in lieu of pension contributions made to Paul Thwaite during the year were £63,600 (2013: £61,404).

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 table below sets out the disclosures required for this pension under the UK Listing Rules and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. For the avoidance of doubt, the defined benefits drawn by Ian Fraser set out below relate to service completed up to 28 February 2006 and are separate from his current pension arrangements.

Age at 31 December 2014	Director's contributions to pension scheme during the year £ pa	Accumulated total accrued pension at 31 December 2014 (2013) £ pa	Increase in accrued pension during the year £ pa	Increase in accrued pension during the year (net of inflation) £ pa
59	-	11,900 (11,500)	400	0

## Remuneration report

1. The accumulated total accrued pension as at 31 December 2013 has been adjusted for inflation in arriving at the increase in the accrued pension at 31 December 2014.
2. All figures have been rounded to the nearest £100. His pension is reviewed annually on 1 January in line with the Scheme Rules.
3. At 1 January 2014 Ian Fraser's pension increased to £11,900 per annum. Due to the level of price inflation over the period September 2013 to September 2014 there will be an increase to Ian Fraser's pension as at 1 January 2015 of 2.3%.
4. 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.
5. 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.

### Benefits

Other benefits provided to the executive directors are in line with the policy on pages 50 to 52 and in 2014 included 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.

### Annual bonus

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

For 2014, executive directors could earn up to 100% of salary on the achievement of quantified financial targets. The remuneration committee set performance targets based on achieving stretching profits and cash generation. Up to 80% of salary could be payable for achieving the profits target and (provided a threshold profit hurdle has been achieved) 20% for achieving the cash generation target.

Ian Fraser and Paul Thwate earned bonuses of £0 and £0 respectively for 2014 (2013: £90,725 and £59,210 earned respectively) as the minimum PAI target of £37 million was not achieved.

The remuneration committee has considered bonus principles for 2015. Given the current economic climate and the uncertainties over the trading environment in Europe, it has been decided that the 2015 bonus metrics will again be based on profit and cash flow targets. For 2015, as in 2014, the targets will be split profit 80%, cash flow 20% as shown in the table below:

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

The committee intends to disclose the financial performance targets for 2015 retrospectively in next year's Annual Report on Remuneration, subject to these no longer being considered by the Board to be commercially sensitive.

### Performance Share Plan (PSP)

The Brammer plc Performance Share Plan, together with the Share Matching Plan described below, is the primary long-term incentive for key senior Brammer executives. Under the Performance Share Plan, performance shares or nil-cost options may be awarded with a value at grant of up to 150% of basic salary. Actual award sizes each year are determined with reference to the competitiveness of the overall package. These shares vest on the achievement of stretching performance targets (together with continued employment). The targets are set by the committee to be stretching but achievable having taken external advice.

The committee gained approval for the revised Performance Share Plan at the 2012 AGM. The PSP rewards 3-year TSR relative to a FTSE general index, and 3-year growth in EPS above RPI. Awards in 2012, 2013 and 2014 vest subject to achievement of stretching performance targets as follows:

#### A for 50% of the shares under the Performance Share Plan

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

#### B for 50% of the shares under the Performance Share Plan

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

## Remuneration report

Additionally, for any of the TSR element to vest, the remuneration committee must be satisfied that the recorded TSR is a genuine reflection of Brammer's underlying financial performance over the performance period. There is no opportunity to retest performance if the performance conditions are not satisfied over the three year performance period. In determining whether performance targets have been met, independent verification is sought as appropriate.

Conditional awards of nil-cost options of 150% of salary were made to executive directors in 2014. The three year performance period over which TSR performance will be measured began on 1 January 2014 and will end on 31 December 2016. The committee expects to make awards in 2015 on the same basis as in 2014, and with the same opportunity of up to 150% of salary.

### Share Matching Plan (SMP)

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 strengthens the alignment between the interests of executives and shareholders as it links part of the executive's rewards to holding an investment in Brammer shares.

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

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

If a participant sells their Investment Shares at any time during the three year performance period this reduces the number of matching shares that can be earned (on a pro-rata basis)

Vesting of one half of each matching award will be determined by the company's normalised EPS growth over the three year performance period. Vesting of the other half of each award is determined by the company's performance in terms of its TSR relative to a peer group of companies over a three year period.

The vesting schedules that apply to the 2012 Share Matching Plan are as follows

#### A for 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 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%

For 2013 SMP and subsequent awards, the vesting schedules are as above, but the TSR comparator group will be aligned to the PSP awards namely the FTSE mid cap (excluding Investment Trusts). There is no opportunity to retest performance if the performance conditions are not satisfied over the three year performance period. In determining whether performance targets have been met, independent verification is sought as appropriate. 2015 will be the final year in which the SMP is operated.

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) growth in earnings per share.

### Vesting of 2011 SMP and PSP awards

Shares awarded in March and August 2011 under the EPS element of the Performance Share Plan which vested in March and November 2014 respectively vested in full as the EPS performance criterion for maximum vesting was achieved.

In addition, the 25% of shares under the Performance Share Plan which are linked to TSR performance also vested in full as the TSR performance criterion for maximum vesting was achieved. In addition, the 50% of the awards under the Share Matching Plan, which relate to company TSR performance, also vested in full as the maximum performance criterion was achieved.

### Vesting of 2012 SMP and PSP awards

Based on performance to 31 December 2014, Brammer's TSR was below median against the FTSE Small Cap and the FTSE Mid Cap (excluding Investment Trusts) and EPS growth was below RPI+10%, and therefore 0% of the 2012 SMP and PSP awards are expected to vest on 21 March and 25 June 2015, respectively.

## Remuneration report

### Remuneration of non-executive directors

Fees are normally reviewed every few years with the last review carried out by the Board in April 2014. The fees were last increased as from 1 May 2014 (and previously from December 2010). They remain unchanged for 2015, as follows:

Role	From 1 May 2014	To 1 May 2014
Chairman fee	£135,000	£110,000
Non-executive Director base fee	£42,000	£37,000
Committee chairman fee	£8,000	£5,000
Senior independent director fee	£5,000	£3,000

### Audited information

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

### Directors' shareholding guidelines and share scheme interests

Formal share ownership guidelines are in place for executive directors. Under the guidelines, executive directors are expected to build and maintain a shareholding worth at least 100% of their salary within five years from appointment. Both executive directors satisfy this guideline.

Name	Shares held Owned outright	Shares held Under nil cost option(2)	Shares held Subject to performance	Shares held Subject to deferral	Value as % salary(1)	Guideline met?
Ian Fraser	936,277	1,941,425	649,838	–	1,833%	✓
Paul Thwaite	1,043,026	909,494	421,544	–	1,972%	✓

1. Excludes value of shares subject to performance. Base salary is that which is effective 31 December 2014. The value of shareholdings is based on the closing price of a Brammer share on 31 December 2014 (341 5p).
2. Shares under nil option consist of all options including those where the performance criteria have not yet been met.

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 2014 Shares	Ordinary shares of 20p 31 December 2014 Nil-cost options	Ordinary shares of 20p 31 December 2013 Shares	Ordinary shares of 20p 31 December 2013 Nil-cost options
Bill Whiteley	50,755	–	50,755	–
Terry Garthwaite	10,000	–	10,000	–
Ian Fraser	936,277	1,291,587	1,315,151	1,098,902
Paul Thwaite	1,043,026	487,950	1,024,873	802,095
Charles Irving-Swift	7,000	–	7,000	–
Duncan Magrath	5,000	–	5,000	–
Andrea Abt	–	–	–	–

1. There were no changes in the above mentioned interests between 1 January 2015 and 17 February 2015.
2. No director was materially interested in any contract of significance with the company during the year.
3. During 2014, the highest mid-market price of the company's shares was 509p and the lowest was 265p. The year-end price was 341 5p.
4. Nil cost options consist of all options where the performance criteria have been met, the options have vested but have not yet been exercised.

### Directors' options

#### Performance Share Plan

	Market price on award grant	31 Dec 2013	Granted	Vested	Lapsed	31 Dec 2014	Value Granted £'000s	Value Vested £'000s	Vesting Date
Ian Fraser	268p	128,737		(128,737)	–	–		626,306	Spring 2014
Ian Fraser	245p	221,633				221,633			Summer 2015
Ian Fraser	374p	152,406				152,406			Spring 2016
Ian Fraser	483 5p		127,955			127,955	618,662		Spring 2017
Paul Thwaite	268p	83,955		(83,955)	–	–		408,441	Spring 2014
Paul Thwaite	245p	144,490				144,490			Summer 2015
Paul Thwaite	374p	99,465				99,465			Spring 2016
Paul Thwaite	483 5p		81,706			81,706	395,049		Spring 2017

The middle market price for an ordinary share at close of business on 17 March 2014 when the relevant shares vested was 486 5p. Following the advice received from Kepler Associates in relation to the fulfilment of the performance criteria, 100% of the awards granted in 2011 vested in 2014. The closing middle market price for 17 March 2014 (being the last closing price before the 2014 Awards were made on 18 March 2014) was 483 5p.

## Remuneration report

### Share Matching Plan

	Market price on award grant	31 Dec 2013	Granted	Vested	Lapsed	31 Dec 2014	Value Granted	Value Vested	Vesting Date
Ian Fraser	275p	63,948		(63,948)	–	–		309,189	Spring 2014
Ian Fraser	350p	54,689				<b>54,689</b>			Spring 2015
Ian Fraser	374p	52,918				<b>52,918</b>			Spring 2016
Ian Fraser	483.5p		40,237			<b>40,237</b>	194,545		Spring 2017
Paul Thwaite	275p	41,703		(41,703)	–	–		201,634	Spring 2014
Paul Thwaite	350p	35,654				<b>35,654</b>			Spring 2015
Paul Thwaite	374p	34,536				<b>34,536</b>			Spring 2016
Paul Thwaite	483.5p		25,693			<b>25,693</b>	124,225		Spring 2017

The middle market price of an ordinary share at the close of business on 18 March 2014 when the relevant shares vested was 483.5p. Following advice received from Kepler Associates in relation to the fulfilment of performance criteria, 100% of the matching awards granted in 2011 vested in 2014. The closing middle market price for 17 March 2014 (being the last closing price before the 2014 Awards were made on 18 March 2014) was 483.5p.

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

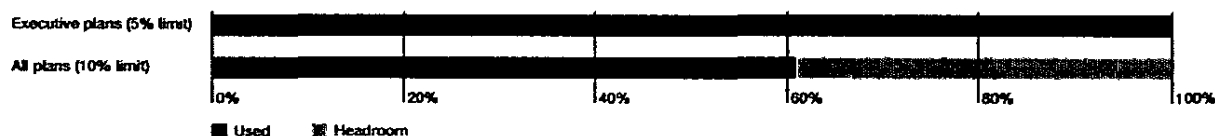
### Dilution limits

Until 2009, the company 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, such awards have not been deducted until such time as the awards are satisfied. The vesting of the 2011 awards under the Performance Share Plan and Share Matching Plan in 2014 was satisfied from a combination of market purchase shares sourced from the Trust and allotment of new shares. There is no vesting of the 2012 awards under the PSP and SMP in 2015.

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

- > The number of issued, issuable and treasury shares that may be allocated under all employee plans adopted by the company is restricted to 10% of the issued ordinary share capital of the company over any ten year period. As at 17 February 2015 there was headroom of 5.097m shares (i.e. 3.94% of share capital) after deducting outstanding awards and options (excluding lapsed awards and options).
- > In addition, the number of issued, issuable and treasury shares that may be allocated under the "discretionary" executive share plans adopted by the company (the PSP and SMP) shall be restricted to 5% of the issued share capital of the company in the ten year period commencing from the 2005 annual general meeting when the Share Matching Plan was adopted. As at 17 February 2015, there were a total number of outstanding awards of 6.08m shares (i.e. 4.69% of share capital) with 1.33m already having been allotted to satisfy earlier awards. For any awards which vest over the 5% limit, the awards will be satisfied by purchasing shares on the open market.

### Dilution limits



### Relative importance of spend on pay

	2013	2014	% change
Distributions to shareholders	£11.5m	<b>£13.4m</b>	17%
Employee remuneration	£120.3m	<b>£135.7m</b>	13%

## Remuneration report

### Percentage change in CEO remuneration

The table below shows the percentage change in CEO remuneration from the prior year compared to the average percentage change in remuneration for all other employees. In accordance with the GC 100 guidance, the comparison uses a per capita figure, and accordingly the figures reflect the total change in average salary costs across the whole business, including new starters and leavers. Inevitably therefore changes to the levels of seniority and mix in the total employment base will be reflected in the average costs calculations.

	% change 2013 to 2014	
	CEO	Other employees
Base salary	2%	2%
Taxable benefits	0%	0.7%
Single-year variable	-100%	6.5%
Total	-65%	2%


### External appointments in 2014

Neither of the executive directors held any external appointments during 2014.

Approved by the board of directors on 17 February 2015 and signed on its behalf by

**Charles Irving-Swift**

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 ("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 for that period. In preparing these financial statements, the directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgments 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 group and company will continue in business

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

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

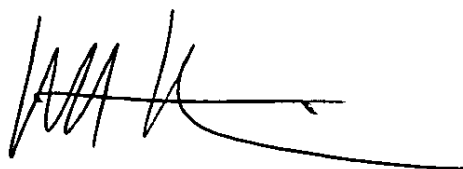
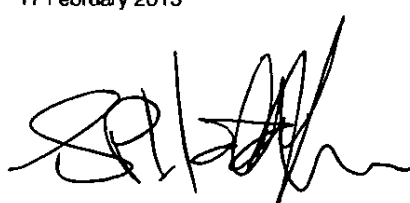
Each of the directors whose names and functions are listed on pages 28 and 29 confirm that, to the best of their knowledge:

- > the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group, and
- > the strategic report and the directors' report contained in pages 2 to 42 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.

In addition, each of the directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy

By order of the board  
**Steven Hodgkinson**  
Company Secretary  
17 February 2015

**Bill Whiteley**  
Chairman





# Independent auditors' report to the members of Brammer plc

## Report on the group financial statements

### Our opinion

In our opinion, Brammer plc's Group financial statements (the "financial statements"):

- > give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- > have been properly prepared in accordance with International Financial Reporting Standards ("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.

### What we have audited

Brammer plc's financial statements comprise

- > the consolidated balance sheet as at 31 December 2014;
- > the consolidated income statement;
- > the consolidated statement of comprehensive income for the year then ended;
- > the consolidated cash flow statement for the year then ended;
- > the consolidated statement of changes in equity for the year then ended;
- > the accounting policies, and
- > the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

### Our audit approach

#### Overview

#### Materiality

- > Overall Group materiality: £1.5 million which represents 5% of profit before tax, adjusted for exceptional items.

#### Audit scope

- > Because Brammer's businesses across Europe have consistent business risk profiles, we focused our work on the largest five businesses (being the UK, Germany, France, Scandinavia and Spain) which, together, comprised 84% of the Group's total turnover and 76% of the Group's underlying operating profit
- > In addition, site visits by the Group team were performed in the UK and in the significant acquisition for the year in Scandinavia.

#### Areas of focus

- > Valuation of pension scheme deficit
- > Goodwill impairment assessment
- > Classification of exceptional items
- > Accounting for acquisitions and fair value of acquired intangibles
- > Valuation of rebate income receivable

### The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)")

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

# Independent auditors' report to the members of Brammer plc

## Area of focus

See the Accounting Policies and Financial Risk Management sections for the directors' disclosures of related accounting policies and key accounting estimates. See note 27 for the detailed disclosures on the pension scheme deficit.

### Valuation of pension scheme deficit

The Group operates two defined benefit pension schemes with an aggregate net liability of £38.6 million (being £36.6 million for the UK scheme and £2 million for the Netherlands scheme), which is significant in the context of both the overall balance sheet and the result of the Group.

The valuation of this net liability is dependent on the application of significant judgements in the actuarial assumptions, in particular discount rates, future RPI and mortality rates, and on the expected returns on investments.

Unfavourable changes in any of the key actuarial assumptions could have a material impact on the calculation of the net liability.

The pension scheme assets are invested principally in pooled funds with a smaller proportion relating to an insurance policy held against a subset of the scheme's pensioner liabilities

## How our audit addressed the area of focus

We focused our testing on the UK defined benefit pension scheme as the gross assets and liabilities of the Netherlands scheme are not material in the context of the aggregate Group balances.

We read the actuarial report that was prepared by an independent firm of actuaries and used by the directors in estimating the value of the group's liability in respect of the scheme. We then challenged the key assumptions used in that actuarial valuation, being the discount rate, future RPI and mortality rates by comparing them to typical ranges used for such assumptions, taking into account the industry in which the group operates and other specific characteristics of this pension scheme. The actuarial assumptions were within the typical ranges for similar pension schemes.

We obtained independent confirmations of the existence and valuation of the scheme assets from the external investment managers and custodians of the pooled funds, and obtained evidence of the effective operation of the controls at these providers. In testing the insured liabilities, we checked that the asset value recognised was equal to the valuation of the insured liabilities. We also read the terms of the insurance agreement and checked the pensioners on which the valuation was based were those listed in the agreement.

Our testing of the investments held by the pension scheme at the year-end identified no exceptions.

See the Accounting Policies and Financial Risk Management sections for the directors' disclosures of related accounting policies and key accounting estimates. See note 8 for the detailed disclosures on goodwill.

### Goodwill impairment assessment

The directors have recognised an impairment charge of £3.6 million in the year to reduce the value of the Czech goodwill to nil, leaving a remaining Group goodwill balance of £118 million. The directors also impaired the associated investment in the parent company's balance sheet. The impairment and the remaining goodwill balance are material in the context of the result for the Group and the overall balance sheet respectively.

Although we tested the whole goodwill balance, our work in this area focused particularly on

- > the impairment recognised in respect of the Czech business, because there is the risk that this was impaired more than necessary, and
- > the goodwill associated with the parts of the business where headroom (being the difference between the projected value of the business and the carrying value of its associated goodwill) was lowest (Italy and Belgium).

We tested the discounted cash flow analysis used by the directors in making their assessment of the carrying value of the goodwill associated to each previous acquisition, reperforming the calculations to check their accuracy and agreeing the figures used to the detailed country-level Board approved five year plan.

We challenged key judgements made by the directors, in particular the discount rate and projected growth rates used. To do this, we compared the discount rate used to the range of typical discount rates used in similar, diversified businesses, and we considered whether the directors had incorporated all relevant macro-economic and country-specific factors, as well as those specific to the group, in determining their growth rate estimate. We also tested the directors' historic estimation accuracy by comparing previous projected growth rates to the actual growth achieved.

We found that, in estimating the projected growth rates in each country, the directors had considered macro-economic and country-specific factors as well as those specific to the group. The directors, supported by the Regional Business Analysts, also challenged the projections prepared by the in-country management.

For the Czech goodwill, we performed the same procedures as we did for other pieces of goodwill considered whether the decision to impair the whole amount was appropriate in the circumstances. We agreed with the directors' decision to fully write down the Czech goodwill.

For the other countries, headroom is lowest in Italy where sensitivity analysis indicates that in a number of scenarios the headroom would be eliminated. The bolt-on acquisition of Tisaf in July 2014 and Siro in November 2014 provided an opportunity to integrate and develop the Italian business using the Brammer growth drivers. In the directors' view, it was too early to consider the Italian goodwill as impaired, we concurred. The directors expressed an intention to closely monitor Italy's performance going forward.

# Independent auditors' report to the members of Brammer plc

## Area of focus

See the Accounting Policies for the directors' disclosures of related accounting policies and key accounting estimates. See note 4 for the detailed disclosures on exceptional items

### Classification of exceptional items

An exceptional charge of £9.5 million in relation to restructuring activities carried out in the year is recognised as part of the net exceptional charge in the consolidated income statement. Our testing was focused on the accuracy of the amounts recorded and the appropriateness of their classification as exceptional items in accordance with the accounting policy set out on page 81.

## How our audit addressed the area of focus

We assessed the nature of these items as to whether they represented activities outside of the normal scope of the Group's business and, therefore, whether their classification as exceptional was appropriate. We then tested a sample of the exceptional items by checking the amounts recorded to invoices or similar supporting documentation.

We found the classification and disclosure decisions made by the directors to be in line with the accounting policy.

See the Accounting Policies and Financial Risk Management sections for the directors' disclosures of related accounting policies and key accounting estimates. See note 23 for the detailed disclosures on acquisitions.

### Accounting for acquisitions and fair value of acquired intangibles

The Group has made 15 acquisitions in the year, ranging from the significant acquisition of Lönne in Scandinavia to a number of small bolt-on acquisitions in the UK and Europe.

For each acquisition, our work was focused on the judgements necessary to estimate the fair value of:

- > the assets and liabilities acquired, particularly the acquired intangibles, being customer lists and brands, whose valuation is inherently subjective; and
- > the deferred consideration to be paid by the Group, the value of which is dependent on the future results of the acquired business, where applicable.

The fair value of the assets and liabilities acquired and the consideration paid by the group directly affect the carrying amount of the acquired assets and liabilities in the goodwill in the group financial statements and the cost of investment in the parent company financial statements

For the customer lists and the brands acquired as part of these acquisitions, we obtained the models used by the directors to estimate their fair values and used our valuation expertise and our knowledge of the business to:

- > check that the methodology used to estimate the fair value was consistent with current market practice when valuing assets of that nature;
- > assess the directors' key assumptions used to value the assets, being the projected growth rates and discount rate used, and
- > compare the methodology and assumptions used across the acquisitions made during the year and in previous years to check that the directors had been consistent, while also reflecting factors specific to an acquisition or a point in time as appropriate.

For those acquisitions where an element of the purchase price was subject to future performance, we tested the estimates of the amounts that would be payable by:

- > checking that the calculation of the deferred consideration was in accordance with the sale and purchase agreement; and
- > challenging that the projected growth rates in the directors' forecasts prepared for this purpose were consistent with assumptions used elsewhere in the financial statements or, where there were differences, whether those differences reflected facts and circumstances specific to the acquired business.

We found that the projected growth rates used in the valuation of the acquired intangibles and the calculation of the deferred consideration were consistent with those used elsewhere in the financial statements.

We also reperformed the calculations of goodwill arising on the acquisitions, checking that the other significant (but less judgemental) fair value adjustments (primarily to the carrying value of inventory and recognition of provisions and liabilities) were consistent with the Group's accounting policies and specific circumstances extant at the date of acquisition

Given the proximity of a number of small acquisitions to the year end, the directors have yet to make their final assessment of acquired intangibles and fair value adjustments. These will be assessed and finalised during the first half of 2015. We checked that the disclosure of these was compliant with the accounting standards

Our overall testing of the acquisitions did not identify any significant findings

## Independent auditors' report to the members of Brammer plc

Area of focus	How our audit addressed the area of focus
<p>See the Accounting Policies and Financial Risk Management sections for the directors' disclosures of related accounting policies and key accounting estimates.</p>	
<p><b>Valuation of rebate income receivable and completeness of customer rebates payable</b></p>	
<p>The Group receives significant amounts of rebate income from its key suppliers based on its level of spend with those suppliers.</p>	<p>We met with the Group Finance Director and other members of management with significant involvement in supplier arrangements to reconfirm our understanding of the controls that the group has in place in relation to the recording of rebate income.</p>
<p>The rebate years with these suppliers are co-terminous with the Group's financial year end and the majority of this rebate income was accrued for at the year end. Given that these supplier arrangements can be complex and can have a significant impact on reported margins and results of the Group, we focused our testing on the year end accrued rebate balance and the estimates underpinning it.</p>	<p>We obtained and read the rebate agreements that the Group has with those suppliers from whom the largest amounts were due at the year end and checked that the calculations of the year end rebate accrued income had been performed in accordance with them and with the Group's accounting policies. We also agreed the value of purchases from the suppliers in those calculations to the accounting ledgers.</p>
<p>The Group also makes significant rebate payments to customers. These rebates are proportionate to the volume of spend by the customer and are cumulative. Our area of focus in relation to these is the completeness of the accrued liability for rebates payable at the year end</p>	<p>We requested and received independent confirmations directly from these suppliers of the rebate amounts that they owed to the Group at the year end. The confirmations we received agreed to the amounts of accrued rebate recognised by the Group</p>
	<p>We also assessed the accuracy of the directors' estimates by comparing the rebate income accrued for in previous years to amounts subsequently received.</p>
	<p>To test that the rebate income received after the year end was recorded in the correct period, we traced post year end rebate income received to the supporting documentation and found no exceptions.</p>
	<p>Regarding customer rebates accrued for, we obtained and read rebate agreements and recalculated a sample of the amounts accrued for at the year end, without identifying any exceptions. We assessed the completeness of the list of accrued rebates by comparing it to the list of largest customers by spend in the year, the list of rebates accrued at the prior year end and a listing of rebates paid during the year, looking for any suppliers that might have been omitted from the list. We did not identify any such suppliers.</p>
<p><b>How we tailored the audit scope</b></p>	
<p>We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates</p>	
<p>The Group operates across six European reporting segments, including a head office function within the UK segment.</p>	
<p>Brammer's businesses across Europe are largely homogeneous. They each operate the same business model and their business risk profiles are very similar. This consistency lends itself to an audit approach that focuses on the larger businesses and, accordingly, turnover and operating profit coverage are standard measures we use for determining whether we have sufficient audit evidence to support our audit opinion</p>	
<p>Of the Group's six reporting segments, we identified five (being the UK, Germany, France, Scandinavia and Spain) which, in our view, required an audit of their complete financial information due to their size. These five segments comprised 84% of the Group's total turnover and 76% of the Group's underlying operating profit. In addition, specified procedures over higher risk areas such as cash, inventory and provisions were performed in Poland, which contributed a further 5% and 7% to the Group's total turnover and underlying operating profit respectively</p>	
<p>When planning our audit, we communicated with the component audit teams in each of the six territories where detailed audit work was to be performed to make sure that they had a clear understanding of the work that we needed them to do and that we had a clear understanding of any local risks or issues they had identified as part of their planning. We continued to communicate with the component teams as the audit progressed to make sure that we and they could react to any matters arising</p>	
<p>The Group team follows a programme of visits to component engagement teams on a rotational basis, to discuss the results of their audit work with them, with the UK and Scandinavia (at the planning stage and at the year end due to its acquisition in the year) being visited this year (2013 UK, France and Germany). For the remaining businesses, we received a written report from the component auditors and discussed any matters arising by telephone</p>	

## Independent auditors' report to the members of Brammer plc

For the parts of the group where component auditors did not perform audit-level procedures, we conducted high level reviews of the results, discussed them with the Regional Business Analysts, and considered the results of any internal audit work undertaken. This, together with procedures performed at Group level over areas such as pensions, goodwill, exceptionals, rebates and other intangible assets, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£1.5 million (2013: £1.6 million).
How we determined it	5% of profit before tax, adjusted for the exceptional items.
Rationale for benchmark applied	We believe that the profit before tax, adjusted for the exceptional items, provides us with a consistent year on year basis for determining materiality by eliminating the non-recurring impact of these items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit with an Income Statement effect above £0.1 million (2013: £0.1 million) or a Balance Sheet misstatements above £0.25 million (2013: £0.25 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons

### Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 42, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

### Other required reporting

#### Consistency of other information

#### Companies Act 2006 opinions

In our opinion

- > the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- > the information given in the Corporate Governance Statement set out on pages 46 to 48 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

### ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion

> information in the Annual Report is <ul style="list-style-type: none"><li>&gt; materially inconsistent with the information in the audited financial statements, or</li><li>&gt; apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit, or</li><li>&gt; otherwise misleading</li></ul>	We have no exceptions to report arising from this responsibility
> the statement given by the directors on page 65, in accordance with provision C 1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit	We have no exceptions to report arising from this responsibility
> the section of the Annual Report on page 47, as required by provision C 3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee	We have no exceptions to report arising from this responsibility

### Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility

## Independent auditors' report to the members of Brammer plc

### Directors' remuneration

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 no exceptions to report arising from this responsibility.

### Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and ISAs (UK & 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.

#### What an audit of financial statements involves

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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Other matter

We have reported separately on the parent company financial statements of Brammer plc for the year ended 31 December 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.



**Martin Heath** (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

17 February 2015

## Consolidated income statement

For the year ended 31 December 2014

	Notes	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Revenue	1	723.6	651.9
Cost of sales		(494.2)	(446.6)
Gross profit		229.4	205.3
Distribution costs		(200.8)	(165.5)
Amortisation of acquired intangibles ("amortisation") and acquisition related costs		(4.8)	(2.5)
Total sales distribution and administrative costs		(205.6)	(168.0)
Operating profit	1	23.8	37.3
Operating profit before amortisation, acquisition related costs and exceptional items	1	41.2	39.8
Amortisation and acquisition related costs		(4.8)	(2.5)
Exceptional items	4	(12.6)	-
Operating profit	1	23.8	37.3
Finance expense	2	(6.3)	(4.5)
Finance income	2	0.2	0.1
Profit before tax	3	17.7	32.9
Profit before tax before amortisation, acquisition related costs and exceptional items		35.1	35.4
Amortisation and acquisition related costs		(4.8)	(2.5)
Exceptional items	4	(12.6)	-
Profit before tax		17.7	32.9
Taxation	5	(6.2)	(8.8)
Profit for the year attributable to equity shareholders		11.5	24.1
All activities relate to continuing operations			
Earnings per share – total	7		
Basic		9.2p	20.5p
Diluted		8.9p	19.9p
Earnings per share – pre amortisation, acquisition related costs and exceptional items	7		
Basic		20.7p	22.1p
Diluted		20.2p	21.4p

## Consolidated statement of comprehensive income

For the year ended 31 December 2014

	31 December 2014 £m	31 December 2013 £m
Profit for the year	11.5	24.1
Other comprehensive expense		
Items that are not subsequently reclassified to the income statement		
Actuarial losses on retirement benefit obligations	(10.0)	(6.1)
	(10.0)	(6.1)
Items that may be subsequently reclassified to the income statement		
Net exchange differences on translating foreign operations	(11.5)	0.9
Effective portion of changes in fair value of cash flow hedges	-	0.1
	(11.5)	1.0
Other comprehensive expense for the year, net of tax	(21.5)	(5.1)
Total comprehensive (expense)/income for the year	(10.0)	19.0

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

The notes on pages 76 to 107 form part of these financial statements.

# Consolidated balance sheet

At 31 December 2014

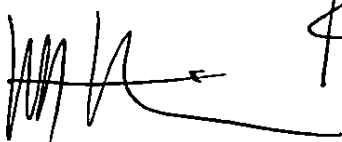
	Notes	31 December 2014 £m	31 December 2013 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	8	118.5	91.2
Acquired intangible assets	8	23.6	9.2
Other intangible assets	8	16.4	13.1
Property, plant and equipment	9	23.7	17.9
Deferred tax assets	18	12.3	10.9
		<b>194.5</b>	<b>142.3</b>
<b>Current assets</b>			
Inventories	10	133.9	108.6
Trade and other receivables	11	130.4	112.5
Cash and cash equivalents	12	11.0	17.7
		<b>275.3</b>	<b>238.8</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities – borrowings	14	(3.6)	(4.0)
Trade and other payables	13	(152.5)	(137.3)
Derivative financial instruments	15	(0.1)	–
Provisions	16	(3.6)	(0.6)
Deferred and contingent consideration	17	(0.1)	(0.3)
Current tax liabilities		(0.9)	(5.4)
		<b>(160.8)</b>	<b>(147.6)</b>
<b>Net current assets</b>		<b>114.5</b>	<b>91.2</b>
<b>Non-current liabilities</b>			
Financial liabilities – borrowings	14	(92.7)	(66.6)
Deferred tax liabilities	18	(14.8)	(9.5)
Derivative financial instruments	15	–	(0.2)
Deferred and contingent consideration	17	(7.2)	(0.2)
Retirement benefit obligations	27	(38.6)	(27.8)
		<b>(153.3)</b>	<b>(104.3)</b>
<b>Net assets</b>		<b>155.7</b>	<b>129.2</b>
<b>Shareholders' equity</b>			
Share capital	19	25.9	23.6
Share premium		18.2	18.2
Translation reserve		(11.7)	(0.2)
Cash flow hedging reserve		(0.1)	(0.1)
Retained earnings		123.4	87.7
<b>Total equity</b>		<b>155.7</b>	<b>129.2</b>

The notes on pages 76 to 107 form part of these financial statements

The financial statements on pages 72 to 107 were approved by the Board on 17 February 2015 and were signed on its behalf by

**Bill Whiteley**  
Chairman

**Paul Thwait**  
Finance director






# Consolidated statement of changes in equity

For the year ended 31 December 2014

	Share Capital £m	Share Premium £m	Treasury Shares £m	Cash flow Hedging Reserve £m	Translation Reserve £m	Retained Earnings £m	Total £m
Balance at 1 January 2013	23.5	18.2	(0.1)	(0.2)	(1.1)	80.7	121.0
Profit for the year	-	-	-	-	-	24.1	24.1
Other comprehensive expense	-	-	-	0.1	0.9	(5.1)	(5.1)
Total comprehensive income	-	-	-	0.1	0.9	18.0	19.0
Transactions with owners							
Shares issued during the year	0.1	-	-	-	-	-	0.1
Purchase of own shares	-	-	(2.4)	-	-	-	(2.4)
Transfer on vesting of own shares	-	-	2.3	-	-	(2.3)	-
Share-based payments	-	-	-	-	-	2.7	2.7
Tax credit on share performance plans	-	-	-	-	-	0.3	0.3
Dividends	-	-	-	-	-	(11.5)	(11.5)
Total transactions with owners	0.1	-	(0.1)	-	-	(10.8)	(10.8)
Movement in year	0.1	-	(0.1)	0.1	0.9	7.2	8.2
At 31 December 2013	23.6	18.2	(0.2)	(0.1)	(0.2)	87.9	129.2
Profit for the year	-	-	-	-	-	11.5	11.5
Other comprehensive expense	-	-	-	-	(11.5)	(10.0)	(21.5)
Total comprehensive expense	-	-	-	-	(11.5)	1.5	(10.0)
Transactions with owners							
Shares issued in respect of the placing*	2.3	-	-	-	-	50.1	52.4
Purchase of own shares	-	-	(1.6)	-	-	-	(1.6)
Transfer on vesting of own shares	-	-	1.3	-	-	(1.3)	-
Share-based payments	-	-	-	-	-	0.1	0.1
Tax charge on share performance plans	-	-	-	-	-	(0.8)	(0.8)
Dividend equivalents paid under share performance plans	-	-	-	-	-	(0.2)	(0.2)
Dividends	-	-	-	-	-	(13.4)	(13.4)
Total transactions with owners	2.3	-	(0.3)	-	-	34.5	36.5
Movement in year	2.3	-	(0.3)	-	(11.5)	36.0	26.5
At 31 December 2014	25.9	18.2	(0.5)	(0.1)	(11.7)	123.9	155.7

\*Ordinarily, the excess of the net proceeds over the nominal value of the share capital issued would be credited to a non-distributable share premium account

However, the placing of shares completed in April 2014 was effected through a structure which resulted in the creation of a reserve of £50.1 million that was credited to retained earnings under section 612 of the Companies Act 2006, of which £4.7 million is considered to be non-distributable

Total non-distributable reserves is considered to be £22.1 million

# Consolidated cash flow statement

For the year ended 31 December 2014

	Notes	Year to 31 December 2014 £m	Year to 31 December 2013 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	22	13.7	45.5
Interest received		0.2	0.1
Interest paid		(4.4)	(2.7)
Tax paid		(7.8)	(7.5)
Funding of pension schemes less pension expense included in operating profit		(2.7)	(2.3)
<b>Net cash (used in)/generated from operating activities</b>		<b>(1.0)</b>	<b>33.1</b>
<i>Cash generated from operating activities before exceptional items</i>		<b>5.9</b>	<b>36.0</b>
<i>Cash outflow from acquisition related costs</i>		<b>(3.0)</b>	<b>(0.7)</b>
<i>Cash outflow from exceptional items</i>		<b>(3.9)</b>	<b>(2.2)</b>
<b>Net cash (used in)/generated from operating activities</b>		<b>(1.0)</b>	<b>33.1</b>
<b>Cash flows from investing activities</b>			
Proceeds from discontinued businesses	4	0.5	–
Acquisition of businesses (net of cash and overdrafts acquired)		(40.8)	–
Deferred consideration paid on prior acquisitions	17	(0.3)	(4.2)
Proceeds from sale of property, plant and equipment		0.3	0.2
Purchase of property, plant and equipment		(9.8)	(7.0)
Additions to other intangible assets		(6.5)	(6.7)
<b>Net cash used in investing activities</b>		<b>(56.6)</b>	<b>(17.7)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital		52.4	0.1
Net proceeds from issue of private placement	14	37.2	34.0
Net repayment of loans		(23.0)	(20.3)
Net increase in finance leases		0.1	–
Dividends paid to shareholders	6	(13.4)	(11.5)
Purchase of own shares	19	(1.6)	(2.4)
<b>Net cash generated from/(used in) financing activities</b>		<b>51.7</b>	<b>(0.1)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	21	<b>(5.9)</b>	<b>15.3</b>
Exchange (loss)/gain on cash and cash equivalents		(0.9)	0.2
Net cash at beginning of year		17.5	2.0
<b>Net cash at end of year</b>		<b>10.7</b>	<b>17.5</b>
Cash and cash equivalents	12	11.0	17.7
Overdrafts	14	(0.3)	(0.2)
<b>Net cash at end of year</b>		<b>10.7</b>	<b>17.5</b>

The notes on pages 76 to 107 form part of these financial statements

## 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 124.

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 on a going concern basis under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss under IFRS. A summary of the more important group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

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

### New standards, amendments to standards or interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2014. No standards have been early adopted by the group. None of these standards and interpretations has had a material effect on the group's financial statements.

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosures of Interests in Other Entities	1 January 2014
Amendment IAS 27	Separate financial statements	1 January 2014
Amendment IAS 32	Financial instruments: Presentation	1 January 2014
Amendment IAS 36	Impairment of assets	1 January 2014
Amendment IAS 39	Financial instruments: recognition and measurement	1 January 2014
IFRIC 21	Leases	1 January 2014
IAS 27 (revised 2011)	Separate financial statements	1 January 2014
IAS 28 (revised 2011)	Associates and joint ventures	1 January 2014

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

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment IFRS 9	Financial instruments: classification and measurement	1 January 2015
IFRS 15	Revenue from contracts with customers	1 January 2017

### 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 group applies the acquisition method of accounting to account for business combinations. The consideration paid or payable in respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the continued employment of former owners of businesses acquired.

## Accounting policies

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. Where necessary, the accounting policies of acquired subsidiaries are adjusted to bring them into line with those used by the Group. The excess of the consideration (excluding payments contingent on future employment) over the fair value of the identifiable net assets acquired is recorded as goodwill.

Payments that are contingent on future employment and transaction costs and expenses such as professional fees are charged to the income statement. Acquisition related costs are expensed as incurred.

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 aligned in order to ensure consistency with the policies adopted by the group.

### 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 year; and
- (c) all resulting exchange differences are recognised as a separate component of equity.

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

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

#### Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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 year 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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

## 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. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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 and trade names recognised as separately identifiable assets on acquisitions and are valued at cost less accumulated amortisation. Customer relationships are considered to have estimated useful lives of between 5 and 20 years and amortised accordingly on a straight line basis.

#### **Other intangibles**

##### **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.

##### **Development costs relating to significant strategic projects**

Incremental costs incurred in the design and development of new products, processes and services in the formation of new management teams are recognised as an intangible asset once the technical feasibility and projected future profitability have been established together with a detailed business plan. These development costs are amortised using the straight-line method over their useful lives, not exceeding a period of five 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 financial liabilities – borrowings. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

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

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

## Accounting policies

### Inventories

Inventories are stated at the lower of cost, determined on a weighted average cost formula, and 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.

### 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. Trade payables are initially recognised at fair value and subsequently held at amortised cost.

### Cash and cash equivalents

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

### Deferred and contingent consideration

The amounts recognised for deferred and contingent consideration are the directors' best estimates of the actual amounts which will be payable and excludes payments contingent on future employment. Deferred consideration is discounted at an appropriate risk-free rate. Deferred consideration relates to acquisitions made after the application date of IFRS 3 (revised) 'Business combinations' and accordingly changes in estimates are reflected in the income statement.

### Fair value measurement of contingent consideration

Where contingent consideration is forfeitable in some of the instances in which the vendors might leave the business, certain amounts payable under contingent consideration arrangements resulting from business combinations in these financial statements are treated as remuneration in accordance with IFRS3 (revised). These are assessed at fair value and charged to the income statement during the period over which the group receives the benefit of the vendors' employment services. The determination of this fair value is based on an estimate of the future performance of the business which is dependent on the acquired business's performance over a specific future timeframe and is therefore subject to estimation uncertainty. These amounts are disclosed within acquisition related costs in the income statement.

### 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 years. 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 years 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 discounting 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. Past-service costs are recognised immediately in income.

#### 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.

## Accounting policies

### 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 is calculated using scenario modelling and is the expected outcome of meeting the performance criteria. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the value of the charge is adjusted to reflect expected and actual levels of options vesting for changes in non market vesting criteria.

### Treasury shares

The cost of the purchase of own shares is taken directly to reserves and is included in retained earnings

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. 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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale

### Derivative financial instruments

The group does not enter into speculative derivative contracts. The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. It principally employs forward foreign exchange contracts and interest rate swaps to hedge the risks associated with interest rate and foreign currency fluctuations relating to certain firm commitments and highly probable forecast transactions.

Certain derivative financial instruments are designated as hedging instruments in line with the group's risk management policies. Hedges are classified as follows:-

- cash flow hedges when they hedge exposure to variability in cash flows that is attributable to a particular risk that is associated with a forecast transaction.
- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

All derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured to their fair value at each balance sheet date. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments and is the amount that the group would receive or pay to terminate the swap at the balance sheet date

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months

### Hedge accounting

All derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured to their fair value at each balance sheet date

#### (a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement

Amounts accumulated in equity are recycled in the income statement in the years when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets

## Accounting policies

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

### (b) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

### Current and deferred income tax

#### Current tax

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

#### Deferred tax

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

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

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

### Provisions

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

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

### Share capital

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

### Revenue recognition

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

### Dividends

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

### Segment reporting

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

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

### Exceptional items

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

### Acquisition related costs

Acquisition related costs comprise external transaction costs pertaining to the group's acquisition strategy and other acquisition costs, mainly the cost of maintaining the group's internal acquisitions department.



## Financial risk management

### **I. 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. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates in accordance with group policy.

#### **(a) Market risk**

##### **(i) Foreign exchange risk and hedging activities**

The group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the Euro and Sterling. Foreign exchange risk arises primarily from recognised assets and liabilities and also net investments in foreign operations.

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

Foreign operations operate primarily in local currency or have minimal net exposure to foreign currencies.

The impact on revenue and operating profit of Sterling weakening against the Euro is reflected in the segmental analysis (note 1) which shows the results at the 2014 actual average exchange rate (£1.244 £1) and at the 2014 'management rate' (£1.25 £1)

##### **(ii) Cash flow and fair value 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.

As the group is principally financed by a €100 million floating rate revolving credit facility the group uses interest rate swaps to manage exposure to floating interest rates. At 31 December 2014, the group had in place interest rate swaps which had the effect of fixing the rate on a notional principal debt of €30 million. The group classifies such swaps as cash flow hedges and states them at fair value which amounted to liabilities of £0.1 million (2013 liability of £0.2 million) recognised on the balance sheet. During 2013, the group supplemented its existing borrowing facilities with additional long-term funding by entering into a \$100 million (or currency equivalent) private shelf facility which was extended to \$175 million in December 2014. The private placement notes issued under this facility, totalling €85 million at the end of the year, bear interest at a fixed rate. Accordingly, as the majority of the group's borrowings now effectively bear fixed rate interest there is little exposure to fluctuations in variable interest rates.

The group seeks to minimise cash deposits held at banks, surplus cash is used to repay external debt. The group manages liquidity with a combination of short term cash forecasts that look three months forward on a rolling basis and identify short term cash surpluses and requirements. Long term cash requirements are identified with a five year financial planning model that uses scenario based planning to assess the impact of the group's strategic plans on profitability and liquidity.

#### **(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.

#### **(d) Contractual obligations**

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

## Financial risk management

### At 31 December 2014

	Less than 1 year £m	2-5 years £m	More than 5 years £m	Total £m
Long term debt obligations (note 14)	3.1	26.2	66.3	95.6
Finance lease obligations (note 14)	0.2	0.2	—	0.4
	3.3	26.4	66.3	96.0

### At 31 December 2013

	Less than 1 year £m	2-5 years £m	More than 5 years £m	Total £m
Long term debt obligations (note 14)	3.7	33.2	33.3	70.2
Finance lease obligations (note 14)	0.1	0.1	—	0.2
	3.8	33.3	33.3	70.4

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 revolving credit facility each drawing is a separate utilisation and interest is payable at the maturity of each utilisation. No utilisation is made for a period greater than six months.

Deferred tax, deferred consideration, and post employment benefit liabilities are not included in the table above. During 2010, the group agreed a deficit funding plan with the trustees of the Brammer Services Limited Retirement Benefit Scheme, which provides for the group to make payments of £2.8 million, indexed for inflation, in the years 2011 to 2023 inclusive.

### II. 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. In April 2014 a placing of 11,300,407 new ordinary shares, representing approximately 9.6% of the total issued share capital, was made in order to reduce the group's borrowings after the Lönne acquisition and to allow the group to pursue other acquisition opportunities.

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 years presented

	2014 £m	2013 £m
Total borrowings (note 14)	96.3	70.6
Less: Cash and cash equivalents (note 12)	(11.0)	(17.7)
Net debt	85.3	52.9
Total equity	155.7	129.2
Total capital	241.0	182.1

In July 2011 the group signed new banking facilities for a five year term which provides up to €100 million (£77.6 million) of debt finance. At 31 December 2014 the committed facility is €100.0 million (2013: €100.0 million).

In 2013, additional long term funding was obtained through the issue of €40 million of unsecured private placement notes (€20 million in June, with a further issue of €20 million in July) bearing interest at a fixed rate of 3.36% and maturing in July 2023. These private placement notes were issued under a private shelf facility which provides a maximum facility, which is uncommitted and unsecured, up to \$100 million (or currency equivalent). The remaining notes (€35.4 million) were issued in January 2014 with a seven year term maturing in January 2021 and bearing interest at 3.56%.

In 2014 an additional private shelf facility was agreed providing a maximum facility, which is uncommitted and unsecured, up to \$75 million (or currency equivalent). In December 2014, the group issued €10 million of unsecured private placement notes bearing interest at a fixed rate of 2.36% and maturing in January 2025 under this facility. In January 2015, a further €30 million of notes were issued with a 10 year term maturing in January 2025 and bearing interest at 2.36%.

## Financial risk management

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

	2014 £m	2013 £m
Committed group facility	77.6	83.2
Current utilisation	25.8	33.0
<b>Headroom (note 14)</b>	<b>51.8</b>	<b>50.2</b>

Under the terms of the committed facility the group is permitted to enter into up to £58 million of additional gross borrowings outside this facility. This excludes the issue of private placement notes in relation to the \$175 million private shelf facility.

### III. 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 78. 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) determination of deferred and contingent consideration payable

The amount of deferred and contingent consideration recognised in respect of acquisitions is subject to continuous evaluation by the directors. Any subsequent revision to the amounts recognised following the year of acquisition will impact the group's results as those adjustments are reflected in the income statement and included as a component of acquisition related costs.

#### (c) retirement benefit obligations

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

Note 27 details the actuarial assumptions used in determining the carrying amount at 31 December 2014.

#### (d) marketing support from suppliers

Accruals are recognised for cash contributions receivable from suppliers of certain strategic products, when cash receipts are not received in the year to which the contributions relate. The element of judgement surrounding the calculation of the accrual at each year end is low as agreements with suppliers are supported by signed contracts, and confirmations of the achievement of relevant targets based on historic performance levels are obtained from the suppliers at the year end. There has been a high level of correlation in past years between the accrual recognised at the year end and subsequent cash receipts.

#### (e) valuation of acquired intangible assets

IFRS 3(R) requires separately identifiable intangible assets to be recognised on acquisitions. The principal estimates used in valuing these intangible assets are generally based on the future cash flows forecast to be generated by these assets, and the selection of appropriate discount rates to apply to the cash flows.

#### (f) Classification of exceptional items

Certain items of income and expense are classified as exceptional items due to their nature or size and are presented separately on the face of the income statement in order to provide a better understanding of the Group's financial performance. Exceptional items, together with amortisation of acquired intangible assets and acquisition related costs are excluded from underlying performance measures in order to present a more meaningful measure of the underlying performance of the business.

# Notes to the financial statements

## 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. Following our Scandinavian acquisition in January 2014 the group has amended its internal reporting to add Scandinavia as a new operating segment from 2014.

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 2014 the management rate used was €1.25: £1, which is unchanged from the prior year.

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, acquisition related costs, and non-recurring or exceptional items such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event.

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

### Year ended 31 December 2014 – Continuing operations

	UK £m	Germany £m	France £m	Spain £m	Benelux £m	Scandinavia £m	Eastern Europe & Other £m	Total £m
<b>Revenue</b>								
Total revenue	287.0	124.2	88.4	51.0	53.9	53.8	78.9	737.2
Inter company sales	(1.8)	(3.1)	(2.1)	(1.8)	(1.1)	(0.7)	(1.0)	(11.6)
Sales to external customers	285.2	121.1	86.3	49.2	52.8	53.1	77.9	725.6
Exchange effect								(2.0)
Total sales to external customers								723.6
Underlying operating profit	15.5	7.5	4.8	6.0	2.6	2.6	2.1	41.1
Exchange effect								0.1
Total underlying operating profit								41.2
Amortisation of acquired intangibles								(1.8)
Acquisition related costs								(3.0)
Exceptional operating items								(12.6)
Total operating profit								23.8
Finance expense								(6.3)
Finance income								0.2
Profit before tax								17.7
Tax								(6.2)
Profit for the year								11.5
Segment assets	117.9	43.6	42.4	26.2	24.4	22.4	36.7	313.6
Exchange effect								(9.2)
								304.4
Goodwill								118.5
Acquired intangibles								23.6
Cash								11.0
Deferred tax								12.3
Total assets								469.8
<b>Other segment items</b>								
Capital expenditure								
– other intangible assets	1.1	0.3	0.3	0.4	0.3	0.2	3.9	6.5
– property, plant and equipment	5.9	0.8	0.7	0.8	0.4	0.5	0.8	9.9
Exchange effect								(0.1)
Total capital expenditure								16.3
Amortisation/depreciation								
– other intangible assets	(0.2)	(0.3)	(0.1)	(0.1)	(0.2)	(0.1)	(2.6)	(3.6)
– property, plant and equipment	(1.9)	(0.4)	(0.4)	(0.3)	(0.5)	(0.2)	(0.7)	(4.4)
Exchange effect								0.1
Total amortisation and depreciation								(7.9)

# Notes to the financial statements

## 1 Segmental analysis

### Year ended 31 December 2013 – Continuing operations

	UK £m	Germany £m	France £m	Spain £m	Benelux £m	Eastern Europe & Other £m	Total £m
<b>Revenue</b>							
Total revenue	297.9	115.0	81.6	45.3	51.7	56.3	647.8
Inter company sales	(4.6)	(2.9)	(2.1)	(2.6)	(1.4)	(0.9)	(14.5)
Sales to external customers	293.3	112.1	79.5	42.7	50.3	55.4	633.3
Exchange effect							18.6
Total sales to external customers							651.9
Underlying operating profit	21.0	6.5	4.2	4.7	2.6	–	39.0
Exchange effect							0.8
Total underlying operating profit							39.8
Amortisation of acquired intangibles							(1.2)
Acquisition related costs							(1.3)
Total operating profit							37.3
Finance expense							(4.5)
Finance income							0.1
Profit before tax							32.9
Tax							(8.8)
Profit for the year							24.1
Segment assets	98.1	35.1	34.0	23.2	24.2	32.8	247.4
Exchange effect							4.7
							252.1
Goodwill							91.2
Acquired intangibles							9.2
Cash							17.7
Deferred tax							10.9
Total assets							381.1
<b>Other segment items</b>							
Capital expenditure							
– other intangible assets	0.4	0.5	0.4	0.3	0.2	4.8	6.6
– property, plant and equipment	2.6	0.6	0.2	0.3	1.6	1.6	6.9
Exchange effect							0.2
Total capital expenditure							13.7
Amortisation/depreciation							
– other intangible assets	–	(0.1)	(0.1)	(0.1)	(0.2)	(1.8)	(2.3)
– property, plant and equipment	(1.6)	(0.3)	(0.3)	(0.3)	(0.4)	(0.6)	(3.5)
Exchange effect							(0.3)
Total amortisation and depreciation							(6.1)

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

	2014	2013
Management rate	€1.25	€1.25
Actual average rate	€1.244	€1.182
Year end rate	€1.289	€1.202

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

## Notes to the financial statements

### 2 Finance expense and income

	2014 £m	2013 £m
<b>Finance expense</b>		
Bank overdrafts and short term borrowings	1.0	0.7
Loans	1.6	2.3
Private placement note interest payable	2.6	0.6
Interest on IAS 19 retirement benefit obligations	1.1	0.9
	<b>6.3</b>	<b>4.5</b>
<b>Finance income</b>		
Bank and other short term deposits	(0.2)	(0.1)
	<b>6.1</b>	<b>4.4</b>

### 3 Profit before tax

	2014 £m	2013 £m
The following items have been included in arriving at profit before tax.		
Staff costs (see note 24)	135.3	120.3
Cost of inventories recognised as an expense and included in cost of sales (see note 10)	491.7	444.6
Depreciation of property, plant and equipment (note 9)		
– Owned assets	4.3	3.5
– Under finance leases	0.1	0.1
Amortisation of other intangibles (included in distribution costs) (note 8)	3.5	2.5
Amortisation of acquired intangibles (included in 'amortisation and acquisition related costs' on the face of the income statement) (note 8)	1.8	1.2
Acquisition related costs (included in 'amortisation and acquisition related costs' on the face of the income statement)	3.0	1.3
Operating leases on property, plant and equipment	15.9	14.1
Repairs and maintenance expenditure on property, plant and equipment	1.1	1.2
Trade receivables impairment (note 11)	(0.1)	(0.4)
Gain on disposal of property, plant and equipment and intangible assets	–	(0.1)
External investments – profit on sale (see note 4)	(0.5)	–
Impairment of goodwill (see note 8)	3.6	–
Restructuring costs	9.5	–
Net exchange losses	0.5	0.1
<b>Auditors' remuneration</b>		
Services provided by the company's auditors and associates		
Fees payable for audit of parent company and consolidated financial statements	0.1	0.1
Fees payable for other services		
Auditing of financial statements of associates of the company pursuant to legislation (including that of countries and territories outside Great Britain)	0.4	0.2
Tax services	0.1	0.3
Other services	0.5	0.1

Acquisition related costs for the year ended 31 December 2014 include expenses and professional costs incurred on the acquisition of the Lonne business (in January 2014) together with fourteen other bolt-on businesses acquired during the year. Details of these acquisitions are given in note 23.

Other services provided by the company's auditors and associates primarily relates to due diligence services.

## Notes to the financial statements

### 4 Exceptional items

#### 2014 Exceptional items

	2014 £m
Included in operating profit	
Buck & Hickman reorganisation costs	5.0
Headcount and other restructuring costs on acquisitions made during the year	4.5
Impairment of Czech goodwill	3.6
Proceeds from discontinued business	(0.5)
<b>Total exceptional items</b>	<b>12.6</b>

A total pre-tax operating exceptional charge of £12.6 million was recognised in 2014. This included the following charges arising from the final phase of integrating the Buck & Hickman business: a £2.5 million charge for property related costs upon the closure of the Buck & Hickman National Distribution Centre in Coventry and the merger of all supply chain operations in the UK, including an onerous lease provision charge of £1.2 million. A further £2.5 million charge relates to headcount restructuring from the merger of the UK supply chain and finance support functions during the year.

Following the acquisitions made during the year, other restructuring activities in continental Europe resulted in further headcount and other restructuring costs of £4.5 million being incurred and recognised as an exceptional charge. These actions were taken in order to optimise our operations and realise identified synergies from the acquisitions including branch mergers, office re-locations, headcount rationalisation and charges arising from the reprofiling of stock, brands and product lines on combined stockholdings.

A goodwill impairment charge of £3.6 million was made in the year in respect of the Czech business – see note 8 for further details.

A credit of £0.5 million was recognised relating to the profit on disposal of our remaining investment in Livingston Group Limited which had previously been fully written down. The profit on disposal has been recognised as exceptional as the previous loss on disposal of the Livingston business was also recognised as an exceptional item.

#### 2013 Exceptional items

There were no exceptional items in 2013.

### 5 Taxation

	2014 £m	2013 £m
<b>Current tax</b>		
Current year	(5.9)	(9.6)
Prior year	1.4	0.2
	<b>(4.5)</b>	<b>(9.4)</b>
<b>Deferred tax (note 18)</b>		
Current year	(0.3)	0.8
Prior year	(1.4)	(0.2)
	<b>(1.7)</b>	<b>0.6</b>
<b>Taxation</b>	<b>(6.2)</b>	<b>(8.8)</b>
<b>Tax on items taken to equity</b>		
Current tax on share based payments	(0.1)	(0.2)
Current tax on pension schemes' movements	0.4	0.4
Deferred tax on pension schemes' movements	1.9	0.6
Deferred tax on share based payments	(0.9)	0.5
Deferred tax on exchange movements posted to reserves	0.1	0.5

## Notes to the financial statements

### 5 Taxation

#### Factors affecting the tax charge for the year

The effective tax rate for the year of 35.0% is higher (2013: higher) than the standard rate of corporation tax in the United Kingdom. The differences are explained below.

	2014 £m	2013 £m
Profit before tax	17.7	32.9
Profit before tax multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	(3.8)	(7.6)
Effects of		
Expenses not deductible for tax purposes	0.1	(1.3)
Reduction in contingent tax liabilities	-	0.7
Different tax rates on overseas earnings	(0.4)	(0.6)
Adjustments in respect of previous periods	-	(0.3)
Goodwill impairment	(0.6)	-
Tax losses not recognised	(0.9)	-
Release of deferred tax related to share plan awards	(0.4)	-
Impact of change in tax rate	-	0.3
Total taxation	(6.2)	(8.8)
Overall effective tax rate for the year	35.0%	27.0%

The standard rate of corporation tax in the UK was reduced from 23% to 21% with effect from 1 April 2014. Accordingly, the company's profit chargeable to corporation tax for the prior year was taxed at the effective rate of 23.25% and at 21.5% in the current year. A further reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Accordingly the UK deferred tax assets and liabilities have been calculated at the substantively enacted rate of 20%.

### 6 Dividends

	2014 £m	2013 £m
Final 2013 paid July 2014 6.80p (Final 2012 6.40p) per 20p share	8.8	7.5
Interim 2014 paid November 2014 3.60p (2013 3.40p) per 20p share	4.6	4.0
	13.4	11.5

In addition the directors are proposing a final dividend in respect of the financial year ended 31 December 2014 of 7.1p per share that will absorb an estimated £9.2 million of shareholders' funds. It will be paid on 2 July 2015 to shareholders on the register of members on 5 June 2015.



## Notes to the financial statements

### 7 Earnings per share

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

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

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

	Earnings £m	Earnings per share Basic	2014 Earnings per share Diluted
Average number of shares in issue ('000)		125,554	128,943
<b>Total</b>		pence	pence
Profit for the financial year	11.5	9.2	8.9
Amortisation of acquired intangibles ("amortisation") and acquisition related costs	4.8		
Impairment of goodwill	3.6		
Exceptional items (excluding impairment of goodwill)	9.0		
Tax on exceptional items	(2.1)		
Tax on amortisation and acquisition related costs	(0.8)		
<b>Earnings before amortisation, acquisition related costs and exceptional items</b>	<b>26.0</b>	<b>20.7</b>	<b>20.2</b>

The weighted average number of shares for the year reflects the impact of shares issued as a result of the placing in April 2014 (11,300,407 ordinary shares issued).

	Earnings £m	Earnings per share Basic	2013 Earnings per share Diluted
Average number of shares in issue ('000)		117,562	121,290
<b>Total</b>		pence	pence
Profit for the financial year	24.1	20.5	19.9
Amortisation of acquired intangibles ("amortisation") and acquisition related costs	2.5		
Tax on amortisation and acquisition related costs	(0.6)		
<b>Earnings before amortisation and acquisition related costs</b>	<b>26.0</b>	<b>22.1</b>	<b>21.4</b>

### 8 Intangible assets

	2014 £m	Goodwill 2013 £m	Acquired intangibles 2014 £m	2013 £m	Other - Software development 2014 £m	2013 £m
<b>Cost</b>						
At 1 January	91.2	89.8	17.1	17.1	28.5	22.1
Exchange adjustments	(8.5)	1.4	(2.9)	-	(0.5)	0.1
Additions	-	-	-	-	6.5	6.7
Acquisitions	39.2	-	18.4	-	0.5	-
Disposals	-	-	-	-	(1.5)	(0.4)
<b>At 31 December</b>	<b>121.9</b>	<b>91.2</b>	<b>32.6</b>	<b>17.1</b>	<b>33.5</b>	<b>28.5</b>
<b>Accumulated impairment and amortisation</b>						
At 1 January	-	-	7.9	6.7	15.4	13.2
Exchange adjustments	(0.2)	-	(0.7)	-	(0.4)	0.1
Charge for the year	-	-	1.8	1.2	3.5	2.5
Acquisitions	-	-	-	-	0.1	-
Impairment	3.6	-	-	-	-	-
Disposals	-	-	-	-	(1.5)	(0.4)
<b>At 31 December</b>	<b>3.4</b>	<b>-</b>	<b>9.0</b>	<b>7.9</b>	<b>17.1</b>	<b>15.4</b>
<b>Net book value</b>						
<b>At 31 December</b>	<b>118.5</b>	<b>91.2</b>	<b>23.6</b>	<b>9.2</b>	<b>16.4</b>	<b>13.1</b>

## Notes to the financial statements

### 8 Intangible assets

#### Goodwill

Goodwill arising represents the excess of the consideration over the value of the assets acquired.

#### Acquired intangibles

The acquired intangibles recognised on the acquisition of the Lönne business in January 2014 comprised £4.9 million of trade names which are considered to have an indefinite life and £9.0 million of customer relationships which are considered to have estimated useful lives of 20 years.

The acquired intangibles recognised on the other smaller, bolt-on acquisitions made during the year comprised £4.5 million of customer relationships which are considered to have estimated useful lives of between 5 and 10 years.

The carrying value of acquired intangibles comprises £9.5 million of trade names and £14.1 million of customer relationships.

The carrying value of acquired intangibles recognised on earlier acquisitions principally comprises customer relationships which are considered to have estimated useful lives of between 5 and 10 years.

#### Other intangibles

Other intangibles principally comprise software development. In addition certain incremental costs incurred in the development phase of significant strategic projects have been capitalised and are amortised over 5 years.

The amortisation of software development expenditure and strategic project development costs capitalised has been charged in distribution costs.

#### Goodwill impairment review

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 shown below

#### Analysis of Goodwill by operating segment

	2014 £m	2013 £m
UK	20.9	18.4
France	6.1	5.5
Germany	34.0	34.4
Spain	7.9	5.1
Benelux	8.8	8.3
Scandinavia	20.6	–
Eastern Europe and Other	20.2	19.5
	118.5	91.2

As explained in note 1 above, following the acquisition of Lönne in January 2014 the group has amended its internal reporting and accordingly a new Scandinavian operating segment has been added. This change has been reflected in the table above.

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.

#### Key assumptions are

- > The cash generating operating units ("CGUs") are defined according to the country of operation and related goodwill has been allocated on this basis.
- > The recoverable amount for each cash generating operating unit is determined from value-in-use calculations based on approved budgets and five-year plan. Pre-tax cash flows projected forward assume a growth rate into perpetuity not in excess of expected GDP growth rates in each country. These growth rates vary from 1.1% to 3.5% (2013: 0.8% – 3.9%).
- > The group's methodology is to use a projection period of five years being the maximum period over which detailed cash flows for each CGU are prepared. For periods after this five year period, the methodology applies a long term growth rate to derive a terminal value.
- > The key assumptions in these calculations relate to future revenue growth rates, gross margin percentage and the discount rates applied.
- > A nominal pre-tax weighted average cost of capital ("WACC") of 10.25% (2013: 11.91%) has been used to discount future cash flows. Although based on a company specific WACC, it has been adjusted to reflect higher long term financing costs than the company currently experiences. The WACC has been adjusted for tax and inflation rates in each of the countries that the company currently operates.

## Notes to the financial statements

### 8 Intangible assets

Cash generating unit	Pre-tax discount rate 2014	Pre-tax discount rate 2013	Inflation rate 2014	Inflation rate 2013
UK	9.74%	11.31%	2.04%	2.04%
France	11.18%	13.00%	1.12%	1.61%
Germany	10.74%	12.49%	1.57%	1.84%
Spain	10.67%	12.40%	1.05%	1.27%
Benelux	9.99% – 11.13%	11.60% – 12.94%	1.13% – 1.23%	0.92% – 1.21%
Scandinavia	10.38%	n/a	1.43%	n/a
Eastern Europe & Other	8.39% – 10.32%	9.74% – 11.99%	1.13% – 2.86%	1.33% – 3.00%

Sensitivity tests have been performed. The key sensitivity is forecast trading profit and applying a sensitivity in trading profit generates an impairment in the Czech Republic business, which is included in the Eastern Europe & Other operating segment. The Czech business, a CGU identified in 2013 as having marginal headroom, has continued to experience challenging market conditions and has posted losses in 2014. These losses have arisen due to the illegal actions taken by one of the former owners of the business, in relation to which a loss claim settlement has been received in the year. A turnaround programme has been instigated by management and, although a modest improvement has been seen, the process is taking longer than originally anticipated. As a result, the carrying value of this CGU is less than its recoverable amount, resulting in the Czech goodwill being fully impaired. The impairment charge of £3.6 million has been included as an exceptional item within the consolidated income statement. No other class of asset was impaired.

The CGU with the next lowest headroom is Italy, which posted strong growth in 2014. Based on this past experience and taking into account current market conditions, management have concluded that there will be no deterioration in the trading profit over the projection period which will significantly impact future cash flows. As a result, no reasonably possible change in the key assumptions would result in a material impairment of any of the CGUs, with the exception of the Czech Republic. Should such a change occur, this would represent a triggering event to indicate an impairment review may be necessary. In accordance with IAS 36 'Impairment of Assets', a full impairment review would then be undertaken on the relevant assets within the CGU.

### 9 Property, plant and equipment

	Land and buildings £m	Equipment £m	2014 Total £m	Land and buildings £m	Equipment £m	2013 Total £m
<b>Cost</b>						
At 1 January	19.4	39.3	58.7	16.7	36.3	53.0
Exchange adjustments	(0.6)	(1.4)	(2.0)	0.1	0.4	0.5
Additions	1.5	8.3	9.8	2.6	4.4	7.0
Acquisitions	0.1	3.4	3.5	–	–	–
Reclassification	–	–	–	–	(0.1)	(0.1)
Disposals	–	(1.4)	(1.4)	–	(1.7)	(1.7)
<b>At 31 December</b>	<b>20.4</b>	<b>48.2</b>	<b>68.6</b>	<b>19.4</b>	<b>39.3</b>	<b>58.7</b>
<b>Accumulated depreciation</b>						
At 1 January	11.0	29.8	40.8	9.7	28.5	38.2
Exchange adjustments	(0.3)	(0.9)	(1.2)	–	0.5	0.5
Charge for the year	1.0	3.4	4.4	1.3	2.3	3.6
Acquisitions	–	2.0	2.0	–	–	–
Reclassification	–	–	–	–	0.1	0.1
Disposals	–	(1.1)	(1.1)	–	(1.6)	(1.6)
<b>At 31 December</b>	<b>11.7</b>	<b>33.2</b>	<b>44.9</b>	<b>11.0</b>	<b>29.8</b>	<b>40.8</b>
<b>Net book value</b>						
At 31 December	8.7	15.0	23.7	8.4	9.5	17.9
					2014 £m	2013 £m
<b>At 31 December</b>						
Assets held under finance leases (land and buildings and equipment included above)						
Cost					1.3	1.3
Depreciation					(1.0)	(1.0)
					0.3	0.3

## Notes to the financial statements

### 10 Inventories

The group consumed £491.7 million (2013: £444.6 million) of inventory during the year

Finished goods inventories of £133.9 million (2013: £108.6 million) comprise entirely goods for resale. Finished goods inventories of £3.0 million (2013: £4.3 million) are carried at fair value less costs to sell being lower than cost.

### 11 Trade and other receivables

	2014 £m	2013 £m
Amounts due within one year		
Trade receivables	122.4	101.9
Provision for impairment of receivables	(1.7)	(2.4)
Net trade receivables	120.7	99.5
Other receivables	6.1	9.7
Prepayments and accrued income	3.6	3.3
	130.4	112.5

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

	2014 £m	2013 £m
At 1 January	2.4	3.3
Income statement (credit) included in distribution costs	(0.1)	(0.4)
Acquisitions	0.5	–
Recovered	(0.8)	(0.2)
Written off (as uncollectable)	(0.3)	(0.3)
At 31 December	1.7	2.4

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 above the current provision for impairment.

Certain European subsidiaries of the group transferred receivable balances amounting to €12.9 million (£10.0 million) (2013: €6.4 million, £5.3 million) to banks, under bills of exchange without recourse, in exchange for cash at the year end.

### 12 Cash and cash equivalents

	2014 £m	2013 £m
Cash at bank and in hand	10.9	17.6
Short term bank deposits	0.1	0.1
	11.0	17.7

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

### 13 Trade and other payables

	2014 £m	2013 £m
Trade payables	122.6	112.0
Other taxes and social security	11.7	8.4
Other payables	0.1	0.3
Accruals	18.1	16.6
	152.5	137.3

## Notes to the financial statements

### 14 Financial liabilities – borrowings

	2014 £m	2013 £m
<b>Current</b>		
Unsecured bank and other borrowings	0.3	0.2
Unsecured loans less than one year	3.1	3.7
Finance lease commitments due within one year	0.2	0.1
	3.6	4.0
<b>Non-current</b>		
Unsecured bank loan repayable		
Between one and two years	26.2	0.7
Between two and five years	–	32.5
Over five years	66.3	33.3
	92.5	66.5
<b>Finance lease commitments</b>		
Between one and two years	0.1	0.1
Between two and five years	0.1	–
Over five years	–	–
	0.2	0.1
	92.7	66.6

Bank loans are denominated primarily in Euros and in Sterling which bear interest based on EURIBOR and LIBOR respectively. The effective interest rate on bank borrowings for the year to 31 December 2014 was 4.8% (year to 31 December 2013 4.5%).

In July 2011 the company entered into a five year revolving multicurrency credit finance facility which provided for borrowings of €100.0 million. This facility can be drawn until it expires on 30 June 2016. The amount of finance available under this facility as at 31 December 2014 was €100.0 million (£77.6 million).

In 2013 the group supplemented its existing borrowing facilities with additional long-term funding raised by the issue in June 2013 and July 2013 of two tranches of €20 million of private placement notes totalling €40 million in total. These private placement notes are issued under a private shelf facility, are unsecured, bear interest at a fixed rate and mature in July 2023.

During 2014, the group issued an additional €45.4 million of private placement notes in two tranches, €35.4 million in January and €10 million in December. These notes mature in 2021 and 2025 respectively, are unsecured and bear interest at a fixed rate.

In January 2015 a further issue of €30 million of private placement notes was made – these notes bear interest at a fixed rate and mature in 2025.

### 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 2014 was £58.5 million (2013 £33.3 million).

The foreign exchange gain of £5.3 million (2013 gain of £0.3 million) on the translation of these borrowings into Sterling at the closing exchange rate has been recognised in the translation reserve.

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

The table below analyses the maturity profile of the group's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date. Short-term payables, including trade payables and accruals, are excluded from the analysis as they are considered to form part of the group's day-to-day operating cycle. The amounts disclosed in the table below are the contractual undiscounted cash flows including an estimation of the future interest cost.

## Notes to the financial statements

### 15 Financial liabilities

#### Maturity of financial liabilities

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

	Debt £m	Finance leases £m	Deferred consideration £m	Derivative financial liabilities £m	Total £m
<b>At 31 December 2014</b>					
In more than one year but not more than two years	(26.2)	(0.1)	(1.1)	–	(27.4)
In more than two years but not more than five years	–	(0.1)	(5.7)	–	(5.8)
In more than five years	(66.3)	–	(0.4)	–	(66.7)
	(92.5)	(0.2)	(7.2)	–	(99.9)
<b>At 31 December 2013</b>					
In more than one year but not more than two years	(3.3)	(0.1)	(0.2)	–	(3.6)
In more than two years but not more than five years	(39.2)	–	–	(0.2)	(39.4)
In more than five years	(38.9)	–	–	–	(38.9)
	(81.4)	(0.1)	(0.2)	(0.2)	(81.9)

The group's financial liabilities under the private placement loan notes are at fixed interest rate and comprise drawn Euro loan notes. The group's remaining 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 £51.8 million (2013: £50.2 million) which is available to the group up to 30 June 2016 and carries interest based on currency LIBOR.

#### Derivative financial liabilities

Derivative financial liabilities comprise the fair value of interest rate swaps used for hedging the group's interest rate risk. The fair values reflected above have been determined by reference to available market information at the balance sheet date.

The financial risks to which the group is exposed are those of market risk, credit risk, liquidity risk and capital management risk. An explanation of each of these risks and how the group manages them is set out in the financial risk section on pages 82 to 83.

Level 2 hedging derivatives comprise the fair value of interest rate swaps used for hedging the group's interest rate risk. The fair values are estimated by discounting expected future contractual cash flows using prevailing interest rates and valuing any amounts denominated in foreign currencies at the exchange rate prevailing at the balance sheet date. These financial instruments are included on the balance sheet at fair value, derived from observable market prices (Level 2 as defined by IFRS13 Financial Instruments Disclosures). There were no transfers between Levels 1 and 2 during the year, and there were no changes in valuation techniques during the year.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- > trade and other receivables
- > cash and cash equivalents
- > trade and other payables

#### Minimum lease payments

The minimum lease payments under finance leases fall due as follows:

	2014 £m	2013 £m
Not later than one year	0.2	0.1
Later than one year but not more than five years	0.2	0.1
More than five years	–	–
	0.4	0.2
Book value of finance lease liabilities	0.4	0.2

## Notes to the financial statements

### 16 Provisions

	Restructuring £m	Property obligations £m	Other £m	2014 Total £m	2013 Total £m
At 1 January	0.4	–	0.2	0.6	2.7
Exchange adjustment	0.1	–	–	0.1	0.1
Charged to the income statement in the year (note 4)	4.5	2.5	–	7.0	–
Utilised in the year	(3.6)	(0.3)	–	(3.9)	(2.2)
Released in the year	–	–	(0.2)	(0.2)	–
<b>At 31 December</b>	<b>1.4</b>	<b>2.2</b>	<b>–</b>	<b>3.6</b>	<b>0.6</b>
Amounts falling due:					
Within one year				3.6	0.6
In more than one year but not more than two years				–	–
<b>Total</b>				<b>3.6</b>	<b>0.6</b>

The charge to the income statement in the year above comprises the headcount and other restructuring costs relating to acquisitions made in the year, together with property related costs incurred on the closure of the Buck & Hickman national distribution centre.

In addition to the charges to the income statement above, the exceptional charge for the year also included costs incurred on the write-down of fixed assets and on the reprofiling and rationalising of stock lines. These asset write-down charges do not form part of the movements within the provision.

The provisions are expected to be utilised within one year. Other provisions related to warranty claims.

Property obligations provision comprises an onerous lease provision relating to the closure of the Buck & Hickman National Distribution warehouse in Coventry which was recently vacated by the group as part of the final phase of integrating the Buck & Hickman business. This provision is based on an assessment of the likelihood of the group being able to sublet the warehouse in the short-term based on a report from an independent valuer, and comprises the rent, rates and estimated dilapidations. This onerous lease provision is subject to uncertainty in respect of the prospects of subletting the property and the final negotiated settlement of any dilapidation claims with the landlord.

### 17 Deferred and contingent consideration

	2014 £m	2013 £m
At 1 January	0.5	4.7
Exchange adjustment	(0.2)	–
Acquisitions	7.3	–
Paid	(0.3)	(4.2)
<b>At 31 December</b>	<b>7.3</b>	<b>0.5</b>
Amounts falling due		
Within one year	0.1	0.3
In more than one year but not more than two years	1.1	0.2
In more than two years but not more than five years	5.7	–
In more than five years	0.4	–
<b>Total</b>	<b>7.3</b>	<b>0.5</b>

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.

## Notes to the financial statements

### 18 Deferred tax

	2014 Accelerated capital allowances £m	2014 Pension liability £m	2014 Share options £m	2014 Tax losses £m	2014 Provisions £m	2014 Total £m
<b>Assets</b>						
At 1 January	-	5.6	3.2	2.1	-	10.9
Exchange adjustment	-	-	-	(0.2)	-	(0.2)
Taken to equity	-	1.9	(0.9)	-	-	1.0
Income statement credit	-	-	(0.4)	1.0	-	0.6
At 31 December	-	7.5	1.9	2.9	-	12.3
<b>Liabilities</b>						
At 1 January	(1.0)	-	-	-	(8.5)	(9.5)
Exchange adjustment	-	-	-	-	1.0	1.0
Deferred tax on acquisitions	0.1	-	-	-	(4.5)	(4.4)
Adjustments arising from change in tax rate (taken to income statement)	0.1	-	-	-	(0.1)	-
Taken to equity	-	-	-	-	0.4	0.4
Income statement charge	(0.4)	-	-	-	(1.9)	(2.3)
At 31 December	(1.2)	-	-	-	(13.6)	(14.8)
					<b>2014 £m</b>	<b>2013 £m</b>
<b>Net total</b>						
At 1 January					1.4	0.1
Exchange adjustment					0.8	(0.2)
Deferred tax on acquisitions					(4.4)	-
Net amount taken to equity					1.4	0.9
Income statement charge					(1.7)	0.6
At 31 December					(2.5)	1.4

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 £3.4 million (2013: £3.6 million).

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and associates as there will be no additional liability arising on repatriation to the UK. Based on current capital investment plans, the group expects to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS) during the year are shown above. Deferred tax falling due after more than one year amounts to £2.5 million (2013: £1.4 million).

### 19 Share capital

	2014 Number	2014 £m	2013 Number	2013 £m
Ordinary shares of 20p each				
Allotted and fully paid				
At 31 December	129,404,481	25.9	118,004,074	23.6

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 (2013: no limit).

#### Placing

On 9 April 2014 the company announced an issuance of 11,300,407 new ordinary shares at 475 pence per share through a placing with institutional investors, representing 9.6% of the total issued share capital at a 2.66% discount to the prevailing market price. The placing was 1.85 times oversubscribed and raised a net £52.4 million proceeds, being gross proceeds on issue of £53.7 million less expenses of £1.3 million.



## Notes to the financial statements

### 19 Share capital

Ordinarily, the excess of the net proceeds over the nominal value of the share capital issued would be credited to a non-distributable share premium account. However, the placing was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within retained earnings under section 612 of the Companies Act 2006. Of the £50.1 million recognised within retained earnings, £4.7 million is considered to be non-distributable.

#### Purchase of own shares

During the year the company acquired 468,510 of its own shares of 20p each through the Brammer plc Employee Share Ownership Trust ("the Trust") for an aggregate consideration of £1,614,756, 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 year and 335,046 shares were transferred to directors and senior managers in order to meet vestings under these plans. 2,091 options were exercised during the year under the group's employee share option schemes with exercise proceeds of £2,080.

At 31 December 2014 the Trust held a total of 188,056 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

During the year the Trust subscribed for 100,000 ordinary shares of 20p each at par.

### 20 Share based payments

Movements on share plans during the year were as follows

Price per share	1 January 2014	Granted	Exercised/ Vested	Vested but not exercised*	Lapsed	31 December 2014	Date from which exercisable	Expiry date
<b>Executive share option schemes</b>								
<b>1995 scheme</b>								
90p	12,874	-	-	-	(12,874)	-	15 Apr 2007	15 Apr 2014
99.5p	62,000	-	-	-	(62,000)	-	6 Sep 2007	6 Sep 2014
<b>1997 scheme</b>								
99.5p	2,091	-	(2,091)	-	-	-	6 Sep 2007	6 Sep 2014
<b>Total</b>	<b>76,965</b>	<b>-</b>	<b>(2,091)</b>	<b>-</b>	<b>(74,874)</b>	<b>-</b>		
<b>Performance share plan</b>								
Op	511,126	-	-	-	-	<b>511,126</b>	Spring 2012	
Op	127,733	-	(19,421)	-	-	<b>108,312</b>	Autumn 2012	
Op	906,055	-	-	-	-	<b>906,055</b>	Spring 2013	
Op	147,472	-	(72,527)	-	-	<b>74,945</b>	Autumn 2013	
Op	484,932	-	(484,932)	440,516	-	<b>440,516</b>	Spring 2014	
Op	259,388	-	(259,388)	181,434	(4,254)	<b>177,180</b>	Autumn 2014	
Op	931,516	-	-	-	(931,516)	-	Spring 2015	
Op	594,351	-	-	-	(594,351)	-	Autumn 2015	
Op	642,478	-	-	-	-	<b>642,478</b>	Spring 2016	
Op	417,406	-	-	-	(10,796)	<b>406,610</b>	Autumn 2016	
	-	648,434	-	-	-	<b>648,434</b>	Spring 2017	
	-	444,367	-	-	-	<b>444,367</b>	Autumn 2017	
<b>Total</b>	<b>5,022,457</b>	<b>1,092,801</b>	<b>(836,268)</b>	<b>621,950</b>	<b>(1,540,917)</b>	<b>4,360,023</b>		
<b>Share matching plan</b>								
Op	511,212	-	-	-	-	<b>511,212</b>	Spring 2012	
Op	412,118	-	-	-	-	<b>412,118</b>	Spring 2013	
Op	367,530	-	(367,530)	246,802	-	<b>246,802</b>	Spring 2014	
Op	342,209	-	-	-	(342,209)	-	Spring 2015	
Op	302,135	-	-	-	-	<b>302,135</b>	Spring 2016	
	-	246,728	-	-	-	<b>246,728</b>	Spring 2017	
<b>Total</b>	<b>1,935,204</b>	<b>246,728</b>	<b>(367,530)</b>	<b>246,802</b>	<b>(342,209)</b>	<b>1,718,995</b>		
<b>Total</b>	<b>7,034,626</b>	<b>1,339,529</b>	<b>(1,205,889)</b>	<b>868,752</b>	<b>(1,958,000)</b>	<b>6,079,018</b>		

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

\*Under the terms of the PSP and SMP, in respect of shares that have vested, employees are entitled to exercise their option to take up the shares for a period of seven years from the vesting date

## Notes to the financial statements

### 20 Share based payments

In accordance with IFRS2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the group's estimate of shares that will eventually vest. A charge of £0.1 million (2013: £2.7 million) was recognised in the year in respect of employee share based payment plans; the reduction in the charge compared with prior year reflects the lapsing of the 2012 PSP and SMP share awards which were due to vest in 2015 but which will not vest as the performance criteria have not been achieved. The plans all comprise equity-settled share based transactions. The fair value is measured using a Black-Scholes pricing model. The fair value of the TSR conditions element of the 2014 awards has been calculated using scenario-modelling and is the expected outcome of meeting the performance criteria. The fair value per option granted and the assumptions used in the calculations are as follows:

	Share Matching Plan	Performance Share Plan	
<b>Awards granted in the year ended 31 December 2014</b>			
Grant date	19 March 2014	19 March 2014	27 August 2014
Share price at grant date	486.5p	486.5p	423.0p
Exercise price	n/a	n/a	n/a
Number of shares under option (initial grant)	246,728	648,434	444,367
Vesting Period (years)	3	3	3
Expected Volatility	0.33	0.33	0.31
Expected option life (years)	3	3	3
Risk free rate	1.08	1.08	1.08
Expected dividend yield	2.10	2.10	2.46
Possibility of ceasing employment before vesting	10%	10%	10%
Expectation of meeting performance criteria	100%	100%	100%
Fair value per option	486p	486p	423p
	Share Matching Plan	Performance Share Plan	
<b>Awards granted in the year ended 31 December 2013</b>			
Grant date	19 March 2013	19 March 2013	12 August 2013
Share price at grant date	374.0p	374.0p	434.75p
Exercise price	n/a	n/a	n/a
Number of shares under option (initial grant)	302,135	658,923	417,406
Vesting Period (years)	3	3	3
Expected Volatility	0.38	0.38	0.35
Expected option life (years)	3	3	3
Risk free rate	0.30	0.30	0.70
Expected dividend yield	2.63	3.43	3.51
Possibility of ceasing employment before vesting	10%	10%	10%
Expectation of meeting performance criteria	100%	100%	100%
Fair value per option	374p	374p	434.75p

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 financial statements

### 20 Share based payments

A reconciliation of option movements during the year to 31 December 2014 is shown below

	2014 Number	2014 Weighted average exercise price Pence	2013 Number	2013 Weighted average exercise price Pence
<b>Share option and savings related schemes</b>				
Outstanding at 1 January	76,965	98	142,257	99
Exercised	(2,091)	99.5	(34,386)	98
Lapsed	(74,874)	98	(30,906)	102
Outstanding at 31 December	-	-	76,965	98
Exercisable at 31 December	-	-	76,965	-
<b>Performance share plan</b>				
Outstanding at 1 January	5,022,457	-	4,966,280	-
Granted	1,092,801	-	1,076,329	-
Vested and exercised	(836,268)	-	(1,975,722)	-
Vested but not exercised	621,950	-	1,096,879	-
Lapsed	(1,540,917)	-	(141,309)	-
Outstanding at 31 December	4,360,023	-	5,022,457	-
Exercisable at 31 December	2,218,134	-	1,692,386	-
<b>Share matching plan</b>				
Outstanding at 1 January	1,935,204	-	1,969,679	-
Granted	246,728	-	302,135	-
Vested and exercised	(367,530)	-	(737,217)	-
Vested but not exercised	246,802	-	412,118	-
Lapsed	(342,209)	-	(11,511)	-
Outstanding at 31 December	1,718,995	-	1,935,204	-
Exercisable at 31 December	1,170,132	-	923,330	-

### 21 Reconciliation of net cash to movement in net debt

	2014 £m	2013 £m
Net (decrease)/increase in cash and cash equivalents	(5.9)	15.3
Net increase in borrowings	(14.3)	(13.7)
	(20.2)	1.6
Loans acquired	(16.7)	-
Exchange	4.5	(0.7)
Movement in net debt	(32.4)	0.9
Net debt at 1 January	(52.9)	(53.8)
Net debt at 31 December	(85.3)	(52.9)

## Notes to the financial statements

### 22 Cash flow from operating activities

	2014 £m	2013 £m
Profit for the year	11.5	24.1
Taxation	6.2	6.8
Depreciation/amortisation of property, plant and equipment and other intangible assets	9.7	7.3
Share options – value of employee services	0.1	2.7
Impairment of goodwill	3.6	–
Gain on disposal of property, plant and equipment and intangible assets	–	(0.1)
Financing expense – net	6.1	4.4
Changes in working capital (excluding the effect of exchange movements and fair value adjustments)		
Increase in inventory	(18.7)	(9.7)
Increase in trade and other receivables	(6.3)	(2.1)
Increase in trade and other payables and provisions	1.5	10.1
Cash generated from operations	13.7	45.5

### 23 Acquisitions

On 14 January 2014 the group acquired 100% of Lönne, a leading distributor of industrial products operating predominantly in Norway and Sweden, for an initial cash consideration of NOK 190.1 million (£19.0 million) together with net debt assumed on completion of NOK 188.1 million (£18.8 million).

The acquisition has been accounted for as a single transaction as, under the terms of the sale and purchase agreement, the group is entitled to the full economic benefits associated with 100% ownership of the business.

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

The consideration paid or payable in the respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the continued employment for former owners of the businesses acquired. IFRS 3 requires that any payments that are contingent on future employment are charged to the income statement. All other consideration has been allocated against the identified net assets, with the excess over the net assets acquired recognised as goodwill. Acquisition expenses such as professional fees are charged to the income statement within amortisation of acquired intangibles and acquisition related costs in the income statement.

In accordance with IFRS 3 'Business Combinations', the process to identify the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets is applied to each acquisition with assistance provided by external valuation specialists where appropriate. Until this assessment is complete, the fair value allocation period remains open, up to a maximum of 12 months from the relevant acquisition date.

Fair value adjustments are made to the assets acquired and liabilities assumed to the extent that further information and knowledge come to light that more accurately reflect conditions at the acquisition date, and the adjustments made have impacted assets acquired to reflect more accurately the estimated realisable or settlement value and have impacted liabilities to record onerous commitments or other commitments existing at the acquisition date but not recognised by the acquiree. Adjustments have also been made to reflect the associated tax effects.

During the year, the exercise to separately identify the intangible assets acquired for Lönne was completed, together with the final determination of the fair values of assets and liabilities acquired which are shown in the table below.

## Notes to the financial statements

### 23 Acquisitions

#### Acquisition of Lönne business

	Book value at acquisition £m	Fair value adjustments £m	Fair value of assets acquired £m
Intangible assets	–	13.9	13.9
Property, plant and equipment	1.1	(0.5)	0.6
Inventories	8.3	(0.7)	7.6
Receivables	6.2	(0.4)	5.8
Payables	(7.3)	(0.9)	(8.2)
Cash and cash equivalents	2.4	–	2.4
Bank overdrafts	(4.0)	–	(4.0)
External loans	(16.3)	–	(16.3)
Tax – current and deferred	0.5	(3.7)	(3.2)
<b>Net assets acquired</b>	<b>(9.1)</b>	<b>7.7</b>	<b>(1.4)</b>
<b>Goodwill</b>			<b>21.8</b>
<b>Consideration wholly satisfied in cash</b> (including deferred or contingent consideration pre-discounting of £1.6 million)			<b>20.4</b>

Fair value adjustments identified include £0.7 million provision against slow-moving and obsolete inventory following a detailed review of inventory held, £0.5 million write down of fixed assets to net realisable value, £0.9 million provision recognised relating to onerous contracts, dilapidations and other commitments existing at the acquisition balance sheet date, and £0.4 million adjustment to receivables primarily relating to customer claim provisions.

The outflow of cash and cash equivalents on the acquisition of Lönne (excluding deferred or contingent consideration of £1.6 million) is calculated as follows

	£m
Cash consideration	18.8
Bank overdrafts (net of cash acquired)	1.6
	<b>20.4</b>

In addition, during the year the group made a number of small acquisitions, all of which were paid for in cash, comprising

Country	Month acquired	Annualised revenues (£m)	Product group
Germany	March	7.1	Tools & General Maintenance ("T&GM")
France	April	8.6	Fluid Power
Sweden (4 businesses)	April to June	9.8	Bearings & MPT
Spain	July	2.8	Personal Protective Equipment
Italy	July	3.1	Mechanical Power Transmission ("MPT")
Netherlands	October	2.2	Bearings & MPT
Poland	October	1.7	Hydraulics & MPT
Czech Republic	October	8.4	Bearings & MPT
Italy	November	2.9	T&GM
Spain	November	3.4	T&GM
UK	November	3.8	Bearings & MPT
<b>Total</b>		<b>53.8</b>	

Fair value adjustments relating to those acquisitions made in the first half of the year have been finalised whilst those relating to acquisitions made in the second half of the year remain ongoing and accordingly the fair values presented are provisional. The exercise to separately identify the intangible assets acquired for these acquisitions is proceeding in line with the fair value review.

## Notes to the financial statements

### 23 Acquisitions

Details of the book values together with the provisional fair values of these bolt-on acquisitions are shown in the table below.

#### Acquisition of bolt-on businesses

	Book value at acquisition £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m
Intangible assets	–	4.5	4.5
Property, plant and equipment	0.7	(0.1)	0.6
Inventories	7.8	(1.6)	6.2
Receivables	11.7	(0.2)	11.5
Payables	(11.5)	(0.5)	(12.0)
Cash and cash equivalents	3.3	–	3.3
Bank overdrafts	(3.5)	–	(3.5)
External loans	(0.4)	–	(0.4)
Tax – current and deferred	(0.6)	(0.8)	(1.4)
<b>Net assets acquired</b>	<b>7.5</b>	<b>1.3</b>	<b>8.8</b>
<b>Goodwill</b>			<b>17.4</b>
<b>Consideration to be wholly satisfied in cash</b> (including deferred and contingent consideration pre-discounting of £6.0 million)			<b>26.2</b>

The outflow of cash and cash equivalents on the acquisition of the bolt-on businesses (excluding deferred or contingent consideration of £6.0 million) is calculated as follows

	£m
Cash consideration	20.2
Bank overdrafts (net of cash acquired)	0.2
	<b>20.4</b>

Fair value adjustments identified primarily relate to inventory provisions for slow-moving and obsolete inventory and dilapidations provisions on leased property.

Acquisitions made during the year ended 31 December 2014 contributed £68.5 million to the group's revenue and £2.3 million to the group's profit after tax.

The estimated contributions of all the businesses acquired during the year to the results of the group, as if the acquisitions had been made at the beginning of the year are as follows

	2014 £m
Revenue	<b>98.2</b>
Profit after tax	<b>3.5</b>

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

Acquisition related expenses of £3.0 million were incurred on these acquisitions which are disclosed within amortisation of acquired intangibles and acquisition related costs in the income statement.

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

## Notes to the financial statements

### 24 Employees and key management

	2014 £m	2013 £m
<b>Employee and related costs for the group during the year</b>		
Wages and salaries	109.3	94.7
Social security costs	23.2	20.1
Other pension costs (note 27)	2.7	2.8
Equity settled share based payments (note 20)	0.1	2.7
	<b>135.3</b>	<b>120.3</b>
	<b>Number</b>	<b>Number</b>
<b>Average number of employees, including executive directors</b>		
UK	1,445	1,406
Germany	506	486
France	421	356
Spain	269	234
Benelux	212	216
Scandinavia	167	-
Eastern Europe and Other	612	543
	<b>3,632</b>	<b>3,241</b>

The composition of the segments corresponds with the segments shown in note 1 above

#### Key management compensation

	2014 £m	2013 £m
Short term employee benefits	3.4	4.2
Post employment benefits	0.2	0.1
Equity settled share based payments	0.1	2.7
	<b>3.7</b>	<b>7.0</b>

The key management figures shown above include all the directors together with members of the Brammer executive team as detailed on pages 30 and 31.

Detailed disclosures of directors' remuneration are given in the Remuneration Report on pages 57 to 62. Details of directors' pension entitlements, together with details of benefits accrued on service completed up to 28 February 2006 under the defined benefit scheme which was closed to future accrual at that date, are given in the Remuneration Report on pages 59 and 60.

### 25 Operating lease commitments – total future minimum lease payments

	2014 £m	Property 2013 £m	Vehicles, plant and equipment 2014 £m	2013 £m
The future aggregate minimum lease payments under non-cancellable operating leases are as follows				
Within one year	9.9	9.1	5.1	5.1
Between two and five years	21.5	18.4	5.5	7.2
After five years	13.2	10.2	-	-
	<b>44.6</b>	<b>37.7</b>	<b>10.6</b>	<b>12.3</b>

### 26 Future capital expenditure

	2014 £m	2013 £m
Commitments for which contracts have been placed	0.2	0.2

## Notes to the financial statements

### 27 Pension commitments

#### UK Schemes

The UK group operates the Brammer Services Limited Retirement Benefit Scheme, which until 28 February 2006, provided benefits on a final salary and defined contribution basis. With effect from 1 March 2006, the defined benefit section of the scheme was closed to future accrual. Existing members of the defined benefit section were offered membership of the defined contribution section of the scheme. The defined benefit scheme is funded by the group and contributions are paid as determined by the actuary following discussions with the trustees and the company. The assets of the scheme are held in nominee accounts separate from the group's finances under the control of the trustees. An investment review took place in November 2007 and changes to the existing arrangement were carried out in 2008. The current fund managers are Legal & General Investment Management, Fidelity Investments, BlackRock Investment Management and Baring 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.

The scheme operates under UK trust law and the trust is a separate legal entity from the company. The scheme is governed by a board of trustees which includes an independent trustee. The trustees are required by law to act in the best interests of scheme members. The scheme exposes the company to actuarial risks including longevity risk, interest rate risk, and market (investment) risk.

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. Following completion of the triennial actuarial valuation as at 31 December 2008, the company agreed a deficit funding plan with the trustees of the scheme to make payments of £2.7 million per annum, indexed for inflation, in the years 2010 to 2023 inclusive. Employer contributions for 2015 are currently estimated to be £3.3 million.

The latest completed triennial actuarial valuation of the scheme was carried out as at 31 December 2011, 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 5.75% per annum before retirement and 3.50% 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 0.65% per annum. The valuation showed that the market value of the scheme's assets was £91.2 million as at 31 December 2011, which represented 76% of the value of the benefits that had accrued to members at that date. The next triennial valuation is due to be completed as at 31 December 2014.

The weighted average duration of the defined benefit obligation at 31 December 2014 is approximately 19 years (2013: 21 years).

During 2013, the scheme purchased an insurance policy with Pensions Insurance Corporation, covering a subset of the pensioner liabilities. The policy was purchased with the proceeds from the sale of the scheme's gilt holdings. A value has been placed on the insurance policy which is equivalent to the liability matched by the policy (approximately £19.5 million).

A defined contribution scheme, the "Brammer Services Defined Contribution Pension Scheme", was launched on 1 January 2002 for new UK employees joining the group and membership of that scheme was offered to existing members of the defined benefit scheme with effect from 1 March 2006, the date at which the defined benefit scheme was closed to future accrual. The charge in the year for this scheme was £1.4 million (2013: £1.4 million).

#### Dutch Scheme

The pension scheme operated by the group in the Netherlands is a defined benefit scheme that provides benefits related to service and salary. The original plan based on final pay was closed to new members on 1 January 2003. New employees joining the scheme after that date participate in a defined benefit scheme based on average pay. Brammer Nederland funds these plans 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 2015 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 2014, using the projected unit credit method, by an independent actuary based on data provided by the plan administrators, Nationale Nederlanden. The principal assumptions used are listed in the table below.

#### Other Schemes

The group operates a number of defined contribution schemes overseas and contributes to the state pension scheme arrangements in a number of European countries. Costs incurred in the year and charges to the income statement in respect of these schemes were £0.3 million (2013: £0.4 million).



## Notes to the financial statements

### 27 Pension commitments

#### 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 2014.

	At 31 December 2014	UK At 31 December 2013	At 31 December 2014	Netherlands At 31 December 2013
Inflation rate	3.20%	3.50%	2.00%	2.00%
Rate of increase in salaries	n/a	n/a	2.00%	2.00%
Rate of increase of pensions in payment	3.00%	3.30%	2.00%	2.00%
Rate of increase for deferred pensioners	2.40%	2.70%	2.00%	2.00%
Discount rate	3.60%	4.45%	2.25%	3.75%
Life expectancy at age 65 for:				
Current pensioners – males	22.60	22.60		
Current pensioners – females	24.90	24.80		
Future pensioners – males	23.90	23.80		
Future pensioners – females	26.30	26.20		

The principal categories of the schemes' assets were as follows

	Fair value at 31 December 2014 £m	Fair value at 31 December 2013 £m
<b>UK scheme</b>		
Equities	72.3	66.0
Corporate bonds	14.9	12.3
Hedge Fund	8.1	7.5
Insurance policy	19.5	20.0
Cash	0.2	0.5
Total fair value of assets	115.0	106.3
Present value of pension liabilities	(151.6)	(133.1)
Deficit	(36.6)	(26.8)
Related deferred tax asset	7.3	5.4
Net pension liability	(29.3)	(21.4)
<b>Netherlands schemes</b>		
Fixed interest gilts	9.3	6.6
Total fair value of assets	9.3	6.6
Present value of pension liabilities	(11.3)	(7.6)
Deficit	(2.0)	(1.0)
Related deferred tax asset	0.5	0.3
Net pension liability	(1.5)	(0.7)

#### Pensions and other post retirement obligations

The amounts recognised in the balance sheet are determined as follows

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of funded obligations	162.9	140.7	125.8	112.6	110.2
Fair value of plan assets	(124.3)	(112.9)	(104.1)	(95.8)	(94.4)
Net liability recognised in the balance sheet	38.6	27.8	21.7	16.8	15.8

The amounts recognised in the income statement are as follows

	2014 £m	2013 £m
Current service cost	0.6	0.6
Scheme administration expenses	0.4	0.4
Operating costs (included in distribution costs)	1.0	1.0
Net interest on defined benefit liability	1.1	0.9
Total pension expense	2.1	1.9

## Notes to the financial statements

### 27 Pension commitments

#### Analysis of the movement in the balance sheet liability

	2014 £m	2013 £m
Opening	27.8	21.7
Exchange adjustments	(0.1)	–
Current service cost	0.6	0.6
Scheme administration charges	0.4	0.4
Net interest on defined benefit liability	1.1	0.9
Employer contributions	(3.7)	(3.3)
Actuarial loss recognised as a reserves movement	12.5	7.5
Closing	38.6	27.8

#### Reconciliation of defined benefit obligation

	2014 £m	2013 £m
Opening defined benefit obligation	140.7	125.8
Exchange adjustments	(0.7)	0.2
Current service cost	0.6	0.6
Interest expense	5.8	5.4
Actuarial losses arising from changes in demographic assumptions	–	2.9
Actuarial losses arising from changes in financial assumptions	19.9	9.2
Actual benefit payments	(3.4)	(3.4)
Closing defined benefit obligation	162.9	140.7

#### Reconciliation of fair value of plan assets

	2014 £m	2013 £m
Opening fair value of plan assets	(112.9)	(104.1)
Exchange adjustments	0.6	(0.2)
Scheme administration expenses	0.4	0.4
Interest income	(4.7)	(4.5)
(Return) on assets excluding interest income	(4.6)	(4.9)
Loss/(gain) on assets	(2.8)	0.3
Employer contributions	(3.7)	(3.3)
Actual benefit payments	3.4	3.4
Closing fair value of plan assets	(124.3)	(112.9)

#### Sensitivities

The sensitivities regarding the principal assumptions used to measure the UK scheme liabilities are as follows

Assumption	Change in assumption	Impact on scheme deficit £m
Discount rate	decrease by 0.1%	3.0
Inflation rate	increase by 0.1%	2.6
Life expectancy	increase by 1 year	4.6

### 28 Related party transactions

Within the definition of IAS 24 'Related party disclosure', the Board and key management personnel are related parties. Detailed disclosure of the remuneration of the Board is given in the Directors' remuneration report on pages 57 to 62. A summary of remuneration provided to key management personnel is provided in note 24.

In addition, during the year the group made sales totalling £0.1 million (2013: £0.1 million) to various European subsidiaries within the Armstrong World Industries group of companies, a company in which Charles Irving-Swift is an Executive Director within the European Flooring operations.

## Five year record

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
<b>Profit and loss</b>					
Revenue	723.6	651.9	639.6	571.5	468.4
Underlying operating profit	41.2	39.8	37.3	31.8	23.0
Amortisation of acquired intangibles, acquisition related costs and exceptional items	(17.4)	(2.5)	(7.7)	(4.5)	(1.3)
Profit on ordinary activities before finance costs	23.8	37.3	29.6	27.3	21.7
Net finance expense	(6.1)	(4.4)	(3.4)	(2.8)	(2.4)
Profit on ordinary activities before tax	17.7	32.9	26.2	24.5	19.3
Tax	(6.2)	(8.8)	(6.8)	(6.2)	(5.5)
Profit on ordinary activities after tax	11.5	24.1	19.4	18.3	13.8
<b>Geographic segments</b>					
<b>UK</b>					
Revenue	285.2	293.4	286.3	192.6	146.2
Operating profit	15.5	21.0	18.1	9.4	6.5
Segment (net) assets	55.9	39.4	36.4	35.0	15.9
<b>Germany</b>					
Revenue	121.7	118.6	116.7	125.5	109.6
Operating profit	7.5	6.8	7.1	8.1	5.7
Segment (net) assets	25.6	23.4	24.1	17.7	16.1
<b>France</b>					
Revenue	86.7	84.0	85.5	88.0	77.4
Operating profit	4.8	4.3	4.3	4.2	3.2
Segment (net) assets	13.4	14.3	9.0	10.6	7.1
<b>Spain</b>					
Revenue	49.4	45.2	41.8	44.6	40.1
Operating profit	6.0	5.0	4.2	3.5	2.8
Segment (net) assets	8.0	5.6	6.4	3.2	3.4
<b>Benelux</b>					
Revenue	53.1	53.2	51.8	51.3	46.4
Operating profit	2.6	2.7	2.7	2.7	2.4
Segment (net) assets	10.0	10.9	10.0	9.6	9.9
<b>Scandinavia</b>					
Revenue	50.8	-	-	-	-
Operating profit	2.5	-	-	-	-
Segment (net) assets	21.0	-	-	-	-
<b>Eastern Europe &amp; Other</b>					
Revenue	76.7	57.5	57.5	69.5	48.7
Operating profit	2.3	-	0.9	3.9	2.4
Segment (net) assets	38.0	29.8	30.4	26.4	26.4
<b>Net assets employed</b>					
Goodwill	118.5	91.2	89.8	90.0	74.8
Property, plant, equipment and intangible assets	63.7	40.2	34.1	32.5	21.2
Other working capital	108.1	83.0	81.9	70.0	57.5
Net debt	(85.3)	(52.9)	(53.8)	(35.3)	(36.7)
Deferred and contingent consideration	(7.3)	(0.5)	(4.7)	(14.4)	(8.0)
Tax	(3.4)	(4.0)	(4.6)	(8.4)	(6.0)
Retirement benefit obligations	(38.6)	(27.8)	(21.7)	(16.8)	(15.8)
<b>Financed by</b>					
Shareholders' equity	155.7	129.2	121.0	117.6	87.0

## Five year record

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
<b>Cash flow</b>					
Net cash inflow from operating activities	13.7	45.5	25.3	28.2	26.1
Interest paid and received	(4.2)	(2.6)	(2.5)	(2.4)	(2.2)
Tax paid	(7.8)	(7.5)	(7.9)	(4.1)	(2.7)
Funding of pension schemes less pension expense included in operating profit	(2.7)	(2.3)	(2.4)	(3.3)	(2.8)
Net capital expenditure – other intangibles (software)	(6.5)	(6.7)	(4.4)	(3.3)	(1.6)
Net capital expenditure – property, plant and equipment	(9.5)	(6.8)	(4.5)	(2.5)	(1.7)
Acquisitions, deferred and contingent consideration payments	(40.6)	(4.2)	(11.5)	(28.7)	(7.9)
Dividends paid	(13.4)	(11.5)	(10.2)	(7.9)	(6.0)
Financing	48.4	11.4	4.8	19.2	(11.2)
Movement in cash	(22.6)	15.3	(13.3)	(4.8)	(9.8)
Movement in debt and finance leases	(14.3)	(13.7)	(5.8)	5.6	11.3
Exchange movements	4.5	(0.7)	0.6	0.6	1.7
Movement in net debt	(32.4)	0.9	(18.5)	1.4	3.2
<b>Ratios</b>					
Earnings per share – Basic	9.2p	20.5p	16.6p	16.8p	13.0p
Earnings per share – Fully diluted	8.9p	19.9p	16.0p	16.4p	13.0p
Earnings per share – before amortisation, acquisition related costs, and exceptional items	20.7p	22.1p	21.5p	19.8p	13.9p
Dividend per share	10.7p	10.2p	9.4p	8.4p	6.6p
Interest cover – profit before amortisation, acquisition related costs, and exceptional items	7.9x	11.4x	13.8x	11.3x	10.1x
EBITDA	49.1	45.9	42.5	36.2	27.4
Return on organic operating capital employed	27.2%	34.8%	34.3%	38.1%	31.0%
Gearing (excluding net pension liability)	46%	35%	39%	26%	37%

Brammer plc. Separate financial statements  
in accordance with UK accounting standards

**Brammer  
saves customers  
money.**

**BRAMMER** 

## Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2014.

### 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 £38.3 million (2013: profit of £6.7 million). The directors have recommended that a final dividend of 7.1p (2013: 6.8p) per share be paid which will absorb an estimated £9.2 million (2013: £8.0 million). Subject to shareholder approval, the dividend will be paid on 2 July 2015 to shareholders on the register at the close of business on 5 June 2015.

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 strategic review section 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 26 to 29 of the group's Annual Report which does not form part of this report; and the financial risk factors, which include those of the company, are discussed on pages 82 and 83 of the group's Annual Report.

### Payment to suppliers

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

### Directors and directors' interests

This information is shown in the group section of the Annual Report.

### Employees

This information is shown in the Directors' Report in the group section of the Annual Report on page 35

### Tax status

The company is not a close company for tax purposes

### Independent auditors

So far as each director is 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

Steven Hodkinson

Company Secretary

17 February 2015



## **Independent auditors' report to the members of Brammer plc**

### **Report on the parent company financial statements**

#### **Our opinion**

In our opinion, Brammer plc's parent company financial statements (the "financial statements"):

- > give a true and fair view of the state of the parent company's affairs as at 31 December 2014,
- > 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.

#### **What we have audited**

Brammer plc's financial statements comprise:

- > the balance sheet as at 31 December 2014;
- > the statement of total recognised gains and losses for the year then ended,
- > the accounting policies; and
- > the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Other required reporting**

##### **Consistency of other information**

##### **Companies Act 2006 opinions**

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

##### **ISAs (UK & Ireland) reporting**

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is

- > materially inconsistent with the information in the audited financial statements; or
- > apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit, or
- > otherwise misleading.

We have no exceptions to report arising from this responsibility

##### **Adequacy of accounting records and information and explanations received**

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

- > we have not received all the information and explanations we require for our audit, or
- > 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 financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility

##### **Directors' remuneration**

##### **Directors' remuneration report – Companies Act 2006 opinion**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006

##### **Other Companies Act 2006 reporting**

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 no exceptions to report arising from this responsibility

#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and ISAs (UK & 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

## Independent auditors' report to the members of Brammer plc

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Other matter

We have reported separately on the group financial statements of Brammer plc for the year ended 31 December 2014.



Martin Heath (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

17 February 2015



## Balance sheet

At 31 December 2014

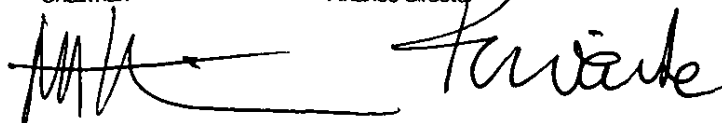
	Notes	2014 £m	2013 £m
<b>Fixed assets</b>			
Tangible assets	1	9.7	8.6
Investments – shares in group undertakings	2	197.7	114.6
		<b>207.4</b>	<b>123.2</b>
<b>Current assets</b>			
Debtors – due after more than one year	3	133.9	106.9
Debtors – due within one year	3	18.5	17.8
		<b>152.4</b>	<b>124.7</b>
Cash at bank and in hand		0.1	0.1
		<b>152.5</b>	<b>124.8</b>
<b>Creditors – amounts falling due within one year</b>	4	<b>(76.0)</b>	<b>(65.5)</b>
<b>Net current assets</b>		<b>76.5</b>	<b>59.3</b>
Total assets less current liabilities		<b>283.9</b>	<b>182.5</b>
Creditors – amounts falling due after more than one year	5	<b>(91.6)</b>	<b>(66.0)</b>
<b>Net assets</b>		<b>192.3</b>	<b>116.5</b>
<b>Capital and reserves</b>			
Called up share capital	8	25.9	23.6
Share premium account		18.2	18.2
Special capital reserve		12.1	12.1
Profit and loss account		136.1	62.6
<b>Total shareholders' funds</b>		<b>192.3</b>	<b>116.5</b>

The notes on pages 116 to 121 form part of these financial statements

The financial statements on pages 115 to 121 were approved by the board on 17 February 2015 and were signed on its behalf by

Bill Whiteley  
Chairman

Paul Thwaite  
Finance director



## Statement of total recognised gains and losses

For the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Profit for the year	7	38.3	6.7
Effective portion of changes in fair value of cash flow hedges	7	–	0.1
<b>Total recognised gains for the year</b>		<b>38.3</b>	<b>6.8</b>

The notes on pages 116 to 121 form part of these financial statements

## Accounting policies

### Basis of preparation

The company financial statements have been prepared on the going concern basis and under the historical cost convention modified for fair values and in accordance with the Companies Act 2006 and with applicable UK accounting standards. The accounting policies have been applied consistently.

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.

### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated 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 and the costs attributable to bringing the asset to its working condition for its intended use.

### 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 fixed assets. Direct costs include staff costs of the software development team and an appropriate portion of direct overheads.

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

### Depreciation

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

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

### Investments

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

### Borrowings

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

### Deferred and contingent consideration

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

### Derivative financial instruments

The company uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. Interest rate swaps are used which swap a portion of the floating rate loans into fixed rate.

Certain derivative financial instruments are designated as hedging instruments in line with the company's risk management policies. Hedges are classified as follows:

- cash flow hedges when they hedge exposure to variability in cash flows that is attributable to a particular risk that is associated with a forecast transaction, and
- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

### Hedge accounting

All derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured to their fair value at each balance sheet date. Changes in the fair value of derivative financial instruments that do not qualify for cash flow hedge accounting are recognised in profit and loss as they arise. Where a derivative financial instrument is designated as a cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity, the ineffective part of any gain or loss is recognised immediately in profit and loss.

## Accounting policies

### Pension costs

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

### Provisions

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

### 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. 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.

### 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.

### 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

### 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 financial statements

### 1 Fixed assets – tangible assets

	2014 £m	2013 £m
<b>Equipment</b>		
<b>Cost</b>		
At 1 January	17.3	14.3
Additions	3.6	3.1
Transfers	(0.2)	–
Disposals	–	(0.1)
<b>At 31 December</b>	<b>20.7</b>	<b>17.3</b>
<b>Accumulated depreciation</b>		
At 1 January	8.7	6.8
Charge	2.3	1.9
<b>At 31 December</b>	<b>11.0</b>	<b>8.7</b>
<b>Net book value</b>		
At 1 January	8.6	7.5
Movement in year	1.1	1.1
<b>At 31 December</b>	<b>9.7</b>	<b>8.6</b>

### 2 Fixed assets – investments (unlisted)

	2014 £m	2013 £m
<b>Subsidiaries</b>		
At 1 January	114.6	112.8
Additional investment in existing subsidiaries	42.1	1.8
Investment in new subsidiaries	42.8	–
Impairment of existing subsidiary	(1.8)	–
<b>At 31 December</b>	<b>197.7</b>	<b>114.6</b>

Details of the principal operating subsidiaries which are either wholly owned by the company or its subsidiaries are shown on page 124

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 on the balance sheet

### 3 Debtors

	2014 £m	2013 £m
Amounts due after one year		
Amounts owed by group undertakings	133.9	106.9
Amounts due within one year		
Amounts owed by group undertakings	15.1	12.2
Other debtors	0.8	1.8
Prepayments and accrued income	0.4	0.6
Corporation tax	1.1	1.9
Deferred tax (note 6)	1.1	1.3
	<b>18.5</b>	<b>17.8</b>
	<b>152.4</b>	<b>124.7</b>

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 financial statements

### 4 Creditors – amounts falling due within one year

	2014 £m	2013 £m
Bank overdrafts	25.3	7.0
Amounts owed to group undertakings	45.4	53.9
Deferred and contingent consideration	1.3	–
Accruals	3.9	4.6
Derivative financial liabilities	0.1	–
	<b>76.0</b>	<b>65.5</b>

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 and contingent 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

	2014 £m	2013 £m
Bank and other borrowings		
Unsecured bank loan repayable		
Between one and two years	25.5	32.5
Between two and five years	–	–
Over five years	66.1	33.3
	<b>91.6</b>	<b>65.8</b>
Derivative financial liabilities	–	0.2
	<b>91.6</b>	<b>66.0</b>

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

### 6 Deferred tax

	2014 £m	2013 £m
Deferred tax		
At 1 January	1.3	0.7
Profit and loss account	(0.2)	0.6
At 31 December	<b>1.1</b>	<b>1.3</b>

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

## Notes to the financial statements

### 7 Movements in Shareholders' funds

	Called up share capital £m	Share premium account £m	Special capital reserve £m	Cash flow hedging reserve £m	Profit and loss account £m	2014 Total £m	2013 Total £m
At 1 January	23.6	18.2	12.1	(0.1)	62.7	116.5	120.8
Shares issued during the year	2.3	–	–	–	50.1	52.4	0.1
Profit for the year	–	–	–	–	38.3	38.3	6.8
Dividends	–	–	–	–	(13.4)	(13.4)	(11.5)
Purchase of own shares (note 8)	–	–	–	–	(1.6)	(1.6)	(2.4)
Value of employee services	–	–	–	–	0.1	0.1	2.7
Movement in year	2.3	–	–	–	74.0	76.3	(4.3)
At 31 December	25.9	18.2	12.1	(0.1)	136.2	192.3	116.5

The special capital reserve is non-distributable. £22.1 million of retained earnings is considered to be non-distributable.

### 8 Called up share capital

	2014 Number	2014 £m	2013 Number	2013 £m
Ordinary shares of 20p each				
Allotted and fully paid				
At 31 December	129,404,481	25.9	118,004,074	23.6

The Company has no limit on authorised share capital.

In the period from 1 January 2015 to 17 February 2015 no shares were issued on the exercise of options under the company's share option schemes.

#### Placing

On 9 April 2014 the company announced an issuance 11,300,407 new ordinary shares at 475 pence per share through a placing with institutional investors, representing 9.6% of the total issued share capital at a 2.66% discount to the prevailing market price. The placing was 1.85 times oversubscribed and raised a net £52.4 million proceeds, being gross proceeds on issue of £53.7 million less expenses of £1.3 million.

Ordinarily, the excess of the net proceeds over the nominal value of the share capital issued would be credited to a non-distributable share premium account. However, the placing was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within retained earnings under section 612 of the Companies Act 2006. Of the £50.1 million recognised within retained earnings, £4.7 million is considered to be non-distributable.

#### Purchase of own shares

During the period the company acquired 468,510 of its own shares of 20p each through the Brammer plc Employee Share Ownership Trust ("the Trust") for an aggregate consideration of £1,614,756 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 335,046 shares were transferred to directors and senior managers in order to meet vestings under these plans.

2,091 options were exercised during the year under the group's employee share option schemes with exercise proceeds of £2,080.

At 31 December 2014 the Trust held a total of 188,056 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

During the period the Trust subscribed for 100,000 ordinary shares of 20p each at par.

## Notes to the financial statements

### 9 Employee benefit expense

	2014 £m	2013 £m
Wages and salaries	8.6	6.7
Social security costs	1.6	1.1
Share options granted to directors and employees	0.1	2.7
Other pension costs	3.1	3.0
	13.4	13.5
Average number of employees (including directors on a service contract)	160	122

### 10 Auditors' remuneration

Fees payable to the company's auditors for the audit of the financial statements were £0.1 million (2013: £0.1 million). Non-audit fees payable to the company's auditors were £0.4 million (2013: £0.3 million).

### 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 FRS8 from disclosing related party transactions with entities that are part of the group as these transactions are fully eliminated on consolidation.

## Financial calendar 2015

15 May 2015	Annual general meeting at 43–45 Broad Street, Teddington, Middlesex TW11 8QZ
5 June 2015	Record date
2 July 2015	Dividend payment date
28 July 2015	Announcement of interim results for the six months to 30 June 2015



## 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 plus network extras. 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](http://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.brammerbiz](http://www.brammerbiz).

### 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](http://www.sharegift.org)

## Brammer, its advisers and principal subsidiaries

### Registered office

Brammer plc  
St Ann's House  
1 Old Market Place  
Knutsford  
Cheshire WA16 6PD

Registered in England and Wales  
number 00162925

### Bankers

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

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

KBC Bank NV  
111 Old Broad Street  
London EC2N 1BR

### Registrars

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

### Independent auditors

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Chartered Accountants &  
Statutory Auditors  
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Lower Mosley Street  
Manchester M2 3PW

### Financial advisers

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2 Gresham Street  
London EC2V 7QP

### Stockbrokers

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120 London Wall  
London EC2Y 5ET

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Service GmbH  
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Koma Commercial sro

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### Luxembourg

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Brammer AS\*

(formerly Lönne Scandinavia AS)  
Ole Jacob Myre +47 55 39 10 00

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Tomas Flajsar +420 277 003 465

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Jesús Martínez Planas +34 94 457 94 00

### Sweden

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(formerly Lönne Scandinavia AB)  
Jörgen Ottosson +46 42 38 03 00

### United Kingdom

Brammer UK Limited  
Ian Ritchie +44 161 953 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.



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