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Brammer is a leading European industrial services group with two core businesses: distribution and electronic equipment management.

Brammer

Annual Report 1998



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Financial highlights

	1998	1997	Change
	£'000	£'000	
Turnover	238,369	223,055	+7%
Profit before interest	24,570	30,716	-20%
Profit before tax	23,935	30,500	-22%
Net cash inflow from operating activities	44,683	40,052	+12%
Net borrowings	(13,048)	(3,487)	
Shareholders' equity	66,294	55,780	
	pence	pence	
Earnings per share - basic	55.2	45.8	+21%
Dividend per share	17.8	17.2	+4%

Turnover

	£m
1998	238.4
1997	223.1
1996	205.5
1995	183.4
1994	148.5

Profit before tax

	£m
1998	23.9
1997	30.5
1996	28.2
1995	21.6
1994	14.1

Earnings per share - basic

	p
1998	55.2
1997	45.8
1996	40.4
1995	31.2
1994	20.8

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- Operating review
- Financial review
- Directors and officers
- Principal subsidiaries and associates
- Senior management
- Dividends
- Accounts



Brammer distributes bearings, power transmission products and motion control equipment; and we provide equipment management, calibration and rental services for a range of instruments, test equipment and computer products.

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

Results

Although 1998 was a disappointing year for Brammer, with profits down on the previous year, it was also a year of important strategic progress throughout the group. Both core businesses, distribution and electronic equipment management, are now established as stand alone independent businesses with their own market characteristics and critical mass. Both are also positioned to achieve European leadership in business services key to the successful performance of their customers.

Sales for the year increased by 7% to £238.4 million with profit before tax down 22% to £23.9 million. Borrowings increased by £9.6 million reflecting £35.6 million net capital expenditure.

The fall in profits was due to our performance in the UK. Here, the strong pound adversely impacted on BSL's customer base, the UK's exporting and manufacturing companies, causing demand for our products to fall as the year progressed. Management took early and decisive action to reduce BSL's costs and relatively high stock levels to bring the business into line with market conditions. Softer sales prices and reduced spend with our suppliers combined to put a squeeze on our margins.

In continental Europe, our businesses produced record results - sales were up 26% and profit before interest ahead 48%. Livingston, our electronic equipment management business, was particularly strong with continental European sales up 53% and profit before interest ahead 95%.

Dividends

Our confidence in the future of the group leads us to recommend an increased final dividend of 11.8p which, if approved, will be paid on 1 July 1999 to shareholders on the register at 26 March 1999. The total dividend for the year of 17.8p per share is 3.5% higher than the previous year and is covered twice by our earnings.

Strategy

On joining Brammer, Ian Fraser, our recently appointed chief executive, initiated a strategic review of the Brammer business which is not yet complete but early findings tend to confirm our current strategy. We are building our distribution business by expanding geographically in Europe and broadening our product base; and expanding Livingston by exploiting our much sought after skills in the fast growing field of inventory management particularly for the defence, electronics and telecommunications multinationals.

Over recent years we have built the leading European distributor of bearings, power transmission, fluid power and associated products. With prime market positions in the UK, France, Spain and now Portugal we offer our suppliers an effective channel to market and our customers a very efficient one-stop-shop. We are convinced that this strategy of geographic expansion within the single market offers great opportunities to Brammer and meets the needs of the market. Following our most recent investment in Portugal, Sociedade de Rolamentos S.D.R., we plan further expansion during the balance of this year.

Our other core business, Livingston, is unique in Europe.

We have developed the business on the back of our computer and test and measurement rental business and we now offer our customers a menu of services - rental, sourcing, tracking, calibration, management and disposal. This is a new business and a new generation of outsourcing. We meet the needs of those multinational telecommunications, defence and other similar businesses which have large investments in test equipment and computers that are non-core to them. We can use our skills to increase their efficient utilisation of this equipment and reduce cost of ownership. You will read in Ian Fraser's report of recent contracts gained with KPN Telecom and Thomson-CSF to provide equipment management services. These are major five year ground breaking agreements which are the first of their kind in Europe. These contracts are service driven and do not require significant investment by us in rental equipment. Also, during 1998 and in early 1999, we have acquired interests in KPN Calibration in Holland and Thomson-CSF Calibration in France which, together with our German and UK calibration businesses, give us European leadership in this key component of our service offering.

People

Hugh Lang stepped down after eight very successful years as chairman and I wish him and his wife Sue, health and happiness in the years ahead. I was pleased and honoured to have succeeded Hugh, having been chief executive for more than ten years. Ian Fraser took over from me, joining us from Reliance Security Group plc. Ian is already bringing vigour and new ideas to the chief executive's role.

I regret to report that Bob Smith resigned from the Brammer board on 9 March 1999. Bob joined the group in 1990 taking responsibility for the distribution business in 1998. Ian Fraser has assumed direct responsibility for the division.

Current trading and prospects

We face the challenge of being a small cap company in a stock market driven by size and liquidity where the valuations placed on smaller companies by the market make it more difficult to issue shares to expand. However, we have a strong balance sheet and will not be inhibited from making investments. We feel confident that our strong and strategic market position in both core businesses will, in due course, earn a market rating more accurately reflecting our qualities.

Both businesses now have their own momentum and substantial growth opportunities. However 1999 will continue to pose challenges for BSL in the UK, although there are early signs that the decline may have bottomed. As for Livingston, we expect to make good progress as equipment management contracts get underway. This early in the financial year it is difficult to be more precise as to the prospects for the period as a whole but I would plan to give an update on trading at our annual general meeting in May.



Robert Ffoulkes-Jones



Robert Foulkes-Jones

Robert Foulkes-Jones succeeded Hugh Lang as chairman in October 1998, after more than ten years as Brammer's chief executive. Hugh Lang had been chairman for eight years, a period of considerable progress for the group. Robert Foulkes-Jones is also a non-executive director of Whitcroft plc and other Smaller-Quoted Companies Trust plc.

Our strong and strategic market position
will, in due course, earn a market rating more
accurately reflecting our qualities.

Results

Our results for the year reflected the weakness in the UK manufacturing economy. Overall, group sales were ahead by 7%, but profit before tax was down by 22% to £23.9 million and basic earnings per share down 23% to 35.2p. Throughout the group we have continued to build for the future, investing in the quality and breadth of our business.

First impressions

When I joined Brammer last October I found a well run company with an excellent management team and a sound customer base. The approach to accounting policies, acquisitions and gearing is conservative. Our quest to be the market leader in each country and for each of our divisions is well established and successful. In distribution we are the clear market leader in the UK and Spain with an opportunity through organic growth and possibly acquisitions to be the market leader in France. Our investment in Rolamentos forms the base upon which we can build a leadership position in Portugal.

In electronic equipment management, we are the market leader in all our national markets. The recent acquisition of Thomson's calibration business in France has established us as the European leader in test and measurement calibration

management services, a business which we entered only five years ago. We shall continue to develop our leadership positions through organic growth and acquisitions. At our current depressed share price, however, affected by the current poor valuations placed on small cap companies, it is likely that debt will be used for acquisitive growth in the short term.

I have found a well developed culture of customer care throughout the business which has been acknowledged by each of the many customers I have visited so far. Our reputation in the markets in which we operate is second to none.

The above combination of conservative accounting, market leadership, customer service ethos and reputation provides a solid platform for growth. Our recent performance in continental Europe offers the opportunity to reduce our dependency on UK engineering and hence further reduce our cyclicality.

Finally you will see in the detailed descriptions of distribution and electronic equipment management a common theme of developing long term partnerships with our customers and the opportunity to develop our business in both divisions into a genuine outsourcing and support services business.



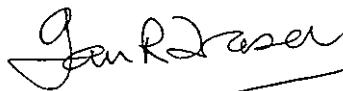
Looking ahead

A thorough strategic review is being conducted to assess the opportunities open to our core businesses. Although not complete, this review has confirmed that our strategy of broadening the product range in distribution and expanding geographically in Europe will continue to provide attractive opportunities. We expect to accelerate our acquisition programme to establish a leadership position in European markets, making bolt-on acquisitions to achieve this if necessary. We shall continue the careful introduction of new products across our 187 strong service centre network, ensuring however that our existing investments in range extension are fully capitalised upon before embarking on the next development. Finally, we shall be seizing all appropriate opportunities to strengthen our relationship with our customers, looking to establish mutually beneficial long term partnerships rather than purely transactional relationships. Our BSL INSITE programme will be just one example of a number of initiatives to achieve this.

In Livingston, our investment over several years in equipment management services is beginning to pay off. In December we acquired the calibration business of KPN Telecom in Holland and signed a concomitant five-year equipment management services contract. This outsourcing

contract, with turnover potential in excess of £16 million, will provide services for equipment sourcing, consultancy, calibration, disposal, rental and management and tracking for up to 18,000 items of equipment throughout Holland. Both Livingston and KPN Telecom will share in the savings which will accrue from our management of this inventory. Very recently we have also announced a five year £66 million contract with Thomson-CSF across France. These are major initiatives giving us a very strong position in the development of this new market.

Despite difficult conditions in the UK and some economic uncertainty over the future of continental European markets, we remain confident that we will continue to play a major role in the development of industrial services throughout Europe, further strengthening and developing our business to allow us to weather any difficult times ahead and emerge stronger and more competitive in the upturn.



Ian Fraser
Chief executive

Ian Fraser

Mr Fraser joined the company in 1984 as Managing Director of Livingston. He has been responsible for the development of the company's core businesses in equipment management and industrial services. He has also been instrumental in the acquisition of KPN Telecom's calibration business and the signing of a five-year equipment management services contract with Thomson-CSF.



We remain confident that we will continue to play a major role in the development of industrial services throughout Europe.

Sales at £184.0 million were up 2% while operating profit of £16.0 million was down by 33%. Virtually all the shortfall was due to our performance in the UK.

We experienced good growth in sales and profits during the first third of the year, but weakness in industrial markets in the UK became apparent in June. UK market conditions, adversely affected by the strength of the pound, worsened considerably in the final quarter and margins were under pressure. As a result, we implemented a cost and stock reduction programme. BSL's UK headcount ended the year 12% below its peak of June 1997 but the reduction in our spend with suppliers together with softer sales prices combined to reduce BSL's trading margins.

We continued our product development activity in the UK with the introduction of a range of fluid power (pneumatic and hydraulic) products in April. This introduction was

supported by the formation of a central call centre of industry and product experts. They can be called upon in a three-way conference call for advice when the customer is connected to one of our local customer service centres. This strategy has been highly successful and fluid power will make an important contribution to our 1999 results.

Our investment in integrated supply has continued with BSL INSITE service centres at Pedigree Pet Foods and Rover. This concept establishes a BSL service centre on the customer's premises and provides rapid flexible service across a wide range of products with access to the BSL network. We would expect to supply a greater share of our customer's needs under such arrangements.

Sales at Roulement Service in France developed well following a management re-organisation in the Spring. Our commercial initiative to develop market share in the Ile de France, utilising

Who and where are we?

BSL in the UK
115 service centres

BSL Engineering in the UK
9 service centres

Roulement Service in France
31 service centres

Rodamientos USA in Spain
24 service centres

Sociedade de Rolamentos in Portugal
8 service centres

What do we do?

Meet customers' unpredictable
urgent demands for critical
consumable components

500,000 + product lines

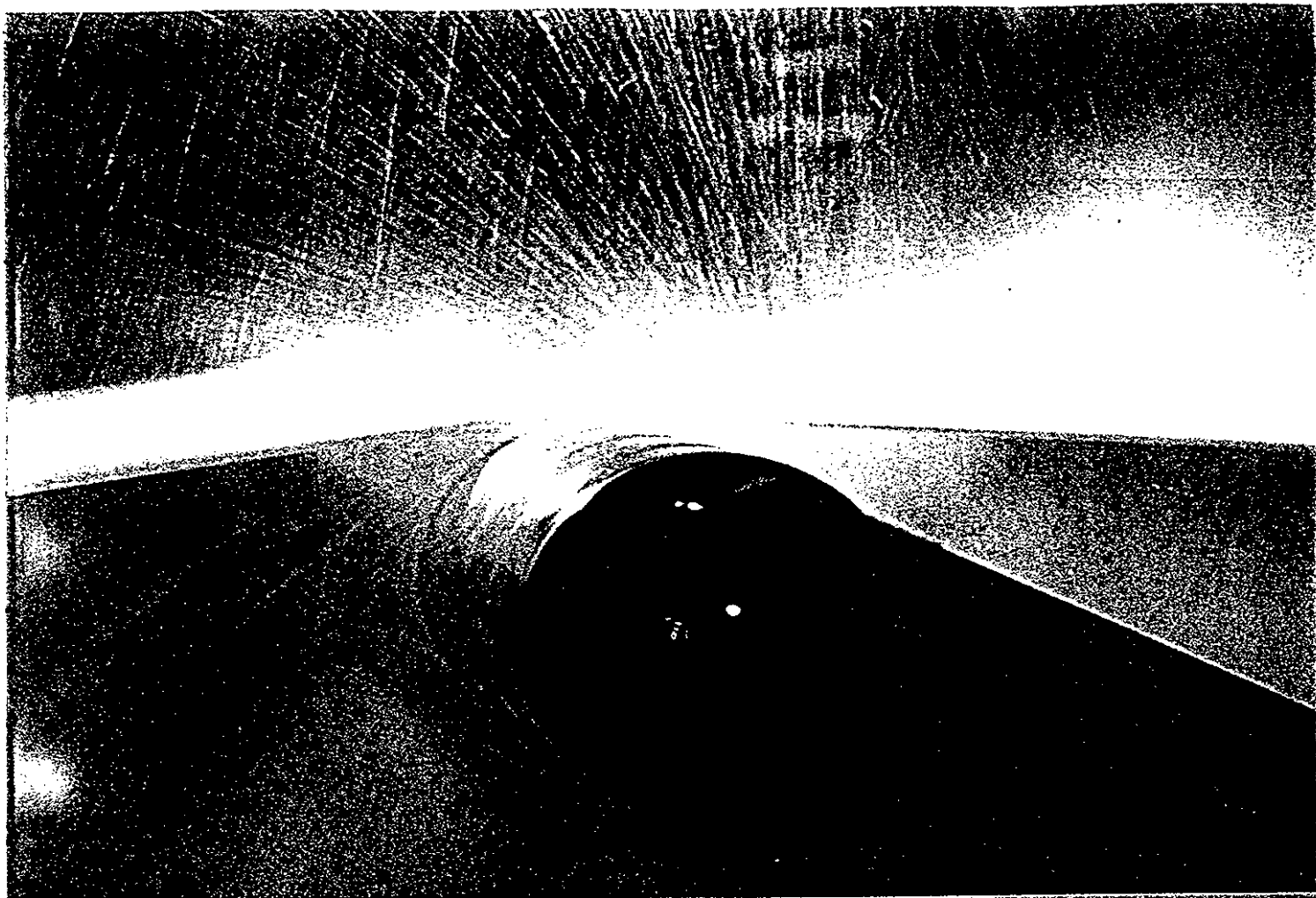
70,000 + customers

Who do we do it for?

Manufacturers of critical time
sensitive consumable components
which need an efficient channel
to market

Every industrial and commercial
company is a potential customer





French steel giant chooses Roulement Service

Usinor is one of the world's major steel producing groups. With over 51,000 employees and turnover of 72,000 million Francs, it is one of the largest companies in France, producing 15 million tonnes of raw steel each year in three major product areas: flat carbon steels, stainless steels and alloys and special steels.

A year ago, Usinor undertook a major review of its development and structure. Having already negotiated competitive purchasing deals for bearing and high value

mechanical components, Usinor decided to cut costs still further by reducing its component suppliers.

Due to flexibility, proximity and a wide range of products, only one distributor could meet Usinor's requirements: Roulement Service.

We provide availability, service and vital technological monitoring. Our relationship with Usinor will be further strengthened this year with the introduction of new information technology designed to speed up the ordering and delivery of components.

**Roulement Service guarantees
delivery of the right part, at the
right time, in the right place.**

Daniel Uzan, Product Manager, Groupe Usinor



extensive IT developments and supplying direct from our Nozay national distribution centre, made good progress resulting in a significant increase in market share. This 'Paris Plan' will continue through 1999 and will improve our competitive position in this important market.

In Spain, Rodamientos USA opened two new service centres at Alicante and Logroño, relocated the Pamplona service centre and upgraded our Madrid service centre. Sales were ahead by 4% but profitability decreased as we continued to invest in IT developments and range extension. The enterprise-wide MOVEX IT system went live in December and will provide better stock control and management information.

In November 1998, we acquired a 25% holding in Sociedade de Rolamentos S.D.R., Portugal's leading company in our field, with an option to buy the balance. Early indications are that Rolamentos has a strong base upon which we can

build a national distribution company in Portugal as an integral part of our European distribution strategy.

Our quest to improve efficiency and productivity was supported by a significant investment in IT. Each UK service centre now has access to our European product database which contains the full technical details of over 60,000 products. This technology facilitates product definition and selection and provides rapid access to detailed product specifications. This system will be expanded to include the majority of our range and will ultimately be rolled out across Europe.

BSL Engineering had a difficult year in tough markets with an overall reduction in sales of 2%. The main BSL Engineering office was re-located to a new purpose built facility near Manchester. We continue to develop value added services for customers and to extend the product range.

How do we do it?

Well trained service orientated people

State of the art IT systems

Local presence

How do we add value?

Reduce transaction costs

Profile stock according to customers' demand

Reduce the need for customers' stockholding

Advise customers on energy efficiency and other cost savings

Provide technical support and design capability

Future developments

Increasing trend towards strategic partnerships with customers and suppliers

Further integration of IT systems with strategic partners

Greater range and choice of products and added value services

Distribution performance

Turnover	
1998	£184m
1997	£181m
1996	£166m
Profit before interest	
1998	£16.0m
1997	£24.1m
1996	£22.6m
Net operating assets	
1998	£51.9m
1997	£47.0m
1996	£42.8m



A first for BSL at Rover

BSL is the first bearing and power transmission distributor to open a customer service centre inside a Rover plant. As a preferred supplier, we provide 24-hour on-site product and technical expertise for engineering components and services.

BSL and Rover have a relationship which stretches back over 20 years. Now Rover has access to our entire product range within its plant. The service centre also provides problem solving products and full technical back-up.

Having this on-site is extremely beneficial, helping Rover to minimise any costly downtime which may be incurred during production.

Ten BSL staff man the service centre which supplies bearings, seals, chain and belt drives, gearboxes, electronic drives, electric motors and starters, adhesives, greases, lubricants, tools and maintenance products.

Lynne England, our Account Co-ordinator at Rover, knows that by fitting into Rover's working patterns, BSL is strengthening its relationship with Rover every day.

BSL help us to minimise costly downtime on our production lines.

John Williams, Tool Services Manager, Rover Group



Revenue in 1998 of £54.3 million was up 29% and operating profit was at a record level of £8.6 million, some 29% ahead of 1997 with the telecommunications sector particularly strong. Our three continental European businesses broke records for revenue and operating profit, ahead of 1997 by 53% and 95% respectively.

We have now achieved critical mass in each of the major countries where we do business. Our strategy of positioning ourselves as a business, independent of any one manufacturer, able to provide a 'cradle to grave' range of computer and test and measurement services across Europe is bringing us competitive advantage.

We have identified a matrix of four distinct businesses across Europe. The first business, being that upon which Livingston was founded, is test and measurement equipment rental. This operation, which provides equipment on short term rental to

a wide array of industries, including telecommunications, has the greatest penetration in the well developed UK and French markets. Significant opportunities exist for further growth in Germany and Benelux as these markets develop.

Our second business which was started in the early 1990's is that of short term computer (work stations and servers) rental. We now represent all the major platform suppliers throughout Europe and provide short term rental services to a large customer base including financial institutions, software houses, consultants and telecommunications and defence companies. This business is well developed in Holland and Germany and the second half saw significant recovery in the UK as management changes took effect. The French market offers further growth opportunities.

A third business was developed in the mid 1990's from our computer rental business. This operation, which provides

Who and where are we?

Livingston in
UK
Ireland
France
Germany
Holland
Belgium
Switzerland

What do we do?

Our customers need electronic equipment specifically for testing, measuring and computing. Various options are available to meet these needs; they can buy for cash, they can lease or they can choose us for a more flexible, cost effective and total solution including rental, calibration and equipment management.

Who do we do it for?

We bridge the gap between our suppliers, who are manufacturers of electronic equipment, and our customers, who are the end users of that equipment.





Sun
microsystems

Showing Sun

Sun Microsystems' London Customer Briefing Centre is equipped with the latest technology from Livingston, including advanced audio visual facilities and a state of the art demonstration showcase. Opened in January, the centre's four briefing rooms are designed to enhance customers' perception of Sun, to deliver relevant product information and ultimately to help Sun's sales force close more business. The centre's City of London location also provides the first street level shop window view into Sun.

Market demand and Sun's rapidly changing product range make it vital that the centre provides an up to the minute view. Livingston provides a managed technology refresh programme. We install and manage the latest systems and immediately deploy upgrades or replacements as technology and product lines demand. Across Europe, we provide a managed service to both Sun and its corporate clients.

With Livingston's support, Sun's Customer Briefing Centre will always feature the newest state of the art equipment.

I found Livingston's creative approach and responsiveness solved our problems.

Gordon Cameron, District Sales Manager -Distribution, Sun Microsystems



for the management of computer equipment inventories for major customers, utilises several of Livingston's core competencies. We have forged strong links with all the major platform suppliers and many of the major software houses. We now manage Sun's demonstration stocks in many European countries, Silicon Graphics' demonstration stock in Germany, France and the UK, and IBM's demonstration stocks in Germany. This service ensures that our customers' sales representatives can be assured of delivery of the right machine, loaded with the correct software to the right location on time, a true value added outsourcing service. A similar service is provided to the independent software vendors (often in partnership with a platform supplier). Major customers include Parametric in Germany and Oracle in the UK. Our computer management business is most developed in Germany, is growing rapidly in the UK, and has excellent further growth opportunities in France and Holland.

Major progress was made in our fourth and more recent business - test and measurement equipment management services. Our customers outsource to us the total management of their instrumentation test equipment and we provide a service which includes all of Livingston's core skills including product sourcing, rental, calibration and repair, tracking and management services, technical support, and eventual disposal. Our contract with KPN Telecom (described opposite) was the first of its kind throughout Europe and we have recently announced a five year agreement with Thomson-CSF expected to be worth £89 million providing all of the above management services throughout France for an estimated 80,000 items of equipment. These contracts do not require significant investment by us in rental equipment. This type of service is attracting interest from a number of defence and telecommunication companies across Europe and we expect to make further announcements of contract wins during 1999.

How do we do it?

In depth relationships with customers and suppliers
Pan-European presence
High quality, young inventory, the largest in Europe
Independence from any one supplier
Technically qualified personnel with a high service ethic
State of the art IT systems to monitor usage of equipment so that utilisation of inventory is maximised

How do we add value?

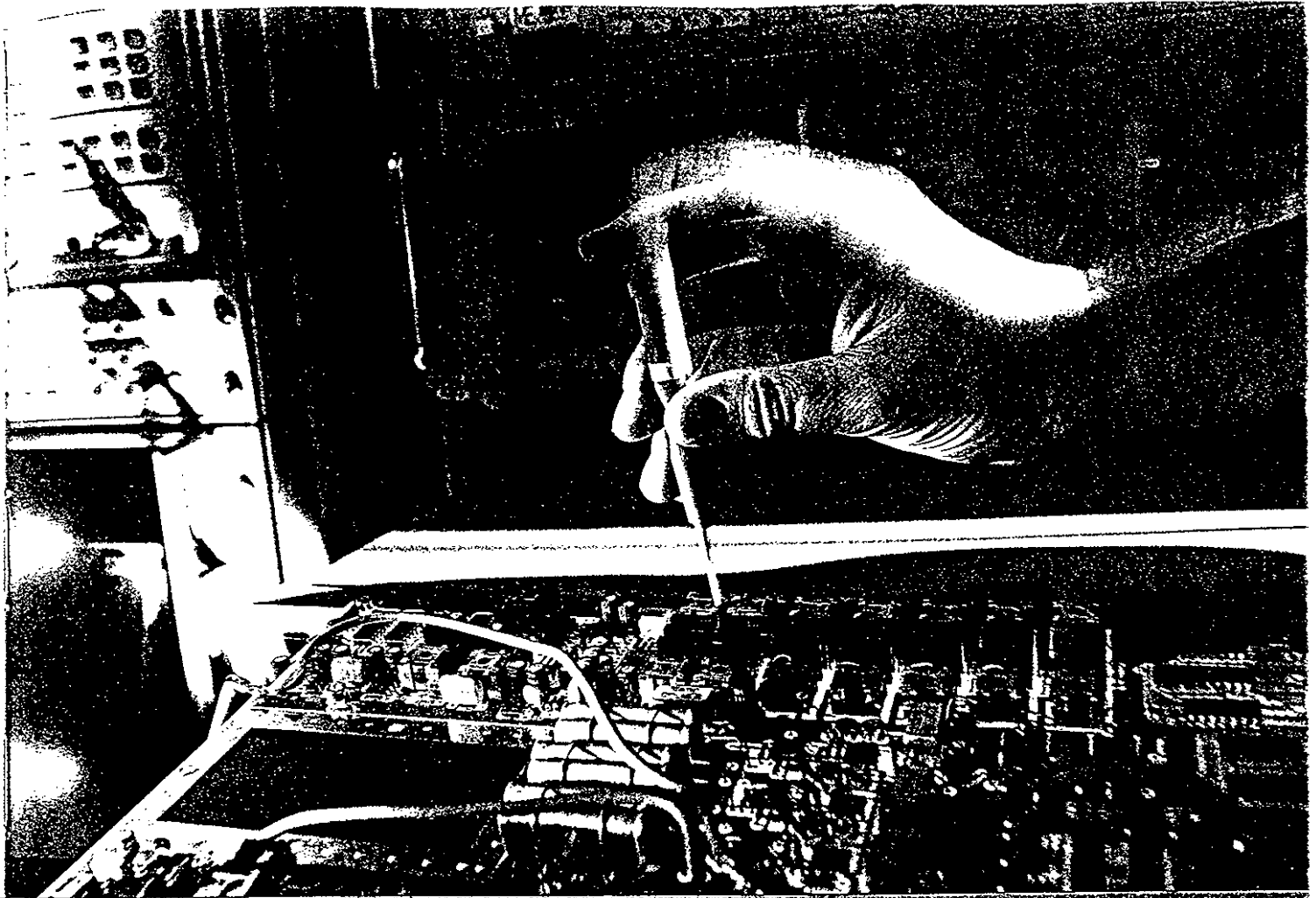
Provide an electronic equipment management service. Customers outsource to us the total management of their instrumentation and computers, product sourcing, rental, calibration, tracking and eventual disposal
Professional and flexible solutions
Cost of ownership is reduced
Equipment choice is independent
Customers focus on their core businesses

Future developments

More strategic alliances with customers and suppliers
Trend to outsourcing and total solutions for electronic equipment, reducing obsolescence risk and capital employed

Electronic equipment management performance

Turnover	
1998	£54.3m
1997	£42.1m
1996	£38.6m
Profit before interest	
1998	£8.56m
1997	£6.66m
1996	£6.02m
Net operating assets	
1998	£40.7m
1997	£27.8m
1996	£18.7m



Managing KPN

KPN Telecom, the national telephone operator in The Netherlands, has rented equipment from Livingston for many years. Last year, we strengthened the relationship by introducing our Equipment Management Service.

Theo Alkemade, KPN's Telecom Repair Manager, explains: 'Our inventory is large and spread throughout the country, which made it difficult to ensure consistency of approach and standardisation. But, with their skills and expertise, Livingston will now make this happen.'

We manage every aspect of KPN's test and measurement inventory, including sourcing, technical support, tracking, calibration and eventually disposal of 18,000 instruments. We have reduced KPN's capital employed and improved the availability of equipment to users throughout the Netherlands.

We believe this is the first contract of its type in Europe, which means that KPN can take an early competitive advantage with the benefits of Livingston's Equipment Management Service, as it moves into new areas of technology and faces deregulated competition.

It was a great step for
Livingston to tell me how
they could save me money.

Theo Alkemade, Telecom Repair Manager, KPN Telecom



Overview

During the year turnover grew by £15.3 million (7%). Overseas turnover grew by £19.1 million whilst UK turnover fell by £3.8 million. In the UK significant organic growth from a more extensive range of seals, pneumatics and tools has somewhat sheltered the fall in our distribution business.

Profit before interest from our UK operations fell by £9.9 million in contrast to the more buoyant performance overseas where profit before interest rose by £3.8 million. Overall profit before interest fell by £6.1 million to £24.6 million.

The average rate of tax was 31% compared to 30% in 1997, the increased rate reflecting the higher proportion of overseas profits.

In the increasingly difficult economic circumstances in the UK basic earnings per share of 35.2p fell by 10.6p. The 23% fall in 1998 compares with 21% per annum compound growth over the previous five years.

Dividends

Although the group has suffered from a 23% drop in after tax profits the board is confident of the future profitability of the group and has therefore recommended an increased final dividend of 11.8p per share. The total for the year would be 17.8p, an increase of 3.5% over last year. The total dividend is covered twice by profit after tax.

Earnings per share

In 1998 we adopted FRS 14 'Earnings per Share' which requires us to quote diluted earnings per share as the previous de minimis limit has been abolished. The calculation has also changed to the extent that we now include only the number of shares deemed to be issued for no consideration rather than the total number of shares outstanding. This means that our diluted earnings per share figure is now affected by the market value of our shares at the end of the year as this is used in the calculation.

Treasury

In contrast to 1997 sterling weakened by 6% against the major European currencies.

Sales to our customers are transacted in the domestic currencies for our operating companies, and in the main, the related purchases are made in the same currencies. Where significant supplies are priced in different currencies it is our policy to hedge these to match the currency of our turnover for the period in which prices are fixed.

At the 31 December 1998 about 56% of the group's net operating assets were held in European Union currencies other than sterling. It is the group's policy to manage the currency risks from our overseas investments to protect shareholders' equity by matching net assets with borrowings in the same currency. The advantage of this hedging policy is that

fluctuations in exchange rates that affect our overseas assets are compensated by equivalent movements in the sterling value of our foreign currency borrowings and this minimises exchange losses.

On 1 January 1999 the Euro was adopted by the majority of the European countries in which we operate. However, as the UK has decided not to adopt the Euro for the time being the board has decided to continue to report in sterling. The board does not expect the group's operations to be significantly affected by the Euro although the group's currency matching policy is expected to become easier to apply as, in effect, the group will be dealing in only one major foreign currency rather than several.

Net operating assets and financing by currency at 31 December 1998 were as follows

	Net operating assets £'m	Financing £'m	Net assets employed £'m
Sterling	35	25	60
French Franc	15	(13)	2
Spanish Peseta	7	(7)	-
German Mark	17	(14)	3
Dutch Guilder	5	(4)	1
Belgian Franc	-	-	-
	79	(13)	66
Taxation	9	(9)	-
Dividends	6	(6)	-
Goodwill	(2)	2	-
	92	(26)	66

We had net borrowings as at 31 December 1998 of £13.0 million (20% gearing). Our bank facilities, which are mainly on evergreen terms in excess of four years, are sufficient for our foreseeable needs.

Acquisitions

In the fourth quarter we invested £2.6 million in acquisitions.

We acquired a 25% interest in Sociedade de Rolamentos S.D.R., a Portuguese distribution company, with a call option which gives us the right, but not the obligation, to acquire the remaining 75% before April 2004. The results for the two months since our involvement have been classified as profits from an associate as management responsibility is firmly in the hands of our partners.

We later acquired with effect from 31 December 1998 a 40% interest in the calibration business of KPN Telecom with a commitment to move to 100% ownership over a three year period. Management is our responsibility but the new company will benefit from a five year guarantee of calibration business from KPN Telecom. Our interest has been accounted for as a subsidiary but we will report our partner's share of the profits as deferred consideration.

Post balance sheet events

On 15 March 1999 the group announced the acquisition of a 50% interest in Thomson-CSF Instrumentation Services SA and also entered into contracts to provide calibration and maintenance services for the whole of the Thomson-CSF group throughout metropolitan France.

Further details are given in note 19 to the accounts.

Cash flow and return on investment

Real interest rates in the United Kingdom are being maintained at levels significantly higher than available elsewhere in the industrialised world. These high rates support a relatively strong pound to the detriment of many of our United Kingdom customers. However, while our United Kingdom profits fell by £9.9 million we nevertheless maintained tight management of our working capital and the net cash inflow from operating activities of £44.7 million improved by £4.6 million over 1997.

During this year we identified further opportunities to develop our equipment management division and invested £41.4 million in rental inventories compared to £27.8 million in 1997. Adjusting operating cash flow for the investment in rental inventory, which we manage as circulating capital, cash generation was £14.2 million compared with £19.0 million in 1997.

We were also able to circulate our distribution stock more efficiently resulting in a reduction of £4.8 million (13%) carried in stock despite the same level of distribution turnover.

We continue to seek out ways of improving the management of shareholders' equity and to build on the achievements of previous years by improving our return on investment. In 1998 we invested more of our cash resources on acquisitions and a broader range of products and services. This has somewhat diluted the return on net operating assets which has fallen to a still creditable 39%. In the UK we achieved a return on average net assets of 29% compared to 57% in 1997. In mainland Europe we achieved a return of 30% compared to 28% in 1997 following the continuing growth in rental business.

Interest

As mentioned above, the group invested significantly in rental inventory during the year. As this requires initial funding with income to be received in the future the group's net borrowings increased with a resulting increase in the interest charge. Nevertheless interest cover, at 39 times, continues to be healthy.

Taxation

With effect from 1 January 1999 the group will be subject to the new corporation tax self assessment system in the UK. Although the abolition of advance corporation tax will result in a cash flow advantage for the group the mainstream liability will, over a period of time, become payable earlier than in the past. Ultimately the group will suffer from a cash flow disadvantage. However, the transitional arrangements will lessen the impact of this in 1999.

Accounting policies

This year the group has adopted FRS 10 'Goodwill and Intangible Assets' and as a result the accounts have been amended in two areas. Firstly the standard no longer permits the use of a merger reserve and therefore the balance on this account as at 31 December 1997 has been transferred to the profit and loss reserve. Secondly goodwill on acquisitions can no longer be written off direct to reserves and instead is to be capitalised as an intangible asset to be written off over a suitable period not exceeding 20 years.

Accordingly the group's accounting policy for goodwill and intangible assets has been amended. As permitted by the standard the board has decided not to capitalise goodwill written off in past years. However goodwill on acquisitions during 1998 has been capitalised.

Internal control

As part of our annual audit process we commission a continuing independent review of internal financial controls across the whole of the group. We have not found any significant problems.

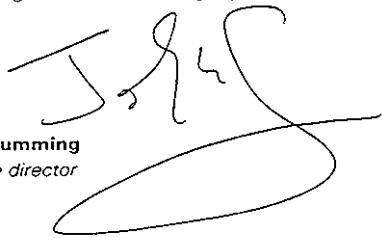
Millennium and Euro

The process of addressing the year 2000 computer and instrumentation issue, referred to last year, has continued during the 1998. As part of this process we have now budgeted that the total cost of the programme, over and above normal on-going upgrade expenditure, will be £635,000 of which £150,000 has already been incurred and charged to the profit and loss account. As stated last year the complexities of the issue are such that it is not possible to guarantee full year 2000 compliance prior to 1 January 2000. However, the directors are confident that the internal risks have reduced. Our programme to mitigate the year 2000 risks identified as business critical is targeted for completion in July 1999.

The impact on the group of the introduction of the Euro at the beginning of 1999 has also been assessed. Each company has implemented a programme to address the problems that have been identified. We have budgeted that the total cost of amending our systems to be able to handle the Euro at £315,000 of which £46,000 has already been incurred and charged to the profit and loss account. For the group as a whole, we will continue with our current foreign currency hedging techniques using financial instruments that may be designated in Euros as well as other currencies where appropriate.

Going concern

After making enquiries, the directors consider the group to have adequate resources to continue in operational existence for the foreseeable future. We therefore continue to adopt the going concern basis in preparing the accounts.


John Cumming
Finance director

Robert Ffoulkes-Jones

Joined Brammer in 1979, a director since 1981 and chairman since October 1998. A member of the audit and remuneration committees and chairman of the nominations committee. A non-executive director of Whitecroft plc and of 3i Smaller Quoted Companies Trust plc. Age 56.

Ian Fraser

Joined Brammer as chief executive in October 1998. Age 43.

Robert Hough DL

A non-executive director since 1993. Appointed deputy chairman and senior independent non-executive director in 1998, chairman of the audit committee and a member of the remuneration and nominations committees. Deputy chairman of Peel Holdings p.l.c. and chairman of the Manchester Ship Canal Company. Age 53.

Chris Conway

Appointed a non-executive director in 1997 and a member of the remuneration, nominations and audit committees. Vice president of Compaq Computer EMEA BV and a non-executive director of Granville PLC. Age 54.

John Cumming

Joined Brammer as finance director in 1988. Age 53.

Jean-Marie Fink

Appointed a director in 1994. Executive director responsible for Roulement Service which he co-founded in 1974, becoming its managing director in 1981. Age 54.

David Hollywood

Joined the group and appointed a director in 1991. Executive director responsible for the Electronic Equipment Management division. Age 52.

Kevin Mellor

Appointed a non-executive director in 1997, chairman of the remuneration committee and a member of the nominations and audit committees. A director of Transport Development Group plc. Age 52.

Jack Stimson

Company secretary since 1994, having previously been finance director of BSL. Joined the group in 1983. Age 51.

Robert Ffoulkes-Jones



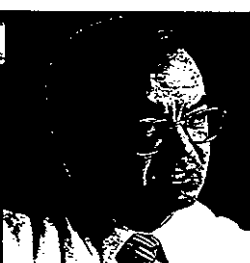
Ian Fraser



Robert Hough



Chris Conway



John Cumming



Jean-Marie Fink



David Hollywood



Kevin Mellor



Jack Stimson

Distribution

Distribution, systems integration and engineering services specialising in bearings and seals, mechanical, electrical and fluid power transmission products and motion control systems.

BSL Limited *

Tel +44 (0)161-953 8600
Alan Whetstone
(Managing director)

Roulement Service S.A. *

(Incorporated in France)
Tel +33 3 88 40 40 88
Jean-Marie Fink
(Managing director)

BSL Engineering Limited *

Tel +44 (0)161-486 5000
Barrie Holmes
(Managing director)

Rodamientos USA S.A.

(Incorporated in Spain)
Tel +34 94 457 94 00
José Ignacio Olave
(Managing director)

Sociedade de Rolamentos,

S.D.R., S.A. * (25% owned)
(Incorporated in Portugal)
Tel +51 2 6198320
Alfredo Lima (Chairman
and managing director)

Electronic equipment management

Management, calibration and rental of equipment for industrial and process control, electronic test and measurement, micro-wave and communications, workstations and personal computing, as well as environmental and chemical analysis.

Livingston UK Limited

Tel +44 (0)181-943 5151
Tel +35 31 842 5000
Bernard Ellett
(Managing director)

Livingston S.A.

(Incorporated in France)
Tel +33 1 45 12 6565
Pierre Bagot
(Managing director)

Livingston Electronic Services GmbH

Livingston Calibration GmbH
(Incorporated in Germany)
Tel +49 6151 93440
Volker Tegeder
(Managing director)

Hamilton/Livingston B.V.

(Incorporated in Holland)
Tel +31 318 524607

Livingston Calibration B.V.

(Incorporated in Holland)
Tel +31 703 430087

Hamilton Rentals Belgium N.V.

(Incorporated in Belgium)
Tel +32 15 286 286
Raymond Groebbe
(Managing director)

* Shares owned by Brammer plc direct

Alan Whetstone

José Ignacio Olave



Barrie Holmes

Alfredo Lima

Bernard Ellett

Volker Tegeder



Pierre Bagot

Raymond Groebbe

All companies listed above are wholly owned by the group except where indicated. Those companies not owned by Brammer plc direct are owned through intermediate holding companies, principally Livingston Services PLC for the electronic equipment management subsidiaries. Further subsidiaries have not been shown because they are dormant or not material. Their particulars will be included in the next annual return.

Bankers

Midland Bank plc
100 King Street
Manchester M60 2HD

National Westminster Bank PLC
21 Lombard Street
London EC3P 3AR

Société Générale
Exchange House
Primrose Street
London EC2A 2HT

Registrars

Lloyds Bank Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Auditors

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds LS1 4DW

Financial advisers

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

Solicitors

Slaughter and May
35 Basinghall Street
London EC2V 5DB

Addleshaw Booth & Co
100 Barbirolli Square
Manchester M2 3AB

Stockbrokers

HSBC Securities
Thames Exchange
10 Queen Street Place
London EC4 1BL

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Brammer

1998 Accounts

The directors present their report and the audited accounts of the group for the year ended 31 December 1998.

Principal activities of the group

Brammer plc is a holding company. Its principal operating subsidiaries and associate, all of which are wholly owned except where stated, are listed on page 17 together with details of their activities and locations.

The principal activity of the group is the provision of industrial services, namely

- distribution, systems integration and engineering services specialising in bearings and seals, mechanical, electrical and fluid power transmission products and motion control systems
- management, calibration and rental services of equipment for industrial and process control, electronic test and measurement, microwave and communications, workstations and personal computing, as well as environmental control and chemical analysis.

Financial results

A summary of the group results is shown on the inside front cover of this document.

A full review of the development of the business is contained in the chairman's statement and the operating and financial reviews on pages 2 to 15.

Proposed dividend

The directors recommend a final dividend of 11.8 pence per ordinary share for 1998 (1997 11.6 pence), which, together with the interim dividend of 6.0 pence (1997 5.6 pence) per ordinary share, brings the total dividend paid and proposed to 17.8 pence (1997 17.2 pence) for the year. The final dividend will be paid on 1 July 1999 to all shareholders on the register at 26 March 1999.

Research and development

The companies within the group carry out development work in pursuit of new products and improved quality, competitiveness, performance and profitability. This expenditure is not material in relation to the size of the group and is written off to the profit and loss account as it is incurred except expenditure of a capital nature which is capitalised and depreciated.

Share capital

Details of the movements in the number of shares in issue during the year are given in note 15 to the accounts.

In the period from 1 January 1999 to 16 March 1999, 5,450 shares were issued on the exercise of options under the company's executive and savings related share option scheme.

Land and buildings

The valuation of the group's freehold and certain leasehold properties was professionally reviewed as at 31 December 1996. On the basis of that review, the directors are of the opinion that the current existing use value is not materially different from the value of the land and buildings as shown in the accounts.

Directors

Details of the present directors appear on page 16. All of them have been in office throughout the year with the exception of Mr I R Fraser who was appointed on 1 October 1998. Mr R A Smith, who was a director throughout 1998, resigned from the board on 9 March 1999.

Mr D J Hollywood and Mr R E Hough retire by rotation and Mr I R Fraser retires as he was appointed since the last annual general meeting. Being eligible, they offer themselves for re-election.

The employment contracts of Mr Fraser and Mr Hollywood provide for two years' notice to be given by the company in the event of their employment being terminated. Mr Hough serves the company in a non-executive capacity and has an agreement with the company terminable on six months' notice.

Further details of the directors, their service agreements and details of their interests in the shares of the company, are given below and on pages 25 to 28.

Mr H M Lang retired from the board on 1 October 1998.

Directors' interests

The beneficial interests of the directors in the shares of the company were as follows

	Shares	31 December 1998 Share options	Shares	Ordinary shares of 20p 31 December 1997 Share options
C J Conway	4,034	-	1,000	-
J W Cumming	96,876	82,241	99,676	75,741
R G Ffoulkes-Jones	114,997	109,992	112,378	109,992
J-M Fink	3,518	95,000	3,464	80,000
I R Fraser	28,848	100,000	-*	-*
D J Hollywood	5,002	165,827	4,395	155,827
R E Hough	6,345	-	3,721	-
K D Mellor	1,043	-	1,009	-

* On appointment

There has been no movement in the above mentioned holdings between 1 January 1999 and 16 March 1999, apart from on 3 February 1999, when the company's PEP managers, Halifax Investment Services Limited, reinvested cash dividends received by the fund and acquired shares on the open market on behalf of Mr R G Ffoulkes-Jones (138 shares) and Mr D J Hollywood (68 shares).

No director was materially interested in any contract of significance with the company during the year other than Mr J-M Fink who has an interest in four properties which are leased to Roulement Service S.A. The terms of the leases were agreed prior to Mr Fink becoming a member of the board. One property, located in Nozay, Paris, was negotiated on an arms-length basis in 1994. The other properties, which are considered by the directors to be at a fair market value, were leased before the acquisition of Roulement Service S.A. in 1992. The total annual rental of the properties was £284,000.

Substantial shareholdings

As at 16 March 1999 the company has been advised of the following beneficial holdings comprising 3% or more of the company's issued share capital.

Prudential Corporation PLC	13.0%
Fidelity Pension Management	6.8%
AXA Sun Life Investment Management Limited	5.4%
Royal & Sun Alliance Insurance Group PLC	4.5%

Political and charitable contributions in the United Kingdom

	£
Political	-
Charitable	17,624

Supplier payment policy

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is group policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. The company does not have trade suppliers. Creditor days for the company's UK subsidiary companies are shown in their financial accounts. Because of the varied countries in which the group trades an overall creditor days figure would not be meaningful.

Employees

To be a leader in industrial services the group needs well trained, highly motivated and properly informed staff.

New and existing staff at all levels are trained to become familiar with products, markets, systems, service standards and management skills in order better to satisfy customer demands and thereby enhance their own career prospects.

Staff are consulted informally and formally by the company and subsidiaries on matters likely to affect their interests. They attend regular briefing meetings and a report is sent to all employees each year. Subsidiaries also issue regular newsletters.

Brammer encourages employees' participation in the group's progress through share ownership. Full-time staff, other than those in France, who have completed one year's qualifying service are invited periodically to participate in the company's Savings Related Share Option Scheme. The tax regime in France does not make it beneficial for staff in that country to join the scheme. In addition, the Brammer single company Personal Equity Plan has provided a further opportunity for employees resident in the United Kingdom to hold their company's shares on tax advantageous terms.

Companies within the group comply with relevant legislation including that specifically concerning disabled employees.

Environmental policy

The company has a comprehensive policy embracing environmental, health and safety matters. This is applied throughout the group with the objective of ensuring that procedures conform to best current practice.

Auditors

A resolution proposing the re-appointment of KPMG Audit Plc as auditors of the company and to authorise the directors to determine their remuneration will be put to the annual general meeting.

Corporate governance

The company has complied with the Code Provisions set out in the Combined Code throughout the year except to the extent disclosed.

Directors

The board meets at least ten times throughout the year and has a formal schedule of matters reserved for its consideration. It devotes time to considering longer term strategic issues as well as monitoring the performance of management. The board reviews the appropriateness of its annual agendas, the circulation and content of board papers and other information provided to the board. There is a procedure for all directors to take independent professional advice at the company's expense in connection with their duties. They also have access to the advice and services of the company secretary.

The roles of the chairman and chief executive are clearly defined and in December 1998 Mr R E Hough was nominated senior independent director and deputy chairman. Currently the board consists of the chairman, three non-executive directors and four executive directors. Directors submit themselves for re-election at regular intervals and at least every three years.

There are three standing committees of the board. The remuneration committee meets at least three times a year. Chaired by Mr K D Mellor, the committee consists entirely of non-executive directors. It approves overall remuneration policy for the group and determines all elements of the remuneration arrangements for all members of the board and all executives who report directly to the chief executive. The committee also monitors the emolument packages for the most senior executives in the group to ensure proper differentials and approves the allocation of executive share options. The remuneration report is set out on pages 25 to 28.

A nominations committee, chaired by Mr R G Ffoulkes-Jones, with the same membership as the remuneration committee, is responsible for nominating, for the approval of the board, candidates for appointment to the board.

The audit committee consists of all the non-executive directors and meets at least three times a year. The chief executive, finance director and auditors normally attend meetings. The chairman is Mr R E Hough; he and his committee also meet the auditors in the absence of executive directors.

Directors' remuneration

The terms of appointment and remuneration of the directors are determined by the remuneration committee. The board's report on remuneration is set out on pages 25 to 28.

Relations with shareholders

The chairman, chief executive and finance director meet regularly with major shareholders to discuss performance and strategic issues. The notice of the annual general meeting is set out on pages 51 and 52. The board welcomes questions from shareholders and space is available on the proxy form to raise questions in advance of the meeting.

Accountability and audit

The board accepts its responsibility for maintaining and reviewing the system of internal financial control. While acknowledging that any system of internal control can provide only reasonable, not absolute, assurance against material loss to the company or material misstatements in the financial accounts, the board believes that control disciplines are developing appropriately throughout the group. There is an established organisational structure with clear operating procedures, lines of responsibility and delegated authority.

The internal financial control systems include the following key features which have been designed and established over a number of years to provide internal financial control appropriate to the company's businesses.

- The approval of plans and detailed budgets by the board
- The monthly monitoring of performance against budget and prior year
- A detailed investment approval process requiring board approval of all major capital projects
- The audit committee considering all significant control matters

The directors confirm they have reviewed the effectiveness of the group's system of internal financial controls.

Compliance

The board of directors have complied throughout the year with the Combined Code except for the matters disclosed below.

- Until 1 October 1998 the remuneration committee included the group's then chief executive, Mr R G Ffoulkes-Jones, among its members. Since that date he has continued as a member of the committee but no longer holds executive responsibilities.
- All our UK based executive directors have service contracts with notice periods of two years. We do not consider it desirable to reduce these periods to one year or less since we believe this would make it more difficult for us to attract and retain the high calibre executive directors we require. If in the future the executive market changes with most contracts then being for one year or less then we will review our position.
- A recognised senior independent non-executive director was not appointed until December 1998.

Annual general meeting

The annual general meeting of the company is to be held at 12 noon on Tuesday, 25 May 1999 at the Glaziers Hall, Montague Close, London Bridge, London SE1 9DD.


The notice of meeting appears on pages 51 and 52. Four resolutions will be proposed as items of special business at the meeting and explanations of these resolutions are given in a separate letter to shareholders enclosed with this report.

By order of the board

Jack Stimson

Secretary

16 March 1999



Brammer has had a formally established remuneration committee since 1988. The duties of the committee are to approve overall remuneration policy for the group and to determine all elements of the remuneration arrangements for all members of the board and all executives who report directly to the chief executive. I am chairman of the committee and the other members are the chairman, Mr R G Ffoulkes-Jones, and two non-executive directors, Mr C J Conway and Mr R E Hough. In the committee's proceedings no individual participates in deliberations or decisions on his own emoluments.

General policy

In setting all elements of remuneration we are guided both by published surveys and by specific studies commissioned from time to time by the committee from independent specialist consultants who also provide advice as required.

The group chairman and the non-executive directors are paid fees for their services. They do not participate in bonus, option or pension schemes and they do not receive any benefits in kind but Mr R G Ffoulkes-Jones continued to receive his executive benefits until the end of 1998. 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 remuneration of the executive directors consists of salary, pension, performance-related cash bonuses and share options together with car and healthcare benefits. Our overall policy is to pay salaries which take account of individual performance and are similar to those paid in comparable companies. We also set exacting performance-related bonus targets related to profit, earnings per share and, where appropriate, other indices. They are set prior to the beginning of the year and are based on forecasts of group performance in the context of the economic conditions expected for the year ahead. Targets are also set on a three-year basis and about a third of potential bonus is related to these longer term schemes. If targets are met, bonuses are approximately 33% of salary and this can be exceeded up to a maximum 50% of salary if the targets are beaten by a substantial margin. Performance-related bonuses are not pensionable.

Share options

The company operates Savings Related Share Option Schemes open to all employees in the UK, Germany, Holland, Ireland and Spain with 12 months' service and subject to UK revenue limits on the amount that can be saved. Options issued under these share option schemes may be exercised five years after the date of grant.

The company also operates executive share option schemes which were approved by shareholders in 1995 and 1997. The 1997 scheme has Inland Revenue approval. Options issued under these schemes may be exercised between three and ten years from the date granted provided that performance criteria set from time to time by the remuneration committee are satisfied.

Share options *continued*

Options on shares held by directors at 31 December 1998 were as follows:

	31 December 1997	Granted/ (exercised)	31 December 1998	Exercise price pence	Date from which exercisable	Expiry date
R G Ffoulkes-Jones						
Discretionary	30,000	-	30,000	310	April 1997	April 2004
	30,000	-	30,000	355	April 1998	April 2005
	25,000	-	25,000*	513	Mar 1999	Mar 2006
	20,000	-	20,000*	576	Sept 2000	Sept 2007
Savings related	3,496	-	3,496	296	Dec 1999	June 2000
	1,496	-	1,496	461	Nov 2002	May 2003
	109,992	-	109,992			
J W Cumming						
Discretionary	20,000	-	20,000	310	April 1997	April 2004
	25,000	-	25,000	355	April 1998	April 2005
	20,000	-	20,000*	513	Mar 1999	Mar 2006
	7,000	-	7,000*	576	Sept 2000	Sept 2007
	-	6,500	6,500*	380	Sept 2001	Sept 2008
Savings related	3,741	-	3,741	461	Nov 2002	May 2003
	75,741	6,500	82,241			
J-M Fink						
Discretionary	20,000	-	20,000	310	April 1997	April 2004
	25,000	-	25,000	355	April 1998	April 2005
	20,000	-	20,000*	513	Mar 1999	Mar 2006
	15,000	-	15,000*	576	Sept 2000	Sept 2007
	-	15,000	15,000*	380	Sept 2001	Sept 2008
	80,000	15,000	95,000			
I R Fraser						
Discretionary	-	100,000	100,000*	335	Oct 2001	Oct 2008
D J Hollywood						
Discretionary	40,000	-	40,000	225	April 1994	April 2001
	20,000	-	20,000	225	April 1995	April 2002
	10,000	-	10,000	213	Sept 1995	Sept 2002
	20,000	-	20,000	310	Sept 1997	Sept 2004
	25,000	-	25,000	355	April 1998	April 2005
	20,000	-	20,000*	513	Mar 1999	Mar 2006
	15,000	-	15,000*	576	Sept 2000	Sept 2007
	-	10,000	10,000*	380	Sept 2001	Sept 2008
Savings related	5,827	-	5,827	296	Dec 1999	June 2000
	155,827	10,000	165,827			
R A Smith						
Discretionary	20,000	-	20,000	213	Sept 1995	Sept 2002
	30,000	-	30,000	310	April 1997	April 2004
	25,000	-	25,000	355	April 1998	April 2005
	25,000	-	25,000*	513	Mar 1999	Mar 2006
	15,000	-	15,000*	576	Sept 2000	Sept 2007
Savings related	5,827	-	5,827	296	Dec 1999	June 2000
	120,827	-	120,827			

* Performance related conditions apply to these options.

Share options *continued*

The middle market price of an ordinary share at the close of business on 16 March 1999 was 404 pence. The range of price during the year was 732.5 pence to 307.5 pence and at 31 December 1998 the price was 346.5 pence.

Service contracts

Each of the executive directors has a service contract with the company. In the cases of Mr I R Fraser, Mr J W Cumming, and Mr D J Hollywood the notice entitlement is two years. In the case of Mr J-M Fink the contract is renewable for one year periods from 6 August each year.

The chairman has an agreement with the company terminable on 12 months' notice either way. The non-executive directors each have an agreement terminable on six months' notice either way.

Directors' emoluments

	Fees/ salary £'000	Bonus £'000	Benefits £'000	1998 Total £'000	1997 Total £'000
R G Ffoulkes-Jones <i>chairman</i> ¹	172	-	13	185	222
H M Lang ²	51	-	-	51	68
B G Allison ²	-	-	-	-	9
C J Conway	20	-	-	20	3
R E Hough	20	-	-	20	20
K D Mellor	20	-	-	20	17
I R Fraser	44	15	3	62	-
J W Cumming	115	-	9	124	146
J-M Fink ³	118	19	6	143	136
D J Hollywood	115	45	11	171	147
R A Smith	115	-	8	123	125
	790	79	50	919	893

1 Mr R G Ffoulkes-Jones succeeded Mr H M Lang as chairman upon his retirement. His existing salary and benefits continued until 31 December. From 1 January 1999 he draws a fee of £80,000 per annum and taxable benefits and bonuses have ceased.

2 Mr H M Lang retired from the board on 1 October 1998 and Mr B G Allison retired on 3 June 1997.

3 Mr J-M Fink is resident in France.

Directors' pension entitlements

The UK based executive directors, with the exception of Mr I R Fraser whose details are given below, participate in non-contributory pension schemes governed by an independent trust. These schemes provide them with a pension of up to two-thirds pensionable salary upon retirement at the age of 62 provided the minimum service requirement of 20 years has been met.

The dependants of executive directors are eligible for dependants' pensions and payments of lump sums in the event of death in service.

The following directors are members of this scheme and have accrued defined benefits during 1998

	Accumulated total accrued annual pension £'000	Increase in accrued pension over the year £'000	Increase in transfer value over the year £'000
R G Ffoulkes-Jones	82	9	122
I R Fraser	-	-	2
J W Cumming	38	6	71
D J Hollywood	23	3	37
R A Smith	24	3	34

Directors' pension entitlements *continued*

Mr R G Ffoulkes-Jones was an active member of the pension scheme during 1998. However, having been appointed chairman, his active membership ceased at the end of the year. In line with group policy the company has confirmed the augmentation of his pension at age 60 and an additional £250,000 has been paid into the scheme which further increases his entitlement. The cost of the augmentation has been fully provided for by the company in previous years. For 1997 his accumulated total accrued annual pension was £71,000.

Mr I R Fraser is not a member of the senior executive pension scheme which gives top-up benefits to provide a two-thirds pension at age 62 and he is affected by the Inland Revenue earnings cap. The company is establishing a funded unapproved top-up arrangement, the cost of which in 1998 was £7,660.

Mr D J Hollywood's and Mr R A Smith's pensions from the scheme are affected by the Inland Revenue earnings cap on approved pension benefits. The company has established for them funded unapproved top-up arrangements. The contributions in 1998 were £13,915 (1997 £11,322) and £14,490 (1997 £11,832) respectively.

Mr J-M Fink, who is resident in France, contributes to the mandatory French State system. Company contributions on his behalf in 1998 were FF261,000 (1997 FF237,000).

K D Mellor

Chairman, Remuneration committee

On behalf of the board

Brammer Directors' responsibilities

The directors are required by UK company law to prepare financial statements which comply with the Companies Act 1985, on a going concern basis unless inappropriate, and which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss for that period. In preparing these financial statements suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and applicable accounting standards, have been followed.

The directors are also required to maintain proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. In addition they have a general responsibility for safeguarding the assets of the group and preventing and detecting fraud and other irregularities.

We have audited the financial statements on pages 30 to 49, except for the proforma information within those pages. We have also examined the amounts disclosed relating to emoluments, share options and pension entitlements of the directors which form part of the report on remuneration on pages 25 to 28.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report including, as described on page 28, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

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

We review whether the statement on page 24 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
16 March 1999

1 The Embankment
Neville Street
Leeds LS1 4DW

The group	Notes	1998 £'000	1997 £'000
Turnover	1	238,369	223,055
Cost of sales		(150,572)	(135,287)
Gross profit		87,797	87,768
Distribution costs		(43,409)	(39,280)
Administrative expenses		(20,861)	(18,683)
Operating profit		23,527	29,805
Share of associate's operating loss		(7)	-
Profit on sale of fixed assets	3	1,050	911
Profit on ordinary activities before interest	1	24,570	30,716
Net interest	4	(635)	(216)
Profit on ordinary activities before tax	1	23,935	30,500
Tax	5	(7,380)	(9,098)
Profit on ordinary activities after tax		16,555	21,402
Dividends	6	(8,393)	(8,037)
Profit for the year retained in the business	15	8,162	13,365
Earnings per share Basic	7	35.2p	45.8p
Diluted	7	35.1p	45.1p
Dividend per share	6	17.8p	17.2p

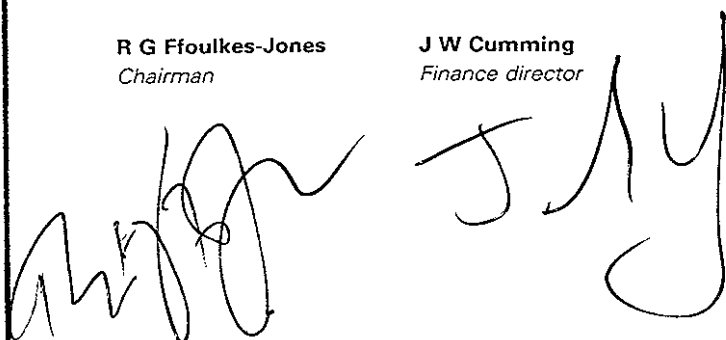
During 1998 the group consisted of only continuing businesses. There is no material difference between the results as disclosed above and the results on an unmodified historic cost basis.

The group	Notes	1998 £'000	1997 £'000
Fixed assets			
Intangible assets	8	1,574	-
Tangible assets	9	59,953	42,914
Investment in associate	10	414	-
		61,941	42,914
Current assets			
Stock		33,218	38,001
Debtors	11	55,189	54,875
Cash and deposits		24,050	21,699
		112,457	114,575
Creditors - due within one year	12	(66,112)	(75,085)
Net current assets		46,345	39,490
Total assets less current liabilities		108,286	82,404
Creditors - due after more than one year	13	(37,648)	(24,434)
Provisions for liabilities and charges	14	(4,344)	(2,190)
Net assets employed		66,294	55,780
Capital and reserves	15		
Called up share capital		9,440	9,328
Shares to be issued		-	16
Share premium account		1,307	890
Revaluation reserve		75	75
Profit and loss account		55,472	45,471
Shareholders' equity		66,294	55,780

In accordance with the provisions of FRS 10 the merger reserve has been transferred to the profit and loss account reserve. Prior year figures have been restated accordingly. The accounts were approved by the board on 16 March 1999 and were signed on its behalf by

R G Ffoulkes-Jones
Chairman

J W Cumming
Finance director

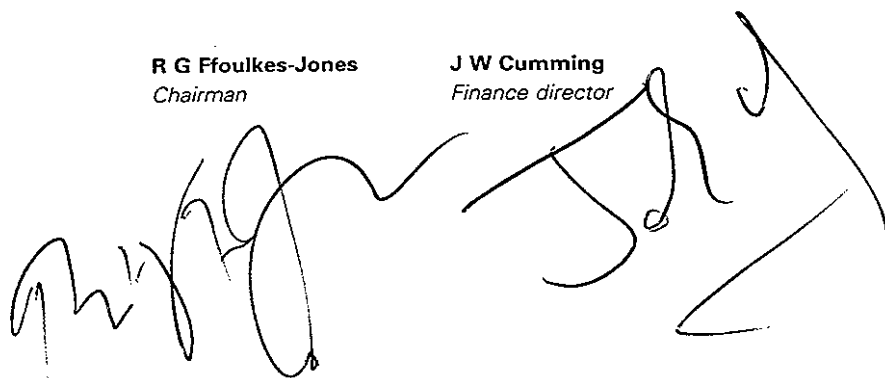


The company	Notes	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	9	269	156
Investments	10	28,355	24,036
		28,624	24,192
Current assets			
Long term debtors	11	62,428	46,089
Debtors - due within one year	11	15,209	17,952
Cash and deposits		20,971	10,762
		98,608	74,803
Creditors - due within one year	12	(31,535)	(22,254)
Net current assets		67,073	52,549
Total assets less current liabilities		95,697	76,741
Creditors - due after more than one year	13	(35,661)	(23,997)
Net assets employed		60,036	52,744
Capital and reserves	15		
Called up share capital		9,440	9,328
Shares to be issued		-	16
Share premium account		1,307	890
Revaluation reserve		1,099	1,009
Special capital reserve		12,077	12,077
Profit and loss account		36,113	29,424
Shareholders' equity		60,036	52,744

The accounts were approved by the board on 16 March 1999 and were signed on its behalf by

R G Ffoulkes-Jones
Chairman

J W Cumming
Finance director



Brammer Consolidated cash flow statement for the year ended 31 December 1998

3

The group	Notes	1998 £'000	1997 £'000
Net cash inflow from operating activities	16	44,683	40,052
Returns on investments and servicing of finance			
Interest received		799	690
Interest paid		(1,359)	(1,053)
		(560)	(363)
Tax paid		(8,388)	(10,243)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(47,692)	(32,342)
Sale of tangible fixed assets		12,074	7,178
		(35,618)	(25,164)
Acquisitions and disposals			
Purchase of subsidiaries and businesses		-	(2,719)
Purchase of investment in associate		(421)	-
Net cash acquired		-	(43)
		(421)	(2,762)
Deferred consideration		(855)	(1,343)
		(1,276)	(4,105)
Equity dividends paid		(6,405)	(6,762)
Net cash outflow before management of liquid resources and financing		(7,564)	(6,585)
Management of liquid resources			
Deposits		690	(2,650)
Financing			
Share options		236	825
SAYE scheme		68	220
Loans less than one year		(454)	(288)
Loans greater than one year		12,344	6,464
Finance leases		(143)	(199)
		12,051	7,022
Increase/(decrease) in cash	17	5,177	(2,213)

Brammer Consolidated statement of total recognised gains and losses for the year ended 31 December 1998

The group	1998 £'000	1997 £'000
Profit for the financial year	16,555	21,402
Exchange differences on foreign currency net investments	201	(186)
Total recognised gains and losses for the year	16,756	21,216

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards under the historic cost convention adjusted by the revaluation of certain fixed assets.

Consolidation principles

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

The results of subsidiaries acquired or sold are included in the consolidated accounts from or to the date that effective control passes.

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

Goodwill and intangible assets

Goodwill on consolidation is calculated as the excess of the cost of companies over the underlying fair value of their net tangible assets acquired, together with purchased goodwill and intangible assets. Where there has been a permanent diminution in the value of the underlying investment, including any diminution of goodwill, account of the changed circumstances is taken through the profit and loss account. The merger relief provisions of the Companies Act 1985 are applied where appropriate. Acquisition expenses are written off as incurred.

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

In accordance with FRS 10, for subsidiary companies acquired on or after 1 January 1998, such goodwill is capitalised as an intangible asset and will be written off over a period of up to 20 years.

Foreign exchange

Assets, liabilities and results in foreign currencies are translated into sterling at the rates of exchange ruling on 31 December. The exchange movements arising from the hedging of foreign currency investments and unrealised exchange differences on translation of net assets employed are dealt with through reserves.

Turnover

Turnover comprises the invoiced value of goods sold and services rendered in the year in the normal course of business excluding the proceeds of sale of previously rented instruments, inter-company transactions, value added tax and sales tax. Rental income is recognised in turnover on a straight line basis over the period of hire.

Leased assets and hire purchase

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

Costs in respect of operating leases are charged against profits in the year incurred.

Depreciation

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

Freehold buildings	individually estimated subject to a maximum of 50 years
Leasehold properties	the term of the lease subject to a maximum of 50 years
Plant and equipment	10 years
Computers and similar office equipment	3 - 5 years
Motor cars	4 years
Commercial vehicles	3 years
Electronic equipment for rent	2 - 6 years

Expenditure on computer software is written off as incurred.

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

Research and development

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

Stock

Stock represents stock held for distribution and has been consistently valued at the lower of cost and net realisable value. Cost of stock represents material and the appropriate portions of overheads.

Deferred tax

Deferred tax is provided using the liability method in respect of the tax effect of all timing differences to the extent that they are expected to crystallise. Deferred tax is not provided on the revaluation of properties as the group does not intend to dispose of these in the foreseeable future. Apart from this the deferred tax provision represents the full potential liability and is calculated at the current rate of corporation tax.

Pensions

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

1 Turnover, profit and net assets

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

	1998	1997 Proforma	Turnover 1997	1998	1997 Proforma	Profit before tax 1997	1998	1997 Proforma	Net assets employed 1997
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Distribution - Group	184,028	184,141	180,980	16,018	24,206	24,057	51,470	48,037	47,018
Distribution - Associate	-	-	-	(7)	-	-	414	-	-
Electronic equipment management	54,341	43,659	42,075	8,559	6,900	6,659	40,678	28,986	27,815
	238,369	227,800	223,055	24,570	31,106	30,716	92,562	77,023	74,833
Financing	-	-	-	(635)	(226)	(216)	(26,268)	(20,779)	(19,053)
	238,369	227,800	223,055	23,935	30,880	30,500	66,294	56,244	55,780

Financing represents interest, net funds, capitalised goodwill, dividends and tax payable, all of which relate to the group as a whole and cannot meaningfully be allocated between different business sectors. The proforma figures for 1997, which are unaudited, represent the group's results for 1997 translated at the rates of exchange which ruled as at 31 December 1998.

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

	1998	1997 Proforma	Turnover 1997	1998	1997 Proforma	Profit before interest 1997	1998	1997 Proforma	Net operating assets 1997
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	146,694	150,515	150,515	12,866	22,806	22,806	45,901	43,569	43,569
Other Europe - Group	91,675	77,285	72,540	11,711	8,300	7,910	46,247	33,454	31,264
Other Europe - Associate	-	-	-	(7)	-	-	414	-	-
	238,369	227,800	223,055	24,570	31,106	30,716	92,562	77,023	74,833

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

Net operating assets excludes net funds, capitalised goodwill, dividends and tax payable, all of which relate to the group as a whole and cannot meaningfully be allocated between different geographic sectors.

Profit before interest is stated after charging

	1998 £'000	The group 1997 £'000
Depreciation and provision for permanent diminution in value - tangible fixed assets	21,732	15,637
Operating leases - property	3,273	2,996
- other	515	539
Audit firm's and associates' remuneration - audit	242	234
- tax	233	154

The remuneration of the group's auditors and their associates for the provision of other services was £19,000 (1997 £60,000). Details of employees' emoluments and of pension scheme charges are given in note 2.

2 Employees

	1998 £'000	The group 1997 £'000
Aggregate emoluments of employees, including directors, were		
Wages and salaries	33,067	31,549
Social security costs	5,179	4,598
Pension costs	3,220	1,458
Other related costs	1,599	1,610
	43,065	39,215
	1998 numbers	The group 1997 numbers
The average number of employees was		
Marketing, selling and distribution	1,435	1,382
Administration	242	261
	1,677	1,643

3 Profit on sale of fixed assets

As soon as it is considered that the optimum value of rental inventory will be realised by disposal rather than continued rental, the assets are disposed of, usually through specialist group sales operations established for this purpose. The profit on sale of inventory represents the net profits, being disposal proceeds net of direct costs of disposal. See also note 9 for further details.

4 Net interest

	1998 £'000	The group 1997 £'000
Interest payable		
Bank overdrafts and short term borrowings	(146)	(151)
Loans	(1,101)	(848)
Finance leases	(42)	(47)
	(1,289)	(1,046)
Interest receivable		
Bank and other short term deposits	654	830
	(635)	(216)

5 Tax

	1998 £'000	The group 1997 £'000
United Kingdom corporation tax at 31% (1997 31.5%)	4,402	7,418
Foreign tax	3,028	1,854
Deferred tax	338	140
	7,768	9,412
Under/(over) provision in prior years		
Current tax	(837)	(283)
Deferred tax	449	(31)
	7,380	9,098

6 Dividends

	1998 £'000	The group 1997 £'000
Interim paid 6.0p (1997 5.6p) per share on 47,030,196 shares	2,822	2,623
Final proposed 11.8p (1997 11.6p) per share on 47,203,012 shares	5,571	5,414
	8,393	8,037

7 Earnings per share

	1998 £'000	1997 £'000
Earnings after tax	16,555	21,402
	Numbers	Numbers
Average number of shares in issue (basic)	47,030	46,692
Share options outstanding	136	687
Deferred consideration shares outstanding	-	81
Average number of shares in issue (diluted)	47,166	47,460

8 Fixed assets - intangible assets

	1998 £'000	The group 1997 £'000
Goodwill on acquisition of subsidiary in year	1,574	-

9 Fixed assets - tangible assets

	1998 £'000	The group 1997 £'000	1998 £'000	The company 1997 £'000
The net book value comprises				
Rental inventory	43,780	28,343	-	-
Other fixed assets				
Freehold properties	1,822	1,909	-	-
Long leasehold properties	1,980	1,964	-	-
Short leasehold properties	1,867	1,239	5	5
Fixtures and fittings	2,626	1,865	-	-
Office equipment	4,073	4,100	80	58
Motor vehicles	3,805	3,494	184	93
	16,173	14,571	269	156
	59,953	42,914	269	156
Rental inventory				
			1998 £'000	The group 1997 £'000
Cost				
At 31 December 1997			37,544	29,354
Foreign currency movements			1,646	(1,560)
Additions			41,361	27,771
Transfer to other fixed assets			(84)	(455)
Assets realised			(17,345)	(17,566)
At 31 December 1998			63,122	37,544
Depreciation				
At 31 December 1997			9,201	10,559
Foreign currency movements			444	(642)
Charge in year			17,220	11,408
Transfer to other fixed assets			(24)	(337)
Assets realised			(7,499)	(11,787)
At 31 December 1998			19,342	9,201
Net book value				
At 31 December 1997			28,343	18,795
Movement in year			15,437	9,548
At 31 December 1998			43,780	28,343

9 Fixed assets - tangible assets *continued*

Derived from the rental inventory are rentals of £48,500,000 (1997 £36,122,000) which are included in turnover. Also included in turnover are sales of electronic instruments purchased specifically for resale. Sales of instruments out of rental inventory of £10,579,000 (1997 £6,690,000), which are dealt with in the consolidated cash flow statement, are included within sale of tangible fixed assets £12,074,000 (1997 £7,178,000). Purchases of electronic instruments for rent, £41,361,000 (1997 £27,771,000), are included within the purchase of tangible fixed assets of £47,692,000 (1997 £32,342,000) in the consolidated cash flow statement. Included in the depreciation charge in the year of £17,220,000 (1997 £11,408,000) is a charge of £292,000 (1997 a charge of £79,000) being the movement in the provision for the permanent diminution in value. The cumulative provision for permanent diminution in value at 31 December 1998, included in the aggregate depreciation of £19,342,000 (1997 £9,201,000), is £1,272,000 (1997 £1,146,000).

Other fixed assets	The group			The company		
	Land and buildings £'000	Equipment £'000	Total £'000	Land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation						
At 31 December 1997	8,006	23,743	31,749	9	446	455
Foreign currency movements	132	494	626	-	-	-
Additions	1,002	4,883	5,885	-	257	257
Acquisitions	-	517	517	-	-	-
Transfer from rental inventory	-	84	84	-	-	-
Assets realised	(121)	(2,422)	(2,543)	-	(28)	(28)
At 31 December 1998	9,019	27,299	36,318	9	675	684
Depreciation						
At 31 December 1997	2,894	14,284	17,178	4	295	299
Foreign currency movements	40	299	339	-	-	-
Charge in year	431	4,081	4,512	-	146	146
Transfer from rental inventory	-	24	24	-	-	-
Assets realised	(15)	(1,893)	(1,908)	-	(30)	(30)
At 31 December 1998	3,350	16,795	20,145	4	411	415
Net book value						
At 31 December 1997	5,112	9,459	14,571	5	151	156
Movement in year	557	1,045	1,602	-	113	113
At 31 December 1998	5,669	10,504	16,173	5	264	269
Of which						
At cost	5,617	10,504	16,121	5	264	269
At valuation	52	-	52	-	-	-
	5,669	10,504	16,173	5	264	269

Within the group the original cost of the assets carried at valuation totals £42,000 (1997 £42,000). If these assets had not been revalued the cumulative depreciation would have been £15,000 (1997 £14,000) lower at £20,130,000 (1997 £17,164,000). The group's net book value of other fixed assets of £16,173,000 (1997 £14,571,000) includes an amount of £471,000 (1997 £679,000) in respect of assets held under finance leases. The related accumulated depreciation charge was £1,921,000 (1997 £1,835,000). The gross depreciable cost or valuation of freehold buildings of the group amounted to £2,417,000 (1997 £2,279,000).

9 Fixed assets - tangible assets *continued***Future capital expenditure**

Commitments for which contracts have been placed as at 31 December 1998 amounted to £863,000 (1997 £931,000).

Operating lease commitments

At 31 December 1998 the group was committed to minimum annual lease payments, most of which relate to non-cancellable property leases, as follows

	1998 £'000	The group 1997 £'000
Leases which terminate		
Within one year	952	737
Between one and five years	2,449	1,209
After five years	2,581	1,566
	5,982	3,512

The company's annual lease commitment amounted to £88,000 (1997 £88,000) on a property lease which terminates in 2011.

10 Fixed assets - investments (unlisted)

	1998 £'000	The group 1997 £'000	1998 £'000	The company 1997 £'000
At directors' valuation				
Associate				
Investment in associate acquired in the year	414	-	331	-
Subsidiaries				
At 31 December 1997	-	-	24,036	26,438
Additional investment in subsidiary	-	-	-	300
Movement in provisions	-	-	3,988	(2,702)
At 31 December 1998	414	-	28,355	24,036

The group's interest in an associated undertaking represents its share of the net assets and goodwill of Rolamentos S.D.R. S.A., a company incorporated in Portugal. Further details can be found in note 18.

The list of principal subsidiaries appears on page 17.

11 Debtors

	1998 £'000	The group 1997 £'000	1998 £'000	The company 1997 £'000
Amounts due after one year				
Subsidiaries	-	-	62,398	44,723
Advance corporation tax	-	-	-	1,353
Deferred tax	-	-	30	13
	-	-	62,428	46,089
Amounts due within one year				
Trade debtors	49,614	51,460	3	-
Prepayments and accrued income	3,509	1,847	20	161
Retirement benefits scheme	801	548	-	-
Subsidiaries	-	-	15,106	17,734
Other debtors	1,265	1,020	80	57
	55,189	54,875	15,209	17,952
	55,189	54,875	77,637	64,041

12 Creditors - due within one year

	1998 £'000	The group 1997 £'000	1998 £'000	The company 1997 £'000
Unsecured bank loan repayments				
due within one year	585	978	-	-
Finance lease commitments due within one year	98	135	-	-
Overdrafts	389	2,208	-	-
Trade creditors	35,544	44,062	225	381
Subsidiaries	-	-	19,412	11,921
PAYE & VAT	2,281	1,309	649	421
National insurance	1,132	945	26	19
Other	1,621	1,665	-	-
Current tax	4,879	7,962	1,832	2,404
Dividends	5,571	5,414	5,571	5,414
Deferred consideration	2,784	901	2,208	901
Accruals	11,228	9,506	1,612	793
	66,112	75,085	31,535	22,254

Brammer Notes to the accounts

13 Creditors - due after more than one year

	1998 £'000	The group 1997 £'000	1998 £'000	The company 1997 £'000
Unsecured bank loans repayable				
Between two and five years	35,661	21,428	35,661	21,428
Finance lease commitments				
Between one and two years	92	95	-	-
Between two and five years	162	183	-	-
Over five years	111	159	-	-
	365	437	-	-
Deferred consideration	1,622	2,569	-	2,569
	37,648	24,434	35,661	23,997

14 Provisions for liabilities and charges

	1998 £'000	The group 1997 £'000	1998 £'000	The company 1997 £'000
Deferred tax and advance corporation tax recoverable				
At 31 December 1997	2,190	2,242	(13)	(254)
Deferred tax				
Foreign currency movements	14	(45)	-	-
Profit and loss account charge/(credit)	787	109	(17)	241
Advance corporation tax recoverable				
Net decrease/(increase)	1,353	(116)	-	-
At 31 December 1998	4,344	2,190	(30)	(13)
Balance at 31 December 1998 represents				
Accelerated capital allowances	463	457	-	-
Other timing differences	3,881	3,086	(30)	(13)
Deferred tax	4,344	3,543	(30)	(13)
Advance corporation tax recoverable	-	(1,353)	-	-
At 31 December 1998	4,344	2,190	(30)	(13)

Within the company the deferred tax asset of £30,000 (1997 £13,000) is shown as a debtor in note 11.

15 Capital and reserves

	Issued share capital £'000	Shares to be issued £'000	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000	The group Total £'000
At 31 December 1997	9,328	16	890	75	45,471	55,780
Profit retained this year	-	-	-	-	8,162	8,162
Unrealised exchange movement	-	-	-	-	201	201
Share options	16	-	220	-	-	236
Scrip dividends	57	-	-	-	1,774	1,831
Savings related share options	7	-	61	-	-	68
Capitalised on exercise of share options	-	-	136	-	(136)	-
Deferred consideration	32	(16)	-	-	-	16
Movement in year	112	(16)	417	-	10,001	10,514
At 31 December 1998	9,440	-	1,307	75	55,472	66,294

In accordance with the provisions of FRS 10 the merger reserve has been transferred to the profit and loss account reserve. Prior year figures have been restated accordingly. The cumulative amount of goodwill arising from the acquisition of subsidiary companies which has been written off against the profit and loss account reserve as at 31 December 1998 is £30,470,000 (1997 £30,470,000).

	Issued share capital £'000	Shares to be issued £'000	Share premium £'000	Revaluation reserve £'000	Special capital £'000	Profit and loss account £'000	The company Total £'000
At 31 December 1997	9,328	16	890	1,009	12,077	29,424	52,744
Profit retained this year	-	-	-	-	-	946	946
Unrealised exchange movement	-	-	-	-	-	896	896
Share options	16	-	311	-	-	-	327
Scrip dividends	57	-	-	-	-	1,774	1,831
SAYE scheme	7	-	61	-	-	-	68
Capitalised on exercise of share options	-	-	45	-	-	(45)	-
Deferred consideration	32	(16)	-	-	-	-	16
Revaluation of investments	-	-	-	90	-	3,118	3,208
Movement in year	112	(16)	417	90	-	6,689	7,292
At 31 December 1998	9,440	-	1,307	1,099	12,077	36,113	60,036

The special capital reserve is non-distributable.

Brammer Notes to the accounts

15 Capital and reserves *continued*

Reconciliations of movements in shareholders' equity for the year ended 31 December 1998

	1998 £'000	The group 1997 £'000	1998 £'000	The company 1997 £'000
Shareholders' equity at 31 December 1997	55,780	44,723	52,744	47,554
Profit for the financial year	16,555	21,402	9,339	12,474
Dividends	(8,393)	(8,037)	(8,393)	(8,037)
Other recognised gains/(losses) for the year	8,162	13,365	946	4,437
Goodwill	201	(186)	4,104	(1,550)
Shares issued	-	(3,949)	-	-
	2,151	1,827	2,242	2,303
Net movement in shareholders' equity for the year	10,514	11,057	7,292	5,190
Shareholders' equity at 31 December 1998	66,294	55,780	60,036	52,744

Share capital

	The group and company 1998 Numbers	1997 Numbers
Ordinary shares of 20p each		
Authorised	57,500,000	57,500,000
Allotted and fully paid		
At 31 December 1997	46,642,009	46,009,231
Share options	79,500	337,000
Scrip dividends	283,195	132,892
Savings related share options	35,642	128,573
Shares issued on settlement of deferred consideration	157,216	34,313
At 31 December 1998	47,197,562	46,642,009

15 Capital and reserves *continued***Share option schemes**

Movements on share options during the year were as follows

Price per share	31 December 1997	Granted	Exercised	Lapsed	31 December 1998	Date from which exercisable	Expiry date
Executive							
1985 scheme							
268p	17,500	-	-	-	17,500	16 May 1992	16 May 1999
168p	50,000	-	-	-	50,000	11 Sep 1993	11 Sep 2000
225p	40,000	-	-	-	40,000	8 Apr 1994	8 Apr 2001
225p	30,000	-	(10,000)	-	20,000	9 Apr 1995	9 Apr 2002
213p	66,500	-	(16,500)	-	50,000	9 Sep 1995	9 Sep 2002
310p	204,000	-	(20,000)	-	184,000	8 Apr 1997	8 Apr 2004
355p	275,500	-	(33,000)	-	242,500	19 Apr 1998	19 Apr 2005
1995 scheme							
513p	248,500	-	-	(23,000)	225,500	29 Mar 1999	29 Mar 2006
533p	35,000	-	-	-	35,000	10 Apr 1999	10 Apr 2006
628p	20,000	-	-	-	20,000	10 Apr 2000	10 Apr 2007
576p	226,000	-	-	(13,500)	212,500	9 Sep 2000	9 Sep 2007
380p	-	172,950	-	-	172,950	15 Sep 2001	15 Sep 2008
335p	-	91,500	-	-	91,500	6 Oct 2001	6 Oct 2008
1997 scheme							
576p	102,000	-	-	-	102,000	9 Sep 2000	9 Sep 2007
380p	-	105,550	-	(1,000)	104,550	15 Sep 2001	15 Sep 2008
335p	-	8,500	-	-	8,500	6 Oct 2001	6 Oct 2008
Total	1,315,000	378,500	(79,500)	(37,500)	1,576,500		
Savings related							
1989 scheme							
171p	32,799	-	(31,396)	(1,403)	-	1 Nov 1997	1 May 1998
296p	319,130	-	(2,781)	(15,976)	300,373	1 Dec 1999	1 Jun 2000
378p	141,198	-	(794)	(7,416)	132,988	1 Dec 2000	1 Jun 2001
461p	454,111	-	(671)	(59,961)	393,479	1 Nov 2002	1 May 2003
Total	947,238	-	(35,642)	(84,756)	826,840		

Brammer Notes to the accounts

16 Net cash inflow from operating activities

	1998 £'000	The group 1997 £'000
Operating profit	23,527	29,805
Depreciation of tangible fixed assets	21,732	15,637
	45,259	45,442
Movement in working capital		
Stock	5,493	(5,590)
Debtors	411	(7,189)
Creditors	(6,480)	7,389
	(576)	(5,390)
Net cash inflow from operating activities	44,683	40,052

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

	1998 £'000	The group 1997 £'000
Net cash inflow from operating activities	44,683	40,052
Purchase of rental inventory	(41,361)	(27,771)
Disposal of rental inventory	9,846	5,779
Profit on sale of rental inventory	1,050	911
Adjusted net cash inflow from operating activities	14,218	18,971

17 Reconciliation of net cash flow to movement in net debt

	1998 £'000	The group 1997 £'000
Increase/(decrease) in cash	5,177	(2,213)
Cash outflow from decrease in debt and lease financing	(12,437)	(3,327)
	(7,260)	(5,540)
New finance leases	-	(51)
Exchange movements	(2,301)	2,530
Movement in net funds	(9,561)	(3,061)
Net funds at 31 December 1997	(3,487)	(426)
Net funds at 31 December 1998	(13,048)	(3,487)

17 Reconciliation of net cash flow to movement in net debt *continued*

Analysis of net debt	At 31 December 1997 £'000	Cash flow £'000	Exchange movements £'000	At 31 December 1998 £'000
Cash in hand and at bank	19,049	3,281	(388)	21,942
Bank overdrafts	(2,208)	1,896	(77)	(389)
	16,841	5,177	(465)	21,553
Deposits	2,650	(690)	148	2,108
Debt due within one year	(978)	454	(61)	(585)
Debt due after one year	(21,428)	(12,344)	(1,889)	(35,661)
Finance leases	(572)	143	(34)	(463)
Total	(3,487)	(7,260)	(2,301)	(13,048)

18 Acquisitions

On 18 November 1998, the group acquired a 25% stake in Sociedade de Rolamentos S.D.R. S.A. ('Rolamentos'). The acquisition has been accounted for as an associated undertaking as the group has a significant, but not dominant, influence over the running of the company. The purchase price was £421,000 based on the group's share of Rolamentos' net assets at the date of acquisition of £331,000 and expenses of £90,000. The carrying value of £414,000 represents the purchase price less the group's share of the pre-tax loss earned from acquisition to 31 December 1998 of £7,000. A summary of the full results of the company for 1998 is as follows

	1998 £'000	1997 £'000
Turnover	6,072	5,867
Profit before interest	(423)	370
Net assets	1,326	1,373

Figures for both years have been translated into sterling at the 1998 year end exchange rate of 284.1 Portuguese Escudos to £1.

On 31 December 1998, in partnership with KPN Telecom, the group formed a Dutch registered company, Livingston Calibration B.V., which immediately acquired the calibration related assets and business of KPN Telecom. KPN Telecom owns 60% of Livingston Calibration B.V. and the group owns 40% with an agreement to purchase the remaining 60% over a three year period. As the group has full management control of Livingston Calibration B.V. the company has been consolidated as a full subsidiary with deferred consideration entries relating to the remaining 60%. The results of this acquired business in the period prior to acquisition is not given as the directors are of the opinion that the change in ownership and the structure of the new business renders such information incomparable. The details of the acquisition are as follows

	Book value £'000	Accounting policy adjustments £'000	Revaluations £'000	The group Fair value to the group £'000
Tangible fixed assets	1,158	(641)	-	517
Stock	107	-	-	107
Net tangible assets acquired	1,265	(641)	-	624
Purchase price				2,198
Goodwill				1,574

Net tangible assets acquired have been restated in line with the group's accounting policies and have been adjusted to their net realisable values recognising that computer software should be written off.

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

Brammer Notes to the accounts

18 Acquisitions *continued*

The negative group cash flow arising in 1998 from these acquisitions is as follows

	Rolamentos £'000	Livingston Calibration £'000	The group Total £'000
Purchase consideration	331	2,198	2,529
Deferred consideration	-	(2,198)	(2,198)
Expenses and related costs	90	-	90
	421	-	421

19 Post balance sheet event

On 15 March 1999 the group announced the acquisition of a 50% interest in Thomson-CSF Instrumentation Services SA ('TIS') for FRF 7.5 million with an agreement to purchase the remaining shares between January 2000 and January 2001 for a maximum consideration of FRF 7.5 million payable in August 2004. TIS calibrates and maintains test and measurement equipment and turnover in 1998 was FRF 79 million. TIS employs 156 people and is based in Paris with operations in 11 other locations in France.

At the same time TIS entered into contracts to provide calibration and maintenance services for the whole of the Thomson-CSF group throughout metropolitan France. These contracts are expected to yield turnover of £89 million over the five year contract periods.

20 Pensions

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

The latest actuarial valuation of the scheme was carried out as at 1 January 1997, using the projected unit method, by an independent actuary employed by Watson Wyatt Partners. The assumptions which the actuary made that have the most significant effect on the results of the valuation are those related to the rate of return on investments and the rates of increase in salaries and pensions. He assumed that, over the long term, investment return will exceed the increase in remuneration by 2% per annum and that present and future pensions will increase at the rate of 4.5% per annum on pensions earned in excess of the guaranteed minimum pension. The valuation showed that the market value of the scheme's assets was £23,400,000 and that the actuarial value of these assets represented 97.3% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Special contributions have been made to restore the pension fund deficit.

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

The charge in the year for the schemes was £1,792,000. A prepayment of £801,000 is included in debtors, representing the difference in amounts included in the profit and loss account and the amounts paid into these schemes.

21 Contingencies

In the ordinary course of business certain leasehold properties which the group no longer requires have been assigned to third parties. The ultimate responsibility for the lease payments relating to some of the properties remains with the group. In the event of the assignees defaulting, the maximum annual liability of the group (ignoring the effects of possible future rent reviews) is £257,000 (1997 £285,000).

	1998 £'000	1997 £'000	1996 £'000	1995 £'000	1994 £'000
Profit and loss					
Turnover	238,369	223,055	204,803	183,043	148,244
Profit on ordinary activities before interest	24,570	30,716	28,618	22,154	14,820
Net interest	(635)	(216)	(439)	(567)	(720)
Profit on ordinary activities before tax	23,935	30,500	28,179	21,587	14,100
Tax	(7,380)	(9,098)	(9,574)	(7,358)	(4,692)
Profit on ordinary activities after tax	16,555	21,402	18,605	14,229	9,408
Dividends	(8,393)	(8,037)	(7,358)	(6,485)	(5,948)
Profit for the year retained in the business	8,162	13,365	11,247	7,744	3,460
Business analysis - Distribution					
Turnover	184,028	180,980	166,227	146,289	122,125
Profit before interest	16,011	24,057	22,594	17,434	11,111
Net operating assets	51,884	47,018	42,849	37,307	32,220
Business analysis - Electronic equipment management					
Turnover	54,341	42,075	38,576	36,754	26,119
Profit before interest	8,559	6,659	6,024	4,720	3,709
Net operating assets	40,678	27,815	18,723	18,709	14,983
Net assets employed					
Goodwill	1,574	-	-	-	-
Fixed assets	60,367	42,914	33,373	32,445	25,182
Other working capital	32,195	31,919	28,199	23,571	22,021
Tax	(9,223)	(10,152)	(11,473)	(7,852)	(5,392)
Net (borrowings)/cash balances	(13,048)	(3,487)	(426)	4,590	3,436
Dividends	(5,571)	(5,414)	(4,950)	(4,315)	(3,931)
Financed by					
Shareholders' equity	66,294	55,780	44,723	48,439	41,316
Cash flow					
Net cash inflow from operating activities	44,683	40,052	37,712	32,017	25,573
Interest paid and received	(560)	(363)	(225)	(570)	(628)
Tax paid	(8,388)	(10,243)	(8,226)	(4,641)	(2,382)
Net fixed assets movements - Rental assets	(31,253)	(21,081)	(8,792)	(10,113)	(8,075)
Net fixed assets movements - Other assets	(4,365)	(4,083)	(4,127)	(4,040)	(2,746)
Acquisitions and disposals	(1,276)	(4,105)	(16,485)	(4,718)	-
Dividends paid	(6,405)	(6,762)	(6,334)	(5,917)	(5,683)
Financing and management of liquid resources	12,741	4,372	(2,692)	5,289	1,546
Movement in net cash	5,177	(2,213)	(9,169)	7,307	7,605
Movement in debt, finance leases and liquid resources	(12,437)	(3,378)	(523)	(4,203)	(1,240)
Exchange movements	(2,301)	2,530	4,676	(1,950)	(823)
Movement in net funds	(9,561)	(3,061)	(5,016)	1,154	5,542
Ratios					
Earnings per share - Basic	35.2p	45.8p	40.4p	31.2p	20.8p
Earnings per share - Diluted	35.1p	45.1p	39.5p	30.6p	20.4p
Dividend per share	17.80p	17.20p	16.00p	14.25p	13.25p
Return on investment	39%	61%	60%	48%	36%
Gearing	19.7%	6.3%	0.9%	none	none

Net funds represent cash balances, including deposits, less overdrafts, all loans and finance lease commitments. Return on investment is calculated as profit before tax (after adding back the loss on disposal/closure of discontinued operations) to average net assets employed. Gearing is calculated as net funds (when negative) to closing shareholders' equity. The earnings per share figures have been adjusted for subsequent bonus issues of shares.

Brammer Notice of meeting

Notice is hereby given that the 79th annual general meeting of Brammer plc will be held at the Glaziers Hall, Montague Close, London Bridge, London SE1 9DD on Tuesday, 25 May 1999 at 12 noon for the following purposes

As ordinary business

- 1 To receive and consider the accounts for the year ended 31 December 1998 and the reports of the directors and auditors thereon.
- 2 To declare a dividend.
- 3 To elect Mr I R Fraser who is retiring and offering himself for re-election.
- 4 To elect Mr D J Hollywood who is retiring and offering himself for re-election.
- 5 To elect Mr R E Hough who is retiring and offering himself for re-election.
- 6 To appoint auditors and to authorise the directors to determine their remuneration. The auditors retiring and offering themselves for re-appointment are KPMG Audit Plc.

As special business

To consider and, if thought fit, pass the following resolutions. Resolutions 7 and 10 will be proposed as ordinary resolutions and resolutions 8 and 9 as special resolutions.

- 7 That the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (as defined in section 80 of the Companies Act 1985) up to an aggregate nominal amount of £2,059,397 ('the Section 80 amount') provided that this authority shall expire on 23 May 2000 or, if earlier, at the conclusion of the next annual general meeting after the passing of this resolution save that the company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
- 8 That subject to the passing of the previous resolution, the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if section 89 (1) of the said Act did not apply to any such allotment provided that this power shall be limited
 - (i) to the allotment of equity securities in connection with a rights issue or other issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any country or territory; and
 - (ii) to the allotment (otherwise than pursuant to sub-paragraph (i)) of any equity securities up to an aggregate nominal value of £470,000 ('the Section 89 amount')

and shall expire on 23 May 2000 or, if earlier, at the conclusion of the next annual general meeting of the company after the passing of this resolution save that the company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

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

- (i) the maximum number of ordinary shares hereby authorised to be purchased is 2,350,000;
- (ii) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of The London Stock Exchange for the ten business days immediately preceding the day on which the ordinary share is purchased;
- (iii) the minimum price which may be paid for each ordinary share is 20 pence; and
- (iv) the authority hereby conferred shall expire on 23 May 2000 or, if earlier, at the conclusion of the next annual general meeting of the company after the passing of this resolution (except that the company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own shares in pursuance of such contract).

10 That

- (i) the Brammer plc savings-related share option scheme 1999 ('the 1999 SAYE Scheme'), described in the letter to shareholders of Brammer plc dated 9 April 1999 and to be constituted by the rules produced in draft to this meeting and for the purpose of identification initialled by the chairman thereof, be adopted, subject to such amendments thereto as the directors of the company may consider necessary or desirable to obtain the approval of the Inland Revenue thereto, and the directors be and are hereby authorised to make such amendments and do all such things as are necessary or desirable to obtain the approval of the Inland Revenue thereto and to carry the 1999 SAYE Scheme into effect; and
- (ii) the directors be and are hereby authorised to establish further schemes based on the 1999 SAYE Scheme but modified to take account of local tax, exchange controls or securities laws in overseas territories.

By order of the board
J B Stimson
Secretary
 9 April 1999

1 Tabley Court
 Victoria Street
 Altrincham
 Cheshire WA14 1EZ

Members of the company who are entitled to vote at the meeting may appoint one or more proxies to attend and (on a poll) vote instead of them. A proxy does not need to be a member of the company.

The company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the company as at 6.00pm on Sunday, 23 May 1999 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00pm on Sunday, 23 May 1999 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

The following documents, which, for the period of this notice, are available for inspection by members at the registered office of the company during normal business hours on any weekday (except Saturdays and public holidays), will, on the day of the annual general meeting, be similarly available at the Glaziers Hall, Montague Close, London Bridge, London SE1 9DD, from 11.45am to the conclusion of that meeting

- (i) a statement of transactions of each director and his family interests in the shares of the company for the period ended 9 April 1999,
- (ii) copies of service contracts of the directors with the company,
- (iii) copy of the proposed rules of the Brammer plc savings-related share option scheme 1999.