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PRELIMINARY RESULTS

STRATEGY CONTINUES TO PROVIDE RESILIENCE

Brammer, the leading pan European added value technical distributor, today announces its preliminary results for the year ended 31 December 2009.

Brammer's goal is to supply its customers with a consistent quality of products and services, across the entire bearings, power transmission and fluid power product range, anywhere in Europe. Brammer presently operates in over 300 locations in 16 countries.

FINANCIAL SUMMARY

		2009 £m	2008 £m	Change
Revenue		**£426.1m**	£478.4m	-10.9%
Operating profit before amortisation and exceptional items		**£18.4m**	£26.2m	-29.8%
Profit before tax on ordinary activities (before amortisation and exceptional items)		**£13.8m**	£19.7m	-29.9%
Amortisation of acquired intangibles		**£(1.6)m**	£(0.8)m	
Exceptional items – continuing operations		**£(13.7)m**	-	
(Loss)/profit before tax from continuing operations		**£(1.5)m**	£18.9m	
Operating cash flow before exceptional items		**£33.3m**	£29.2m	+14.0%
Net debt		**£39.9m**	£84.0m	
			As restated*	
Dividend	- Interim *	**1.9p**	1.9p	
	- Final proposed	**3.6p**	3.6p	
Earnings per share - total				
Basic - continuing (0.5)p, discontinued 0.6p		**0.1p**	17.4p	
Diluted - continuing (0.5)p, discontinued 0.6p		**0.1p**	17.1p	
Earnings per share – on continuing operations before amortisation and exceptional items				
Basic		**13.1p**	18.2p	-28.0%
Diluted		**13.1p**	17.9p	

* Interim dividend 2009, prior year dividends and earnings per share have been restated to reflect the effect of a 1 for 1 rights issue completed on 16 November 2009.

Highlights

- Overall revenue down by 10.9%; leading presence across Europe maintained.
- In the UK, sales per working day were flat in a market believed to be down about 15%, whilst operating profit increased by 24%.
- Brammer's leadership position still only represents around 3% of the European market and the Company continues to enjoy a sales performance which betters the market as consolidation continues.
- Key Account sales grew by 9%, now representing 36% of total revenues, with important new Key Account wins across the group.
- Overhead costs have been reduced by an annualised £15.8 million (13%) whilst maintaining - service levels. There were associated exceptional costs totalling £13.7 million.
- Operating profit (before amortisation and exceptional items) decreased to £18.4 million (2008: £26.2 million).
- Inventory levels reduced by £32.3 million in total, equating to £23.5 million in constant currency terms, a reduction of 26%.
- Strong cash inflow from operating activities (before exceptional items) of £33.3 million (2008: £29.2 million), being 181% of operating profit (before amortisation and exceptional items).
- Net debt reduced by £44.1 million to £39.9 million following completion of the rights issue raising net proceeds of £35.3 million.
- EPS (on continuing operations before amortisation and exceptional items) reduced to 13.1p (2008: 18.2p as restated for the effects of the rights issue).

David Dunn, Chairman, said:

"At the time of the July management statement we indicated that signs of stability were becoming evident. We now believe that June was the low point of the recent trading cycle. Since that time sales have stabilised and towards the latter part of 2009 have been increasing. This better trend has continued into 2010.

Although it is early days, the Board is encouraged by this improvement and coupled with a reduced overhead base and strengthened balance sheet we are cautiously optimistic for 2010."

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CHAIRMAN'S STATEMENT

General Summary

Without doubt, 2009 has proved to be the most difficult trading period in recent times. Whilst the economic environment has prevented Brammer from continuing the growth of the previous five years, there are some significant achievements in the year which give the Board confidence in the future. I would summarise the more important of these as follows:

- our strategy has clearly demonstrated its resilience in a period of great pressure on the business
- overhead costs have been reduced by £15.8 million per annum whilst maintaining service levels
- the Balance Sheet has been significantly strengthened by a successful rights issue and a very substantial reduction in inventory levels
- the management team have responded magnificently to the challenges with which they were faced

These and other topics are discussed more fully in the Chief Executive's and Finance Director's reports which follow my Chairman's statement.

Trading

Sales for the year at £426.1 million were 10.9% lower than last year's £478.4 million. Within this total Key Accounts performed well with overall growth of 9%, and showed an accelerating trend throughout the year. They now account for over 36% of total sales compared to less than 30% a year ago. Growing Brammer's Key Account business is a major strategic objective, and I believe these figures clearly demonstrate the benefit this has provided in such a difficult year.

Within the sales mix there have been substantial gains in market sectors which have been less exposed to the economic recession. Strong double digit increases in Food and Drink, Pharmaceuticals, Utilities, and Transport have, however, been offset by large declines in Automotive, Metals, Construction, Engineering, and Chemicals. Clearly sales mix varies by country but targeted gains have been achieved by focusing on the more resilient sectors.

Emerging from these changes in the sales mix it is reassuring to be able to report stable gross margins. Realistic pricing and good support from our suppliers have combined to create a positive outcome consistent with the levels of previous years.

A major focus from the early onset of the recession has been to reduce overhead costs to a level commensurate with the lower activity levels, and ideally in a manner which would maintain service levels. As the results show, sales, distribution, and administrative costs have been reduced by an annualised £15.8 million, equivalent to 13% of last year's reported total. This has involved substantial cuts in employment costs but all categories of overhead have been affected. These reductions have necessarily incurred significant costs in themselves and are contained within the reported exceptional item of £12.9 million within operating profit. Contraction is never an easy process and I would like to commend management's determination in achieving such a substantial saving, and thank our employees for their understanding. It is interesting to note that sales per employee were £183,000 for 2009 which was virtually identical to the previous year.

Balance Sheet

Net debt at 31 December 2009 was £39.9 million compared to £84.0 million a year ago. Net proceeds from the rights issue in November 2009 amounted to £35.3 million and this has greatly strengthened the group's financial position. Whilst we had renegotiated our borrowing facilities as recently as November 2008, and were trading within the covenants agreed, it became clear to the Board that the lending climate had fundamentally changed with the banking crisis. Accordingly, the Board decided it was prudent to reduce Brammer's dependence on debt financing and we are grateful for the support received from shareholders.

In previous reports we have referred to the strategic goal of developing our systems to improve our management of inventories. With a massive spread of part numbers across Europe this was a considerable but necessary undertaking. It is therefore pleasing to report that in 2009 inventories fell from £103.1 million to £70.8 million. Whilst currency accounted for £8.8 million of this benefit, the vast bulk of the remainder reflects the tremendous progress made in utilising our enhanced systems. Operating cash flow before exceptional items totalled £33.3 million which was well ahead of anything previously achieved. We therefore enter 2010 in the strongest financial position for many years.

Strategy

I believe Brammer's strategy has held up well in 2009. It remains unchanged under the headings of growth, capabilities, synergies, and costs. As referred to above, the Key Account and segmental approach to our markets, the focus on costs and cash, and our investments in systems have demonstrably proved that the strategy is durable in good times and bad. Whilst it is clearly disappointing to report lower sales and profits, the Board remains confident in continuing to pursue the strategy, which has been in place since 2004.

No acquisitions were made in 2009 as we coped with the trading environment. Nonetheless acquisitions will continue to be part of our growth aspirations and we will remain vigilant to market opportunities as they occur.

People

Charles Irving-Swift will join the Board as a non executive director on 1 March 2010. We are delighted to welcome Charles who has an extensive international background in manufacturing and has much experience relevant to Brammer. At the same time we are sad to lose the services of Paul Forman as a non executive director. Paul joined Brammer in December 2006. In December 2009 he took up the position of Chief Executive of Coats plc and is no longer able to allocate the necessary time to a non executive role. The Board thanks him for his excellent contribution and wishes him well in his new career.

I have referred to both our management team and employees elsewhere in this report. I would like to thank them again for their efforts and understanding in a year of considerable change.

Dividend

At the half year we announced an unchanged interim dividend of 2.6p. Since that time we have doubled the number of shares in issue through the rights issue. The Board has decided to recommend a final dividend of 3.6p which is effectively a maintained dividend on the increased share capital. For both the interim and final, dividends are adjusted for the extra shares in issue and are respectively 1.9p interim and 3.6p final, giving a total of 5.5p for the year. Whilst earnings are down in 2009 this maintaining of the dividend reflects the Board's confidence in Brammer's future.

Prospects

At the time of the July management statement we indicated that signs of stability were becoming evident. We now believe that June was the low point of the recent trading cycle. Since that time sales have stabilised and towards the latter part of 2009 have been increasing. This better trend has continued into 2010.

Although it is early days, the Board is encouraged by this improvement and coupled with a reduced overhead base and strengthened balance sheet we are cautiously optimistic for 2010.

David Dunn

Overview

In 2009 Brammer faced the worst economic conditions since becoming a listed company. Nevertheless, we believe the strategy developed early in 2004 has served us well and proven its resilience. Overall, our strategy remains unchanged, and in 2009 we continued to focus on our four organic growth drivers, whilst also concentrating on our cost base and our ability to generate cash by taking advantage of the synergies available to us as a consistent and coherent European group. We first experienced the effects of the economic slowdown at the end of the third quarter in 2008, and this slowdown accelerated through the first half of 2009. Following an inchoate recovery in June, we experienced modest but continuous sequential growth in the second half. We believe we have continued to gain market share in most territories throughout this period.

Recognising the serious economic problems ahead, in the fourth quarter of 2008 we initiated programmes, where appropriate, to reduce our cost base to a level consistent with our anticipated revenues in the first half of 2009. As the slowdown accelerated, we executed a further set of cost reductions at the start of the second quarter. Whilst these reductions affected all areas of our business, not a single branch was closed, and we maintained our ability to serve our customers. The total exceptional cost taken for these actions is £12.9 million, of which £6.0 million represents a cash cost in 2009. The resulting saving in our sales, distribution and administration costs ("SDA"), in constant currency terms, is £14.4 million. As the cost reduction action progressed throughout the year, we estimate the annualised cost reduction in constant currency to be in the order of £15.8 million. The exceptional cost, therefore, has produced significantly better than a one year payback.

Even as our markets contracted, we believe that our tried and tested growth drivers continued to differentiate us from our competition, and enabled us to win market share in a declining market. We continued to invest in initiatives to grow in defensive segments such as Food and Drink, Fast Moving Consumer Goods ("FMCG"), and Utilities. Our Key Account activity continued unabated, with our value and cost saving propositions becoming ever more important to our Key Account customers. For the first time we experienced pressure from some of our customers to accelerate contract implementation in order to deliver the agreed cost savings more quickly. We increased investment in our Insite programme, and won a record 77 new Insites in 2009. Our product range extension and cross selling initiatives gave us good growth in product lines such as Mechanical Power Transmission, Fluid Power, and Tools and General Maintenance products especially on the continent where we are significantly under-represented in these product lines.

Finally, our scale, geographic coverage, and focus as a technical specialist in a core range of products continued to reinforce to our potential customers that we are a strong partner that adds value to their needs. Our ability to provide a consistent quality of product and service across the entire bearings, power transmission and fluid power product range, anywhere in Europe remains unparalleled.

Operational Review

Brammer is the leading European supplier of technical components and related services to the maintenance, repair and operations ("MRO") markets. In 2009 revenue decreased by 10.9% to £426.1 million (2008: £478.4 million), whilst operating profit before amortisation and exceptional items decreased by 29.8% to £18.4 million (2008: £26.2 million). Earnings per share (before amortisation and exceptional items and restated for the effect of the Rights Issue) decreased by 28.0% to 13.1 pence per share (2008: 18.2 pence per share). Cash generated from operations before outflows relating to exceptional items was £33.3 million (2008: £29.2 million), driven significantly by a material reduction in inventory levels.

Operating margin (operating profit before amortisation and exceptional items) reduced from 5.5% to 4.3% although revenue per head remained constant at £183,000 indicating our ability to flex our cost base in line with volume very quickly.

Constant exchange rates of €1.259

Summary table

	External Revenue		Operating Profit/(loss)*		Organic SPWD** Growth/(decline)	
	2009	2008	**2009**	2008	**2009**	2008
	£m	£m	£m	£m	**%**	**%**
UK	**130.3**	133.5	**4.6**	3.7	**-0.4%**	4.1%
Germany	**82.6**	121.8	**4.5**	9.2	**-30.8%**	8.1%
France	**62.9**	74.4	**2.6**	2.9	**-14.6%**	4.5%
Spain	**32.7**	42.7	**2.3**	3.3	**-22.3%**	1.1%
Benelux	**37.0**	46.3	**1.6**	4.0	**-20.0%**	13.2%
Eastern Europe	**40.5**	45.9	**2.1**	3.1	**-10.5%**	35.5%
Other	**12.5**	13.8	**(0.2)**	0.0	**-7.6%**	7.7%
Total	**398.5**	478.4	**17.5**	26.2	**-16.1%**	8.5%
Exchange effect***	27.6		0.9		-5.8%	
As reported	426.1		18.4		-10.3%	

* operating profit before amortisation and exceptional items
** sales per working day
*** to reconcile results and analysis to actual exchange rates for the year ending 2009

In the UK, our largest operation, and one where the Brammer strategy is most mature, we managed to maintain flat sales per working day (SPWD) in a market we believe to be down about 15%, whilst increasing operating profit by 24% to £4.6 million. Our low point occurred in the second quarter, and we experienced year-on-year growth in the final quarter. This proves the resilience of our strategy, with market share gains being driven by all four Brammer growth drivers.

Key Account sales grew by 3% in the year, and now represent 55% of sales. Several new contracts were won, many of which will benefit 2010, with customers such as Alcoa Howmet, SRCL, Sibelco and Tarmac. Our value proposition continues to be attractive to customers and we have further honed our skills in delivering cost savings and value add to our customers. In 2009 we recorded over 2,800 individual cost savings for more than 500 customers, with a combined saving of £21 million.

We opened twenty new full time Insites and increased sales through these Insites and part-time Insites (those locations where we have several regular clinics with the customer's staff each week) by 31%. During the year we launched a managed inventory service offering, providing low cost, fast moving consumable items to customer sites in a modular storage system, deployed line-side or in the stores. We expect this to provide good growth opportunities in 2010.

Finally, our cross selling initiatives continued to be successful with growth of 16% in our fluid power range, and 8% in our general maintenance range.

In Germany, SPWD on a constant currency basis declined by 31%, with the low point occurring in the second quarter. Despite a very significant level of cost reduction, aided by short term working, operating profit declined by 51%. Our investments in Key Accounts limited the decline in this segment to 21%, and we won new contracts with Sudzucker, Bowe, Flamm, Europart, Invista, Emcom, Rexam and Knorr Bremse. No contracts were lost. Key Accounts now represent 22% of total revenues.

Our earlier focused investment in mechanical power transmission limited the decline here to 21%, whilst our new investment in tools and general maintenance products resulted in modest growth of 2%. We won five new Insites and our focus on the market segments of Food and Drink, Utilities, and Construction and Aggregates resulted in several new contract wins and increased market share; 125 customer events were held across Germany addressing more than 1,000 MRO specialists from those segments, raising the awareness of Brammer as a solution provider.

In France, SPWD in constant currency declined by 15%, (compared with the GIFEC trade association reported decline of 25% the low point being the second quarter, whilst by the final quarter the decline had reduced to 5% compared to the same period in 2008. Operating profit declined by 10.3%. Key Account sales declined by just 4%, and now represent 31% of turnover. New contracts were won with BIC, Arc International, Emin Leydier, Grands Chais de France, Holcim, and Yoplait. Five new Insites were won, though overall Insite sales declined by 14% due to a preponderance of automotive customers in this segment. We launched new product initiatives in motors and tools and general maintenance, with the latter range achieving an annualised revenue run rate of over £1 million by December. We continued to focus our marketing activity on food and drink and water utilities, with 38 customer events attracting 850 customers.

In Spain, SPWD on a constant currency basis declined by 22%, whilst operating profit reduced by 30%. Our Key Account revenues declined by just 4%, and we won new contracts with Rexam, Emcom, Amcor, Grupo Sada, Knorr Bremse, Heinz and Sainsa. Key Accounts now represent 25% of sales, and we provided over £2 million of cost savings to our Key Account customers. Four new Insites were won, with Insite sales increasing by 28%. Our marketing focus was on food and drink and energy, with growth of 3% and 2% respectively. Ten customer symposiums attracted 206 customers. Good progress was made in product range extension, with the tools and general maintenance range reaching nearly £1 million of sales, following the introduction of our first maintenance catalogue at the start of the year.

SPWD in the Benelux countries reduced by 20%, whilst operating profit reduced by 60%, reflecting a difficult environment to achieve cost reductions. We opened a new branch in Roermond, and established a branch in Terneuzen. We won new contracts with Coca-Cola Enterprises, Emcon Technologies, Invista, Nutrixo, Ontex, Danone, Amcor and many others. In Holland we introduced many new product lines, with mechanical power transmission growing by 15% and fluid power by 13%. In Belgium, fluid power grew by 29%, and tools and general maintenance by 8%. We opened three new Insites in Belgium, increasing sales from virtually nothing to nearly £1 million. Our Dutch focus on food and drink gave rise to 47% growth in this segment.

In our Eastern European businesses (comprising Poland, Hungary, the Czech Republic and Slovakia), total SPWD in constant currency declined by 11%, whilst operating profit declined by 32%. In Poland, SPWD increased by 4% at constant currency. The new Key Account team continued to be successful, with Key Account growth of 18% and good development with Colgate, Timken, Saint Gobain, Cadbury, and Michelin. The acquisition of Masterpol is being integrated. In the Czech Republic and Slovakia, SPWD in constant currency decreased by 29%. In Hungary, the SPWD decline was 18%.

In respect of the other segments, Austria, Ireland and Italy, SPWD declined by 7.6%, whilst operating profit was flat. In Austria SPWD were down 32% as we continued to divest low margin OEM (Original Equipment Manufacturers) business, and suffered very difficult market conditions. In Italy, SPWD were up 12% but down 20% like for like, benefiting from the year on year effect of the Tecnoforniture acquisition. Sales in Ireland declined by 6%.

Strategy

Our strategy remains unchanged under the headings of growth, capabilities, synergies and costs.

Growth

Overall SPWD decline in constant currency was 16.1%, a result we believe is significantly better than the market. It is evident that our strategies of attacking market segments with focused marketing material and specialist sales people, growth through Key Accounts, the development of Insites, and growth through cross-selling and product range extension are contributing to significant market share gains in most territories.

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

§ in Food and Drink, a strong focus area for many of our businesses and a key strategic segment for Brammer, we grew by £11.3 million or 34%, to £44.3 million, almost offsetting the decline in automotive, down 32% to £31 million.

§ in Pulp and Paper, we grew by 3% overall to £17 million.

§ in Utilities, a relativity new segment for many of our businesses, we grew by 17% to £17.1 million.

Key Account sales grew by 9%, and now represent 36% of total sales. New European contracts were won with Coca-Cola Enterprises, Emcon, Heinz, Invista, Knorr-Bremse, and Rexam. We renewed three year contracts with Ahlstrom, Alcan-Rio-Tinto, Crown Cork, Eaton, GKN and TRW. We continued to focus our business on defensive segments and increased our sales to the Pharmaceutical segment by 74%, Food and Drink by 37%, Utilities by 14%, FMCG by 14% and Transport by 28%. Our focus on these defensive segments resulted in significant market share gains and helped ameliorate the inevitable very large sales decline we experienced in the Automotive, Construction, Capital Goods and general Engineering sectors.

We opened 77 new Insites, 33 full time and 44 part time, with overall growth of 21% to £58 million.

Extending the product range to the full Brammer range in every territory continued, and whilst bearing sales declined by 16%, non bearing sales declined by just 8%, suggesting significant market share gains and driven by growth of 8.2% in tools and maintenance to £24 million, and a decline of just 5% in fluid power to £67 million.

We made no acquisitions in 2009, but maintained contact with a number of interesting opportunities.

Capabilities

The focus of our people and organisational capability is on supporting our growth. To that end, through our pan-European Marketing team we prepared and launched updated Market Segmentation material for the Food & Drink sectors and continued implementation work and training on how to use our sector specific material through a workshop programme with our central and eastern European businesses. Through our pan-European Sales team we continued our development of the Brammer Manual for Insite Operations with this manual available in English, French, German and Spanish. The Insite manual uses the best practice from across the Group to show our people – and our customers through an Insite Bulletin – the operational requirements and customer service benefits available from a well run Insite.

Following feedback from our customer survey, we have continued work on identifying the energy saving potential of manufacturing and process driven companies in Europe. The conservative assessment remains that over €13 billion of energy is wasted across Europe in the production processes. We have had great support from some of our partner suppliers and have set up a research activity with a German Technical Institute to identify how we can maximise the benefits from this work. This project work came to its conclusion in 2009 and has provided us with a unique approach to looking at energy savings with our customers, which we will be developing and rolling out across the business during 2010.

We continue to roll out our bespoke suite of Distributed Learning programmes which is made available to our people in eight languages electronically. In crucial customer facing areas of the business the goal is to achieve 100% take up of the two major foundation programmes, which explain the technical aspects of the product range and the fundamental way the business works. These foundation programmes have been rebuilt and updated during the year and will be re-launched during 2010 to provide a better learning experience. We continue to support those employees who request English language training, for which we have on-line support.

We conducted our seventh annual internal survey and 66% of our people responded. The engagement level was around 78% which shows that we have maintained an excellent link between our strategy and our people in a very difficult year.

We have continued to produce 'One Brammer' Newsletters in the year. This newsletter, which is sent to each member of Brammer across Europe, informs our people about developments, activities and matters that concern them about our performance.

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

Synergies

During 2008, we created a pan-European Capital Employed Task Force ("CETF"), which began work on identifying and delivering opportunities for capital employed reduction through stock optimisation. The CETF utilises the Brammer Foundation Systems to identify and implement best practice planning processes across Europe; to identify excess stocks; to match them using Master Data Management ("MDM") and to transfer them internally using Brammer Inline to countries where they can be sold; and to eliminate other excess stocks through a range of initiatives on both the supply side and sales side.

We continued to roll out the MDM application, which now contains over 2.5 million part numbers and 3 million technical features. We expect data load to be completed in 2010, with 3.5 million part numbers and over 5 million feature values loaded. The increasing volume and completeness of the data held in MDM has supported a 63% increase in the volume of activity traded internally using our Brammer Inline platform. Brammer Inline provides visibility of stock across 10 European countries, and fully integrated electronic trading between Brammer country businesses. The Brammer Inline application continued to evolve, with the focus on reducing order processing times and costs, and progressive extension to all internal warehouses as well as suppliers' stocks.

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

The combination of MDM, Inline, and MOMASSE have helped the CETF to deliver reported inventory reductions in excess of £32.3 million in 2009 (£23.5 million in constant currency terms) while maintaining and improving stock availability for customer service. Our customer survey at the end of 2009 has shown a significant improvement in customers' perceptions of Brammer's stocked range and availability.

The focus for 2010 will be the extension of pan-European demand forecasts and the implementation of harmonised inventories across Europe, to further reduce investment in stock while improving service capability. This will be done in partnership with key suppliers, improving stock availability and visibility for Brammer's customers through the supply chain.

Costs

We continued to work on increasing our spend with a smaller number of suppliers, and improving the level of marketing support, pricing, and cooperation in the field received from those suppliers.

Control of costs was a key focus of the group in 2009, with an annualised reduction of £15.8 million at constant exchange rates. We believe that in the process of this large cost reduction we have made significant efficiency improvements, and that much of the saving made is permanent. As growth resumes, we believe that we will not need to put all of this cost saved back in to the business by the time our revenues recover to 2008 levels in constant currency terms.

The future

Our European footprint and our specialisation in the field of bearings, mechanical power transmission, fluid power and general maintenance products, is a strong platform upon which to achieve further gains in market share in our fragmented market place. This time last year we said "There is no doubt that we shall experience difficult market conditions throughout 2009, but we believe those very conditions will prompt our customers to seek productivity improvement and cost savings, areas where our value proposition has proven to be successful. We shall continue to invest in sales resource and service delivery skills to provide ever increasing added value to our customers." This statement turned out to be accurate and many of our customers are seeking to accelerate contract implementation to achieve the cost savings available to them as part of their contract with Brammer – and we have increased the rate at which we are able to deliver those savings.

Our strategy of developing a focused approach to defensive market segments, demonstrating a clear understanding of the unique customer needs of that segment, will continue to improve our new customer win rate and further improve the retention rate of existing customers. We shall accelerate the development of our Insite approach to meet the demands of our customers, and will continue to strengthen the product portfolio in each country, affording greater opportunities for cross-selling. Our pipeline of acquisition opportunities is substantial, and we will recommence acquisitive growth when the economic recovery is clearly confirmed.

The overall decline in our business halted in June 2009, and we have seen sequential growth in SPWD each month since then. Our Key Account business remains strong and we expect to achieve healthy double digit growth in this segment in 2010. The first six weeks of 2010 have continued these trends, and we are confident that our strategy will continue to give us growth substantially greater than the market. We will continue to lead the consolidation of the European market in bearings, mechanical power transmission, fluid power, and tools and general maintenance products.

Ian R Fraser

Overview

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

Revenue

Revenue declined by 10.9%, of which continental Europe accounted for a 14.2% decrease and the UK a 2.4% decrease. At constant exchange rates, revenue decreased by 16.7%. This equates to a decrease in organic revenue per working day of 16.1%, comprising 21.2% in continental Europe and 0.4% in the UK. There were no acquisitions during the year.

Gross profit

The gross profit for the year was £125.5 million, with gross profit before exceptional items at £128.1 million (2008: £143.7 million). Underlying gross margins before exceptional items were maintained at 30%.

Profit/(Loss)

The loss before tax from continuing operations for the year was £1.5 million (2008: profit of £18.9 million) having borne net exceptional costs of £13.7 million. Profit before tax, amortisation and exceptional items but after finance expense was £13.8 million (2008: £19.7 million).

Return on operating capital employed

The return on operating capital employed, based on operating profit before amortisation and exceptional items, was 24.1% (2008: 25.7%) for the total group.

Goodwill

Goodwill in the balance sheet stands at £76.6 million at the end of the year (2008: £83.6 million). In 2009, goodwill decreased by a net £7.0 million; £6.1 million decrease due to exchange movements on goodwill held in foreign currencies and £2.4 million decrease from the recognition of separately identifiable intangible assets on the acquisitions made in 2008; with increases of £1.0 million of final fair value adjustments to the goodwill on the acquisitions made in 2008 and £0.5 million of earn-out payments. Impairment reviews have been performed in accordance with IAS 36 and no impairment has been identified.

Trading during the year

Profit from operations before exceptional items, amortisation, interest and tax ("underlying operating profit") decreased by 29.8% to £18.4 million (2008: £26.2 million), of which £8.8 million was delivered in the first half and £9.6 million in the second half (see table below).

	First half £m	Second half £m	Full year £m
2009			
Revenue	**216.3**	**209.8**	**426.1**
Underlying operating profit*	**8.8**	**9.6**	**18.4**
2008	£m	£m	£m
Revenue	241.6	236.8	478.4
Underlying operating profit*	14.4	11.8	26.2

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

Whilst revenue declined in both the first half and second half compared to the prior year, the first half suffered a declining trend and the second half enjoyed an improving trend. Brammer's results reflected the difficult economic and trading conditions experienced as a result of the global recession, which first manifested itself in late 2008 in the European manufacturing sector and the associated supply chain in which the group operates. For the first half, revenue declined by £25.3 million resulting in a decline in underlying profit of £5.6 million. For the second half, revenue declined by £27.0 million resulting in a decrease in underlying profit of £2.2 million.

Favourable exchange rates had a significant impact on the year's results offsetting 5.8% of the decline in revenue and 3.4% of the decline in underlying operating profit.

Exceptional items

In response to the difficult trading conditions during the year, a wide ranging review of the operating cost base, strategy, working capital and financing was performed. The costs relating to this exercise totalling £12.9 million have been separately disclosed as exceptional items within operating profit from continuing operations. There was a £0.7 million credit arising from discontinued operations.

Interest

The net interest charge for the year was £5.4 million (2008: £6.4 million) which included a discount unwind charge on deferred consideration of £0.5 million (2008: £0.4 million) and an exceptional expense of £0.8 million. Excluding the discount unwind charge the effective interest rate on average net borrowings was 4.7% (2008: 7.2%) reflecting reduced base rates in both sterling and euro interest rates in 2009. The margin over interbank rates paid by the group remained unchanged. Profit before tax, on ordinary activities before amortisation and exceptional items, covers interest by 4.6 times compared to 4.4 times in 2008.

Tax

The overall tax credit for the year of £0.9 million (2008: £5.9 million charge) comprises a current year charge of £0.4 million and a prior year credit of £1.3 million. The current year tax charge comprises £4.3 million relating to pre exceptional items and a credit of £3.9 million relating to exceptional costs arising in the year. Current year tax on profit before exceptional items represents an effective tax rate of 35.5% which is higher than the expected rate of 28% as a result of a higher proportion of non allowable costs and deferred tax released.

Cash flow

	2009 **£m**	2008 £m
Net cash inflow from operating activities	**27.3**	29.2
Cash inflow from operating activities before exceptional items	***33.3***	*29.2*
Cash outflow from exceptional items	***(6.0)***	*-*
Net cash inflow from operating activities	***27.3***	*29.2*
Net capital expenditure (purchases net of disposals)	**(1.7)**	(4.4)
Operational cash generation	**25.6**	24.8
Acquisitions (including net debt acquired)	**-**	(8.4)
Deferred consideration and earn out	**(8.8)**	(1.4)
Tax	**(2.3)**	(4.2)
Interest, dividends, pension obligations & other	**(11.5)**	(10.6)
Net proceeds from rights issue	**35.3**	-
Purchase of own shares	**(0.3)**	(2.3)
Net proceeds from issue of shares	**-**	0.1
Decrease/(increase) in net debt	**38.0**	(2.0)
Opening net debt	**(84.0)**	(59.4)
Exchange	**6.1**	(22.6)
Closing net debt	**(39.9)**	(84.0)

Net debt decreased by £44.1 million from £84.0 million to £39.9 million principally as a result of the repayment of debt following receipt of the rights issue proceeds in November. At the year end, net debt/EBITDA stood at 1.98 times (2008: 2.7 times).

Net cash inflow from operating activities of £27.3 million, which is after £6.0 million outflow associated with exceptional items, decreased by £1.9 million from £29.2 million in 2008.

The strong operating cash generation reflected a focus on working capital which contributed £17.7 million inflow, reflecting the significant reduction in stock in the year of £32.3 million (of which £8.8 million relates to currency effects). This inflow enabled the payment of £8.8 million of deferred consideration, £2.3 million taxation payments, and £11.5 million for dividends, interest and pension obligations. Average net borrowings in 2009 were £87.6 million compared to £78.5 million in 2008.

Pensions

The net pension liability relating to the defined benefit pension scheme increased by £12.4 million to £25.7 million (2008: £13.3 million). The increase reflects the following changes in actuarial assumptions. Mortality rates have been changed to reflect increased life expectancies. The other actuarial assumptions used were a discount rate of 5.75% (2008: 6.4%), a 3.65% (2008: 2.95%) rate of increase for deferred pensioners and pensions in payment and an inflation rate 3.65% (2008:2.95%).The charge recognised in the income statement increased by £1.2 million to £1.3 million (2008: £0.1 million) as a result of the significantly lower expected return on plan assets.

Treasury

In November 2008 the company renegotiated a three year revolving credit facility which provided borrowings of up to €165million (£146.5 million). The facility can be drawn down until it expires on 28 February 2012. The facility requires compliance with three financial covenants. These ratios are (1) the ratio of net debt to EBITDA, (2) consolidated net worth and (3) fixed charge cover.

In November 2009 the group completed a rights issue and £16.4 million of the net proceeds of £35.3 million were used to repay external debt. Following the repayment of debt the group cancelled €20.7 million (£18.4 million) of available facilities reducing the fully committed facilities available from €165 million to €144.3 million (£146.5 million to £128.2 million).

As at 31 December 2009 the company had €72.7 million (£64.6 million) of borrowings drawn down under the central finance facility and was in compliance with all financial covenants therein.

The companies in the group account in their local currency, principally in either sterling or euros and mostly trade within their domestic market in their local currency. Where companies trade internationally, this is generally in response to the requirements of domestic customers who trade globally.

The group does not enter into speculative currency transactions.

The group hedges investment in overseas companies with debt in the same currency thereby minimising exchange risk on investments. The company uses forward exchange contracts to manage market risk. Derivatives used in hedging activities are considered risk management tools and are not used for trading purposes.

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

We will continue to focus on generating cash to enable us to expand operations in Europe, organically and by acquisition in the medium term.

Principal risks & uncertainties

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

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

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

The principal risks affecting the group are as follows:

§ **Slowdown of industrial activity**

- The group has a well spread market and geographic presence and has concentrated growth activities in defensive sectors such as food and drink, utilities and fast moving consumer goods. The company has demonstrated the capability to reduce costs and the ability to align the cost base in response to market conditions.

§ **Withdrawal of a Major Supplier**

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

§ **Loss of Major Customers**

- Brammer does not have dependency on a single customer. Key Account customers are, however, continually monitored by the senior management team, who also document the acknowledged cost savings achieved. Further growth in Key Accounts in the current year suggests the template offering is proving attractive to a profit conscious customer base.

§ **Customers relocating to lower cost Eastern European countries**

- Brammer continues its strategy to grow its business successfully by expanding in a fragmented market and Brammer's operations in Poland reported continued growth throughout the difficult trading conditions of 2009. We will continue to review suitable opportunities in this region as they arise.

§ **Loss of Infrastructure/Systems**

- As with most large organisations that depend on Information Technology (IT) for their day to day operations, there are disaster recovery plans in place for the major countries where Brammer operates. In these territories, there are overnight back up systems in place which can be expected to mitigate the worst effects of such disruption.

§ **Adverse Euro Exchange Rates**

- Brammer reports its results in sterling however the Company trades significantly in euros. Whilst there is a natural hedge between buying and selling for the majority of our business the ultimate profitability is expressed at the year's average exchange rate.

- **Financial & Capital Risks**

  - The inherent interest rate risks associated with the group's net debt are discussed above. Following the successful rights issue during 2009 the group has reduced its level of external debt. Along with the established facility already in place, Brammer has sufficient available resources to meet its foreseeable requirements.

  - The closed defined benefit scheme in the UK continues to be subject to various financial risks, principally based around the value of the current deficit in the scheme. The company may be required to make exceptional additional contributions outside the scope of its current funding plan by The Pensions Regulator. Brammer is participating in a payment scheme with trustees to pay additional contributions up to the year 2017 and expects the results of a full funding valuation which in 2010 is expected to clarify the overall position further.

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

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

- **Loss of Key Employees**

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

- **Risk of bad debt**

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

- **Litigation, environmental, employment and health and safety related issues**

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

Earnings per share

Basic earnings per share decreased by 17.3p from 17.4p to 0.1p in 2009 after adjusting for the effects of the rights issue during the year. Earnings per share, on profit before amortisation and exceptional items, decreased by 28.0% from 18.2p in 2008 to 13.1p in 2009.

Paul Thwaite

Consolidated income statement for the year ended 31 December 2009

	Note	Pre Exceptional items 2009 £'000	Exceptional items Note 4 2009 £'000	Total 2009 £'000	Year to 31 December 2008 £'000
Continuing operations					
Revenue	2	**426,093**	**-**	**426,093**	478,409
Cost of sales		**(298,039)**	**(2,560)**	**(300,599)**	(334,728)
Gross profit		**128,054**	**(2,560)**	**125,494**	143,681
Distribution costs		**(109,610)**	**(10,367)**	**(119,977)**	(117,528)
Amortisation of acquired intangibles		**(1,641)**	**-**	**(1,641)**	(848)
Total sales distribution and administrative costs		**(111,251)**	**(10,367)**	**(121,618)**	(118,376)
Operating profit	2	**16,803**	**(12,927)**	**3,876**	25,305
Operating profit before amortisation of acquired intangibles		***18,444***	***(12,927)***	***5,517***	*26,153*
Amortisation of acquired intangibles		***(1,641)***	***-***	***(1,641)***	*(848)*
Operating profit	*2*	***16,803***	***(12,927)***	***3,876***	*25,305*
Finance expense		**(4,679)**	**(753)**	**(5,432)**	(6,534)
Finance income		**63**	**-**	**63**	118
(Loss)/profit before tax from continuing operations		**12,187**	**(13,680)**	**(1,493)**	18,889
Profit before tax before amortisation of acquired intangibles		***13,828***	***(13,680)***	***148***	*19,737*
Amortisation of acquired intangibles		***(1,641)***	***-***	***(1,641)***	*(848)*
(Loss)/profit before tax		***12,187***	***(13,680)***	***(1,493)***	*18,889*
Taxation		**(3,007)**	**4,081**	**1,074**	(5,925)
(Loss)/profit for the year from continuing operations		**9,180**	**(9,599)**	**(419)**	12,964
Discontinued operations		**-**	**477**	**477**	-
Profit for the year attributable to equity shareholders	2	**9,180**	**(9,122)**	**58**	12,964

	Note				As restated
Earnings per share	3				
Basic - continuing (0.5)p, discontinued 0.6p				**0.1p**	17.4p
Diluted - continuing (0.5)p, discontinued 0.6p				**0.1p**	17.1p
Earnings per share – from continuing operations before amortisation and exceptional items	3				
Basic		**13.1p**			18.2p
Diluted		**13.1p**			17.9p

Brammer

Consolidated statement of comprehensive income for the year ended 31 December 2009

	2009	2008
	£'000	£'000
Profit for the year	**58**	12,964
Other comprehensive income		
Net exchange differences on translating foreign operations	**(4,627)**	8,209
Actuarial losses on pension schemes	**(10,047)**	(1,062)
Other comprehensive (expense)/income for the year, net of tax	**(14,674)**	7,147
Total comprehensive (expense)/income for the year	**(14,616)**	20,111

	Note	**2009**	2008
		£'000	£'000
Assets			
Non-current assets			
Goodwill		**76,570**	83,586
Acquired intangible assets		**6,617**	5,320
Other intangible assets		**4,556**	4,888
Property, plant and equipment		**12,533**	16,190
Deferred tax assets		**8,245**	3,722
		108,521	113,706
Current assets			
Inventories		**70,772**	103,113
Trade and other receivables		**71,218**	93,938
Cash and cash equivalents	6	**33,272**	21,715
		175,262	218,766
Liabilities			
Current liabilities			
Financial liabilities - borrowings	6	**(6,248)**	(7,693)
Trade and other payables		**(82,305)**	(116,386)
Provisions		**(2,156)**	-
Deferred consideration		**(7,880)**	(8,340)
Current tax liabilities		**(761)**	(3,939)
		(99,350)	(136,358)
Net current assets		**75,912**	82,408
Non-current liabilities			
Financial liabilities - borrowings	6	**(66,898)**	(97,971)
Deferred tax liabilities		**(8,856)**	(8,067)
Provisions		**(325)**	(1,030)
Deferred consideration		**(7,742)**	(16,623)
Retirement benefit obligations		**(25,668)**	(13,333)
		(109,489)	(137,024)
Net assets		**74,944**	59,090
Shareholders' equity			
Share capital		**21,257**	10,590
Share premium		**18,092**	18,092
Translation reserve		**5,384**	10,011
Retained earnings		**30,211**	20,397
Total equity	7	**74,944**	59,090

Brammer **Consolidated statement of changes in equity** for the year ended 31 December 2009

	Share Capital £'000	Share Premium £'000	Treasury Shares £'000	Translation reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2008	10,575	18,017	(53)	1,802	13,966	44,307
Profit for the year	-	-	-	-	12,964	12,964
Other comprehensive income	-	-	-	8,209	(1,062)	7,147
Total comprehensive income	-	-	-	8,209	11,902	20,111
Transactions with owners						
Shares issued during the year	15	75	-	-	-	90
Purchase of own shares	-	-	(2,320)	-	-	(2,320)
Transfer on vesting of own shares	-	-	1,746	-	(1,746)	-
Tax on share option scheme movements	-	-	-	-	-	-
Value of employee services	-	-	-	-	965	965
Dividends	-	-	-	-	(4,063)	(4,063)
Total transactions with owners	15	75	(574)	-	(4,844)	(5,328)
Movement in year	15	75	(574)	8,209	7,058	14,783
At 31 December 2008	10,590	18,092	(627)	10,011	21,024	59,090
Profit for the year	-	-	-	-	58	58
Other comprehensive income	-	-	-	(4,627)	(10,047)	(14,674)
Total comprehensive income	-	-	-	(4,627)	(9,989)	(14,616)
Transactions with owners						
Shares issued during the year:						
rights issue*	10,628	-	-	-	24,677	35,305
other	39	-	-	-	-	39
Purchase of own shares	-	-	(301)	-	-	(301)
Transfer on vesting of own shares	-	-	680	-	(680)	-
Tax on share option scheme movements	-	-	-	-	201	201
Value of employee services	-	-	-	-	(696)	(696)
Dividends	-	-	-	-	(4,078)	(4,078)
Total transactions with owners	10,667	-	379	-	19,424	30,470
Movement in year	10,667	-	379	(4,627)	9,435	15,854
At 31 December 2009	**21,257**	**18,092**	**(248)**	**5,384**	**30,459**	**74,944**

*Ordinarily, the excess of the net proceeds over the nominal value of the share capital issued would be credited to a non-distributable share premium account. However, the rights issue completed in November 2009 was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within retained earnings under section 612 of the Companies Act 2006.

	Note	2009 £'000	2008 £'000
Cash generated from operations	5	**27,319**	29,215
Interest received		**63**	118
Interest paid		**(5,964)**	(4,042)
Tax paid		**(2,333)**	(4,178)
Decrease in pension obligations		**(1,542)**	(2,600)
Net cash generated from operating activities		**17,543**	18,513
Cash generated from operating activities before exceptional items		**23,573**	18,513
Cash outflow from exceptional items		**(6,030)**	**-**
Net cash generated from operating activities		**17,543**	18,513
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash/excluding debt acquired)		**-**	(8,420)
Deferred consideration paid on prior acquisitions		**(8,294)**	(1,424)
Earn out paid on prior period acquisitions		**(506)**	-
Proceeds from sale of property, plant and equipment		**906**	483
Purchase of property, plant and equipment		**(1,558)**	(3,801)
Additions to other intangible assets		**(1,045)**	(1,041)
Net cash used in investing activities		**(10,497)**	(14,203)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**39**	90
Net proceeds from rights issue		**35,305**	-
Repayment of loans following rights issue		**(16,355)**	-
Net (repayment)/issue of other loans		**(6,623)**	11,433
Net repayment of finance leases		**(116)**	(101)
Dividends paid to shareholders		**(4,078)**	(4,063)
Purchase of own shares		**(301)**	(2,320)
Net cash generated from financing activities		**7,871**	5,039
Net increase in cash and cash equivalents		**14,917**	9,349
Exchange gains and losses on cash and cash equivalents		**(1,655)**	898
Net cash at beginning of year		**18,186**	7,939
Net cash at end of year		**31,448**	18,186
Cash and cash equivalents		**33,272**	21,715
Overdrafts		**(1,824)**	(3,529)
Net cash at end of year		**31,448**	18,186

General information
Brammer plc is a company incorporated and domiciled in the UK, and listed on the London Stock Exchange. The address of the registered office is disclosed in note 8.

The principal accounting policies adopted in the preparation of these consolidated financial statements are unchanged from those applied in the preparation of the 2008 statements, and will be set out in full in the 2009 published financial statements. These policies have been consistently applied to all the years presented.

Basis of preparation
This preliminary announcement does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

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

Accounting policies
No standards have been early adopted by the group. The implications for the group of new standards, amendments to standards or interpretations which are mandatory for the first time for the financial year ended 31 December 2009 are summarised below.

New standards, amendments to standards or interpretations
The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2009:

IAS 1 (revised), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009, has resulted in the Statement of Recognised Income and Expense being renamed the Statement of Comprehensive Income and the introduction of the Statement of Changes in Equity as a primary statement. The group has chosen to present two statements, an income statement and a statement of comprehensive income.

IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

IFRS 2 (amendment), 'Share-based payment' deals with vesting conditions and cancellations. The amendment does not have a material impact on the group or company's financial statements.

IFRIC 16, 'Hedges of a net investment in a foreign operation'. This has not had any impact on the group.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009 but are not currently relevant for the group:

IFRIC 13, 'Customer loyalty programmes'.

IFRIC 15, 'Agreements for the construction of real estate'.

IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

IFRIC 17, 'Distributions of non-cash assets to owners'

IFRIC 18, 'Transfers of assets from customers'.

IFRIC 19, 'Extinguishing financial liabilities with equity investments'.

1. COMPARATIVE RESULTS

Comparative figures for the year ended 31 December 2008 are taken from the company's statutory accounts which have been delivered to the Registrar of Companies with an unqualified audit report. Copies of the 2008 annual report and the 2009 interim report are available on the company's web site (www.brammer.biz).

2. SEGMENTAL ANALYSIS

The Board has been identified as the chief operating decision-maker. The Board reviews the group's internal reporting as the basis for assessing performance and allocating resources. Management has determined the operating segments based on these reports. The group is primarily controlled on a country by country basis, in line with the legal structure, and accordingly the operating segments are unchanged from those previously reported, except for the inclusion of Eastern Europe which is now recognised as a reportable operating segment because it has attained the levels warranting disclosure.

The group's internal reporting is primarily based on performance reports run at 'management' exchange rates – exchange rates which are set at the beginning of each year. For 2009 the primary management rate used was €1.259 : £1.

Accordingly the segment information below is shown at the 'management' exchange rates with the exchange effect being a reconciling item between the segment results and the totals reported in the financial statements at actual average exchange rates. There is no exchange adjustment in the profit and loss categories for the comparative year ended 31 December 2008 as the management rate used is the same as the actual rate as reported for that period. The management rate applies to income statement, balance sheet and cash flows.

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

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

	UK	Germany	France	Spain	Benelux	Eastern Europe	Other operating segments	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Year ended 31 December 2009								
Continuing operations								
Revenue								
Total revenue	132,776	85,095	63,695	33,766	38,475	40,873	12,775	**407,455**
Inter company sales	(2,506)	(2,453)	(823)	(1,110)	(1,417)	(368)	(301)	**(8,978)**
Sales to external customers	130,270	82,642	62,872	32,656	37,058	40,505	12,474	**398,477**
Exchange effect								**27,616**
Total sales to external customers								**426,093**
Underlying operating profit	4,600	4,523	2,568	2,334	1,613	2,060	(185)	**17,513**
Exchange effect								**931**
Total underlying operating profit								**18,444**
Amortisation of acquired intangibles								**(1,641)**
Exceptional operating items								**(12,927)**
Total operating profit								**3,876**
Finance expense								**(4,679)**
Finance income								**63**
Exceptional finance expense								**(753)**
Loss before tax								**(1,493)**
Tax								**1,074**
Discontinued operations								**477**
Profit for the year								**58**
Segment assets	40,540	22,889	24,549	15,223	19,685	20,984	6,840	**150,710**
Exchange effect								**8,369**
								159,079
Goodwill								**76,570**
Acquired intangibles								**6,617**
Cash								**33,272**
Deferred tax								**8,245**
Total assets								**283,783**

Other segment items								
Continuing operations								
Capital expenditure								
- intangible assets	-	28	-	-	180	51	484	**743**
- property , plant and equipment	312	106	113	186	285	340	142	**1,484**
Exchange effect								**376**
Total capital expenditure								**2,603**
Amortisation/depreciation								
- intangible assets	-	(150)	-	-	(65)	(27)	(786)	**(1,028)**
- property, plant and equipment	(1,499)	(197)	(237)	(356)	(407)	(407)	(262)	**(3,365)**
Exchange effect								**(269)**
Total amortisation/depreciation								**(4,662)**

	UK	Germany	France	Spain	Benelux	Eastern Europe	Other operating segments	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Year ended 31 December 2008								
Continuing operations								
Revenue								
Total revenue	134,336	123,894	75,189	43,605	48,161	46,141	13,909	**485,235**
Inter company sales	(821)	(2,100)	(735)	(915)	(1,892)	(236)	(127)	**(6,826)**
Sales to external customers	133,515	121,794	74,454	42,690	46,269	45,905	13,782	**478,409**
Exchange effect								**-**
Total sales to external customers								**478,409**
Underlying operating profit	3,722	9,171	2,883	3,346	3,959	3,076	(4)	**26,153**
Exchange effect								**-**
Total underlying operating profit								**26,153**
Amortisation of acquired intangibles								**(848)**
Total operating profit								**25,305**
Finance expense								**(6,534)**
Finance income								**118**
Profit before tax								**18,889**
Tax								**(5,925)**
Profit for the year								**12,964**
Segment assets	49,402	32,860	31,851	21,490	22,002	24,973	9,328	**191,906**
Exchange effect								**26,223**
								218,129
Goodwill								**83,586**
Acquired intangibles								**5,320**
Cash								**21,715**
Deferred tax								**3,722**
Total assets								**332,472**
Other segment items								
Continuing operations								
Capital expenditure								
- intangible assets	-	173	1	69	74	-	724	**1,041**
- property , plant and equipment	1,705	267	405	193	547	359	325	**3,801**
Exchange effect								**-**
Total capital expenditure								**4,842**
Amortisation/depreciation								
- intangible assets	-	(183)	(6)	(77)	(67)	(96)	(1,039)	**(1,468)**
- property, plant and equipment	(1,419)	(209)	(263)	(271)	(455)	(385)	(337)	**(3,339)**
Exchange effect								**-**
Total amortisation/depreciation								**(4,807)**

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

	2009	2008
Management rate	**€1.259**	€1.259
Actual average rate	**€1.117**	€1.259
Year end rate	**€1.126**	€1.034

3. EARNINGS PER SHARE

	2009		
		Earnings per share	
	Earnings £'000	Basic	Diluted
Weighted average number of shares in issue ('000)		**79,351**	**79,351**
Total			
-from continuing operations	**(419)**	**(0.5)p**	**(0.5)p**
-from discontinued operations	**477**	**0.6p**	**0.6p**
Profit for the financial year	**58**	**0.1p**	**0.1p**
Amortisation of acquired intangibles	**1,641**		
Exceptional items – (note 4)	**13,018**		
Tax on exceptional items	**(3,896)**		
Tax on amortisation of acquired intangibles	**(427)**		
Earnings before amortisation of acquired intangibles and exceptional items	**10,394**	**13.1p**	**13.1p**

The weighted average number of ordinary shares in issue in the prior period has been adjusted retrospectively for the bonus element of the rights issue completed in November 2009. The 2008 comparative EPS figures have been divided by 1.409836 to take account of the bonus element of the rights issue.

	2008		
		Earnings per share	
	Earnings £'000	Basic	Diluted
Weighted average number of shares in issue ('000)		74,610	75,899
Profit for the financial year	12,964	17.4p	17.1p
Amortisation of acquired intangibles	848		
Tax on amortisation of acquired intangibles	(204)		
Earnings before amortisation of acquired intangibles	13,608	18.2p	17.9p

4. EXCEPTIONAL ITEMS

	2009 £'000
Included within operating profit:	
Headcount restructuring	**6,715**
Associated restructuring costs	**3,321**
Stock scrapped	**2,560**
Impairment of intangible assets	**331**
Total included in operating profit	**12,927**
Finance costs	**753**
Total exceptional items – continuing operations	**13,680**
Discontinued operations – before tax	**(662)**
	13,018

There were no exceptional items in 2008.

During the year, in response to the difficult market conditions in which the group operated, an extensive review of the group's operating cost base, strategy and stock management was carried out. As a result of this review actions were taken to reduce headcount accordingly, with a reorganisation and redundancy programme undertaken. As part of the reprofiling of stock, brands and product lines deemed obsolete or no longer considered to be part of the group's trading strategy were identified and allocated for scrapping. Associated restructuring costs include vehicle costs, premises costs consultancy costs and other costs relating to the restructuring. During the year, also reflecting the difficult market conditions, the group incurred three substantial bad debts which in aggregate amounted to £0.8 million which is included within associated restructuring costs. Management consider it appropriate to treat the resulting bad debt charge as exceptional owing to its size.

Following the receipt of the rights issue proceeds in November the group repaid €18.4 million (£16.4 million) of Euro borrowings drawn down under the central facility. Under the terms of the group's central facility the net proceeds of the rights issue were applied to reduce the committed facilities from €165 million (£146.5 million) to €144.3 million (£128.2 million). Accordingly the £0.75 million of capitalised borrowing costs relating to this portion of the central facility have been charged to the income statement as exceptional finance cost.

The credit relating to discontinued operations comprises the release of a substantial part of the provision held in respect of potential warranty claims. This amount is shown net of taxation on the income statement.

5. CASH FLOW FROM OPERATING ACTIVITIES

	2009 £'000	2008 £'000
Profit for the year attributable to equity shareholders	**58**	12,964
Tax (credit)/charge on continuing operations	**(1,074)**	5,925
Tax charge on discontinued operations	**185**	-
Depreciation of tangible and intangible assets	**6,634**	5,655
Share options – value of employee services	**(696)**	965
Gain on sale of property, plant and equipment	**(133)**	(363)
Financing expense	**4,616**	6,416
Movement in working capital (excluding the effect of exchange movements and fair value adjustments)	**17,729**	(2,347)
Cash generated from operations after exceptional items	**27,319**	29,215

6. CLOSING NET DEBT

	2009 £'000	2008 £'000
Borrowings – current	**(6,248)**	(7,693)
Borrowings – non-current	**(66,898)**	(97,971)
Cash and cash equivalents	**33,272**	21,715
Closing net debt	**(39,874)**	(83,949)

7. CHANGES IN SHAREHOLDERS' EQUITY

The statement of changes in shareholders equity is shown as a primary statement

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

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

Purchase of own shares
During the year the company acquired 365,207 of its own shares of 20p each through the Brammer plc Employee Share Ownership Trust ("the Trust"). The total amount paid to acquire the shares was £181,027 which has been deducted from shareholders' equity.

The shares are held by the Trust to meet vestings under the group's performance share plans and share matching plans. Tranches of these plans vested during the period and 540,299 shares were transferred to directors and senior managers in order to meet vestings under these plans.

At 31 December 2009 the Trust held a total of 331,886 shares in the company in order to meet part of the company's liabilities under the performance share plans and share matching plans. The Trust deed contains a waiver provision in respect of these shares.

Ordinary shares issued
As part of the above acquisition, the Trust subscribed for 194,672 ordinary shares of 20p each at par, and in November 2009 took up its entitlement of 165,943 ordinary shares under the term of the rights issue at 72p per share at a cost of £119,479.

Options exercised during the period under the group's employee share option schemes resulted in 10,500 ordinary 20p shares being issued with exercise proceeds of £14,595.

The number of ordinary 20p shares in issue at 31 December 2009 was 106,285,588 (31 December 2008: 52,948,122).

Dividends

A dividend, amounting to £2,701,000, which related to 2008 was paid on 2 July 2009 (2008: £2,689,000). An interim dividend amounting to £1,377,000 (2008: £1,374,000) was paid on 5 November 2009. The directors propose a final dividend of 3.6p per share (2008: 3.6p) payable on 2 July 2010. This final dividend amounting to £3,826,000 (2008: £2,701,000) has not been recognised as a liability in these financial statements.

The 2008 comparative dividend per share amounts have been restated from those originally reported to reflect the bonus element of the shares issued in the rights issue completed in November 2009. Previously reported amounts have been divided by 1.409836.

Retained earnings as disclosed in the Balance Sheet above represent the retained earnings and treasury share balances above.

8. PRELIMINARY ANNOUNCEMENT

A copy of the preliminary announcement is available for inspection at the registered office of the company, Claverton Court, Claverton Road, Wythenshawe, Manchester, M23 9NE and the offices of Citigate Dewe Rogerson Ltd, 3 London Wall Buildings, London Wall, London EC2M 5SY. It will also be available on the company's web site www.brammer.biz from 23 February 2010.

9. FINAL DIVIDEND

Relevant dates concerning the payment of the final dividend are:

Annual general meeting	18 May 2010
Record date	4 June 2010
Payment date	2 July 2010

10. STATUTORY ACCOUNTS

This preliminary announcement is taken from the full accounts which have received an unqualified report by the auditors and will be filed with the Registrar of Companies following the company's annual general meeting.