PRESS RELEASE

22 February 2011

PRELIMINARY RESULTS

STRATEGY CONTINUES TO DRIVE MARKET SHARE GAINS

Brammer, the leading pan-European added value technical distributor, today announces its preliminary results for the year ended 31 December 2010.

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 at over 300 locations in 15 countries.

FINANCIAL SUMMARY

		2010	2009	Change
Revenue		**£468.4m**	£426.1m	+9.9%
Operating profit before amortisation and exceptional items		**£23.0m**	£18.4m	+25.0%
Profit before tax on ordinary activities (before amortisation and exceptional items)		**£20.6m**	£13.8m	+49.3%
Amortisation of acquired intangibles		**£(1.3)m**	£(1.6)m	
Exceptional items – continuing operations		**-**	£(13.7)m	
Profit/(loss) before tax from continuing operations		**£19.3m**	£(1.5)m	
Operating cash flow before exceptional items		**£27.5m**	£33.3m	
Net debt		**£36.7m**	£39.9m	
Dividend	- Interim*	**2.1p**	1.9p	
	- Final proposed	**4.5p**	3.6p	
Earnings per share - total				
Basic – (2009: continuing (0.5)p, discontinued 0.6p)		**13.0p**	0.1p	
Diluted – (2009: continuing (0.5)p, discontinued 0.6p)		**13.0p**	0.1p	
Earnings per share – continuing operations before amortisation and exceptional items				
Basic		**13.9p**	13.1p	+6.1%
Diluted		**13.9p**	13.1p	

* The interim dividend for the prior year was restated to reflect the effect of the 1 for 1 rights issue completed on 16 November 2009.

Highlights

- Overall revenue up by 9.9% driven by organic growth. Sales in constant currency up 12.5%. All territories contributed in most cases with substantial double digit gains and sales growth accelerated during the year.

- Brammer's market leadership position still represents less than 3% of the European market and the Company continues to enjoy a sales performance which betters the market as consolidation continues.

- Key Account sales growth of 17.2% and Insite sales growth of 20%, at constant currency, enabled continued market share growth. Key Accounts now represent 36.1% of total revenues.

- Base business (non Key Account) revenues in constant currency grew 16.1% in the second half as a result of cross-selling campaign to base business customers.

- Profit before tax (before amortisation and exceptional items) increased by 49.3% to £20.6 million (2009: £13.8 million) as cost reductions implemented in 2009 combined with higher sales volumes to produce a strong recovery in profitability.

- Continued strong cash inflow from operating activities (before exceptional items) of £27.5 million (2009: £33.3 million) driven by improving inventory turns, being 120% of operating profit (before amortisation and exceptional items).

- Net debt reduced by £3.2 million to £36.7 million including favourable currency movement of £1.7 million but after paying £7.9 million of deferred acquisition payments.

- The net pension liability relating to the defined benefit pension schemes decreased by £9.9 million to £15.8 million (2009: £25.7 million).

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

- The proposed final dividend of 4.5 pence per share (an increase of 25% year on year) makes a total for 2010 of 6.6 pence (an increase of 20%), and reflects the Board's confidence in the outlook for the business.

David Dunn, Chairman, said:

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

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

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CHAIRMAN'S STATEMENT

Overview

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

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

Strategy

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

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

Results for 2010

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

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

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

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

Balance Sheet

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

Dividend

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

Prospects

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

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

David Dunn
22 February 2011

CHIEF EXECUTIVE'S REVIEW

Overview

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

In June 2010, we carried out a review of our strategy and established a new five year plan. The conclusion was that our strategy based on Growth, Capabilities, Costs and Synergies, continued to be appropriate for the future. We concluded that our tried and tested growth drivers will continue to effectively differentiate us from our competition, and will enable us to win market share whatever the market conditions. Moreover, we found amongst top management an increased belief and confidence in the strategy, and a strong view that our growth drivers will allow us to increase revenues at the rate of 12-15% per annum for some years to come, even if our markets are flat at best. Our five year plan is based on this confident outlook, and we have established appropriate plans, country by country, to utilise our growth drivers to achieve this level of revenue growth. Therefore, we will continue to invest in initiatives to grow in defensive segments such as Food and Drink, Fast Moving Consumer Goods ("FMCG"), and Utilities. Our Key Account activity will continue unabated, with our value and cost saving propositions becoming ever more important to our existing and potential Key Account customers. We will increase our investment in our Insite programme and our Product Range Extension and cross selling initiatives will continue to give us good growth in product lines such as Mechanical Power Transmission, Fluid Power, and Tools and General Maintenance products especially on the continent where we are significantly under-represented in these product lines.

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

Operational Review

Brammer is the leading European supplier of technical components and related services to the MRO markets. In 2010, revenue increased by 9.9% to £468.4 million (2009: £426.1 million), whilst operating profit before amortisation and exceptional items increased by 25% to £23.0 million (2009: £18.4 million). Earnings per share (before amortisation and exceptional items and restated for the effect of the rights issue) increased by 6.1% to 13.9 pence per share (2009: 13.1 pence per share). Cash generated from operations before outflows relating to exceptional items was £27.5 million (2009: £33.3 million), driven significantly by an improvement in inventory days (from 91 days to 73 days).

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

Constant exchange rates of
€1.145

Summary table	External Revenue		Operating Profit/(Loss)*		Growth Operating Profit/(Loss)*	Growth Organic SPWD**
	2010	2009	**2010**	2009	**2010**	**2010**
	£m	£m	£m	£m	**%**	**%**
UK	**141.5**	130.3	**6.5**	4.6	**41.3%**	**8.0%**
Germany	**104.0**	90.9	**5.7**	5.0	**14.0%**	**13.6%**
France	**77.5**	69.1	**3.0**	2.7	**11.1%**	**11.1%**
Spain	**39.9**	35.9	**2.9**	2.4	**20.8%**	**9.5%**
Benelux	**45.6**	40.7	**2.6**	1.6	**62.5%**	**10.7%**
Eastern Europe	**48.0**	40.0	**2.4**	1.9	**26.3%**	**17.6%**
Other	**16.6**	13.7	**0.2**	(0.3)	**n/a**	**19.9%**
Total	**473.1**	420.6	**23.3**	17.9	**30.2%**	**11.6%**
Exchange effect***	(4.7)	5.5	(0.3)	0.5	-5.2%	-2.5%
As reported	468.4	426.1	23.0	18.4	25.0%	9.1%

* operating profit before amortisation and exceptional items
** sales per working day
*** to reconcile results and analysis to actual exchange rates for 2010 and 2009

UK

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

Key Account sales grew by 12.0% in the year, and now represent 58% of turnover. Several new contracts were won with customers such as Diageo, Royal Mint, GKN Aerospace and Cargill. Our value proposition continues to be attractive to customers and we have further honed our skills in delivering cost savings and adding value for our customers. In 2010 we recorded nearly 3,000 individual cost savings for 800 customers, with a combined saving of more than £17 million.

We opened twelve new full time Insites and increased sales through these Insites and part-time Insites (those locations where we have several regular clinics with the customer's staff each week) by 17.4%. Eight existing Insites closed (including three factory closures, with the rest resulting from a decline in the customer's business) giving a net increase of four. We opened two new branches in Inverness and Pembroke and expect to open more in the future. We also opened a company in Iceland to support new business opportunities in the Power Generation, Metals and Food and Beverage sectors.

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

Germany
SPWD on a constant currency basis grew by 13.6%, with an exit rate in the fourth quarter of 22.7%. Operating profit improved by 14%. Our investment in Key Accounts paid off with an increase in sales in this segment of 20.2% and we won new contracts with Oystar, Wepa, GDF Suez, Cargill, Ideal Standard, Yara, Schneider Electric and TI Automotive. No contracts were lost. We accelerated the development of our value proposition and provided €6.7 million of savings to our Key Account customers. Key Accounts now represent 23.1% of total revenues.

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

France
SPWD in constant currency increased by 11.1%, with an exit rate of 12.7% in the fourth quarter. Operating profit increased by 11.1%. Key Account sales increased 18.8% and, including automotive, now represent 45% of turnover. We delivered a total of 558 signed off cost savings to our customers, representing €3.3 million of savings. New contracts were won with Clemessy, La Boulangere, SNOP, Claas, and DS Smith Packaging. The recently launched new product initiative of Tools and General Maintenance produced sales growth of 52.1% and this segment now represents 5% of total sales in France. Fluid Power also continued to grow, with sales up 28.0%, and now represents 14% of total sales. We continued to focus our marketing activity on Food and Drink and Utilities, with 60 customer events attracting nearly 2,000 existing and potential customers.

Spain
SPWD on a constant currency basis increased by 9.5%, with an exit rate of 15.1% in the fourth quarter, whilst operating profit increased by 20.8%. Our Key Account revenues increased by 19.5%, and we won new contracts with Berlys, Europastry, Nestle, Schneider Electric, Michelin, Henkel and Tube Investments. Key Accounts now represent 26.8% of sales and we provided over €1.6 million of cost savings to our Key Account customers. Three new Insites were won, with Insite sales increasing by 22%. Our marketing focus was on Food and Drink (up 13%), Automotive (up 24%), Metals (up 30%) and Chemical (up 25%). Seventeen customer symposiums attracted 271 customers. Good progress was made in Product Range Extension, with sales of the Tools and General Maintenance range up 48.0%, and Fluid Power up 34.2%. These two product ranges which represented only 9% of sales in 2009 contributed over one third of total revenue growth in 2010.

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

Eastern Europe
In our Eastern European businesses (comprising Poland, Hungary, the Czech Republic and Slovakia), total SPWD in constant currency grew by 17.6%, whilst operating profit increased by 26.3%. In Poland, SPWD increased by 19.3% at constant currency. The new Key Account team continued to be successful, with Key Account growth of 50.4% and good development with Colgate, Timken, Saint Gobain, Cadbury, Michelin, Kraft Foods, Heinz and Proctor and Gamble. In the Czech Republic and Slovakia, SPWD in constant currency increased by 15.5%. Key Accounts grew by 37.1%, and new contracts were won with Ideal Standard, PMI, TI Automotive. We opened our first two Insites. In Hungary, the SPWD growth was 26.2%, and new contracts were won with Alcoa, Coca Cola and Michelin. We opened our first Insite in Hungary during the year.

Other segments
In respect of the other segments, Austria, Ireland and Italy, SPWD grew by 19.9%, whilst operating profit increased to £0.2 million from a loss of £0.3 million. In Austria SPWD were up 7.4%, in Italy SPWD were up 25.7% and in Ireland SPWD were up 22.3%.

Strategy

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

Growth

Overall revenue growth in constant currency was 12.5%, a result we believe is significantly better than the market. It is evident that our strategies of attacking market segments with focused marketing material and specialist sales people, growth through Key Accounts, the development of Insites, and growth through cross-selling and Product Range Extension are contributing to significant market share gains in most territories.

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

- Food and Drink, a strong focus area for many of our businesses and a key strategic segment for Brammer, grew by £15.4 million or 35.3%, to £59.1 million. Over the last three years our Food and Drink business has grown by 104% and increased from 6.7% of sales in 2007 to 12.2% of sales in 2010.
- Pulp and Paper grew by 32% overall to £22 million.
- Utilities, a relatively new segment for many of our businesses, declined by 2.5% due to a small number of large customers decreasing their demand.
- Automotive saw a good recovery with sales up 41% to £42.9 million.

Key Account sales grew by 17.2% and now represent 36.1% of total sales. Twelve new European contracts were won, each with a minimum contract period of three years, and ultimate potential annual revenues in excess of £70 million. We continued to focus our business on defensive segments and increased our sales to the Food and Drink segment by 23.2%, FMCG by 33.9%, and Chemical by 29.1%. We also saw good recovery in the more cyclical sectors of Automotive (up 36.1%), Construction (up 13.7%), and Metals (up 22.2%). Our value proposition proved increasingly attractive to customers and we provided nearly 5,000 separate cost savings to our customers worth over €35 million.

We opened 44 new Insites, 18 full time and 26 part time, with overall growth of 20% to £65 million. However, 35 Insites were closed due to customer factory closures or reduced demand, giving rise to a total of 222 Insites at the year end.

Extending the product offering to reflect the full Brammer range in every territory continued and whilst bearing sales grew by 7%, non bearing sales rose 15.6%, suggesting significant market share gains driven by growth of 24.2% in Tools and Maintenance to £28.9 million and 15% growth in Fluid Power to £74.1 million. Interestingly, our cross selling activities became significant in the base business in the second half of 2010. Overall sales growth in the second half was 17.0%, which represented 18.5% growth in Key Accounts (37.1% of the total sales) and 16.1% growth in the base business (62.9% of total sales). This growth rate in the base business represents a significant improvement compared with anything we have seen before. Clearly, having introduced the product ranges of Hydraulics, and Tools and General Maintenance to our Key Account customers, which necessitated the introduction of many new suppliers and extensive training of the sales force, our sales teams are now able to introduce those products to our base business customers. As a result, we saw Fluid Power grow 17.8% in the base business in the second half, Tools and General Maintenance by 23.1%, and Fasteners and Standard Parts by 24.4%. This is clearly a very exciting development as we have significantly less than 1% market share across Europe in Fluid Power and Tools and General Maintenance.

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

Capabilities

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

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

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

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

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

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

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

The Brammer European Council of employee representatives meets annually in June. This forum facilitates communication between the Works Councils and Employee Forums from each country in the group, ensuring that the concerns and issues raised by our people can be heard and addressed. During the year we successfully launched the cycle to work scheme in the UK. Finally, in 2011 we will be introducing a new HR database to allow consolidation of all personnel information.

Synergies

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

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

The MOMASSE demand forecasting and planning tool continued to be implemented successfully across Brammer, and has dealt effectively with an apparently stochastic sales progression. Each country has been able to optimise stock levels and deliver higher levels of stock availability for a lower investment in inventory. Good progress was made in developing pan-European inventory plans for certain product groups.

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

Costs

We continued to work on increasing our spend with a smaller number of suppliers, and improving the level of marketing support, pricing, and cooperation in the field received from those suppliers. Gross profit remained more or less constant year on year.

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

The future

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

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

We have now enjoyed 19 consecutive months of sequential growth since the low point in June 2009. We have started 2011 at a very good rate with overall sales in January up 21.8%, and SPWD up 17.5%, and this rate has continued in the first three weeks of February. Encouragingly, this strong start to the year has been accompanied by a robust gross margin. Our Key Account business growth continues (up 24.1% in January), cross selling initiatives to both Key Accounts and the base business are proceeding well and we expect to achieve healthy double digit growth overall in 2011. Moreover, we will continue to lead the consolidation of the European market in Bearings, Mechanical Power Transmission, Fluid Power, and Tools and General Maintenance products. As a result, we are increasingly confident that our strategy will continue to give us growth substantially greater than the market.

Ian R Fraser
22 February 2011

FINANCIAL REVIEW

Overview

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

Revenue

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

Gross profit

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

Profit/(Loss)

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

Earnings per share

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

Return on operating capital employed

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

Goodwill

Goodwill in the balance sheet stands at £74.8 million at the end of the year (2009: £76.6 million). In 2010, goodwill decreased by a net £1.8 million; £2.1 million decrease due to exchange movements on goodwill held in foreign currencies and £0.3 million increase from earn-out payments. Impairment reviews have been performed in accordance with IAS 36 and no impairment has been identified.

Trading during the year

Profit from operations before exceptional items, amortisation, interest and tax ("underlying operating profit") increased by 25.0% to £23.0 million (2009: £18.4 million), of which £11.0 million was delivered in the first half and £12.0 million in the second half (see table below).

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

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

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

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

Exceptional items

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

Interest

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

Tax

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

Cash flow

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

Net debt decreased by £3.2 million from £39.9 million to £36.7 million. At the year end, net debt/EBITDA stood at 1.39:1 times (2009: 1.98:1 times).

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

Pensions

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

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

Treasury

In November 2008 the Company entered into a three year revolving credit finance facility which provided for borrowings of €165 million. Following the rights issue in November 2009, the facility was reduced by €20.7 million in December 2009 and €11.4 million in May 2010. In October 2010 the Company made a voluntary reduction of €12.9 million. The amount of finance available under this facility as at 31 December 2010 was therefore €120 million (£102.8 million). This facility can be drawn until it expires on 28 February 2012. In addition to the revolving credit facility, the Company also has £21 million of other available financing facilities.

The revolving credit facility requires, among other matters, compliance with three financial covenant ratios. These requirements are (1) the ratio of net debt to EBITDA shall not be greater than 3.25:1; (2) consolidated net worth shall exceed £25 million and (3) the ratio of consolidated profit plus consolidated rent to net interest plus consolidated rent shall exceed 2.50:1. EBITDA is a measure of liquidity and is defined in the finance facility. The Company has not breached these covenants throughout the period to 31 December 2010, and current forecasts indicate significant headroom for all covenants in the next twelve months.

As at 31 December 2010 the Company had €60 million (£51.4 million) of borrowings drawn under the revolving credit facility.

Derivative Instruments and Risk Management

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

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

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

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

Principal risks & uncertainties

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

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

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

The principal risks affecting the group are as follows:

- **Slowdown of Industrial Activity**
    - The group has a well spread market and geographic presence and has concentrated growth activities in defensive sectors such as food and drink, utilities and fast moving consumer goods. The Company has demonstrated the capability to reduce costs and the ability to align the cost base in response to market conditions.
- **Withdrawal of a Major Supplier**
    - Brammer is dependent on its key suppliers which it represents in a multi-brand environment to Brammer’s existing customer base. The relationship with strategic suppliers is mutually dependant and enhanced by our partnership approach to Key Accounts. Brammer is continuing to secure additional support for its efforts to increase market share and is confident any withdrawal could be sourced from another supplier.

- **Loss of Major Customers**

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

- **Customers Relocating to Lower Cost Countries**

    - Brammer continues its strategy to grow its business successfully by expanding in a fragmented market and Brammer's Eastern European operations all reported growth throughout 2010. We will continue to review suitable opportunities in this region as they arise.

- **Loss of Infrastructure/Systems**

    - As with most large organisations that depend on Information Technology (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. During 2010 the group has agreed a deficit funding plan with the trustees of the scheme which provides for the group to make annual payments of £2.7 million, indexed for inflation, in the years 2010 to 2023 inclusive.

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

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

- **Loss of Key Employees**

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

- **Risk of bad debt**

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

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

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

Paul Thwaite
22 February 2011

Consolidated income statement for the year ended 31 December 2010

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

Brammer

Consolidated statement of comprehensive income for the year ended 31 December 2010

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

Items in the statement above are disclosed net of tax.

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

Brammer **Consolidated statement of changes in equity** for the year ended 31 December 2010

	Share Capital £'000	Share Premium £'000	Treasury Shares £'000	Translation reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2009	10,590	18,092	(627)	10,011	21,024	59,090
Profit for the year	-	-	-	-	58	58
Other comprehensive income	-	-	-	(4,627)	(10,047)	(14,674)
Total comprehensive income	-	-	-	(4,627)	(9,989)	(14,616)
Transactions with owners						
Shares issued during the year						
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
Profit for the year	-	-	-	-	13,823	13,823
Other comprehensive income	-	-	-	(973)	5,132	4,159
Total comprehensive income	-	-	-	(973)	18,955	17,982
Transactions with owners						
Shares issued during the year	15	60	-	-	-	75
Purchase of own shares	-	-	(6)	-	-	(6)
Transfer on vesting of own shares	-	-	12	-	(12)	-
Dividends	-	-	-	-	(6,042)	(6,042)
Total transactions with owners	15	60	6	-	(6,054)	(5,973)
Movement in year	15	60	6	(973)	12,901	12,009
At 31 December 2010	**21,272**	**18,152**	**(242)**	**4,411**	**43,360**	**86,953**

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

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

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 2009 statements, and will be set out in full in the 2010 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 2010 are summarised below.

New standards, amendments to standards or interpretations

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

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

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

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

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

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

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

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

1. COMPARATIVE RESULTS

Comparative figures for the year ended 31 December 2009 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 2009 annual report and the 2010 interim report are available on the company's website (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.

The group's internal reporting is primarily based on performance reports run at 'management' exchange rates – exchange rates which are set at the beginning of each year. For 2010 the primary management rate used was €1.145 : £1.

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

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

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

	UK	Germany	France	Spain	Benelux	Eastern Europe	Other operating segments	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Year ended 31 December 2010								
Continuing operations								
Revenue								
Total revenue	144,033	107,102	78,748	40,825	47,222	48,358	17,233	**483,521**
Inter company sales	(2,531)	(3,056)	(1,276)	(875)	(1,664)	(320)	(655)	**(10,377)**
Sales to external customers	141,502	104,046	77,472	39,950	45,558	48,038	16,578	**473,144**
Exchange effect								**(4,777)**
Total sales to external customers								**468,367**
Underlying operating profit	6,542	5,655	2,985	2,882	2,611	2,433	201	**23,309**
Exchange effect								**(272)**
Total underlying operating profit								**23,037**
Amortisation of acquired intangibles								**(1,260)**
Total operating profit								**21,777**
Finance expense								**(2,510)**
Finance income								**43**
Profit before tax								**19,310**
Tax								**(5,487)**
Profit for the year								**13,823**
Segment assets	43,756	25,736	28,243	17,319	22,393	24,078	8,305	**169,830**
Exchange effect								**(1,153)**
								168,677
Goodwill								**74,802**
Acquired intangibles								**5,248**
Cash								**21,699**
Deferred tax								**6,377**
Total assets								**276,803**

2. SEGMENTAL ANALYSIS (continued)

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

	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	93,568	70,036	37,127	42,306	40,370	14,047	**430,230**
Inter company sales	(2,506)	(2,697)	(905)	(1,220)	(1,559)	(385)	(332)	**(9,604)**
Sales to external customers	130,270	90,871	69,131	35,907	40,747	39,985	13,715	**420,626**
Exchange effect								**5,467**
Total sales to external customers								**426,093**
Underlying operating profit	4,600	5,034	2,744	2,433	1,574	1,852	(306)	**17,931**
Exchange effect								**513**
Total underlying operating profit								**18,444**
Amortisation of acquired intangibles								**(1,641)**
Exceptional operating items								**(12,927)**
Total operating profit								**3,876**
Finance expense								**(4,679)**
Finance income								**63**
Exceptional finance expense								**(753)**
Loss before tax continuing operations								**(1,493)**
Tax								**1,074**
Discontinued operations								**477**
Profit for the year								**58**
Segment assets	40,540	25,012	26,704	16,805	21,587	19,839	7,476	**157,963**
Exchange effect								**1,116**
								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	-	30	-	-	198	52	484	**764**
- property , plant and equipment	312	117	125	205	314	323	152	**1,548**
Exchange effect								**291**
Total capital expenditure								**2,603**
Amortisation/depreciation								
- intangible assets	-	(165)	-	-	(72)	(27)	(792)	**(1,056)**
- property, plant and equipment	(1,499)	(216)	(261)	(391)	(448)	(396)	(309)	**(3,520)**
Exchange effect								**(86)**
Total amortisation/depreciation								**(4,662)**

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

	2010	2009
Management rate	**€1.145**	€1.145
Actual average rate	**€1.165**	€1.117
Year end rate	**€1.167**	€1.126

3. EARNINGS PER SHARE

	2010		
		Earnings per share	
	Earnings £'000	Basic	Diluted
Weighted average number of shares in issue ('000)		**106,290**	**106,290**
Profit for the financial year	**13,823**	**13.0p**	**13.0p**
Amortisation of acquired intangibles	**1,260**		
Tax on amortisation of acquired intangibles	**(322)**		
Earnings before amortisation of acquired intangibles	**14,761**	**13.9p**	**13.9p**

	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

4. 2009 EXCEPTIONAL ITEMS

In 2009, in response to the difficult market conditions in which the group operated, an extensive review of the group's operating cost base, strategy and stock management was carried out. As a result of this review, actions were taken to reduce headcount and to reprofile stock. Costs arising of £12.9 million were charged as exceptional restructuring and stock scrapping costs.

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

The credit relating to discontinued operations comprises the release of a substantial part of the provision held in respect of potential warranty claims. This amount of £0.7 million is shown net of taxation on the income statement. Further details of the exceptional items were given in note 4 on page 62 of the 2009 Annual Report.

5. CASH FLOW FROM OPERATING ACTIVITIES

	2010 £'000	2009 £'000
Profit for the year attributable to equity shareholders	**13,823**	58
Tax charge/(credit) on continuing operations	**5,487**	(1,074)
Tax charge on discontinued operations	**-**	185
Depreciation of tangible and intangible assets	**5,595**	6,634
Share options – value of employee services	**-**	(696)
Gain on sale of property, plant and equipment	**(42)**	(133)
Financing expense	**2,467**	4,616
Movement in working capital (excluding the effect of exchange movements and fair value adjustments)	**(1,272)**	17,729
Cash generated from operations after exceptional items	**26,058**	27,319

6. CLOSING NET DEBT

	2010 £'000	2009 £'000
Borrowings – current	**(3,760)**	(6,248)
Borrowings – non-current	**(54,613)**	(66,898)
Cash and cash equivalents	**21,699**	33,272
Closing net debt	**(36,674)**	(39,874)

7. CHANGES IN SHAREHOLDERS' EQUITY

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

Purchase of own shares

During the year the company acquired 4,377 of its own shares of 20p each through the Brammer plc Employee Share Ownership Trust ("the Trust"). The total amount paid to acquire the shares was £6,076 which has been deducted from shareholders' equity.

The shares are held by the Trust to meet vestings under the group's performance share plans and share matching plans. Tranches of these plans vested during the period and 58,629 shares were transferred to directors and senior managers in order to meet vestings under these plans.

At 31 December 2010 the Trust held a total of 277,634 shares in the company in order to meet part of the company's liabilities under the performance share plans and share matching plans. The Trust deed contains a waiver provision in respect of these shares.

Ordinary shares issued

Options exercised during the period under the group's employee share option schemes resulted in 75,597 ordinary 20p shares being issued with exercise proceeds of £75,316.

The number of ordinary 20p shares in issue at 31 December 2010 was 106,361,185 (31 December 2009: 106,285,588).

Dividends

A dividend, amounting to £3,816,000, which related to 2009 was paid on 2 July 2010 (2009: £2,701,000). An interim dividend amounting to £2,226,000 (2009: £1,377,000) was paid on 3 November 2010. The directors propose a final dividend of 4.5p per share (2009: 3.6p) payable on 5 July 2011. This final dividend amounting to £4,786,000 (2009: £3,816,000) has not been recognised as a liability in these financial statements.

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 website www.brammer.biz from 22 February 2011.

9. FINAL DIVIDEND

Relevant dates concerning the payment of the final dividend are:

Annual general meeting	17 May 2011
Record date	10 June 2011
Payment date	5 July 2011

10. STATUTORY ACCOUNTS

This preliminary announcement is taken from the full audited statutory accounts which will be filed with the Registrar of Companies following the company's annual general meeting. The statutory accounts have received an unqualified report by the auditors and do not contain any statements under section 498 (2) or (3) of the Companies Act 2006.