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Brammer plc ("Brammer" or the "Group")

PRELIMINARY RESULTS

STRATEGY TO ADD VALUE TO CUSTOMERS CONTINUES TO DRIVE STRONG REVENUE AND PROFIT GROWTH

Brammer, the leading pan-European added value distributor of industrial maintenance, repair and overhaul products, today announces its preliminary results for the year ended 31 December 2011.

Financial Highlights

- Total group revenue up 22.0% to £571.5 million (2010: £468.4 million) driven by organic growth across all territories totaling 16.4% and 5.6% by acquisition.
- Profit before tax (pre amortisation and exceptional items) increased by 40.8% to £29.0 million (2010: £20.6 million).
- Operating profit (pre amortisation and exceptional items) increased by 38.3% to £31.8 million (2010: £23.0 million), with 34.4% of the growth from organic business.
- Operating margins (pre amortisation and exceptional items) improved from 4.9% to a new high of 5.6%.
- Continued strong cash inflow (pre exceptional items) of £28.9 million (2010: £27.5 million) reflecting continued focus on working capital control.
- EPS (pre amortisation and exceptional items) increased by 42.4% to 19.8p (2010: 13.9p).
- EPS (basic) increased by 29.2% to 16.8p (2010: 13.0p).
- Dividend up 27.3% to 8.4p (2010: 6.6p) reflecting the Board's confidence in the outlook for the business.

Operational Highlights

- Acquisition of Buck & Hickman business on 30 September 2011, a top five operator in the fragmented UK tools & general maintenance market, providing significant cross-selling opportunities in the European market with existing customers. Integration is proceeding to plan, with the market opportunity significantly larger than our previous estimates.
- Continued successful execution of organic growth strategy;
    - Key Account sales per working day growth of 23.9%* with sales now representing 40.2% of revenues (2010: 36.1%).
    - Insite sales growth of 27.0%* with a net 48 new locations established.
    - Organic non Key Account (excluding acquisitions) revenue grew 10.9%* driven by cross-selling initiatives.
    - Utilities and Food and Drink revenues grew by 14.7% increasing the group's resilience to any wider economic uncertainty in our markets.
    - Overall Brammer delivered £34.9 million of validated cost savings to our customers.

*at constant currency

David Dunn, Chairman, said:

"We have continued to execute successfully our proven strategy to exploit Brammer's leadership position in the fragmented, pan-European, €40 billion market that we address. The scale of this market offers multiple growth opportunities as we invest in quality products, people, systems, and marketing.

2012 will be another economically challenging year but early trading has started well and we are deriving additional benefits from the acquisition of Buck & Hickman. The Board is confident that Brammer will make further significant progress during the course of the current year."

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CHAIRMAN'S STATEMENT

Overall

2011 was a highly successful and significant year for Brammer. The group has produced substantially increased sales and profits, acquired an exciting business in Buck & Hickman, and secured new long term borrowing facilities on favourable terms. I believe these achievements again demonstrate the consistent application of our proven long term strategy and the strength of our management team.

Results for 2011

Total sales for the year were £571.5 million ("m") which was an increase of 22% over the prior year. Excluding a small exchange rate benefit and a first time contribution from Buck & Hickman of £26.5m for the final three months of the year, the organic sales growth at constant exchange rates was 15.6%. Once again Key Accounts were the principal growth driver with twelve new accounts won in 2011. Sales growth in Key Accounts was 23.3%. Importantly, the pipeline of new prospects remains strong and there is considerable scope for further penetration of existing accounts.

Gross margins were 30.3% which was slightly up on 2010 notwithstanding dilution of 0.3% from the lower margin Buck & Hickman business. Sales, distribution, and administrative costs totalled £144.7m including £6.0m from Buck & Hickman. On a like for like basis (excluding Buck & Hickman and exceptional items) at constant exchange rates this is 14.2% higher than last year. Included in the total is a charge of non-cash costs related to the anticipated vesting of management share options awarded in 2009 under the Performance Share Plan. This amounted to £3.1m. No such charges were made in the previous two years as prior year awards lapsed during the recession and its immediate aftermath.

The resulting operating profit (pre amortisation of acquired intangibles and exceptional items) was up by 38.3% to £31.8m (2010: £23.0m) representing a margin of 5.6% on sales (2010: 4.9%) On the same basis profit before tax was £29.0m, a 40.8% improvement on last year's £20.6m. Exceptional items totalled £3.2m (2010: £nil) most of which related to the acquisition of Buck & Hickman with the balance being accounted for by some minor restructuring in Europe. Earnings per share (pre amortisation and exceptional items) were 19.8 pence compared to 13.9 pence in 2010, an increase of 42.4%. There was no dilution of earnings associated with Buck & Hickman which is being integrated to plan.

Balance Sheet

Net debt at 31 December 2011 was £35.3m (2010: £36.7m). The reduction in debt is after the payment of deferred consideration for previous acquisitions of £1.8m and a net cash outflow of £2.1m to part finance the purchase of Buck & Hickman. The bulk of the Buck & Hickman consideration was covered by the proceeds of a new issue of ordinary shares which raised £24.8m net of costs.

As indicated in our interim review the group was pleased to announce the completion in July of new banking facilities providing up to €100m (£83.9m) of debt finance for a five year term.

Buck & Hickman

Brammer acquired Buck & Hickman, a leading UK distributor of industrial products, at the end of September 2011. Prior to the acquisition, Brammer already had a modest sized tools and general maintenance product range which had been identified as an area of major growth potential in the group's strategic planning. As a top five UK supplier of tools and general maintenance products Buck & Hickman gives us the opportunity to accelerate these growth plans significantly, and we were delighted to acquire the business.

Buck & Hickman is now in the process of being integrated into the Brammer business. Considerable opportunities for the combined business were identified prior to acquisition and these have been reinforced in the immediate post acquisition period. We are leveraging Buck & Hickman's expertise in tools and general maintenance into many cross-selling initiatives with Brammer's customer base. Our European network is opening up sales opportunities for Buck & Hickman and a new European organisation has been set up to focus on this major area of growth. The merging of expertise, purchasing, and distribution networks will also create future benefits for the group and consequently our customer base. We are grateful to the management and employees of Buck & Hickman for their enthusiasm and co-operation in bringing the two businesses together.

Dividend

The interim dividend for 2011 was increased by 28.6% to 2.7 pence per share. Given the growth in earnings the Board is now proposing a 26.7% increase in the final dividend to 5.7 pence per share. Total dividends for 2011 would then amount to 8.4 pence per share which is a 27.3% increase over the prior year. At this level the total dividend would be covered 2.4 times by earnings. Subject to shareholder approval, the final dividend will be paid on 3 July 2012 to shareholders on the register at close of business on 8 June 2012.

Board

After more than ten years as Chairman of Brammer I have decided not to stand for re-election at the annual general meeting in May. I am delighted to say that Bill Whiteley has agreed, subject to re-election, to take over at that time. Bill joined Brammer's Board as a non-executive director in July 2008 and we are fortunate to be able to appoint someone of his quality and experience. Duncan Magrath will join the Board as a non-executive director on 1 March 2012. We are delighted to welcome Duncan whose wide international experience will be invaluable to the group.

It has been a privilege for me to serve as Chairman and I leave the group in excellent shape. We have a sound and proven strategy, a first class management team ably led by Ian Fraser and massive opportunities for future growth.

Prospects

We have continued to execute successfully our proven strategy to exploit Brammer's leadership position in the fragmented, pan-European, €40 billion market that we address. The scale of this market offers multiple growth opportunities as we invest in quality products, people, systems, and marketing. 2012 will be another economically challenging year but early trading has started well and we are deriving additional benefits from Buck & Hickman. The Board is confident that Brammer will make further significant progress during the course of the current year.

David Dunn
14 February 2012

CHIEF EXECUTIVE'S REVIEW

Overview

In 2011 we continued to invest in and benefit from our growth strategy focused on Key Accounts, Product Range Extension, Insites and segment based marketing, giving rise, once more, to growth significantly ahead of the market. Our growth drivers have served us well over the past eight years, and in 2011 our strategy remained unchanged. Although our growth rate declined slightly towards the end of the year due to increasingly challenging comparators, we nevertheless exited 2011 with an organic growth rate in December of 13.5%, measured in Sales Per Working Day at a constant exchange rate ("SPWD"). We thus enter 2012 with good growth momentum.

In 2011, we achieved an organic growth rate in SPWD of 15.9%. We continued to invest in initiatives to grow in more defensive segments such as Food and Drink, Fast Moving Consumer Goods ("FMCG"), and Utilities. Our Key Account development continued unabated, and it became clear that our value and cost saving propositions are becoming ever more important to both existing and potential Key Account customers. We increased our investment in our Insite programme increasing the number of sites by a net forty-eight. 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 continues to reinforce to our customers and potential customers alike 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 2011, revenue increased by 22.0% to £571.5 million (2010: £468.4 million), whilst operating profit before amortisation and exceptional items increased by 38.3% to £31.8 million (2010: £23.0 million). Earnings per share (before amortisation and exceptional items) increased by 42.4% to 19.8p pence per share (2010: 13.9 pence per share). Cash generated from operations before outflows relating to exceptional items was £28.9 million (2010: £27.5 million), reflecting continued focus on working capital in a year of growth.

Operating margin (before amortisation and exceptional items) increased from 4.9% to 5.6%. Excluding Buck & Hickman, our operating margin improved to 5.7%. Revenue per head was up 13% to £221,000 (2010: £195,000) reflecting continued improvement in productivity.

At 2011 management rates (€1.20)

	External Revenue		Operating Profit*		Growth Operating Profit*	Growth Organic SPWD**
	2011	2010	**2011**	2010	**2011**	2011
	£m	£m	£m	£m	**%**	**%**
UK	**190.5**	141.5	**9.4**	6.5	**44.6%**	**16.8%**
Germany	**115.5**	99.3	**7.8**	5.4	**44.4%**	**16.1%**
France	**84.5**	73.9	**4.0**	2.8	**42.9%**	**14.2%**
Spain	**42.9**	38.1	**3.3**	2.8	**17.9%**	**12.3%**
Benelux	**49.2**	43.5	**2.6**	2.5	**4.0%**	**12.8%**
Eastern Europe	**56.8**	47.0	**3.6**	2.3	**56.5%**	**21.0%**
Other	**17.7**	15.8	**0.2**	0.2	**-**	**13.2%**
Total	**557.1**	459.1	**30.9**	22.5	**37.3%**	**15.9%**
Exchange effect***	**14.4**	9.3	**0.9**	0.5	**1.2%**	
As reported	**571.5**	468.4	**31.8**	23.0	**38.3%**	

* operating profit before amortisation and exceptional items
** sales per working day
*** to reconcile results and analysis to actual exchange rates for 2011 and 2010

UK (including Iceland)
Our largest operation, and the one where the Brammer development strategy is most advanced, achieved organic SPWD growth of 16.8%, and increased operating profit by 44.6% to £9.4 million, including sales of £26.5 million and an operating profit contribution of £0.9 million from Buck & Hickman. The growth rate accelerated throughout the year.

Key Account sales grew by 22.4% in the year, and now represent 63% of turnover. Several new contracts were won with customers such as EDF Energy, Tata Steel, BAE Systems and many others. 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 2011 we recorded 3,682 individual cost savings for 1,325 customers, with a combined saving of more than £20 million.

We opened 20 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 24.5%. Six existing full-time Insites closed giving a net increase of 14. We opened a new branch in Fort William and plan to open more in the future. Brammer Iceland, established in Reykjavik in December 2010, has performed well, with two significant Key Accounts won and several other significant contract wins expected in the current year in the Power Generation, Metals, and Food and Drink sectors.

Finally, our cross-selling initiatives continued to be successful with sales growth of 19.3% in our Fluid Power range and 28.9% in our Tools and General Maintenance range.

Germany
SPWD grew by 16.1%, with the growth rate declining in quarter four (6.9%) due to tougher comparators and some slowing in the Original Equipment Manufacturing ("OEM") segment of the market. Operating profit improved by 44.4%. Our investment in Key Accounts paid off with an increase in sales in this segment of 23.9%, representing 25.9% of total sales. We won new contracts with Kolbenschmidt Pierburg, Stora Enso, AGC Glass, Deutsche Rockwool, Harsco and many others. No contracts were lost. We accelerated the development of our value proposition and provided €11.6 million of savings to our Key Account customers.

Our continued investment in Fluid Power generated healthy sales growth of 27.5%, whilst our new investment in Tools and General Maintenance Products resulted in growth of 69.3%. We established 16 new Insites with total Insite sales growing 38.0%. 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; 136 customer events were held across Germany addressing more than 1,600 MRO specialists from those segments, raising the awareness of Brammer as a solution provider.

France
SPWD increased by 14.2%, with an exit rate of 12.1% in the fourth quarter. Operating profit increased by 42.9%. Key Account sales increased 19.1% and, including the Automotive segment, now represent 49% of turnover. We delivered a total of 612 signed off cost saving projects to our customers, representing €4.8 million of savings. New contracts were won with Exide, Georgia-Pacific, Rockwool, Albea, Bridgestone, Essilor and many others. We opened nine new Insites bringing the total to 31, with revenue growth of 16.0%. The recently launched new product initiative of Tools and General Maintenance and Personal Protection Equipment produced sales growth of 32.7%. Fluid Power also continued to grow, with sales up 25.6%, and now represents 15.4% of total sales. We continued to focus our marketing activity on Food and Drink and Utilities, with 56 customer events attracting 1,450 existing and potential customers.

Spain
SPWD increased by 12.3%, though the exit rate of 7.6% in the fourth quarter was lower due to tougher comparators and some slowdown in the OEM segment of our market. Operating profit increased by 17.9%. Our Key Account revenues increased by 28.5% (representing 31.2% of sales), and we won new contracts with Harsco, Johnson Controls, Georgia-Pacific, Panrico, Delphi and many others. We provided over €1.4 million of cost savings to our Key Account customers. Seven new Insites were established, bringing the total to 22, with Insite sales increasing by 46.3%. Our marketing focus was on Food and Drink (up 13.3%), Automotive (up 16.4%), Metals (up 87%) and Chemicals (up 42%). Forty-three customer symposiums attracted 240 customers. Good progress was made in Product Range Extension, with sales of the Tools and General Maintenance range up 33.2%, and Fluid Power up 46.1%.

Benelux
SPWD in the Benelux countries grew by 12.8%, with an exit rate of 15.5% in the fourth quarter, whilst operating profit increased by 4.0%. Key Account growth in Holland was 39.9% and in Belgium 10.8%. We won new contracts with Rockwool, Bosch Transmission Technology, Monier, Georgia-Pacific, Nexans, Toyota, Hanson and many others. In Holland our recent emphasis on Mechanical Power Transmission produced sales growth of 27.6% whilst Fluid Power grew by 28.0%. We opened one new Insite in Belgium, increasing sales through Insites by 22.7%, and a new Insite in Holland with sales growth of 23.4%. Our focus on Food and Drink gave rise to 46% growth in Holland, though sales grew by just 3% in Belgium due to some significant one-off orders last year. The Food and Drink segment now represents 11.5% of Benelux sales.

Eastern Europe
In our Eastern European businesses (comprising Poland, Hungary, the Czech Republic and Slovakia), total SPWD grew by 21.0%, whilst operating profit increased by 56.5%. In Poland, SPWD increased by 24.1%. Key Accounts once again grew significantly, by 42%, and new contracts were won with Delphi, Exide and Rockwool. In the Czech Republic and Slovakia, SPWD increased by 12.9%. Key Accounts increased by 7.5%, mainly due to one very large order from an Automotive customer in 2010. Excluding this, Key Account sales grew by 17.2%. We also opened our first two Insites during the year. In Hungary, the SPWD growth was 44.1%, and new contracts

were won with Kraft Food, Daimler and Univer. 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 13.2%, whilst operating profit remained constant at £0.2 million. In Austria SPWD were up 19.5%, in Italy, SPWD were up 13.2% and in Ireland SPWD were up just 0.3%.

Strategy

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

Growth

Overall organic SPWD revenue growth was 15.9%, significantly better than the overall 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 £8.5 million or 14.7%, to £66.2 million.
- Pulp and Paper grew by 6.5% overall to £22.7 million.
- Utilities grew by 14.7% to £18.9 million.
- Continued recovery in Automotive and market share gains resulted in sales growth of 31.7% to £54.4 million.
- Metals grew by 30.6% to £66.2 million.

Key Account SPWD grew by 23.9%, close to our target of 25%, and Key Accounts now represent 40.2% 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 £60.0 million. We continued to focus our business on more defensive segments and increased our sales to the Food and Drink segment by 17.5%, FMCG by 29.1%, and Chemical by 7.6%. We also saw good recovery and market share gains in the more cyclical sectors of Automotive (up 36.5%), Construction (up 13.5%), and Metals (up 35.7%). Our value proposition proved increasingly attractive to customers and we provided 4,800 separate cost savings to our customers worth over €41.8 million.

We opened 64 new Insites, 31 full time and 33 part time, with overall turnover growth of 27.0% to £93.6 million. 16 Insites were closed due to customer factory closures or reduced demand, giving rise to a net addition of 48 Insites in the year and a total of 270 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 11.6%, non bearing sales (excluding Buck & Hickman) rose 17.7%, suggesting significant market share gains driven by growth of 28.7% in Tools and Maintenance to £37.5 million and 24.0% growth in Fluid Power to £91.4 million. Our cross-selling activities continued to be significant in assisting base business growth. Overall organic sales growth in 2011 at constant currency was 15.6%, which reflects 23.9% SPWD growth in Key Accounts (representing 40.4% of organic sales) and 11.1% growth in the base business (59.6% of organic sales). Base business growth in Fluid Power was 19.5%, Tools and General Maintenance grew by 21.6%, and Fasteners and Standard Parts by 16.1%.

Acquisitions

We acquired Buck & Hickman on 30 September. Trading in the final quarter exceeded our expectations. This business has been a key supplier of Tools and General Maintenance products to UK industry for more than 180 years, and brings us great experience and critical mass in a market which we now believe to be around €25 billion. Whilst there are many synergies available in integrating Brammer UK and Buck & Hickman, particularly in the areas of property costs, product range and purchase pricing, we are particularly excited by the opportunity to use the skillset available to us in Buck & Hickman to cross-sell to existing customers in continental Europe.

Capabilities

The focus of our people and organisational capability continues to be on supporting our growth. To that end, our pan-European marketing team are continuing to deploy our new Market Segmentation material across Europe, combined with training on how to use the sector specific material and a continuous audit of the branch network. We have also developed and launched a new sales training programme considering best practice, our industry sector approach and Brammer's value proposition.

Our sales team is continuing to develop the Brammer Insite Operations Manual, localised into English, French, German and Spanish. During 2011 we introduced an Insite training programme designed to raise awareness of the prerequisite methods and processes to identify, target and set up a new Insite. A European Insite Manager was appointed during the year to manage the growth of Insite services across all 16 countries.

In order to increase the focus on our extended product range and strengthen our cross selling initiatives, we have recruited a number of European Product Managers who are responsible for developing and growing our business in Fluid Power, Power Transmission and Tools and General Maintenance products.

We have developed a new website with e-commerce functionality, aiming to increase customer conversions via an enhanced user journey and easy to find call-to-action opportunities. The new site features more interactive content including "Quick Tips video clips" and we will be adding new clips and other content regularly throughout 2012. Our e-commerce solution is already live in Poland, Spain, France and Netherlands, and will be launched in the remaining countries during 2012 and 2013.

Huge opportunities exist from energy saving in manufacturing or process-driven organisations; a conservative estimate suggests that over €13 billion is wasted across Europe by inefficient energy consumption in the production process. Our key partner suppliers are very supportive and last year we completed our research project with the German Technical Fraunhofer Institute. Using our research findings and methodology, we have developed a Brammer Energy Savings Proposition identifying how we can help maximise energy savings at our customers' plants. We have also appointed Energy Saving Champions in each country to deliver the best-practice approach to energy savings and to create local action plans to promote and deliver our Energy Savings programme to customers.

In February 2011 we conducted our most extensive ever customer satisfaction survey, involving 45-minute telephone interviews with 250 customers across Europe, and an online questionnaire sent to a random sample of 10,000 of our 100,000 customers. This research gave us unprecedented insight into our customers, helping us to appreciate their current and future needs in detail, and assist us with our strategic and operational planning.

During the year Brammer's Distributed Learning programme ("e-learning") was updated with new product training modules and enhanced functionality to provide a better learning experience in nine languages. This training is a key element of Brammer's employee induction programme; and for critical, customer-facing roles we are achieving 100% take-up of the two major foundation programmes. Going forward, we will continue to work with our suppliers to ensure our employees receive the best possible product training.

From analysis of the 2011 internal employee survey, we have developed regional and functional action plans to maintain and enhance the excellent links between our strategy and our personnel.

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 listened to and responded to.

Synergies

Our work on developing systems to allow us to view and manage all of our inventory across Europe and hence to improve inventory efficiency continued to produce pleasing results. Our Master Data Management ("MDM") application now contains over five million part numbers and over eight million technical features. The increasing volume and completeness of the data held in MDM has supported a 5.3% increase in the volume of product traded internally using our Brammer Inline platform. Brammer Inline now provides visibility of stock across ten European countries, and fully integrated electronic trading between Brammer country businesses. Our focus has been on reducing order processing times and costs, and this concept has been progressively extended to all internal warehouses as well as suppliers' stocks. We have used MDM and Inline to form the basis for our first pan-European webshop which has already been rolled out in Spain, Poland and France, and will be completed during 2012. This capability will allow us to increase our online presence and develop new revenue streams in the online environment.

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.

Inventory turns were maintained at 5.0 (based on quarter four sales) despite pressure for increased stockholding arising from the acquisition of Buck & Hickman business, and the focus on product range extension and cross-selling opportunities.

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. Organic gross margin improved by 0.5% year on year to 30.6%.

We continued to focus on efficient use of our Sales Distribution and Administrative expense (SDA). SDA at constant currency grew by 14.2% against a comparative sales growth of 15.6%. As a result we enjoyed significant operating leverage, despite the fact that a large part of the additional SDA investment was to drive additional growth in Key Accounts, cross-selling and Insite development.

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

We have now enjoyed 31 consecutive months of sequential growth since the low point in June 2009. Our Key Account business remains strong, 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 2012. 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
14 February 2012

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 22.0%, of which continental Europe accounted for 11.5% of the increase and UK the remaining 10.5%. Revenue in continental Europe increased by 16.5% and in the UK by 34.6%. At constant exchange rates, revenue increased by 21.3%. This equates to an increase in organic sales per working day of 15.9%, with growth of 15.2% in continental Europe and 16.8% in the UK. The contribution to revenue from the acquisition of the UK based Buck & Hickman business on 30 September 2011 was £26.5 million.

Gross profit

The gross profit for the year was £173.3 million (2010: £141.1 million). Gross margins were maintained at around 30%.

Operating profit

Operating profit (before amortisation and exceptional items) increased by £8.8 million to £31.8 million in 2011 from £23.0 million in 2010. Return on sales increased to 5.6% (2010: 4.9%).

Profit before tax

The profit before tax from continuing operations for the year was £24.5 million (2010: £19.3 million). Profit before tax, amortisation and exceptional items but after finance expense was £29.0 million (2010: £20.6 million).

Earnings per share

Basic earnings per share increased by 3.8p from 13.0p to 16.8p in 2011. Earnings per share, before amortisation and exceptional items, increased by 42.4% from 13.9p in 2010 to 19.8p in 2011.

Return on operating capital employed

The return on operating capital employed, based on operating profit before amortisation and exceptional items, was 32.3% (2010: 31.0%) for the total group, reflecting the effect of the acquisition during the year. Organic return on operating capital employed increased from 31.0% to 38.1% principally reflecting the improvement in underlying operating profit through increased trading. Total return on operating capital employed, which is lower, reflects the short three month post acquisition contribution to underlying operating profit from Buck & Hickman.

Goodwill

Goodwill in the balance sheet stands at £89.5 million at the end of the year (2010: £74.8 million), a net increase of £14.7 million. In 2011, goodwill increased by £8.1 million in respect of the acquisition of the Buck & Hickman business, and by £8.8 million reflecting the accrual for earn-out payments relating to prior years' acquisitions; there was a £2.2 million decrease due to exchange movements on goodwill held in foreign currencies. 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 38.3% to £31.8 million (2010: £23.0 million), of which £15.4 million was delivered in the first half and £16.4 million in the second half (see table below).

	First half	Second half Organic	Second half Acquisition	Full year
	£m	£m	£m	£m
2011				
Revenue	**275.2**	**269.8**	**26.5**	**571.5**
Underlying operating profit*	**15.4**	**15.5**	**0.9**	**31.8**
2010	£m	£m	£m	£m
Revenue	230.0	238.4	-	468.4
Underlying operating profit*	11.0	12.0	-	23.0

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

Both the first half and the second half enjoyed continued growth compared to the prior year. For the first half, revenue increased by £45.2 million and underlying operating profit by £4.4 million. For the second half, organic revenue increased by £31.4 million resulting in an increase in underlying operating profit of £3.5 million, as slightly lower growth rates were experienced against more challenging comparators.

Exchange rates had a small favourable impact on the year's results contributing less than 1.0% to the growth in both revenue and underlying operating profit.

Exceptional items

The group completed the acquisition of the Buck & Hickman business on 30 September 2011 for a consideration of £26.9 million. Acquisition costs of £0.5 million incurred, together with £0.8 million of branch co-location costs and a £0.4 million charge for write-down of stock, being related costs incurred up to 31 December 2011 in the first phases of integrating the business with that of Brammer UK, have been recognised as exceptional costs in the income statement. In addition a further charge of £1.5 million, the majority of which relates to restructuring actions taken in the wider group as first steps in realising operational benefits from the acquisition, has also been included in the total pre-tax operating exceptional charge of £3.2 million.

There were no exceptional items in 2010.

Interest

The net interest charge for the year was £2.8 million (2010: £2.4 million) which included a discount unwind charge on deferred consideration of £0.1 million (2010: £0.2 million). Excluding the discount unwind charge the effective interest rate on average net borrowings was 4.5% (2010: 4.3%), reflecting the higher margins payable on the new primary facility from July 2011. EBITDA before exceptional items covers interest by 11.3 times (2010: 10.1 times).

Tax

The overall tax charge for the year of £6.2 million (2010: £5.5 million) consisted of the current year charge. Current year tax represents an effective tax rate of 25.4% which is lower than the expected rate of 26.5% primarily as a result of a credit arising from a release of tax contingent liabilities of £0.8 million, offset by adjustments arising from the differences in tax rates across Europe of £0.1 million, further recognition of tax losses in the year of £0.3 million and other permanent differences of £0.1 million.

Cash flow

	2011 **£m**	2010 £m
Cash inflow from operating activities	28.2	26.1
Cash inflow from operating activities before exceptional items	*28.9*	*27.5*
Cash outflow from exceptional items	*(0.7)*	*(1.4)*
Cash inflow from operating activities	*28.2*	*26.1*
Net capital expenditure (purchases net of disposals)	(5.8)	(3.3)
Operational cash generation	22.4	22.8
Acquisitions (including net debt acquired)	(26.9)	-
Deferred consideration and earn out	(1.8)	(7.9)
Tax	(4.1)	(2.7)
Interest, dividends, pension obligations & other	(13.6)	(10.8)
Net proceeds from placing	24.8	-
Purchase of own shares	(0.1)	-
Net proceeds from issue of shares	0.1	0.1
Decrease in net debt	0.8	1.5
Opening net debt	(36.7)	(39.9)
Exchange	0.6	1.7
Closing net debt*	(35.3)	(36.7)

* total borrowings net of cash and cash equivalents.

Net debt decreased by £1.4 million from £36.7 million to £35.3 million. At the year end, net debt/EBITDA stood at 1.0:1 times (2010: 1.4:1 times).

Net cash inflow from operating activities of £28.2 million increased by £2.1 million from £26.1 million in 2010, which is after £0.7 million outflow (2010: £1.4 million) associated with exceptional items in the current year and provision utilisation in 2011 of exceptional items from prior years. This inflow enabled the payment of £1.8 million of deferred consideration, £4.1 million taxation payments, and £13.6 million for dividends, interest and pension obligations. Net capital expenditure increased substantially from £3.3 million to £5.8 million due to increased investment in software development.

Average net borrowings in 2011 were £54.5 million compared to £52.8 million in 2010, only slightly above last year because the acquisition of Buck & Hickman for £26.9 million was largely funded through a share placing, generating net proceeds of £24.8 million.

Pensions

The net pension liability relating to the defined benefit pension schemes increased by £1.0 million to £16.8 million (2010: £15.8 million). The principal factors contributing to this increase were a £3.9 million actuarial loss on scheme assets offset by £3.4 million of employer contributions.

The main financial assumptions used were a discount rate of 4.8% (2010: 5.5%), a 3.0% (2010: 3.6%) rate of increase for pensions in payment and a 2.4% (2010: 3.1%) rate of increase for pensions in deferment. The main demographic assumptions used are broadly unchanged. The charge recognised in the income statement decreased by £0.5 million to £0.1 million (2010: £0.6 million) reflecting an increase in the expected return on scheme assets following the significant increase in scheme assets in the prior year.

Financing and Covenants

In July 2011 the Company entered into a five year revolving multicurrency credit finance facility which provided for borrowings of €100.0 million, replacing the previous facility which was due to expire in February 2012. This facility can be drawn until it expires on 30 June 2016. In addition to the revolving credit facility, the Company also has £21.5 million of other available financing facilities. The amount of finance available under this revolving credit facility as at 31 December 2011 was €100.0 million (£83.9 million).

The new revolving credit facility requires, among other matters, compliance with three financial covenant ratios. These requirements are (1) consolidated total net borrowings shall not exceed 3.0 times consolidated EBITDA; (2) consolidated net worth shall be not less than £50.0 million; (3) the ratio of consolidated EBITDA to consolidated net interest payable shall not be less than 4.5:1; in addition, the guarantor subsidiaries must account for more than 75% of the group's total gross assets, turnover and pre-tax profit. EBITDA is a measure of liquidity and is defined in the finance facility. The Company has not breached these covenants throughout the period to 31 December 2011, and current forecasts indicate significant headroom for all covenants in the next twelve months.

As at 31 December 2011 the Company had £46.4 million of borrowings drawn under the revolving credit facility.

On 2 September 2011 the group announced a placing of 10,535,000 new ordinary shares at 240 pence per share with institutional investors, representing approximately 9.9% of the total issued share capital. Demand for the placing exceeded the offering by a factor of two. The proceeds of this placing were used to fund the purchase of the Buck & Hickman business which was completed on 30 September 2011.

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 material exposure from fixed price contracts and has a track record of maintaining gross margin irrespective of sales volumes thereby successfully pushing back market pricing pressure to its suppliers.

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

equipment markets which Brammer supplies. The group has a well spread market and geographic presence and has concentrated growth activities in defensive sectors such as food and drink, utilities and fast moving consumer goods. The group has also focused growth activities in larger Key Account customers who have a wider global presence and are therefore likely to prove more resilient during any economic downturns in Europe and surrounding areas. Economic conditions vary throughout the Euro-zone and accordingly a slowdown will have a different level of impact on each country. The sales and purchasing activity for each business unit is largely confined to its own geographical area which means each business can react to variations in demand without encountering issues associated with cross border sales and purchase management. Also, in the extreme case of a breakup of the Euro, currency issues would be minimised because purchases and sales would be largely in the same currency. The group has also demonstrated the capability to reduce costs and to align the cost base in response to market conditions.

- **Withdrawal of a Major Supplier**

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

- **Loss of Major Customers**

  - A core part of the growth strategy for the group is a focus on winning and maintaining those significant customers it views as Key Accounts. The loss of significant numbers of Key Accounts would have an adverse effect on turnover growth and an impact on other strategic focus areas of cross-selling opportunities and Insite development. As a distributor in a fragmented market Brammer derives great benefits from its first class reputation as an industry leader in its service offering to Key Accounts, which could be potentially damaged with significant loss of major customers. However, Brammer does not have dependency on any single customer. Key Account customers are carefully monitored by the senior management team, who also document the acknowledged cost savings achieved. Further growth in Key Accounts in the current year suggests the template offering is proving attractive to a profit conscious customer base.

- **Customers Relocating to Lower Cost Countries**

  - Brammer continues its strategy to grow its business successfully by expanding in a fragmented market. Brammer's Eastern European operations all reported growth throughout 2011. 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. Integration teams continually work to develop group-wide solutions to business critical processes which provide improved resilience against failure in the event that issues occur in our operations. For Brammer, a quoted company which is a distributor of product, these key processes are in the area of stock and order management, sales and delivery management and transactional record keeping, including financial books and records.

- **Adverse Euro Exchange Rates**

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

Financial & Capital Risks

- Following the successful rights issue in 2009 the group reduced its level of external debt. Because the acquisition of Buck & Hickman was financed primarily through a share placing, the level of net debt has not increased materially. With the renegotiated facility now in place until 2016, Brammer has sufficient available resources to meet its foreseeable requirements. The group has no fixed rate borrowings of greater than six months nor does it have any fixed rate interest rate swaps.

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

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

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

- **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. Industry benchmarking and the use of external assessments and advisors form part of the recruitment process for key managers to ensure high calibre recruits to key roles.

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

Paul Thwaite
14 February 2012

Consolidated income statement for the year ended 31 December 2011

	Note	**Year to 31 December 2011 £m**	Year to 31 December 2010 £m
Continuing operations			
Revenue	2	**571.5**	468.4
Cost of sales		**(398.2)**	(327.3)
Gross profit		**173.3**	141.1
Distribution costs		**(144.7)**	(118.1)
Amortisation of acquired intangibles		**(1.3)**	(1.3)
Total sales, distribution and administrative costs		**(146.0)**	(119.4)
Operating profit	2	**27.3**	21.7
Operating profit before amortisation and exceptional items		***31.8***	*23.0*
Amortisation of acquired intangibles		***(1.3)***	*(1.3)*
Exceptional items	4	***(3.2)***	-
Operating profit	2	***27.3***	*21.7*
Finance expense		**(2.9)**	(2.5)
Finance income		**0.1**	0.1
Profit before tax		**24.5**	19.3
Profit before tax before amortisation and exceptional items		***29.0***	*20.6*
Amortisation of acquired intangibles		***(1.3)***	*(1.3)*
Exceptional items	4	***(3.2)***	-
Profit before tax		***24.5***	*19.3*
Taxation		**(6.2)**	(5.5)
Profit for the year attributable to equity shareholders	2	**18.3**	13.8
Earnings per share	3		
Basic		**16.8p**	13.0p
Diluted		**16.4p**	13.0p
Earnings per share – pre amortisation and exceptional items	3		
Basic		**19.8p**	13.9p
Diluted		**19.3p**	13.9p

	2011	2010
	£m	£m
Profit for the year	**18.3**	13.8
Other comprehensive income		
Net exchange differences on translating foreign operations	**(3.1)**	(1.0)
Actuarial (losses)/gains on pension schemes	**(4.2)**	5.2
Other comprehensive (expense)/income for the year, net of tax	**(7.3)**	4.2
Total comprehensive income for the year	**11.0**	18.0

Items in the statement above are disclosed net of tax.

	Note	2011 £m	2010 £m
Assets			
Non-current assets			
Goodwill		**89.5**	74.8
Acquired intangible assets		**3.8**	5.3
Other intangible assets		**8.0**	4.9
Property, plant and equipment		**13.8**	11.0
Deferred tax assets		**7.0**	6.4
		122.1	102.4
Current assets			
Inventories		**90.9**	71.3
Trade and other receivables		**114.8**	81.4
Cash and cash equivalents	6	**15.9**	21.7
		221.6	174.4
Liabilities			
Current liabilities			
Financial liabilities - borrowings	6	**(3.4)**	(3.8)
Trade and other payables		**(128.9)**	(94.3)
Provisions		**(1.3)**	(0.7)
Deferred consideration		**(10.8)**	(8.0)
Current tax liabilities		**(5.0)**	(2.7)
		(149.4)	(109.5)
Net current assets		**72.2**	64.9
Non-current liabilities			
Financial liabilities - borrowings	6	**(47.8)**	(54.6)
Deferred tax liabilities		**(8.5)**	(9.7)
Provisions		**-**	(0.2)
Deferred consideration		**(3.6)**	-
Retirement benefit obligations		**(16.8)**	(15.8)
		(76.7)	(80.3)
Net assets		**117.6**	87.0
Shareholders' equity			
Share capital		**23.4**	21.3
Share premium		**18.2**	18.1
Translation reserve		**1.3**	4.4
Retained earnings		**74.7**	43.2
Total equity	7	**117.6**	87.0

Brammer **Consolidated statement of changes in equity** for the year ended 31 December 2011

	Share Capital £m	Share Premium £m	Treasury Shares £m	Translation reserve £m	Retained Earnings £m	Total £m
Balance at 1 January 2010	21.2	18.1	(0.2)	5.4	30.4	74.9
Profit for the year	-	-	-	-	13.8	13.8
Other comprehensive income	-	-	-	(1.0)	5.2	4.2
Total comprehensive income	-	-	-	(1.0)	19.0	18.0
Transactions with owners						
Shares issued during the year	0.1	-	-	-	-	0.1
Dividends	-	-	-	-	(6.0)	(6.0)
Total transactions with owners	0.1	-	-	-	(6.0)	(5.9)
Movement in year	0.1	-	-	(1.0)	13.0	12.1
At 31 December 2010	21.3	18.1	(0.2)	4.4	43.4	87.0
Profit for the year	-	-	-	-	18.3	18.3
Other comprehensive income	-	-	-	(3.1)	(4.2)	(7.3)
Total comprehensive income	-	-	-	(3.1)	14.1	11.0
Transactions with owners						
Shares issued during the year						
placing*	2.1	-	-	-	22.7	24.8
other	-	0.1	-	-	-	0.1
Purchase of own shares	-	-	(0.1)	-	-	(0.1)
Transfer on vesting of own shares	-	-	0.1	-	(0.1)	-
Value of employee services	-	-	-	-	2.0	2.0
Tax credit on share performance plans	-	-	-	-	0.7	0.7
Dividends	-	-	-	-	(7.9)	(7.9)
Total transactions with owners	2.1	0.1	-	-	17.4	19.6
Movement in year	2.1	0.1	-	(3.1)	31.5	30.6
At 31 December 2011	**23.4**	**18.2**	**(0.2)**	**1.3**	**74.9**	**117.6**

*Ordinarily, the excess of the net proceeds over the nominal value of the share capital issued would be credited to a non-distributable share premium account. However, the placing completed in September 2011 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.

Brammer Consolidated cash flow statement for the year ended 31 December 2011

	Note	2011 £m	2010 £m
Cash generated from operations	5	**28.2**	26.1
Interest received		**0.1**	-
Interest paid		**(2.5)**	(2.2)
Tax paid		**(4.1)**	(2.7)
Funding of pension schemes less income statement charge		**(3.3)**	(2.6)
Cash generated from operating activities		**18.4**	18.6
Cash generated from operating activities before exceptional items		***19.1***	*20.0*
Cash outflow from exceptional items		***(0.7)***	*(1.4)*
Cash generated from operating activities		***18.4***	*18.6*
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)		**(26.9)**	-
Deferred consideration paid on prior acquisitions		**(1.8)**	(7.6)
Earn out paid on prior period acquisitions		**-**	(0.3)
Proceeds from sale of property, plant and equipment		**0.5**	0.2
Purchase of property, plant and equipment		**(3.0)**	(1.9)
Additions to other intangible assets		**(3.3)**	(1.6)
Net cash used in investing activities		**(34.5)**	(11.2)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**0.1**	0.1
Net proceeds from placing		**24.8**	-
Repayment of loans under old financing facility		**(56.1)**	-
Net drawdown/(repayment) of other loans		**50.6**	(11.4)
Net (repayment)/issue of finance leases		**(0.1)**	0.1
Dividends paid to shareholders		**(7.9)**	(6.0)
Purchase of own shares		**(0.1)**	-
Net cash generated/(absorbed) from financing activities		**11.3**	(17.2)
Net decrease in cash and cash equivalents		**(4.8)**	(9.8)
Exchange gains and losses on cash and cash equivalents		**(0.6)**	(0.6)
Net cash at beginning of year		**21.0**	31.4
Net cash at end of year		**15.6**	21.0
Cash and cash equivalents		**15.9**	21.7
Overdrafts		**(0.3)**	(0.7)
Net cash at end of year		**15.6**	21.0

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 2010 statements, and will be set out in full in the 2011 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 2011 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 2011. They are not relevant or do not have a material effect on the group's financial statements and are as follows:

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment: IAS 24*	Related party disclosures	1 January 2011
IFRIC 14, IAS 19*	Prepayments of a minimum funding requirement	1 January 2011
IFRIC 19*	Extinguishing financial liabilities with equity investments	1 July 2010
IAS 32*	Classification of rights issues	1 February 2010
Annual improvements to IFRSs (issued 2010)*	Various	1 January 2011

Standards, amendments and interpretations which have been issued but are not yet effective, and in some cases have not yet been endorsed by the EU, are as follows:

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 9*	Financial instruments: Classification and measurement	1 January 2013
Amendment: IAS 12*	Income Taxes	1 January 2012
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11*	Joint arrangements	1 January 2013
IFRS 12*	Disclosures of Interests in Other Entities	1 January 2013
IFRS 13*	Fair Value Measurement	1 January 2013
IAS 19R (revised 2011)	Employee benefits	1 January 2013

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

IAS 19R – Employee benefits - is likely to have a significant impact on future financial statements when it is adopted. Under IAS 19R the interest cost on the defined benefit obligation, and the expected rate of return on plan assets, will be replaced with a net interest charge that is calculated by applying the discount rate to the net defined benefit liability. With effect from 1 January 2013 this is likely to result in a higher charge being recognised in the income statement. Management is currently assessing the impact of the new requirements.

1. COMPARATIVE RESULTS

Comparative figures for the year ended 31 December 2010 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 2010 annual report and the 2011 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 2011 the primary management rate used was €1.20 : £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 on an arms-length basis.

	UK	Germany	France	Spain	Benelux	Eastern Europe	Other operating segments	**Total**
	£m	£m	£m	£m	£m	£m	£m	**£m**
Year ended 31 December 2011								
Continuing operations								
Revenue								
Total revenue	193.4	118.7	85.5	43.8	50.9	56.9	18.0	**567.2**
Inter company sales	(2.9)	(3.2)	(1.0)	(0.9)	(1.7)	(0.1)	(0.3)	**(10.1)**
Sales to external customers	190.5	115.5	84.5	42.9	49.2	56.8	17.7	**557.1**
Exchange effect								**14.4**
Total sales to external customers								**571.5**
Underlying operating profit	9.4	7.8	4.0	3.3	2.6	3.6	0.2	**30.9**
Exchange effect								**0.9**
Total underlying operating profit								**31.8**
Amortisation of acquired intangibles								**(1.3)**
Exceptional items								**(3.2)**
Total operating profit								**27.3**
Finance expense								**(2.9)**
Finance income								**0.1**
Profit before tax								**24.5**
Tax								**(6.2)**
Profit for the year								**18.3**
Segment assets	93.2	27.8	31.1	15.3	22.3	28.5	8.7	**226.9**
Exchange effect								**0.6**
								227.5
Goodwill								**89.5**
Acquired intangibles								**3.8**
Cash								**15.9**
Deferred tax								**7.0**
Total assets								**343.7**

2. SEGMENTAL ANALYSIS (continued)

	UK	Germany	France	Spain	Benelux	Eastern Europe	Other operating segments	**Total**
	£m	£m	£m	£m	£m	£m	£m	**£m**
Other segment items								
Continuing operations								
Capital expenditure								
- intangible assets	0.1	0.1	0.2	0.1	0.3	-	2.5	**3.3**
- property , plant and equipment	1.0	0.2	0.2	0.4	0.4	0.6	0.1	**2.9**
Exchange effect								**0.1**
Total capital expenditure								**6.3**
Amortisation/depreciation								
- intangible assets	(0.1)	(0.1)	-	(0.1)	(0.1)	-	(1.2)	**(1.6)**
- property, plant and equipment	(0.9)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)	(0.3)	**(2.8)**
Exchange effect								**-**
Total amortisation/depreciation								**(4.4)**

	UK	Germany	France	Spain	Benelux	Eastern Europe	Other operating segments	**Total**
	£m	£m	£m	£m	£m	£m	£m	**£m**
Year ended 31 December 2010								
Continuing operations								
Revenue								
Total revenue	144.0	102.2	75.1	39.0	45.1	47.3	16.4	**469.1**
Inter company sales	(2.5)	(2.9)	(1.2)	(0.9)	(1.6)	(0.3)	(0.6)	**(10.0)**
Sales to external customers	141.5	99.3	73.9	38.1	43.5	47.0	15.8	**459.1**
Exchange effect								**9.3**
Total sales to external customers								**468.4**
Underlying operating profit	6.5	5.4	2.8	2.8	2.5	2.3	0.2	**22.5**
Exchange effect								**0.5**
Total underlying operating profit								**23.0**
Amortisation of acquired intangibles								**(1.3)**
Total operating profit								**21.7**
Finance expense								**(2.5)**
Finance income								**0.1**
Profit before tax								**19.3**
Tax								**(5.5)**
Profit for the year								**13.8**
Segment assets	43.8	24.6	27.0	16.5	21.4	23.6	7.9	**164.8**
Exchange effect								**3.8**
								168.6
Goodwill								**74.8**
Acquired intangibles								**5.3**
Cash								**21.7**
Deferred tax								**6.4**
Total assets								**276.8**
Other segment items								
Continuing operations								
Capital expenditure								
- intangible assets	-	0.1	-	-	0.1	-	1.3	**1.5**
- property , plant and equipment	0.2	0.2	0.6	0.1	0.1	0.4	0.3	**1.9**
Exchange effect								**0.1**
Total capital expenditure								**3.5**
Amortisation/depreciation								
- intangible assets	-	-	(0.1)	-	(0.1)	-	(0.9)	**(1.1)**
- property, plant and equipment	(1.1)	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)	(0.3)	**(3.1)**
Exchange effect								**(0.1)**
Total amortisation/depreciation								**(4.3)**

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

	2011	2010
Management rate	**€1.20**	€1.20
Actual average rate	**€1.152**	€1.165
Year end rate	**€1.192**	€1.167

3. EARNINGS PER SHARE

	2011		
		Earnings per share	
	Earnings £m	Basic	Diluted
Weighted average number of shares in issue ('000) Total		**109,019**	**111,759**
Profit for the financial year	**18.3**	**16.8p**	**16.4p**
Amortisation of acquired intangibles	**1.3**		
Exceptional items	**3.2**		
Tax on exceptional items	**(0.9)**		
Tax on amortisation of acquired intangibles	**(0.3)**		
Earnings before amortisation of acquired intangibles and exceptional items	**21.6**	**19.8p**	**19.3p**

The weighted average number of shares in the year reflects the impact of shares issued as a result of the placing on 7 September 2011 (10,535,000 ordinary shares issued).

	2010		
		Earnings per share	
	Earnings £m	Basic	Diluted
Weighted average number of shares in issue ('000) Total		106,290	106,290
Profit for the financial year	13.8	13.0p	13.0p
Amortisation of acquired intangibles	1.3		
Tax on amortisation of acquired intangibles	(0.3)		
Earnings before amortisation of acquired intangibles	14.8	13.9p	13.9p

4. EXCEPTIONAL ITEMS

Following the acquisition of the Buck & Hickman business on 30 September 2011 the following related charges have been incurred and are considered to be exceptional items:

-a programme has been announced of co-locating branches in those areas in the UK where Buck & Hickman and Brammer UK each have a branch in close proximity to one another. In some locations both businesses will relocate to one new branch in order to operate efficiently. Accordingly, a provision has been established for these branch co-location costs. The principal elements of these charges will be costs incurred in the early termination of existing leases together with the costs of refurbishing existing and new premises.

-the profile and levels of stockholding in Brammer's tools & general maintenance product portfolio has been reviewed to identify brands and product lines no longer considered core to the combined business's future trading strategy with these stocks being written down to their estimated net realisable value;

-a reorganisation of certain senior sales management roles to focus on extending the group's sales of tools & general maintenance products across Europe. This includes the cost of settling employment contracts and other related social benefit charges.

Acquisition costs of £0.5 million were incurred which are also included as an exceptional cost.

	£m
Included in operating profit	
Branch co-location costs	**0.8**
Acquisition costs	**0.5**
Stock written down	**0.4**
Headcount and other related costs	**1.5**
Total exceptional items	**3.2**

There were no exceptional items in 2010.

5. CASH FLOW FROM OPERATING ACTIVITIES

	2011 £m	2010 £m
Profit for the year attributable to equity shareholders	**18.3**	13.8
Tax charge	**6.2**	5.5
Depreciation of tangible and intangible assets	**5.7**	5.6
Share options – value of employee services	**2.0**	-
Gain on sale of property, plant and equipment	**(0.3)**	-
Financing expense	**2.8**	2.4
Movement in working capital (excluding the effect of exchange movements and fair value adjustments)	**(6.5)**	(1.2)
Cash generated from operations after exceptional items	**28.2**	26.1

6. CLOSING NET DEBT

	2011 £m	2010 £m
Borrowings – current	**(3.4)**	(3.8)
Borrowings – non-current	**(47.8)**	(54.6)
Cash and cash equivalents	**15.9**	21.7
Closing net debt	**(35.3)**	(36.7)

7. CHANGES IN SHAREHOLDERS' EQUITY

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

Placing

On 7 September 2011 the company issued 10,535,000 new ordinary shares at 240 pence per share through a placing with institutional investors, representing approximately 9.9% of the total issued share capital. Net proceeds were £24.8 million, being gross proceeds on issue of £25.3 million less expenses of £0.5 million.

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

The placing shares rank pari passu in all respects with the existing issued shares.

Purchase of own shares

During the year the company acquired 75,447 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 £122,982 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 88,567 shares were transferred to directors and senior managers in order to meet vestings under these plans.

At 31 December 2011 the Trust held a total of 208,121 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.

The number of ordinary 20p shares in issue at 31 December 2011 was 116,944,074 (31 December 2010: 106,361,185).

Dividends

A dividend, amounting to £4.8 million, which related to 2010 was paid on 5 July 2011 (2010: £3.8 million). An interim dividend amounting to £3.1 million (2010: £2.2 million) was paid on 4 November 2011. The directors propose a final dividend of 5.7p per share (2010: 4.5p) payable on 3 July 2012. This final dividend amounting to £6.7 million (2010: £4.8 million) 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 Hudson Sandler Limited, 29 Cloth Fair, London, EC1A 7NN. It will also be available on the company's website www.brammer.biz from 14 February 2012.

9. FINAL DIVIDEND

Relevant dates concerning the payment of the final dividend are:

Annual general meeting	17 May 2012
Record date	8 June 2012
Payment date	3 July 2012

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.