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

2016 INTERIM RESULTS

Brammer, the leading pan-European added value distributor of industrial maintenance, repair and overhaul products, today announces its interim results for the six months ended 30 June 2016.

6 months to 30 June	2016	2015	Change	Constant currency change**
Sales	**£372.3m**	£365.6m	+1.8%	-1.3%
Adjusted*				
Operating profit*	**£8.4m**	£17.2m	-51.2%	-52.0%
Profit before tax*	**£5.0m**	£14.1m	-64.5%	-65.0%
EPS*	**2.1p**	8.1p	-74.0%	
Dividend	**nil**	3.6p		
Reported				
Operating (loss)/profit	**£(10.5)m**	£12.2m		
(Loss)/profit before tax	**£(13.9)m**	£9.1m		
EPS/(LPS)	**(12.1)p**	5.2p		

* pre amortisation of acquired intangibles, impairment of goodwill, acquisition related costs and exceptional items
** at constant currency at €1.286:£1

Financial summary

- Total Group revenue up 1.8% to £372.3 million (2015: £365.6 million), down 1.3% at constant exchange rates ("CER")
- Sales per working day ("SPWD") down 3% at CER
- Gross margin down 1.0 percentage point to 29.5% (2015: 30.5%) due to impact of lower supplier rebates following the stock reduction programme
- Adjusted profit before tax of £5.0 million in line with recent trading update; reported loss before tax of £13.9 million, after non-cash Nordic goodwill impairment of £16.9 million
- Adjusted operating cash generation of £24.7 million (2015: £4.2 million), reflects approximately £14 million cash generated from ongoing stock reduction programme
- Closing net debt of £107.7 million (December 2015: £104.3 million; June 2015: £90.8 million) after £13.5 million adverse exchange movement
- Leverage ratio of 2.8x, within financial covenant level of 3.0x
- The Board has decided not to declare an interim dividend to enhance focus on cash generation

Operational summary

- Meinie Oldersma joined the Board as Group Chief Executive Officer with effect from 1st August 2016; he is experienced in the distribution industry and implementing organisational change

- Business review initiated by the Board to identify the actions needed to improve the operational and financial performance of the business as well as the appropriate capital structure to support its future development

- Turnaround plan now being implemented in the UK

- Good progress in stock reduction programme with £26 million reduction at constant currency resulting in cash generation of approximately £14 million in the first half. On track to deliver £30 million stock reduction by 30 September 2016

- Renewed focus on our core business to improve bearings sales and overall margin

- Despite slower than expected conversion rates, demand for Brammer Invend™ has remained strong and revenue growth continues to be in line with expectations. In line with the Group priorities, installation rates in the second half are expected to be below those in the first half

Bill Whiteley, Chairman, said:

"Given the current macro-economic uncertainty, we are not expecting any improvements in market conditions in the UK and Europe beyond a return to levels seen in the first four months of the year.

The Group will continue to progress its existing operational priorities to improve the UK business, improve underlying gross margins, increase cash generation through stock reduction and reduce net debt. The Group should see increasing benefits from these operational improvements in the second half.

Against this background, the Board initiated a detailed business review and this will be taken forward by Meinie Oldersma, the new Chief Executive of the Group, to identify the actions needed to improve the operational and financial performance of the business as well as its ongoing capital requirements. The conclusions of this review will be announced in the fourth quarter."

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INTERIM STATEMENT

Brammer experienced a challenging period during the first half, with a particular slow-down in trading in May and June. Manufacturing across Europe continues to face headwinds reflecting economic uncertainty and, although we have gained market share in some territories, continuing issues in the UK and Nordics, as well as the adverse impact on gross margin as a short term consequence of our stock reduction programme have significantly reduced profitability.

In light of these challenges, we continue to focus on delivering our key operational priorities for 2016, namely:

- implementing our stock reduction programme and managing our debt levels;
- turning around our UK business; and
- improving our underlying gross margin

2016 operational priorities

Reduction in net debt and stock levels

Over the last three years, net debt has increased as the Group has executed its growth driver strategy, invested in working capital and completed a number of bolt-on acquisitions to build out its pan-European platform. Net debt at 30 June 2016 was £107.7 million (June 2015: £90.8 million), £3.4 million above net debt at December 2015 of £104.3 million. The underlying reduction in net debt of £10.1 million was not sufficient to offset the impact of movements in exchange rates, which increased net debt by £13.5 million at the period end. Current net debt levels and the reduction in profitability resulted in a net debt/EBITDA ratio of 2.8x as at 30 June 2016, against a financial covenant limit of 3.0x.

Accordingly, the Group continues to focus on cash generation, reducing debt and improving working capital efficiency, reflecting the following key actions.

Stock reduction programme
At the beginning of the year, the Group initiated a stock reduction programme across the business to optimise the Group's inventory levels, turning stock into cash and improving working capital management. Improved systems capabilities have enabled slower moving stock in one country to be transferred and sold in another where demand is higher, while levels of surplus stock have been reduced through lower purchasing levels.

We have made good progress in this programme, with a stock reduction of £26 million at the half year at constant currency. This is reflected in an improvement in stock turns from 3.4x at December 2015 to 4.2x at June 2016 (June 2015: 3.8x). We remain on track to achieve our targeted £30 million stock reduction by September and, with more improvements already identified, expect to achieve our target stock turn of at least 4.5x on a sustainable basis. The Group has benefited from approximately £14 million of cash generated in the first half, with a further £16 million anticipated in the second half.

Other initiatives to reduce net debt
The business has undertaken further working capital initiatives and all parts of the business have a greater focus on cash generation. Key Accounts receivables balances are under more active management to improve collection and other financing options are being considered, including assessing supply chain financing in addition to the existing non-recourse receivables factoring arrangements.

The Board has decided not to declare an interim dividend to enhance the focus on cash generation.

UK business turnaround

Given the size of the UK business, improving its performance is key to improving the performance of the Group as a whole. Actions are underway, with the priority to re-invigorate the sales force, especially with the smaller regional accounts, alongside optimising the supply chain at the NDC and branch network to improve operational efficiency and transform the service proposition. Whilst it will take time to turn the business around fully, we expect to see evidence of an improved performance during the second half of 2016.

Improvement in gross margin

Gross margin of 29.5% is down 1 percentage point from June 2015. Better focus and commercial execution have contributed to an underlying improvement of 0.2 percentage points although this is more than offset by the effect of reduced supplier rebate levels as a result of lower purchase volumes arising from the stock reduction programme. Margin improvement continues to be an area of focus; however, the impact will be diluted in the coming months by further reductions in supplier rebates. Therefore, we anticipate a year-on-year decline in gross margin for the full year.

Trading

Sales for the period totalled £372.3 million, up £6.7 million reflecting revenue growth of 1.8%. The Group benefited from a foreign exchange tailwind in the period; at constant exchange rates (“CER”), revenue decreased by 1.3%. The Group also benefited from two additional trading days in the period and therefore adjusted sales per working day (“SPWD”) performance declined by 3% at CER.

	Revenue				**Adjusted Operating Profit**			
	2016	**2015**	**Variance %**		**2016**	**2015**	**Variance %**	
	£m	**£m**	**Reported**	**CER***	**£m**	**£m**	**Reported**	**CER***
UK	135.6	143.5	-5.5%	-5.6%	2.0	6.1	-67.2%	-67.1%
Germany	66.6	61.0	9.2%	2.8%	1.2	3.4	-64.7%	-65.3%
France	47.5	42.7	11.2%	4.8%	1.3	1.4	-7.1%	-6.7%
Nordic	21.0	24.2	-13.2%	-15.3%	-2.0	-	n/a	n/a
Other territories	101.6	94.2	7.9%	3.1%	5.9	6.3	-6.3%	-9.1%
Total Group	**372.3**	**365.6**	**1.8%**	**-1.3%**	**8.4**	**17.2**	**-51.2%**	**-52.0%**

* at constant currency at €1.286:£1

H1 sales per working day performance

SPWD at constant currency	Q1 Growth	Q2 Growth	H1 Growth	H1 £'000
By geography:				
UK	(7)%	(5)%	(6)%	1,085
Germany	3%	(1)%	1%	541
France	3%	1%	2%	377
Nordic	(21)%	(13)%	(17)%	172
Other territories	2%	-%	1%	812
Total Group	**(3)%**	**(3)%**	**(3)%**	**2,987**
By product:				
Bearings and Power Transmission	(5)%	(10)%	(8)%	1,358
T&GM	(3)%	1%	(1)%	672
Other	1%	5%	3%	957
Total Group	**(3)%**	**(3)%**	**(3)%**	**2,987**
By customer:				
Key Accounts	-%	(1)%	-%	1,634
Base Business	(6)%	(5)%	(6)%	1,353
Total Group	**(3)%**	**(3)%**	**(3)%**	**2,987**

Growth continued in Continental Europe with SPWD increases at CER of 2% in France and 1% in both Germany and Other Territories representing a satisfactory performance in progressively tougher trading conditions through the half. However, these gains are more than offset by continuing challenges in the UK and Nordics.

UK SPWD declined by 6% overall in the first half. We saw sequential year on year improvement from January through April, improving from 9% down year on year to 3% down year on year in April. However, this improvement was reversed in May, down 6% and June, down 8%.

In the first half, further volume decreases from certain key Buck & Hickman customers and ongoing weakness in the bearing business within Key Accounts continued. Turnaround plans are now being implemented, including a focus on the continued improvement in service delivery at the NDC and re-invigoration of the sales force. These actions are still at an early stage, although we expect to see evidence of improved performance during the second half of 2016.

Conditions in the Nordic region remained very challenging, with SPWD declining by 17%. Despite the oil price recovering from the low point seen at the start of the year, we have not experienced any discernible benefit in our local markets and trading has continued to be significantly impacted in all Nordic territories, especially Norway and Finland. Actions to refocus the Nordic business away from the Oil and Gas sector, to improve resilience and profitability, are on-going, with a recent large contract win for Tools & General Maintenance ("T&GM") in Norway set to underpin results in the medium term.

SPWD of Bearings and Power Transmission products declined by 8% whilst T&GM product sales were down 1% and Other products grew by 3%. Bearings and Power Transmission SPWD declined in all territories and by 11% in our non-Key Account base business of smaller regional accounts. T&GM products sales remained broadly flat with continued growth of 17% in Continental Europe offset by an 11% decline in the UK, mainly due to further volume decreases in Buck & Hickman from large customers.

Overall Key Accounts, which accounts for 55% of our business, were stable in the period due to growth of 8% in Continental Europe being offset by a decline of 7% in the UK. The UK saw declines across all Key Account groups, but most noticeably in T&GM which was down 14%, in contrast to Continental Europe, where T&GM with Key Accounts grew by 28%.

Provisional data indicate that SPWD for the Group for the month of July was in line with last year on a constant currency basis. SPWD in UK and Other territories were in line, Germany was up 4% and Nordics up 16% but this was offset by a decline of 7% in France.

Over the last three years the Group has implemented a significant number of initiatives including the integration of a large portfolio of acquisitions, T&GM product range extension to Continental Europe and establishment of an industrial vending capability. Whilst this has been successful in achieving above market growth, it is now clear that simultaneous implementation of these projects has been at the expense of the focus on the Group's core business and customer base. Re-invigorating our core bearings business with regional customers represents a clear sales and margin opportunity to improve profitability for the Group.

Adjusted sales, distribution, and administrative costs
Adjusted sales, distribution, and administrative costs ("SDA") (before amortisation of acquired intangibles, impairment of goodwill, acquisition related costs and exceptional items) increased by £7.1 million to £101.4 million, including a £3.1 million adverse foreign exchange impact. The underlying increase of £4.0 million largely reflected investments made to strengthen sales and management teams in the UK and Nordics, as well as supply chain improvements, to support the turnaround plans for these operations, and also a £0.4 million higher depreciation charge from Invend™ machines.

Adjusted operating profit
The resulting adjusted operating profit (profit before amortisation of acquired intangibles, impairment of goodwill, acquisition related costs and exceptional items) decreased by 51.2% to £8.4 million (2015: £17.2 million), reflecting the effect of lower volumes and gross margin, and the investments in overheads noted above, only partially offset by a foreign exchange tailwind of £0.3 million.

Adjusted operating profit excludes items such as impairment of goodwill, exceptional items and amortisation of acquired intangibles and acquisition related costs. It is separately highlighted as management believe it enables a more comparable picture of the performance of the business.

Chief Executive Appointment

On 6th July 2016, it was announced that after 18 years as Chief Executive, Ian Fraser will be retiring from the Board. In this time Ian has steered the growth of Brammer to its current market leading position.

We were delighted to announce the appointment of Meinie Oldersma as Group Chief Executive Officer with effect from 1st August 2016.

Meinie is currently a non-executive director of Bunzl plc, which he will stand down from on August 22nd. Previous executive positions have included being Chief Executive of 20:20 Mobile Group (2008-2014) and a variety of senior positions with Ingram Micro (1999-2008), latterly as Chief Executive and President of their China Group and Managing Director of their business in Northern Europe.

Current trading and outlook

"Given the current macro-economic uncertainty, we are not expecting any improvements in market conditions in the UK and Europe beyond a return to levels seen in the first four months of the year.

The Group will continue to progress its existing operational priorities to improve the UK business, improve underlying gross margins, increase cash generation through stock reduction and reduce net debt. The Group should see increasing benefits from these operational improvements in the second half.

Against this background, the Board initiated a detailed business review and this will be taken forward by Meinie Oldersma, the new Chief Executive of the Group, to identify the actions needed to improve the operational and financial performance of the business as well as its ongoing capital requirements. The conclusions of this review will be announced in the fourth quarter."

Bill Whiteley, Chairman
4 August 2016

Operating segment review

UK

Segment performance	2016	2015	Change	Constant currency change**
Revenue	**£135.6m**	£143.5m	-5.5%	-5.6%
SPWD growth**	**-6%**	1%	-7ppt	
Adjusted operating profit*	**£2.0m**	£6.1m	-67.2%	-67.1%
Operating return on sales*	**1.5%**	4.3%	-2.8ppt	
% of Group revenue	**36.4%**	39.3%		

* pre amortisation of acquired intangibles, acquisition related costs and exceptional items
** at constant currency

The UK (including Ireland and Iceland) is our largest operation, contributing 36% to total Group revenue. The effects of operational issues which started to significantly affect the business in the second half of 2015 continued into the first half of 2016. Actions are now in place with a focus on optimisation of the supply chain to improve the service proposition, re-focusing on core business and re-invigorating sales channels to former customers. The recovery plan is at an early stage but we have made the necessary management and organisational changes for the UK business performance to improve during the second half of 2016 and thereafter.

The first half saw continued weak performance in the UK, with revenue declining by 5.5%, representing a SPWD decline of 6%. Key Accounts SPWD declined by 7% as down trading from several large T&GM key accounts continued to impact trading, along with significant sales declines from our large customers in the Steel sector. Profit was £2.0 million (2015: £6.1 million), due to weak trading and lower gross margins from reduced supplier rebate levels driven by the ongoing stock reduction programme.

Germany

Segment performance	2016	2015+	Change	Constant currency change**
Revenue	**£66.6m**	£61.0m	9.2%	2.8%
SPWD growth**	**1%**	7%	-6ppt	
Adjusted operating profit*	**£1.2m**	£3.4m	-64.3%	-65.3%
Operating return on sales*	**1.8%**	5.6%	-3.8ppt	
% of Group revenue	**17.9%**	16.7%		

* pre amortisation of acquired intangibles, acquisition related costs and exceptional items
** at constant currency
+Comparative restated for transfer of small branch operation from 'Other' to German segment

Germany, our second largest country, contributed £66.6 million to revenue, 18% of the Group total. SPWD increased by 1% at CER representing continued growth in toughening economic conditions through the half. Growth was mainly driven by Key Accounts, up 9% at CER, partially offset by a 4% decline in base business.

Strong growth in T&GM continued, with SPWD up 14%, but Bearing and Power Transmission sales declined by 1% overall, reflecting SPWD declines of 4% in the base business. Actions have been initiated to re-focus on bearings and base business sales, in order to improve profitability.

Germany executed a very successful stock reduction plan in the period, which has resulted in Germany being disproportionally impacted by reduced supplier rebates impacting profitability in the half. Operating profit was £1.2 million (2015: £3.4 million).

France

Segment performance	2016	2015	Change	Constant currency change**
Revenue	**£47.5m**	£42.7m	11.2%	4.8%
SPWD growth**	**2%**	9%	-7ppt	
Adjusted operating profit*	**£1.3m**	£1.4m	-7.1%	-6.7%
Operating return on sales*	**2.7%**	3.3%	-0.6ppt	
% of Group revenue	**12.7%**	11.7%		

* pre amortisation of acquired intangibles, acquisition related costs and exceptional items
** at constant currency

France, our third largest country, contributed £47.5 million to revenue, 13% of the Group total with SPWD at CER increasing by 2%. Key Accounts growth remains strong, up 11% at CER, partially offset by a 5% decline in base business. Bearings and power transmission SPWD declined 5% at CER, which was offset by continued strong growth in T&GM sales, up 24%.

In June the business opened a new headquarters and NDC in Saint Michel-sur-Orge, Paris which is now fully operational. This facility significantly increases operational capacity and enables the French business to achieve sustainable growth over the long term with a resilient supply chain.

Operating profit declined by £0.1 million with underlying improvements in gross profit broadly offsetting the effects of reduced supplier rebates arising from the stock reduction programme, together with £0.2 million of one-off costs relating to the NDC move.

Nordic

Segment performance	2016	2015	Change	Constant currency change**
Revenue	**£21.0m**	£24.2m	-13.2%	-15.3%
SPWD growth**	**-17%**	-4%	-13ppt	
Adjusted operating profit*	**£(2.0)m**	-	-100.0%	-100.0%
Operating return on sales*	**-9.7%**	-	-9.7ppt	
% of Group revenue	**5.6%**	6.6%		

* pre amortisation of acquired intangibles, acquisition related costs and exceptional items
** at constant currency

The Nordic segment comprises our businesses in Norway, Sweden, Finland and Denmark which contributed £21.0 million to revenue, 6% of the Group total. SPWD decreased by 17% at CER as trading continues to be affected by weakness in the Oil and Gas sector, which resulted in weak demand in the core motors business in Norway (SPWD down 17% at CER) and Finland (SPWD down 54% at CER). In Sweden, trading has been more resilient with a SPWD decline of 3%.

Significant trading losses of £2.0 million reflect the volume decline and a relatively high cost base for the current level of business. Our strategy remains to bolster operational capability in the Nordics to support growth in the MRO market for the full Key Accounts product offering. Progress has been made to embed organisational changes in Norway resulting in a recent significant contract win to supply T&GM products to the Norwegian government. Organisational changes to the supply chain and sales force are continuing in Sweden, including the recent appointment of a new Swedish managing director who will provide 'in-country' focus to ensure that these changes become embedded in the second half. Growth in Key Accounts business remains key to the Nordics strategy; good progress continues, with SPWD at CER up 17%.

Other Territories

Segment performance	2016	2015+	Change	Constant currency change**
Revenue	**£101.6m**	£94.2m	7.9%	3.1%
SPWD growth**	**1%**	21%	-20ppt	
Adjusted operating profit*	**£5.9m**	£6.3m	-6.3%	-9.1%
Operating return on sales*	**5.8%**	6.7%	-0.9ppt	
% of Group revenue	**27.3%**	25.7%		

* pre amortisation of acquired intangibles, acquisition related costs and exceptional items
** at constant currency
+Comparative restated for transfer of small branch operation from 'Other' to German segment

The Other Territories segment represents the following country businesses: Spain, Poland, Netherlands, Belgium, Italy, Czech, Hungary and our Insite™ operation in Saudi Arabia, all of which report into one Managing Director (formally Spain, Benelux and Eastern Europe & Other segments).

Revenue in the Other Territories increased by 7.9% to £101.6 million, representing 27% of the Group total. SPWD increased by 1% at CER overall, reflecting strong growth in Spain, Hungary and Poland and modest but improving growth in Czech after several years of decline. In 2015 the SPWD growth rate reflected the impact of several bolt-on acquisitions made in 2014. Sales declined in our Saudi Arabian Insite™ reflecting a change in contractual services with Alcoa in the region. Overall, the Other Territories recorded good Key Accounts SPWD growth of 6% at CER, partially mitigated by a 2% decline in base business. Bearings and Power Transmission product SPWD declined by 4% offset by continued strong growth of 13% in T&GM products.

Operating profit decreased by £0.4 million to £5.9 million reflecting a modest deterioration in margin as the level of supplier rebates is proportionately lower in these countries.

Vending

The Vending programme remains a key long term growth driver for the business. We have dedicated Invend™ teams in UK, Germany, France, Spain, Poland, and the Netherlands which together with a Central Support team provide Invend™ services to 17 countries in total. There are 132 people supporting the Invend™ initiative, representing the most developed Industrial Vending offering in Europe. The fixed cost base of the team to support Invend™ is steady at £5.3 million per annum.

Demand for Invend™ remains strong with a further 505 machines installed (net of removals), bringing the total of live machines currently operating at customer sites to 1,810. Installation rates however were below expectations in the first half as a result of slower conversion rates. In line with the current priorities of the business, and in order to achieve sustainable growth we are introducing a revised "Profitability Template" for new proposals. We will fulfil all existing commitments but we expect a more selective approach to accepting new orders and contract renewals going forward, with a clear focus on ensuring effective sales pricing to improve profitability. We therefore expect capital expenditure on new machines to decrease in the second half from the £3.4 million incurred in the first half.

Revenue growth continues to be in line with expectations. The rate of growth in sales to customers with a vending machine installed significantly exceeded overall Group growth, with growth rates of 17.8% in Q1 and 15.3% in Q2. Total account sales (for accounts with vending machines) now account for over 10% of Group revenue at the end of H1.

Quarter on quarter update – Machine numbers

Machines Signed

	Q1	Q2	Q3	Q4
2016	310	280		
2015	235	299	249	261
2014	134	91	106	183
2013	11	34	28	86

Machines Live

	Q1	Q2	Q3	Q4
2016	1,554	1,810		
2015	658	845	1,062	1,305
2014	178	278	371	501
2013	1	14	44	115

Net Machines Installed*

	Q1	Q2	Q3	Q4
2016	249	256		
2015	157	187	217	243
2014	63	100	93	130
2013	1	13	30	71

Installations by Geography

UK	727
Germany	260
France	302
Other territories	521
Group	1,810

Quarter on quarter update – Revenue**

Total Account sales (for accounts with vending machines)

	Q1	Q2	Q3	Q4
2016	16,413	18,218		
2015	8,026	9,654	10,735	14,015
2014	2,311	3,719	5,223	6,352
2013	7	105	477	803

Invend™ growth rates

	Q1	Q2	Q3	Q4
2016	17.8%	15.3%		
2015	37.2%	24.7%	20.5%	26.5%
2014	74.0%	47.5%	62.1%	48.4%
2013	-	243.2%	35.9%	106.5%

*Net of removals from customers
**Sales in £'000 at constant currency at €1.286:£1

Financial Summary

	2016	2015
	£m	£m
Revenue	**372.3**	365.6
Gross margin %	**29.5%**	30.5%
Gross profit	**109.8**	111.5
Sales, distribution and administration costs*	**(101.4)**	(94.3)
Operating profit*	**8.4**	17.2
Operating return on sales*	**2.3%**	4.7%
Profit before tax*	**5.0**	14.1
Cash generated from operations*	**24.7**	4.2
Earnings per share* - basic	**2.1**	8.1p
Dividend per share	**nil**	3.6p

*before amortisation of acquired intangibles, goodwill impairment, acquisition related costs and exceptional items

Amortisation of acquired intangibles and acquisition related costs
Costs totalling £2.0 million (2015: £1.4 million) relate to amortisation of acquired intangible assets and other acquisition related costs.

Impairment of goodwill
An impairment charge of £16.9 million has been recognised against the goodwill of the Lönne business in the Nordic region. This is discussed in the Goodwill and acquired intangible asset section below.

Exceptional items
There were no exceptional items in the period. In 2015 a review of the Group's operating cost base resulted in headcount and other restructuring costs of £3.6 million being incurred and recognised as a pre-tax operating exceptional charge.

Loss before tax for the period
Loss before tax for the period was £13.9 million (2015: profit of £9.1 million) after adjusted profit (before amortisation of acquired intangibles, impairment of goodwill, acquisition costs and exceptional items) of £5.0 million (2015: £14.1 million) and £18.9 million (2015: £5.0 million) of amortisation, goodwill impairment and other acquisition costs and exceptional items which are commented on above. Further details of the Group's trading performance and adjusted operating profit can be found in the Results and Operating segment review sections above.

Taxation
On the basis of adjusted profit (before amortisation of acquired intangibles, goodwill impairment, acquisition related costs and exceptional items), the estimated average annual tax rate used for 2016 is 33.0% (2015: 26.2%) or negative (51.0%) for reported profits for the year (after goodwill impairment of £16.9 million which produces a pre-tax loss for the year).

This produces an effective tax rate for the group, on adjusted profits, as at the half year of 45.9% (2015 : 26.2%) which is higher than the anticipated full year effective tax rate mainly due to the phasing of losses in the Nordics between the first half and the second half. Following the impairment charge of £16.9 million the effective tax rate for the half year as applied to reported profits is negative at (12.9)%.

Earnings per share
Basic earnings per share decreased by 17.3p to 12.1p loss per share (2015: 5.2p earnings per share) as a result of the goodwill impairment charge relating to the Nordic region and lower adjusted profit. Adjusted earnings per share decreased by 6.0p to 2.1p (2015: 8.1p).

Dividend
No interim dividend has been declared (2015: 3.6 pence per share). The Group's dividend policy will be assessed as part of the business review.

Goodwill and acquired intangible assets

Goodwill on the Group's balance sheet stands at £101.8 million at 30 June 2016 (31 December 2015: £107.3 million). This represents a net decrease of £5.5 million, reflecting an increase of £11.4 million from the retranslation of goodwill held in foreign currencies offset by a £16.9 million impairment charge to Nordic goodwill. The whole of the Nordic region is treated as one cash generating unit and includes the Lönne group and bolt-on acquisitions.

The Board considered a number of factors and concluded that it was appropriate to complete a review to consider if there had been any impairment of the carrying value of the Group's net assets. In accordance with the guidance in IAS 36 'Impairment of Assets', a review of the Group's goodwill and intangible assets was conducted. The review concluded that goodwill related to the Lönne Group of £22.2 million should be written down to £5.3 million, resulting in an impairment charge of £16.9 million. None of the other carrying values were impaired.

Acquired intangible assets stood at £26.5 million (31 December 2015: £26.2 million) reflecting an exchange effect of £2.1 million offset by an amortisation charge of £1.8 million for the period.

Other intangible assets

Other intangible assets increased to £17.2 million (31 December 2015: £16.2 million). Additions of £2.5 million reflect £1.5 million investment in developing our Group-wide strategic Information Technology platforms and £1 million investment in data management systems in France and UK. Other movements reflect an exchange effect of £0.5 million, offset by depreciation charges of £2.0 million.

Pensions

The net pension liability relating to the defined benefit pension schemes was £39.1 million (June 2015: £34.7 million; December 2015: £27.2 million), a net increase of £11.9 million from 31 December 2015. This increase comprises net actuarial losses of £12.4 million principally reflecting a 0.8 percentage point reduction in the discount rate from December (30 June 2015: 3.80%, December 2015: 3.85%). Other movements reflect £1.1 million expense for the current period and £0.3 million of exchange movements, less £1.9 million of employers' contributions.

Operating cash generation and cash flow

Net debt increased by £3.4 million to £107.7 million (December 2015: £104.3 million). This increase is after £13.5 million adverse exchange movement, £5.0 million purchase of property, plant and equipment (June 2015: £3.9 million) mainly relating to investment in the Invend™ programme, £2.5 million (June 2015: £2.0 million) from additions to other intangible assets, £4.8 million (June 2015: £5.0 million) relating to interest, tax and pension scheme payments and £0.4 million (June 2015: £1.7 million) relating to purchase of own shares.

Net cash inflow from operating activities was £22.8 million (2015: £0.5 million outflow), and is after £0.2 million outflow (2015: £0.6 million) relating to acquisition related costs and £1.7 million outflow (2015: £4.1 million) relating to prior year exceptional items. Excluding these items, cash generated from operating activities before exceptional items was £24.7 million (2015: £4.2 million).

Working capital

Working capital, consisting of inventories, trade and other receivables and trade and other payables, totalled £105.0 million (December 2015 £117.4 million) on the balance sheet. This reflects inventory reductions of £14.1 million to £128.1 million (December: £142.2 million) and a net increase in receivables and payables of £1.7 million. Inventory reductions reflects a £12.3 million exchange effect and a £26.4 million reduction at constant currency with the ongoing inventory reduction programme the driving factor of this significant change.

The £9.5 million cash inflow (2015: £17.8 million outflow) from movement in working capital primarily relating to the continuing inventory reduction programme, but also reflecting an inflow of £3.3 million relating to higher levels of non-recourse receivables factoring in place at 30 June 2016.

Financing

The Group is principally financed through a revolving credit facility ("RCF") and a Private Placement Note programme. The RCF is a €120 million (£99.8 million) facility which is committed to 29 April 2020, and has a further uncommitted facility of €20 million.

The Private Placement facility is a $175 million (or currency equivalent) shelf facility, which was initially established in 2013 and was extended in 2014. As at December 2015, €115.4 million had been issued. On 7 January 2016 the final tranche of €23 million notes were issued resulting in the facility being fully drawn. These private placement notes are unsecured, bear interest at fixed rates with maturity dates ranging between 2021 and 2025.

At the period end, net debt/EBITDA stood at 2.8x (December 2015: 2.4x) which is in compliance with our covenant of 3.0x.

Risks and uncertainties

The principal strategic level risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out in the Strategic Report on pages 23 to 27 in the 2015 Annual Report, which is available on the Group's website (www.brammer.biz), apart from an update to the financial and capital risks, and the potential effect of the exit of UK from the European Union. In summary the Group's principal risks and uncertainties are:

Withdrawal of a major supplier	Financial and capital risks
Exit of UK from the European Union	Theft of commercially sensitive data
Loss of major customers	Expected benefits from acquisitions not realised
Customers relocating to lower cost countries	Expected benefits from strategic growth initiatives not realised
Loss of infrastructure/systems	Loss of key employees
E-commerce risk	Fraud risk

Financial and capital risks

The Group's revolving credit facility is in place until 2020. This facility is supplemented with additional long-term funding obtained through the issue of €175 million of private placement notes, with maturity dates between 2021 and 2025, under a private shelf facility. Brammer has sufficient available resources to meet its foreseeable requirements, although profitability and net debt levels for the first half has resulted in the net debt/EBITDA gearing ratio approaching the permitted levels in the banking covenants of our facilities. Whilst current forecasts indicate that the Group will be able to meet its covenants, future declines in profitability or unforeseen increase in net debt in the second half may impact the covenant calculations for the full year. The Board is actively monitoring the situation and will consider various options to address the identified financial risks including, but not limited to, managing capital expenditure, further stock reductions, sale & leaseback transactions, the renegotiation of covenants and raising additional equity.

Exit of UK from the European Union

The UK government announcement of a referendum on the future of UK membership in the European Union introduced some uncertainty into the future legal framework and terms of trade between Brammer, a UK company and its European businesses and customers operating in the European Union. Although the outcome of the referendum on 23 June 2016 resulted in a vote for an exit from the European Union, the full scope of the political and legal implications are still unclear. However, in the short to medium term, before exit negotiations are completed, apart from a perceived increase in uncertainty around business sentiment, we assess the quantifiable impact as relatively low. We are currently incorporating a detailed review of the implications of the UK exit from the European Union into our board level risk assessment process, which will enable Brammer to identify and monitor areas of risk and uncertainty as the political situation is clarified.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R , namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on this consolidated interim financial information; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The directors of Brammer plc and their respective responsibilities are as listed in the Brammer plc 2015 Annual Report with the exception of the following changes in the period: Paul Thwaite stepped down as Finance Director and retired from the Board on 31 March 2016 and was succeeded as Finance Director by Duncan Magrath, formerly the Chairman of the Audit Committee and Senior Independent Director. Ron McMillan was appointed as Chairman of the Audit Committee and Senior Independent Director on 1 June 2016 and Stephen Ashmore was appointed to the Board as Regional Director to the UK on 4 April 2016.

After the period end, Meinie Oldersma was appointed to the board on 1 August 2016.

On behalf of the Board

Bill Whiteley
Chairman

Duncan Magrath
Finance Director

4 August 2016

Brammer CONSOLIDATED INCOME STATEMENT

	Notes	**6 months to 30 June 2016 (unaudited) £m**	6 months to 30 June 2015 (unaudited) £m	Year to 31 Dec 2015 (audited) £m
Revenue	2	**372.3**	365.6	717.3
Cost of sales		**(262.5)**	(254.1)	(495.7)
Gross profit		**109.8**	111.5	221.6
Total sales, distribution and administrative costs		**(120.3)**	(99.3)	(201.8)
Operating (loss)/profit	2	**(10.5)**	12.2	19.8
*Adjusted operating profit**		**8.4**	17.2	33.9
Amortisation and acquisition related costs		**(2.0)**	(1.4)	(3.0)
Impairment of goodwill	5	**(16.9)**	-	-
Exceptional items	6	**-**	(3.6)	(11.1)
Operating (loss)/profit		**(10.5)**	12.2	19.8
Finance expense		**(3.5)**	(3.1)	(6.4)
Finance income		**0.1**	-	0.1
(Loss)/profit before tax		**(13.9)**	9.1	13.5
*Adjusted profit before tax**		**5.0**	14.1	27.6
Amortisation and acquisition related costs		**(2.0)**	(1.4)	(3.0)
Impairment of goodwill	5	**(16.9)**	-	-
Exceptional items	6	**-**	(3.6)	(11.1)
(Loss)/profit before tax		**(13.9)**	9.1	13.5
Taxation	3	**(1.8)**	(2.4)	(4.0)
(Loss)/profit for the period		**(15.7)**	6.7	9.5
Earnings per share – total				
Basic	4	**(12.1p)**	5.2p	7.3p
Diluted	4	**(11.9p)**	5.0p	7.2p
– pre amortisation, impairment, acquisition related costs and exceptional items				
Basic	4	**2.1p**	8.1p	15.1p
Diluted	4	**2.0p**	7.9p	14.8p

*Adjusted operating profit and adjusted profit before tax are before the impact of amortisation of acquired intangibles, impairment of goodwill, acquisition related costs and exceptional items.

The notes on pages 20 to 31 form an integral part of this consolidated interim financial information.

	6 months to 30 June 2016 (unaudited) £m	6 months to 30 June 2015 (unaudited) £m	Year to 31 Dec 2015 (audited) £m
(Loss)/profit for the period	**(15.7)**	6.7	9.5
Other comprehensive (expense)/income			
Items that are not subsequently reclassified to the income statement			
Actuarial (losses)/gains on retirement benefit obligations	**(10.5)**	2.4	7.7
Items that may be subsequently reclassified to the income statement			
Net exchange differences on translating foreign operations	**7.6**	(8.9)	(9.0)
Effective portion of changes in fair value of cash flow hedges	**-**	0.1	0.1
	7.6	(8.8)	(8.9)
Other comprehensive expense for the period, net of tax	**(2.9)**	(6.4)	(1.2)
Total comprehensive (expense)/income for the period	**(18.6)**	0.3	8.3

Items in the statement above are disclosed net of tax.

The notes on pages 20 to 31 form an integral part of this consolidated interim financial information.

Brammer CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2016 (unaudited) £m**	30 June 2015 (unaudited) £m	31 Dec 2015 (audited) £m
Assets				
Non-current assets				
Goodwill	7	**101.8**	105.5	107.3
Acquired intangible assets	7	**26.5**	27.8	26.2
Other intangible assets	7	**17.2**	16.1	16.2
Property, plant and equipment	8	**32.0**	23.8	28.7
Deferred tax assets		**10.0**	12.2	8.6
		187.5	185.4	187.0
Current assets				
Inventories		**128.1**	122.3	142.2
Trade and other receivables	9	**126.5**	137.2	116.6
Cash and cash equivalents	11	**14.0**	8.8	6.9
Derivative financial instruments		**0.2**	-	-
		268.8	268.3	265.7
Liabilities				
Current liabilities				
Financial liabilities – borrowings	11	**(6.0)**	(2.9)	(3.7)
Trade and other payables	10	**(149.6)**	(148.5)	(141.4)
Provisions	12	**(1.4)**	(2.9)	(2.7)
Deferred and contingent consideration		**(3.1)**	(0.6)	(1.2)
Current tax liabilities		**(2.2)**	(2.3)	(1.5)
		(162.3)	(157.2)	(150.5)
Net current assets		**106.5**	111.1	115.2
Non-current liabilities				
Financial liabilities – borrowings	11	**(115.7)**	(96.7)	(107.5)
Deferred tax liabilities		**(15.9)**	(14.7)	(14.9)
Provisions		**-**	-	(0.2)
Deferred and contingent consideration		**(2.8)**	(4.8)	(4.1)
Retirement benefit obligations	13	**(39.1)**	(34.7)	(27.2)
		(173.5)	(150.9)	(153.9)
Net assets		**120.5**	145.6	148.3
Shareholders' equity				
Share capital	14	**25.9**	25.9	25.9
Share premium		**18.2**	18.2	18.2
Translation reserve		**(13.1)**	(20.6)	(20.7)
Retained earnings		**89.5**	122.1	124.9
Total equity		**120.5**	145.6	148.3

The notes on pages 20 to 31 form an integral part of this consolidated interim financial information.

Brammer CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £m	Share Premium £m	Treasury Shares £m	Cash flow Hedging Reserve £m	Translation Reserve £m	Retained Earnings £m	Total £m
Balance at 1 January 2015	25.9	18.2	(0.5)	(0.1)	(11.7)	123.9	155.7
Profit for the period	-	-	-	-	-	6.7	6.7
Other comprehensive expense	-	-	-	0.1	(8.9)	2.4	(6.4)
Total comprehensive income	-	-	-	0.1	(8.9)	9.1	0.3
Transactions with owners							
Purchase of own shares	-	-	(1.7)	-	-	-	(1.7)
Transfer on vesting of own shares	-	-	0.4	-	-	(0.4)	-
Share-based payments	-	-	-	-	-	0.6	0.6
Tax charge on share performance plans	-	-	-	-	-	(0.1)	(0.1)
Dividends	-	-	-	-	-	(9.2)	(9.2)
Total transactions with owners	-	-	(1.3)	-	-	(9.1)	(10.4)
Movement in period	-	-	(1.3)	0.1	(8.9)	-	(10.1)
At 30 June 2015	25.9	18.2	(1.8)	-	(20.6)	123.9	145.6
Profit for the period	-	-	-	-	-	2.8	2.8
Other comprehensive expense	-	-	-	-	(0.1)	5.3	5.2
Total comprehensive expense	-	-	-	-	(0.1)	8.1	8.0
Transactions with owners							
Purchase of own shares	-	-	(0.2)	-	-	-	(0.2)
Transfer on vesting of own shares	-	-	0.2	-	-	(0.2)	-
Share-based payments	-	-	-	-	-	0.2	0.2
Tax charge on share performance plans	-	-	-	-	-	(0.7)	(0.7)
Dividends	-	-	-	-	-	(4.6)	(4.6)
Total transactions with owners	-	-	-	-	-	(5.3)	(5.3)
Movement in period	-	-	-	-	(0.1)	2.8	2.7
At 31 December 2015	25.9	18.2	(1.8)	-	(20.7)	126.7	148.3
Loss for the period	-	-	-	-	-	(15.7)	(15.7)
Other comprehensive expense	-	-	-	-	7.6	(10.5)	(2.9)
Total comprehensive income	-	-	-	-	7.6	(26.2)	(18.6)
Transactions with owners							
Purchase of own shares	-	-	(0.4)	-	-	-	(0.4)
Transfer on vesting of own shares	-	-	0.3	-	-	(0.3)	-
Share-based payments	-	-	-	-	-	0.5	0.5
Tax charge on share performance plans	-	-	-	-	-	(0.1)	(0.1)
Dividends	-	-	-	-	-	(9.2)	(9.2)
Total transactions with owners	-	-	(0.1)	-	-	(9.1)	(9.2)
Movement in period	-	-	(0.1)	-	7.6	(35.3)	(27.8)
At 30 June 2016	**25.9**	**18.2**	**(1.9)**	-	**(13.1)**	**91.4**	**120.5**

£22.1 million of retained earnings are considered to be non-distributable.

Retained earnings as disclosed in the Balance Sheet on page 17 represent the retained earnings and treasury shares balances above.

The notes on pages 20 to 31 form an integral part of this consolidated interim financial information.

Brammer CONSOLIDATED CASH FLOW STATEMENT

	6 months to 30 June 2016 (unaudited) £m	6 months to 30 June 2015 (unaudited) £m	Year to 31 Dec 2015 (audited) £m
(Loss)/profit for the period	**(15.7)**	6.7	9.5
Tax charge	**1.8**	2.4	4.0
Depreciation and amortisation of tangible and intangible assets	**6.4**	6.2	12.2
Share options charge	**0.5**	0.6	0.8
Reduction in contingent consideration accrual	**-**	(1.3)	(1.7)
Impairment of goodwill (note 5)	**16.9**	-	-
Gain on disposal of tangible and intangible assets	**-**	(0.4)	(0.5)
Net financing expense	**3.4**	3.1	6.3
Movement in working capital	**9.5**	(17.8)	(13.5)
Cash generated/(absorbed) from operating activities	**22.8**	(0.5)	17.1
Cash generated from operating activities before exceptional items and acquisition related costs	***24.7***	*4.2*	*25.9*
Cash outflow from acquisition related costs	***(0.2)***	*(0.6)*	*(0.5)*
Cash outflow from exceptional items	***(1.7)***	*(4.1)*	*(8.3)*
Cash generated/(absorbed) from operating activities	***22.8***	*(0.5)*	*17.1*
Interest paid	**(2.5)**	(2.1)	(4.5)
Tax paid	**(0.9)**	(1.6)	(2.2)
Pension scheme contributions less pension expense included in operating profit	**(1.4)**	(1.3)	(2.9)
Net cash generated/(absorbed) from operating activities	**18.0**	(5.5)	7.5
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	**-**	-	(0.4)
Proceeds from sale of property, plant and equipment	**-**	1.2	1.2
Purchase of property, plant and equipment (note 8)	**(5.0)**	(3.9)	(10.7)
Additions to other intangible assets (note 7)	**(2.5)**	(2.0)	(4.0)
Net cash used in investing activities	**(7.5)**	(4.7)	(13.9)
Cash flows from financing activities			
Net proceeds from issue of private placement (note 11)	**16.9**	22.0	22.0
Net repayment of loans	**(22.9)**	(11.5)	(3.6)
Net increase/(decrease) in finance leases	**0.4**	-	(0.2)
Dividends paid to shareholders	**-**	-	(13.8)
Purchase of own shares	**(0.4)**	(1.7)	(1.9)
Net cash (absorbed)/generated from financing activities	**(6.0)**	8.8	2.5
Net increase/(decrease) in cash and cash equivalents	**4.5**	(1.4)	(3.9)
Exchange gains/(losses) on cash and cash equivalents	**0.5**	(0.5)	(0.3)
Cash and cash equivalents at beginning of period	**6.5**	10.7	10.7
Net cash at end of period	**11.5**	8.8	6.5
Cash and cash equivalents	**14.0**	8.8	6.9
Overdrafts	**(2.5)**	-	(0.4)
Net cash at end of period	**11.5**	8.8	6.5

The notes on pages 20 to 31 form an integral part of this consolidated interim financial information.

1 STATUS OF INTERIM REPORT AND ACCOUNTING POLICIES

General information

Brammer plc is a company incorporated and domiciled in the UK, and listed on the London Stock Exchange.

This consolidated interim financial information was approved for issue by a duly appointed and authorised committee of the Board on 4 August 2016.

This consolidated interim financial information for the six months ended 30 June 2016 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015 were approved by the Board on 8 March 2016 and delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The consolidated financial statements of the Group for the year ended 31 December 2015 are available from the company's registered office or website (www.brammer.biz).

This consolidated interim financial information is neither audited nor reviewed.

Basis of preparation

This consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the EU. The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015 which have been prepared in accordance with IFRSs as adopted by the EU.

The financial information is presented in pounds Sterling and has been prepared on the historical cost basis modified for fair values under IFRS as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The directors have acknowledged the latest guidance on going concern. The Group meets its day-to-day working capital requirements through its debt facilities which carry financial covenants requirements, with which the Group complied throughout the period.

As described in the Risks and Uncertainties section above, the first half result and net debt level resulted in the net debt to EBITDA ratio approaching the level permitted under the Group's banking covenants. Whilst current forecasts indicate that the Group will be able to meet its covenants, future declines in profitability or unforeseen increases in net debt in the second half may impact the covenant calculations for the full year. The Board is actively monitoring the situation and will consider various options to address the identified financial risks including, but not limited to, managing capital expenditure, further stock reductions, sale & leaseback transactions, the renegotiation of covenants and raising additional equity.

Taking these forecasts, mitigating measures and potential actions into account, the Directors confirm that they have a reasonable expectation that the Group has adequate resources to enable it to continue as a going concern for the twelve months from the date of approval of this interim financial information. The consolidated interim financial information has therefore been prepared on a going concern basis.

Accounting policies

The principal accounting policies adopted in the preparation of this consolidated interim financial information are included in the consolidated financial statements for the year ended 31 December 2015. These policies have been consistently applied to all the periods presented.

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 ending 31 December 2016 are summarised below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New standards, amendments to standards or interpretations

The Group has adopted the following new standards, amendments to standards or interpretations which are mandatory for the first time for the financial year beginning 1 January 2016. None of these standards and interpretations has had any material effect on the Group's results or net assets.

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment: IAS 16	Property, plant and equipment	1 January 2016
Amendment: IAS 38	Intangible assets	1 January 2016
Amendment: IFRS 11	Joint arrangement	1 January 2016
Amendment: IAS 27	Separate financial statements	1 January 2016
Amendment: IAS1	Presentation of financial statements	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016

The following standards, amendments and interpretations are not yet effective and have not been adopted early by the Group:

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019

Other than IFRS 16 and IFRS 15, for which the financial impact has not yet been assessed, none of the standards or interpretations above are expected to have a material impact on the Group.

Accounting estimates and judgements

The preparation of consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of income, expense, assets and liabilities. Except as set out below, the significant estimates and judgements made by management were consistent with those applied to the consolidated financial statements for the year ended 31 December 2015.

Rebate income receivable

The Group receives volume related rebates from suppliers and contributions towards marketing costs. These rebate agreements are co-terminous with the Group's year end and are cash based and supported by signed agreements. The level of estimation and judgement around the recognition of rebate income is modest at the year end, but is more significant at the half year because of the need to make assumptions about purchase volumes for the whole year to attribute the appropriate proportion of the rebate to the first half.

Accounting for acquisitions and fair value of acquired intangibles

During 2015 the Group finalised the fair value of acquired intangibles for acquisitions made during the second half of 2014. There have been no acquisitions or adjustments to the fair value of acquired intangibles during the period and therefore accounting for acquisitions and fair value of acquired intangibles is not considered to be an area of significant judgement in the period.

This interim statement on pages 3 to 14 includes comments on the outlook for the remaining six months of the financial year.

Forward-looking statements

This interim report contains forward-looking statements. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

2 SEGMENTAL ANALYSIS

The Board has been identified as the chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board for the purpose of allocating resources and assessing performance.

The Group is primarily controlled on a country by country basis, in line with the legal structure, with reports to the Board grouping countries by the territorial responsibilities of the five Country Managing Directors. The segmental analysis has been updated to reflect this regional management structure resulting in the previously individually reported segments of Spain and Benelux now reported in 'Other'. At 1 January 2016, management and reporting responsibilities changed from Netherlands to Germany for a small branch in Hermsdorf, Germany. Accordingly the comparative information has been updated to reflect this change.

The Group's internal reporting is primarily based on performance reports run at 'constant currency' exchange rates. Accordingly the segment information below shows prior periods' results at this year's exchange rates with the exchange effect being a reconciling item between the segment results and the totals reported in the financial statements at actual exchange rates.

The Board assesses the performance of the operating segments based on their adjusted 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.

All inter-segmental trading is on an arm's-length basis.

	UK £m	Germany £m	France £m	Nordic £m	Other £m	**Total** **£m**
Six months ended 30 June 2016						
Revenue						
Total revenue	137.6	69.4	51.0	21.3	105.5	**384.8**
Inter company sales	(2.0)	(2.8)	(3.5)	(0.3)	(3.9)	**(12.5)**
Sales to external customers	135.6	66.6	47.5	21.0	101.6	**372.3**
Adjusted operating profit*	2.0	1.2	1.3	(2.0)	5.9	**8.4**
Amortisation of acquired intangibles						**(1.8)**
Acquisition related costs						**(0.2)**
Impairment of goodwill						**(16.9)**
Operating loss						**(10.5)**
Net finance expense						**(3.4)**
Loss before tax						**(13.9)**
Tax						**(1.8)**
Loss for the period						**(15.7)**
Segment net operating assets	59.7	29.0	14.2	12.7	46.4	**162.0**
Goodwill	19.5	36.4	6.6	5.3	34.0	**101.8**
Acquired intangibles						**26.5**
Cash and cash equivalents						**14.0**
Derivative financial instruments						**0.2**
Net deferred tax						**(5.9)**
Current tax liabilities						**(2.2)**
Financial liabilities						**(121.7)**
Deferred and contingent consideration						**(5.9)**
Dividend creditor						**(9.2)**
Retirement benefit obligations						**(39.1)**
Net assets						**120.5**
Other segment items						
Total capital expenditure**	2.6	1.1	0.8	0.1	2.9	**7.5**
Total amortisation and depreciation***	(1.2)	(0.3)	(0.4)	(0.2)	(2.5)	**(4.6)**

SEGMENTAL ANALYSIS (continued)

	UK £m	Germany £m	France £m	Nordic £m	Other £m	**Total £m**
Six months ended 30 June 2015						
Revenue						
Total revenue	144.9	66.7	47.5	24.8	100.7	**384.6**
Inter company sales	(1.2)	(1.9)	(2.2)	-	(2.1)	**(7.4)**
Sales to external customers	143.7	64.8	45.3	24.8	98.6	**377.2**
Exchange effect	(0.2)	(3.8)	(2.6)	(0.6)	(4.4)	**(11.6)**
Total sales to external customers	143.5	61.0	42.7	24.2	94.2	**365.6**
Adjusted operating profit*	6.1	3.5	1.4	-	6.5	**17.5**
Exchange effect	-	(0.1)	-	-	(0.2)	**(0.3)**
Total adjusted operating profit	6.1	3.4	1.4	-	6.3	**17.2**
Amortisation of acquired intangibles						**(2.1)**
Acquisition related income						**0.7**
Exceptional operating items						**(3.6)**
Operating profit						**12.2**
Net finance expense						**(3.1)**
Profit before tax						**9.1**
Tax						**(2.4)**
Profit for the period						**6.7**
Segment net operating assets	66.8	26.1	21.4	10.2	44.3	**168.8**
Exchange effect	-	(3.4)	(2.7)	(0.9)	(4.6)	**(11.6)**
Total segment net operating assets	66.8	22.7	18.7	9.3	39.7	**157.2**
Goodwill	18.6	30.4	5.6	19.4	31.5	**105.5**
Acquired intangibles						**27.8**
Cash and cash equivalents						**8.8**
Net deferred tax						**(2.5)**
Current tax liabilities						**(2.3)**
Financial liabilities						**(99.6)**
Deferred and contingent consideration						**(5.4)**
Dividend creditor						**(9.2)**
Retirement benefit obligations						**(34.7)**
Net assets						**145.6**
Other segment items						
Capital expenditure	2.5	0.1	0.3	0.7	2.7	**6.3**
Exchange effect	-	-	-	(0.1)	(0.3)	**(0.4)**
Total capital expenditure**	2.5	0.1	0.3	0.6	2.4	**5.9**
Amortisation and depreciation	(1.2)	(0.2)	(0.2)	(0.2)	(2.5)	**(4.3)**
Exchange effect	-	-	-	-	(0.1)	**(0.1)**
Total amortisation and depreciation***	(1.2)	(0.2)	(0.2)	(0.2)	(2.6)	**(4.4)**

* Operating profit excluding amortisation of acquired intangibles, impairment of goodwill, acquisition related costs and exceptional items.
** Capital expenditure comprises additions to other intangible assets and additions to property, plant and equipment, and includes a relevant allocation of Invend^{TM} capital expenditure held in Brammer Vending Limited, a UK company.
*** Total amortisation and depreciation excluding the amortisation of acquired intangibles.

Acquisition related costs in the period were a cost of £0.2 million (2015: income of £0.7 million).

The table below details the actual exchange rates used for the primary exchange rates of Sterling to Euro, Sterling to Norwegian Krone and Sterling to Swedish Krona for the current period and the prior periods:

	30 June 2016	30 June 2015	31 December 2015
Actual average rate	**€1.286**	€1.365	€1.375
Balance sheet rate	**€1.203**	€1.412	€1.357
Actual average rate	**NOK 12.09**	NOK 11.85	NOK 12.36
Balance sheet rate	**NOK 11.19**	NOK 12.37	NOK 13.05
Actual average rate	**SEK 11.92**	SEK 12.75	SEK 12.85
Balance sheet rate	**SEK 11.33**	SEK 13.05	SEK 12.43

3 TAXATION

On the basis of adjusted profit (before amortisation of acquired intangibles, goodwill impairment, acquisition related costs and exceptional items), the estimated average annual tax rate used for 2016 is 33.0% (2015: 26.2%) or negative (51.0%) for reported profits for the year (after goodwill impairment of £16.9 million which produces a pre-tax loss for the year).

This produces an effective tax rate for the group, on adjusted profits, as at the half year of 45.9% (2015 : 26.2%) which is higher than the anticipated full year effective tax rate mainly due to the phasing of losses in the Nordics between the first half and the second half. Following the impairment charge of £16.9 million the effective tax rate for the half year as applied to reported profits is negative at (12.9)%.

4 EARNINGS PER SHARE

	Half year 2016		
		Earnings per share	
	Earnings £m	Basic	Diluted
Weighted average number of shares in issue ('000)		**129,404**	**132,138**
Earnings			
Loss for the period	**(15.7)**	**(12.1p)**	**(11.9p)**
Amortisation of acquired intangibles ("amortisation") and acquisition related costs	**2.0**		
Impairment of goodwill	**16.9**		
Tax on amortisation and acquisition related costs	**(0.5)**		
Tax on impairment of goodwill	**-**		
Earnings before amortisation, goodwill impairment and acquisition related costs	**2.7**	**2.1p**	**2.0p**

	Half year 2015		
		Earnings per share	
	Earnings £m	Basic	Diluted
Weighted average number of shares in issue ('000)		129,404	132,688
Earnings			
Profit for the period	6.7	5.2p	5.0p
Amortisation of acquired intangibles ("amortisation") impairment of goodwill and acquisition related costs	1.4		
Exceptional items	3.6		
Tax on exceptional items	(0.9)		
Tax on amortisation and acquisition related costs	(0.3)		
Earnings before amortisation, acquisition related costs and exceptional items	10.5	8.1p	7.9p

	Full year 2015		
		Earnings per share	
	Earnings £m	Basic	Diluted
Weighted average number of shares in issue ('000)		129,404	132,622
Earnings			
Profit for the financial year	9.5	7.3p	7.2p
Amortisation of acquired intangibles ("amortisation") and acquisition related costs	3.0		
Exceptional items	11.1		
Tax on exceptional items	(2.8)		
Tax on amortisation and acquisition related costs	(1.2)		
Earnings before amortisation, acquisition related costs and exceptional items	19.6	15.1p	14.8p

5 IMPAIRMENT OF GOODWILL

A review of the Group's goodwill resulted in an impairment charge of £16.9 million relating to goodwill arising from the Lönne group acquisition made in 2014. See note 7 for further details.

6 EXCEPTIONAL ITEMS

There are no exceptional items for the current period.

In the six month period to June 2015 the exceptional charge of £3.6 million recognised in arriving at operating profit related to headcount and related restructuring costs arising from a review of the Group's operating cost base.

For the year ended December 2015 the exceptional charge of £11.1 million comprised headcount and related restructuring costs, together with the costs of relocating the National Distribution Centre in France and other supply chain restructuring costs.

7 INTANGIBLE ASSETS

	Goodwill	Acquired intangibles	Other – software development
	£m	£m	£m
Cost			
At 1 January 2016	110.6	38.7	36.1
Exchange adjustments	11.9	3.6	1.3
Additions	-	-	2.5
At 30 June 2016	**122.5**	**42.3**	**39.9**
Amortisation			
At 1 January 2016	3.3	12.5	19.9
Exchange adjustments	0.5	1.5	0.8
Charge for the period	-	1.8	2.0
Impairment charge	16.9	-	-
At 30 June 2016	**20.7**	**15.8**	**22.7**
Net book value			
At 30 June 2016	**101.8**	**26.5**	**17.2**
At 31 December 2015	107.3	26.2	16.2

Goodwill

The Board considered a number of factors and concluded that it was appropriate to complete a review to consider whether there had been any impairment of the carrying value of the Group's net assets. In accordance with the guidance in IAS 36 'Impairment of Assets', a review of the Group's goodwill and intangible assets has been carried by comparing goodwill plus associated operating assets with the expected value in use, calculated as the net present value of discounted future cash flows expected to be derived from the assets.

Goodwill is allocated to the Group's cash generating units defined as the geographical split of countries in which the Group operates. An operating segment-level summary of the goodwill allocation is shown below.

Goodwill by operating segment

	30 June 2016	31 Dec 2015
	£m	£m
UK	**19.5**	19.5
Germany	**36.4**	32.3
France	**6.6**	5.9
Nordics	**5.3**	19.1
Other territories	**34.0**	30.5
	101.8	107.3

The expected value in use has been calculated using assumptions arising from management's past experience of the application of Group strategy.

Key assumptions are:

- The cash generating operating units ("CGUs") are defined according to the country of operation and related goodwill has been allocated on this basis.
- The recoverable amount for each cash generating operating unit is determined from value-in-use calculations based on Board approved forecasts for the year, and five-year forecasts thereon. Pre-tax cash flows projected forward assume a growth rate into perpetuity not in excess of expected GDP growth rates in each country. These growth rates vary from 1.2% to 3.5% (31 December 2015: 1.2% - 3.6%).
- The Group's methodology is to use a projection period of five years being the maximum period over which detailed cash flows for each CGU are prepared. For periods after this five year period, the methodology applies a long term growth rate to derive a terminal value.
- The key assumptions in these calculations relate to future revenue growth rates, gross margin percentage and the discount rates applied.
- A nominal pre-tax weighted average cost of capital ("WACC") of 11.74% (31 December 2015: 11.74%) has been used to discount future cash flows. Although based on a company specific WACC, it has been adjusted to reflect long term financing costs that the company currently experiences. The WACC has been adjusted for tax and inflation rates in each of the countries that the company currently operates.

Cash generating unit	**Pre-tax discount rate**		**Inflation rate**	
	30 June 2016	31 Dec 2015	**30 June 2016**	31 Dec 2015
UK	**10.37%**	10.37%	**1.98%**	1.90%
Germany	**11.69%**	11.69%	**1.76%**	1.60%
France	**12.29%**	12.29%	**1.39%**	1.29%
Nordic	**11.44%**	10.94%	**2.00%**	1.96%
Other territories	**10.25% – 12.41%**	10.25% – 12.41%	**0.99% – 2.76%**	1.07% – 2.84%

Sensitivity tests have been performed. The key sensitivity is forecast trading profit and no realistic sensitivity in trading profit generates an impairment in any cash generating unit, with the exception of the Nordic business. The Nordic business, a CGU identified in 2015 as having marginal headroom, has continued to experience challenging market conditions, particularly in the Oil and Gas sector. The CGU has posted losses in the first half of 2016. Management have identified growth opportunities for the business, including a diversification strategy designed to develop business opportunities across a wider product and market spectrum. However, the performance improvements are taking longer to implement than originally anticipated. As a result, the carrying value of this CGU is less than its recoverable amount, resulting in the recognition of an impairment charge of £16.9 million.

The CGU with the next lowest headroom is Italy. Based on the recent performance of this CGU, and taking into account current market conditions, management have concluded that there will be no deterioration in the trading profit over the projection period which will significantly impact future cash flows. As a result, no reasonably possible change in the key assumptions would result in a material impairment of any of the CGUs, with the exception of the Nordic CGU.

8 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings £m	Equipment £m	Vending machines £m	Total £m
Cost				
At 1 January 2016	21.2	38.1	9.4	68.7
Exchange adjustments	0.9	2.5	-	3.4
Additions	0.4	1.2	3.4	5.0
Disposals	-	(0.1)	-	(0.1)
At 30 June 2016	**22.5**	**41.7**	**12.8**	**77.0**
Depreciation				
At 1 January 2016	12.0	26.6	1.4	40.0
Exchange adjustments	0.5	2.0	-	2.5
Charge for the period	0.4	1.4	0.8	2.6
Disposals	-	(0.1)	-	(0.1)
At 30 June 2016	**12.9**	**29.9**	**2.2**	**45.0**
Net book value				
At 30 June 2016	**9.6**	**11.8**	**10.6**	**32.0**
At 31 December 2015	9.2	11.5	8.0	28.7

Contracted commitments for future capital expenditure totaling £0.6 million are in place as at 30 June 2016.

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2016 £m	At 30 June 2015 £m	At 31 Dec 2015 £m
Amounts due within one year:			
Trade receivables	**117.4**	123.2	104.8
Provision for impairment of receivables	**(1.4)**	(1.7)	(1.7)
Net trade receivables	**116.0**	121.5	103.1
Other receivables	**6.8**	8.1	8.9
Prepayments and accrued income	**3.7**	7.6	4.6
	126.5	137.2	116.6

Certain subsidiaries of the Group transferred receivable balances amounting to £32.3 million (December 2015: £27.0 million, June 2015: £6.3 million) to banks, under bills of exchange without recourse, in exchange for cash at the period end.

10 TRADE AND OTHER PAYABLES

	At 30 June 2016 £m	At 30 June 2015 £m	At 31 Dec 2015 £m
Trade payables	**102.2**	108.2	109.5
Other taxes and social security	**19.2**	14.5	13.4
Accruals	**19.0**	16.6	18.5
Dividend payable	**9.2**	9.2	-
	149.6	148.5	141.4

11 CLOSING NET DEBT

	At 30 June 2016 £m	At 30 June 2015 £m	At 31 Dec 2015 £m
Borrowings – current – overdrafts	**(2.5)**	-	(0.4)
Borrowings – current portion of long term loans	**(3.5)**	(2.9)	(3.3)
Borrowings – non-current	**(115.7)**	(96.7)	(107.5)
Cash and cash equivalents	**14.0**	8.8	6.9
Closing net debt	**(107.7)**	(90.8)	(104.3)

Reconciliation of net cash flow to movement in net debt

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	Year to 31 Dec 2015 £m
Net increase/(decrease) in cash and cash equivalents	**4.5**	(1.4)	(3.9)
Net reduction/(increase) in borrowings	**5.6**	(10.5)	(18.2)
	10.1	(11.9)	(22.1)
Exchange	**(13.5)**	6.4	3.1
Movement in net debt	**(3.4)**	(5.5)	(19.0)
Opening net debt	**(104.3)**	(85.3)	(85.3)
Closing net debt	**(107.7)**	(90.8)	(104.3)

During the period the Group supplemented its existing borrowing facilities with additional long-term funding raised by the issue in January 2016 of €23 million of private placement notes. These private placement notes were issued under a private shelf facility, are unsecured, bear interest at a fixed rate and mature in January 2024.

For some years the Group has had syndicated term bank facilities in place. During April 2015 the Group signed new banking facilities for a five year term which provide a €120.0 million (£99.8 million) committed facility with a further uncommitted facility of €20 million.

Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange price risk), credit risk, liquidity risk, cash flow and interest rate risk. The interim financial information does not include all financial risk management information and disclosures required in annual financial statements; they should be read in conjunction with the Group's 2015 Annual Report. There have been no changes in the risk management process or in any risk management policies since the year end.

Fair values of financial assets and liabilities

The Group has mainly Euro denominated borrowings which it has designated as a hedge of the net investment in its subsidiaries in continental Europe. The fair value of these Euro borrowings at 30 June 2016 was £114.7 million (31 December 2015: £93.5 million, 30 June 2015: £81.7 million).

Derivative financial liabilities

Level 2 hedging derivatives comprise forward exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives.

The fair value of the following financial assets and liabilities approximate their carrying amount:
- trade and other receivables
- cash and cash equivalents
- trade and other payables.

12 PROVISIONS

	Restructuring £m
At 1 January 2016	2.9
Exchange adjustment	0.2
Utilised in the period	(1.7)
At 30 June 2016	**1.4**

The restructuring provision is expected to be fully utilised within one year.

13 PENSIONS

The valuations used for IAS 19 disclosures for the UK scheme have been based on the most recent actuarial valuation at 31 December 2014 updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 30 June 2016. Assets are stated at their market value at 30 June 2016. Net interest costs comprise expected return on the plan assets, unwinding of the discount on the defined benefit obligation and interest on the effect of the asset ceiling (where applicable). For the purposes of IAS 19, the expected return on the plan assets is calculated using the discount rate used to value the defined benefit obligation.

The principal financial assumptions used to calculate the liabilities under IAS 19 are:

	UK scheme		
	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
Inflation rate	**3.00%**	3.40%	3.25%
Rate of increase of pensions in payment	**2.90%**	3.20%	3.10%
Rate of increase for deferred pensioners	**2.10%**	2.60%	2.35%
Discount rate	**3.05%**	3.80%	3.85%

The amounts recognised in the balance sheet are determined as follows:

	30 June 2016 £m	30 June 2015 £m	31 Dec 2015 £m
Present value of defined benefit obligations	**171.4**	162.5	154.7
Fair value of plan assets	**(132.3)**	(127.8)	(127.5)
Net liability recognised in the balance sheet	**39.1**	34.7	27.2

The amounts recognised in the income statement are as follows:

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	Year to 31 Dec 2015 £m
Current service cost	**0.5**	0.4	0.8
Plan amendment to Netherlands scheme	**-**	-	(0.4)
(Gains)/losses on settlements	**(0.1)**	-	-
Scheme administration expenses	**0.1**	0.2	0.5
Operating costs (included in distribution costs)	**0.5**	0.6	0.9
Net interest on defined benefit liability	**0.6**	0.6	1.3
Total pension expense	**1.1**	1.2	2.2

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	Year to 31 Dec 2015 £m
Opening	**27.2**	38.6	38.6
Total on-going expense as above	**1.1**	1.2	2.2
Employer contributions	**(1.9)**	(1.9)	(3.8)
Actuarial losses/(gains) recognised as a reserves movement	**12.4**	(3.0)	(9.7)
Exchange adjustment	**0.3**	(0.2)	(0.1)
Closing	**39.1**	34.7	27.2

The retirement benefit liability at the end of June was £39.1 million (2015: £34.7 million; December 2015: £27.2 million), a net increase of £11.9 million from December 2015. This increase comprises net actuarial losses of £12.4 million, £1.1 million expense for the current period and £0.3 million of exchange movements, less £1.9 million of employer's contributions.

14 SHARE CAPITAL AND RESERVES

Purchase of own shares

During the period the company acquired 175,546 of its own shares of 20p each through the Brammer plc Employee Share Ownership Trust ("the Trust") for an aggregate consideration of £401,000 which has been deducted from shareholders' equity. The Trust holds the shares in order to satisfy vestings under the company's performance share plans and share matching plans. No tranches of share plans vested during the period; however, nil-cost options relating to previous years' vestings under these plans were exercised and 478,557 shares were transferred to directors and senior managers in the period.

At 30 June 2016 the Trust held a total of 202,878 shares in the company in order to meet part of the company's liabilities under the company's performance share plans and share matching plans. The Trust deed contains a dividend waiver provision in respect of these shares.

Ordinary shares issued
The number of ordinary 20p shares in issue at 30 June 2016 was 129,404,481 (30 June 2015: 129,404,481; 31 December 2015: 129,404,481).

Dividends
The final dividend for the year ended 31 December 2015, amounting to £9,173,000, was approved by shareholders at the Annual General Meeting on 13 May 2016 and was paid on 8 July 2016 (2015: £9,150,000). No interim dividend has been declared (2015: 3.6p per share, £4,658,000) for the period to 30 June 2016.

15 RELATED PARTY TRANSACTIONS

The remuneration of executive and non-executive directors will be disclosed in the Group's Annual Report for the year ending 31 December 2016. In addition, during the period the Group made purchases totalling £0.4 million from Nomino Sp. z o.o., a Polish IT company in which the company has a minority shareholding.

16 INTERIM REPORT

A copy of the interim report is available for inspection at the registered office of the company, St Ann's House, 1 Old Market Place, Knutsford, Cheshire, WA16 6PD and the offices of Hudson Sandler Limited, 29 Cloth Fair, London EC1A 7NN.

Current regulations permit the company not to send copies of its interim results to shareholders. Accordingly the 2016 interim results published on 4 August 2016 will not be sent to shareholders. The 2016 interim results and other information about Brammer are available on the company's website at www.brammer.biz.