Brammer plc
Interim Report 2008

>deliver

Brammer is a pan-European, added value technical distributor with a strong local presence.

We provide power transmission components, engineering and other related industrial services and fulfil a pivotal role between customers and suppliers, adding value to both through services of the highest quality.

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Financial summary

- > Revenue – £241.6m (2007 £181.8m) +33%
- > Operating profit (pre amortisation of acquired intangibles) – £14.4m (2007 £9.2m) +57%
- > Profit before tax (pre amortisation of acquired intangibles) – £11.4m (2007 £7.2m) +58%
- > Profit before tax – £11.0m (2007 £7.2m)

- > Net debt – £70.6m (2007 £53.7m)

- > Earnings per share, basic, before amortisation of acquired intangibles – 15.1p (2007 10.2p) +48%
- > Earnings per share, basic – 14.6p (2007 10.1p) +45%
- > Earnings per share, diluted – 14.4p (2007 10.0p) +44%

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Chairman's statement

I am very pleased to report another strong set of results. The first six months of 2008 have seen a continuation of the significant growth in sales and profits which has been a feature of Brammer in recent years. Sales in the period totalled £241.6 million (2007: £181.8 million), an increase of 33%. This increase comprised 11% of organic growth, 10% from newly acquired businesses, and 12% of exchange gains.

Trading and financial performance

Operating profit (before amortisation) increased by 57% to £14.4 million (2007: £9.2 million) and pre tax profits (earnings before amortisation) were up by 58% to £11.4 million (2007: £7.2 million) including £1.4 million of exchange gains. Basic earnings per share (before amortisation) amounted to 15.1p, up 48% on last year's 10.2p.

Our strategy of organic growth through Key Accounts, product focus, and value added service, coupled with selective acquisitions has again demonstrably improved the scale and quality of the business. Gross profit margins were stable and in line with the previous year. The operating margin (before amortisation) increased to 5.9% (2007: 5.0%) reflecting improved operational gearing and good control of costs.

Net borrowings at the end of June amounted to £70.6 million, an increase of £11.2 million from the £59.4 million position reported at 31 December 2007. This increase includes a £6.7 million negative impact from the movement in exchange rates together with non operating cash expenditure of £7.5 million on acquisitions and deferred consideration payments, and £1.8 million on the purchase of shares for employee share plans. Cash generated from operating activities of £11.7 million (2007: £0.2 million) was strong and represented 81% of operating profit (before amortisation). Working capital days were similar to the levels of last year although the absolute levels of working capital have increased reflecting the continuing sales growth.

The retirement benefit liability at the end of June was £24.6 million (2007: £13.1 million), an increase of £10.3 million in the liability from 31 December 2007 (£14.3 million). This increase reflects a fall in the market value of the schemes' assets and the impact of a higher price inflation rate used in the actuarial calculation of future pension liabilities.

Strategy and acquisitions

Brammer has continued to focus on the implementation of the strategy which was determined for the business some four years ago. Progress of the growth and cost elements of the strategy is evident in these results and we continue to move forward in terms of our capabilities. In particular, the investment in systems is beginning to bear fruit with real prospects for

Whilst the overall business environment at present is challenging we believe that Brammer is well positioned with a strong and robust strategy in a large and diverse market place. Current trading reflects continued growth, as we enter the second half of the year, and the Board is confident that 2008 will demonstrate another year of significant progress.

improved inventory management across all of our trading territories. There is still much to be done but we are confident that substantial benefits are achievable from the work plans in place.

We have also made progress in our acquisition plans with four new businesses having joined the group in 2008 for an initial payment of £5.9 million, with a maximum consideration of £18.6 million. CBS Rotary Power Motion in the UK and Tecnoforniture in Italy were the two largest with combined annual sales of over £16 million. The former is being integrated into Brammer UK and provides an important presence in the West Midlands where we were under represented. Tecnoforniture is a significant move into the MRO market in Italy. Brammer had established a start up operation in Italy in recent years and the purchase of Tecnoforniture will provide a good opportunity to achieve genuine scale in this important European territory.

In addition we acquired two small bolt on businesses in Holland and Austria, and purchased a 25% stake in a Romanian business. All of these additions are consistent with our growth strategy and we will continue to search for further earnings enhancing and strategic opportunities in the fragmented European MRO market.

Board changes

In June we announced the retirement of Svante Adde from the Board, having served as a director and chairman of the remuneration committee since 2005. We thank him for his contribution during that period and wish him well for the future. At the same time we were delighted to welcome Bill Whiteley to the Board with effect from 1 July. Bill has recently retired as CEO of Rotork plc and we look forward to the benefits of his wide and relevant experience in the future. Paul Forman has assumed the role of chairman of the remuneration committee.

Dividend

The interim dividend recommended by the Board is 2.6p, an increase of 24% over last year. This will be paid on 7 November 2008 to shareholders on the register at the close of business on 10 October 2008.

Prospects

Whilst the overall business environment at present is challenging we believe that Brammer is well positioned with a strong and robust strategy in a large and diverse market place. Current trading reflects continued growth, as we enter the second half of the year, and the Board is confident that 2008 will demonstrate another year of significant progress.

David Dunn
29 August 2008

Chief executive's review

In the first half of 2008 we made significant progress in strengthening Brammer's market leading position in Europe. We concentrated on the implementation of our strategy under the drivers of Growth, Capabilities, Costs, and Synergies, and continued to progress the concept of "One Brammer" – a business which can offer consistent products and services in each of over 300 locations in 16 countries.

We improved our ability to deliver to our customers a consistent quality of service across the entire bearings, power transmission and fluid power product range anywhere in Europe. Brammer already has a strong presence within Europe but our existing leadership position still only represents around 3% of the market, with growth levels significantly greater than market growth available.

Operational review

Brammer is the leading European supplier of technical components and related services to the maintenance, repair and operations (MRO) markets. In the first half of 2008 revenues increased by 33% to £241.6 million (2007: £181.8 million), whilst operating profit (before amortisation) increased by 57% to £14.4 million (2007: £9.2 million). Operating margin (operating profit before amortisation) improved to 5.9% (2007: 5.0%) benefiting from higher volumes, stable gross margins and continued cost control. Cash generated from operating activities was £11.7 million in the period compared to £0.2 million for the first half of 2007 reflecting strong control of working capital. Return on capital employed (based on operating profit before amortisation) improved to 30.7% (2007: 24.8%).

At the end of the first half, total headcount in Brammer (on a full-time equivalent basis and adjusted for acquisitions) was 2,418 compared to 2,406 at the end of last year. Revenues per head, at constant exchange rates, increased by 9.3% to £94,000 for the half year compared with the same period last year, indicating continuing improvement in productivity.

In the UK, overall sales growth, including the contribution from CBS, was 10.0%, whilst organic sales per working day growth (SPWD) was 7.1%. Gross margins remained steady, and costs were carefully controlled resulting in operating profit growth of 36%. Contracts renewed or extended included Tarmac, ABF and Unilever, with Key Accounts (representing 46.1% of sales) growing 10.8%. New contracts won which will contribute to increased growth in the second half included Coca Cola Enterprises, Cadbury, Kautex Textron, Catalent, D S Smith and Aunt Bessie's. We increased sales through our 38 full-time Insites by 24% and sales to all Insites (i.e. Insites and part-time Insites – those locations where we have several regular clinics with the customer's staff each week) by 19.9% now operating at 122 locations. Good progress was made in the important segments of Cement and

We have a strong presence within Europe upon which to build and believe that the continued application of our growth drivers will help us achieve growth levels significantly greater than the market for many years to come.

Aggregates, Building Products, Paper and Packaging, and Water and Power generation, where our segment focused marketing approach is bearing fruit. We successfully completed the acquisition of CBS Rotary Power Motion Limited, and integration is well underway.

In Germany, SPWD on a constant currency basis grew by 14.1%, well ahead of the market. Operational gearing and cost control resulted in operating profit growth of 35%. Good progress continued in Key Accounts, with revenues up 26.2%, now representing 26.4% of turnover. New contracts won included Hutchinson and Villeroy & Boch, whilst excellent progress was made in developing business from those contracts won in 2007. Good progress was made in filling out the product range, with pneumatics up 39.3%; our significant investment plan (the addition of ten technical experts) to grow mechanical power transmission products, including gearboxes and motors, bore fruit with sales up 45% and accelerating. We now have 8 Insites in Germany, with sales in the first half of £2.25m, up 26.5% on the same period last year. Our focus on specific market segments yielded good growth in Food and Drink, Utilities, and Building Materials, with 28 customer events across Germany attracting more than 500 MRO specialists from among our customers, raising the awareness of Brammer as a solution seller for those segments.

In France, SPWD on a constant currency basis were up 16.2%, with approximately 5% being accounted for by the acquisition of Centre Roulement made in December 2007. Gross margin held steady and good cost control resulted in operating profit growth of 84%. We continued our focus on the Automotive sector, (representing over 20% of our French revenues) where sales grew by 15%. Growth in industrial Key Accounts was 11.5%, whilst base MRO business grew by 19.9%. New contracts were won with Pasquier, Nutrixo, Saint Gobain, Cemex, ADF and CMI. Our market focus was on Paper and Packaging, up 15%, Construction, up 16%, and Food and Drink, up 12%.

In Spain, SPWD on a constant currency basis grew by 26.3%, with Boada accounting for around 85% of this growth. Gross margin improved, costs were controlled well, and operating profit increased by 35%. The second quarter was negatively affected by the general transport strike in June, but good growth has resumed in July and August. We continued to increase our sales to the MRO market (up 3.5%), whilst Key Account sales grew by 14.5%. We won new contracts with Grifols, Vidrala, Peguform, and Herba Ricemills. Insite growth was 29%, and the pipeline for new Insites improved. New product introductions contributed to growth with fluid power up 56%, and tools and general maintenance up 157%.

Within Benelux, the Netherlands SPWD on a constant currency basis were up 15%, with good growth in all areas of the business. We introduced 19 new product lines in the first half and expect these to generate additional growth in the second half; tools and general maintenance grew by 46% and pneumatics by 47%. Two new locations were added, and our market segmentation approach resulted in growth of 100% in Construction and Aggregates, and 45% in Utilities. In Belgium, SPWD in constant currency grew by 23.9%, and new Key Accounts were won with Panasonic, Coca Cola, and DP World. Food and Drink grew by 18%.

Our Polish business developed well, and the integration into Brammer continued. New Key Account business was won with Eaton, Crown and Timken.

Chief executive's review

In our Developing Businesses, on a constant currency basis, overall SPWD increased by 46.7%, and total revenues were £13.9 million, up from £9.2 million last year. In Austria, SPWD declined by 15.6% as we shed unprofitable OEM business, whilst we grew by 15.1% in Food and Drink, 23.2% in Cement and Aggregates, and 38.5% in Pulp and Paper. In the Czech Republic, overall SPWD growth was 50%, new Key Accounts were gained with TRW and Eaton, Food and Drink grew by 61% and Recycling by 68%. In Hungary, excellent progress continued with new product introductions and Key Accounts, resulting in SPWD growth of 50%. In Italy, we continued to develop our relationship with Key Accounts and grew SPWD by 19.2% organically (80% including the contribution from Tecnoforniture).

Strategy

Growth

- Overall SPWD growth in constant currency was 19.6%, whilst organic growth (excluding acquisitions made in 2008) on a SPWD basis was 17.1%.
- The consistent focus of the businesses on a market segmentation approach, increasing our knowledge of customers' processes and selling to their specific needs, continues to achieve good results – including increased sales in the Automotive segment by 18.5%, in Food and Drink by 17.5% and in Refining by 33.2%. In the second half year the businesses will continue to roll out segment focused initiatives, working closely with our key suppliers, to further this growth.
- Key Account sales grew by 29.2%, and represented 29.8% (2007: 30.9%) of total revenues. We won new pan-European contracts with Valeo, Kraft Food, Henkel, Hutchinson, Rexam and Coca Cola, and expect the rate of Key Account growth to accelerate in the second half.
- We have succeeded in completing four acquisitions in the year to date, and acquired an initial 25% stake in a Romanian business, and seek to complete further acquisitions in the second half. Acquisitive revenues to date total £17.5 million on an annualised basis. Our acquisition pipeline remains strong and we see continuing opportunities to develop further candidates for acquisition.

Costs/synergies

- We continued to develop closer relationships with strategic suppliers, and increased the concentration of spend with those suppliers, leading to both cost benefits and greater supplier marketing support.
- Implementation of Momasse, our best-practice demand forecasting and stock planning system continued. This is increasingly enabling us to identify opportunities to both optimise and rationalise our stock profile while improving service capability.

Capability

- A crucial component of our success as a service business is the skill and commitment of our 2,500 people located in over 300 locations in 16 countries. Our people have to maintain their understanding of the technical products that we sell as well as the applications within which they are used. As an MRO supplier we are constantly seeking ways to provide to our customers the products and services which will improve their production efficiency, reduce their overall cost of acquisition, and reduce their working capital. This requires extensive training which is provided for all our technical sales people via our suppliers, and through Brammer's own internal programmes.
- We continue to roll out our bespoke Distributed Learning collateral. This suite of programmes is made available to our people in 8 languages electronically. In crucial customer facing areas of the business the goal is to achieve 100% take up of the two major foundation programmes, which explain the technical aspects of the product range and the fundamental way the business works. Additional modules provide our specialists with an understanding of key processes in the area of managing Key Accounts and our Cost Savings approach, one of the core elements of our Value Proposition.

The future

Our strategy continues to prove to be effective. We have achieved significant market share gains in the first half of 2008, through growth in our targeted market segments, in the area of Key Accounts, through effective cross-selling, and by acquisition. We have a strong presence within Europe upon which to build and believe that the continued application of our growth drivers will help us achieve growth levels significantly greater than the market for many years to come.

Ian Fraser
29 August 2008

Statement of directors' responsibilities

The directors confirm that to the best of their knowledge:

This consolidated interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed and adopted by the EU;

The interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the 2007 Annual Report.

On behalf of the Board

D Dunn	**P Thwaite**
Chairman	Finance director

29 August 2008

Consolidated interim income statement

	Notes	**6 months to 30 June 2008 (unaudited) £'000**	6 months to 30 June 2007 (unaudited) £'000	Year to 31 Dec 2007 (audited) £'000
Continuing operations				
Revenue	2	**241,611**	181,751	379,577
Cost of sales		**(169,162)**	(126,874)	(264,228)
Gross profit		**72,449**	54,877	115,349
Distribution costs		**(58,079)**	(45,726)	(95,469)
Amortisation of acquired intangibles		**(385)**	(85)	(444)
Total distribution costs		**(58,464)**	(45,811)	(95,913)
Operating profit	2	**13,985**	9,066	19,436
Operating profit before amortisation of acquired intangibles		**14,370**	9,151	19,880
Amortisation of acquired intangibles		**(385)**	(85)	(444)
Operating profit		**13,985**	9,066	19,436
Finance expense		**(3,013)**	(1,983)	(4,611)
Finance income		**64**	67	96
Profit before tax		**11,036**	7,150	14,921
Taxation	3	**(3,312)**	(2,145)	(4,473)
Profit for the period attributable to equity shareholders		**7,724**	5,005	10,448
Earnings per share – total				
Basic	4	**14.6p**	10.1p	20.4p
Diluted	4	**14.4p**	10.0p	20.1p
Earnings per share – on profit before amortisation of acquired intangibles				
Basic	4	**15.1p**	10.2p	21.0p
Diluted	4	**15.0p**	10.2p	20.8p

Consolidated interim statement of recognised income and expense

	6 months to 30 June 2008 (unaudited) £'000	6 months to 30 June 2007 (unaudited) £'000	Year to 31 Dec 2007 (audited) £'000
Profit for the period	**7,724**	5,005	10,448
Net exchange differences on translating foreign operations	**3,296**	(197)	2,926
Actuarial (losses)/gains on pension schemes	**(11,492)**	10,982	8,782
Deferred tax on actuarial losses/gains on pension schemes	**3,235**	(3,292)	(3,087)
Excess tax on share option schemes	**35**	422	(279)
Net (losses)/gains not recognised in income statement	**(4,926)**	7,915	8,342
Total recognised income and expense	**2,798**	12,920	18,790

The notes on pages 11 to 22 form an integral part of this consolidated interim financial information.

Consolidated interim balance sheet

	Notes	**30 June 2008 (unaudited) £'000**	30 June 2007 (unaudited) £'000	31 Dec 2007 (audited) £'000
Assets				
Non-current assets				
Goodwill	5	**69,816**	47,056	54,464
Acquired intangible assets	5	**4,585**	1,120	4,433
Other intangible assets	5	**4,973**	4,450	5,013
Property, plant and equipment	6	**14,190**	12,263	13,250
Investment in associate		**167**	–	–
Deferred tax assets		**7,236**	4,514	4,329
		100,967	69,403	81,489
Current assets				
Inventories		**73,639**	54,289	67,926
Trade and other receivables		**99,919**	74,753	78,172
Cash and cash equivalents	7	**18,861**	5,251	10,464
		192,419	134,293	156,562
Liabilities				
Current liabilities				
Financial liabilities – borrowings	7	**(18,567)**	(14,822)	(8,393)
Trade and other payables		**(101,880)**	(74,163)	(84,472)
Deferred consideration		**(6,413)**	(270)	(147)
Current tax liabilities		**(5,190)**	(3,894)	(4,016)
		(132,050)	(93,149)	(97,028)
Net current assets		**60,369**	41,144	59,534
Non-current liabilities				
Financial liabilities – borrowings	7	**(70,868)**	(44,158)	(61,475)
Deferred tax liabilities		**(6,377)**	(4,284)	(5,797)
Provisions		**(841)**	(837)	(858)
Deferred consideration		**(15,200)**	(9,235)	(14,329)
Retirement benefit obligations	8	**(24,633)**	(13,133)	(14,257)
		(117,919)	(71,647)	(96,716)
Net assets		**43,417**	38,900	44,307
Shareholders' equity				
Share capital	9	**10,587**	10,569	10,575
Share premium	9	**18,089**	17,985	18,017
Translation reserve	9	**5,098**	(1,321)	1,802
Retained earnings	9	**9,643**	11,667	13,913
Total equity		**43,417**	38,900	44,307

The notes on pages 11 to 22 form an integral part of this consolidated interim financial information.

Consolidated interim cash flow statement

	6 months to 30 June 2008 (unaudited) £'000	6 months to 30 June 2007 (unaudited) £'000	Year to 31 Dec 2007 (audited) £'000
Retained profit	**7,724**	5,005	10,448
Tax charge	**3,312**	2,145	4,473
Depreciation of tangible and intangible assets	**2,608**	1,657	3,952
Share options – value of employee services	**685**	583	1,191
Gain on sale of property, plant and equipment	**(18)**	(5)	(169)
Net financing expense	**2,949**	1,916	4,515
Movement in working capital	**(5,594)**	(11,057)	(7,681)
Cash generated from operating activities	**11,666**	244	16,729
Interest received	**64**	67	96
Interest paid	**(2,620)**	(1,378)	(4,188)
Tax paid	**(1,606)**	(526)	(2,432)
Pension obligations	**(1,056)**	(1,096)	(2,172)
Net cash generated from/(used in) operating activities	**6,448**	(2,689)	8,033
Cash flows from investing activities			
Acquisition of subsidiaries			
(net of cash/excluding debt acquired)	**(5,916)**	(7,362)	(12,375)
Investment in associate	**(167)**	–	–
Deferred consideration paid on prior acquisitions	**(1,404)**	–	–
Proceeds from sale of property, plant and equipment	**159**	32	490
Purchase of property, plant and equipment	**(1,463)**	(2,033)	(3,983)
Additions to software development	**(415)**	(470)	(1,433)
Net cash used in investing activities	**(9,206)**	(9,833)	(17,301)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	**84**	15,341	15,379
New loans taken out/(repayment) of loans	**12,104**	(6,505)	(3,112)
Finance lease principal payments	**(38)**	(6)	148
Dividends paid to shareholders	**–**	–	(3,327)
Purchase of own shares	**(1,768)**	–	–
Net cash generated from financing activities	**10,382**	8,830	9,088
Net increase/(decrease) in cash and cash equivalents	**7,624**	(3,692)	(180)
Exchange gains and losses on cash and cash equivalents	**273**	(10)	606
Cash and cash equivalents at beginning of period	**7,939**	7,513	7,513
Net cash at end of period	**15,836**	3,811	7,939
Cash and cash equivalents	**18,861**	5,251	10,464
Overdrafts	**(3,025)**	(1,440)	(2,525)
Net cash at end of period	**15,836**	3,811	7,939

The notes on pages 11 to 22 form an integral part of this consolidated interim financial information.

Notes to the 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 29 August 2008.

This consolidated interim financial information for the six months ended 30 June 2008 does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2007 were approved by the Board on 25 February 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 237 of the Companies Act 1985.

The consolidated financial statements of the group for the year ended 31 December 2007 are available from the company's registered office or website (www.brammer.biz).

This consolidated interim financial information has been reviewed, not audited.

Basis of preparation

This consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim financial reporting" as adopted by the EU. The consolidated interim condensed financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007 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.

Accounting policies

The principal accounting policies adopted in the preparation of this interim financial information are included in the consolidated financial statements for the year ended 31 December 2007. 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 2008 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 following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 December 2008:

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', effective for annual periods beginning on or after 1 March 2007. This interpretation will have no significant impact on the group results or position.

IFRIC 12, 'Service concession arrangements', effective for annual periods beginning on or after 1 January 2008. Management do not expect this interpretation to be relevant for the group.

IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction', effective for annual periods beginning on or after 1 January 2008. As the UK defined benefit scheme is in deficit management do not expect this interpretation to be relevant for the group.

Notes to the interim financial information

1 Status of interim report and accounting policies

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 December 2008 and have not been early adopted:

IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. Management do not foresee any changes to the group's business segments.

IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the group as the group does not have any qualifying assets.

IFRS 2 (amendment), 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the group's share option schemes.

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

IAS 32 (amendment), 'Financial instruments : presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the group, as the group does not have any puttable instruments.

IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. Management is evaluating the effect of this interpretation on its revenue recognition.

Accounting estimates and judgements

The preparation of 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. The significant estimates and judgements made by management were consistent with those applied to the consolidated financial statements for the year ended 31 December 2007.

Risks and uncertainties

The principal strategic level risks and uncertainties affecting the group remain those set out on pages 18 and 19 in the 2007 Annual Report.

The chairman's statement and chief executive's review in this interim report include comments on the outlook for the remaining six months of the financial year.

Notes to the interim financial information

2 Segmental analysis

The group is primarily controlled on a country by country basis in line with the legal structure of the group. Segment assets include property, plant and equipment, intangible assets, inventories, and trade and other receivables. Segment liabilities comprise trade and other payables, and provisions. All inter-segmental trading is at an arms-length basis.

Six months ended 30 June 2008

	UK £'000	Germany £'000	France £'000	Spain £'000	Benelux £'000	Other £'000	**Total £'000**
Revenue							
Sales to external customers	66,128	62,923	38,073	22,403	23,205	28,879	**241,611**
Inter company sales	354	966	386	322	1,062	(3,090)	**–**
Total	66,482	63,889	38,459	22,725	24,267	25,789	**241,611**
Operating profit before amortisation of acquired intangibles	2,423	4,747	1,481	2,088	1,967	1,664	**14,370**
Amortisation of acquired intangibles						(385)	**(385)**
Total operating profit	2,423	4,747	1,481	2,088	1,967	1,279	**13,985**
Finance expense							**(3,013)**
Finance income							**64**
Profit before tax							**11,036**
Tax							**(3,312)**
Profit for the period							**7,724**
Segment assets	44,416	31,898	34,966	25,704	23,294	37,028	**197,306**
Goodwill	5,270	32,077	4,536	4,805	7,358	15,770	**69,816**
Investment in associate	–	–	–	–	–	167	**167**
	49,686	63,975	39,502	30,509	30,652	52,965	**267,289**
Cash							**18,861**
Deferred tax							**7,236**
Total assets							**293,386**
Segment liabilities	(25,879)	(12,035)	(24,194)	(14,294)	(11,330)	(12,300)	**(100,032)**
Current tax							**(5,190)**
Deferred tax							**(6,377)**
Dividends							**(2,689)**
Deferred consideration							**(21,613)**
Financial liabilities							**(89,435)**
Retirement benefit obligations							**(24,633)**
Total liabilities							**(249,969)**
Net assets							**43,417**
Other segment items							
Capital expenditure	522	303	89	74	233	657	**1,878**
Depreciation and amortisation	(690)	(219)	(134)	(237)	(280)	(1,048)	**(2,608)**

Notes to the interim financial information

2 Segmental analysis

Six months ended 30 June 2007

	UK £'000	Germany £'000	France £'000	Spain £'000	Benelux £'000	Other £'000	Total £'000
Revenue							
Sales to external customers	60,269	47,819	28,464	15,581	17,098	12,520	181,751
Inter company sales	149	810	301	205	784	(2,249)	–
Total	60,418	48,629	28,765	15,786	17,882	10,271	181,751
Operating profit before amortisation of acquired intangibles	1,777	3,515	804	1,545	1,333	177	9,151
Amortisation of acquired intangibles						(85)	(85)
Total operating profit	1,777	3,515	804	1,545	1,333	92	9,066
Finance expense							(1,983)
Finance income							67
Profit before tax							7,150
Tax							(2,145)
Profit for the period							5,005
Segment assets	42,124	24,259	26,471	16,551	17,098	20,372	146,875
Goodwill	761	27,264	2,171	1,261	5,919	9,680	47,056
	42,885	51,523	28,642	17,812	23,017	30,052	193,931
Cash							5,251
Deferred tax							4,514
Total assets							203,696
Segment liabilities	(24,230)	(8,564)	(15,497)	(10,577)	(7,292)	(6,622)	(72,782)
Current tax							(3,894)
Deferred tax							(4,284)
Dividends							(2,218)
Deferred consideration							(9,505)
Financial liabilities							(58,980)
Retirement benefit obligations							(13,133)
Total liabilities							(164,796)
Net assets							38,900
Other segment items							
Capital expenditure	1,161	33	142	136	456	575	2,503
Depreciation and amortisation	(591)	(190)	(117)	(127)	(193)	(439)	(1,657)

3 Taxation

The charge for taxation is recognised based on management's best estimate of the weighted average annual corporate tax rate expected for the full financial year. The estimated average annual tax rate used for 2008 is 30% (the estimated tax rate for the first half year of 2007 was 30%).

Notes to the interim financial information

4 Earnings per share

	Earnings £'000	Earnings per share Basic	Half year 2008 Earnings per share Diluted
Weighted average number of shares in issue ('000)		**52,899**	**53,500**
Total – all continuing operations			
Profit for the period	**7,724**	**14.6p**	**14.4p**
Amortisation of acquired intangibles	**385**		
Tax on amortisation of acquired intangibles	**(96)**		
Earnings before amortisation of acquired intangibles	**8,013**	**15.1p**	**15.0p**

	Earnings £'000	Earnings per share Basic	Half year 2007 Earnings per share Diluted
Weighted average number of shares in issue ('000)		49,572	49,882
Total – all continuing operations			
Profit for the period	5,005	10.1p	10.0p
Amortisation of acquired intangibles	85		
Tax on amortisation of acquired intangibles	(25)		
Earnings before amortisation of acquired intangibles	5,065	10.2p	10.2p

	Earnings £'000	Earnings per share Basic	Full year 2007 Earnings per share Diluted
Weighted average number of shares in issue ('000)		51,215	51,883
Total – all continuing operations			
Profit for the financial year	10,448	20.4p	20.1p
Amortisation of acquired intangibles	444		
Tax on amortisation of acquired intangibles	(114)		
Earnings before amortisation of acquired intangibles	10,778	21.0p	20.8p

The number of shares in issue increased following the placing of 4,795,000 shares on 23 April 2007.

5 Intangible assets

	Goodwill £'000	Acquired intangibles £'000	Software development £'000
Cost			
At 1 January 2008	54,464	5,727	8,888
Exchange adjustments	5,127	778	467
Additions	1,211	–	415
Acquisitions	9,014	–	–
At 30 June 2008	**69,816**	**6,505**	**9,770**
Amortisation			
At 1 January 2008	–	1,294	3,875
Exchange adjustments	–	241	277
Charge for the period	–	385	645
At 30 June 2008	**–**	**1,920**	**4,797**
Net book value			
At 30 June 2008	**69,816**	**4,585**	**4,973**
At 31 December 2007	54,464	4,433	5,013

Notes to the interim financial information

6 Property, plant and equipment

	Land and buildings £'000	Equipment £'000	Total £'000
Cost			
At 1 January 2008	12,514	27,195	39,709
Exchange adjustments	600	1,198	1,798
Additions	251	1,212	1,463
Acquisitions	–	1,149	1,149
Disposals	(496)	(360)	(856)
At 30 June 2008	**12,869**	**30,394**	**43,263**
Depreciation			
At 1 January 2008	5,881	20,578	26,459
Exchange adjustments	193	894	1,087
Charge for the period	292	1,286	1,578
Acquisitions	–	664	664
Disposals	(395)	(320)	(715)
At 30 June 2008	**5,971**	**23,102**	**29,073**
Net book value			
At 30 June 2008	**6,898**	**7,292**	**14,190**
At 31 December 2007	6,633	6,617	13,250

7 Closing net debt

	At 30 June 2008 £'000	At 30 June 2007 £'000	At 31 Dec 2007 £'000
Borrowings – current – overdrafts	**(3,025)**	(1,440)	(2,525)
Borrowings – current portion of long term loans	**(15,542)**	(13,382)	(5,868)
Borrowings – non-current	**(70,868)**	(44,158)	(61,475)
Cash and cash equivalents	**18,861**	5,251	10,464
Closing net debt	**(70,574)**	(53,729)	(59,404)

Reconciliation of net cash flow to movement in net debt

	6 months to 30 June 2008 £'000	6 months to 30 June 2007 £'000	Year to 31 Dec 2007 £'000
Net increase/(decrease) in cash	**7,624**	(3,692)	(180)
Net loans and leases (taken out)/repaid	**(12,066)**	6,511	2,964
	(4,442)	2,819	2,784
Loans taken on as part of businesses acquired	**–**	(2,433)	(2,845)
Exchange	**(6,728)**	61	(5,167)
Movement in net debt	**(11,170)**	447	(5,228)
Opening net debt	**(59,404)**	(54,176)	(54,176)
Closing net debt	**(70,574)**	(53,729)	(59,404)

Notes to the interim financial information

8 Pensions

The valuations used for IAS 19 disclosures have been based on the most recent actuarial valuation at 31 December 2005 updated by KPMG LLP to take account of the requirements of IAS 19 in order to assess the liabilities of each of the schemes at 30 June 2008. Assets are stated at their market value at 30 June 2008.

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

	6 months to 30 June 2008	6 months to 30 June 2007	*UK* Year to 31 Dec 2007
Inflation rate	**4.05%**	3.20%	3.35%
Rate of increase of pensions in payment	**4.05%**	3.20%	3.35%
Rate of increase for deferred pensioners	**4.05%**	3.20%	3.35%
Discount rate	**6.20%**	5.70%	5.70%

	6 months to 30 June 2008	6 months to 30 June 2007	*Netherlands* Year to 31 Dec 2007
Inflation rate	**2.70%**	2.10%	2.00%
Rate of increase in salaries	**3.70%**	3.10%	3.00%
Rate of increase of pensions in payment	**2.70%**	2.10%	2.00%
Rate of increase for deferred pensioners	**2.70%**	2.10%	2.00%
Discount rate	**6.70%**	5.20%	5.50%

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

	30 June 2008 £m	30 June 2007 £m	31 Dec 2007 £m
Present value of defined benefit obligations	**101.3**	91.0	95.9
Fair value of plan assets	**(76.7)**	(77.9)	(81.6)
Net liability recognised in the balance sheet	**24.6**	13.1	14.3

The amounts recognised in the income statement are as follows:

	6 months to 30 June 2008 £m	6 months to 30 June 2007 £m	Year to 31 Dec 2007 £m
Current service cost	**0.1**	0.1	0.2
Interest cost	**2.7**	2.5	4.9
Expected return on plan assets	**(2.7)**	(2.5)	(5.0)
Total pension expense included within distribution costs	**0.1**	0.1	0.1

Analysis of the movement in the balance sheet net liability

	6 months to 30 June 2008 £m	6 months to 30 June 2007 £m	Year to 31 Dec 2007 £m
Opening	**14.3**	25.2	25.2
Exchange adjustments	**–**	–	0.1
On-going expense as above	**0.1**	0.1	0.1
Employer contributions	**(1.3)**	(1.2)	(2.3)
Actuarial losses/(gains) recognised in the ‘SORIE’	**11.5**	(11.0)	(8.8)
Closing	**24.6**	13.1	14.3

The pension expense has been included in distribution costs. The actual return on plan assets was a negative £5.2m (2007: £3.1m positive return). The retirement benefit liability at the end of June was £24.6m (2007: £13.1m), an increase of £10.3m in the liability from 31 December 2007 (£14.3m). This increase reflects the recent fall in the market value of the schemes’ assets combined with the impact of a higher price inflation rate used in the actuarial calculation of future pension liabilities.

Notes to the interim financial information

9 Changes in shareholders' equity

	Share capital £'000	Share premium £'000	Treasury shares £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
For the period ended 30 June 2008						
At 1 January	10,575	18,017	(53)	1,802	13,966	44,307
Shares issued during the period	12	72	–	–	–	84
Profit for the period attributable to equity shareholders	–	–	–	–	7,724	7,724
Unrealised exchange movement	–	–	–	3,296	–	3,296
Purchase of own shares	–	–	(1,768)	–	–	(1,768)
Transfer on vesting of own shares	–	–	1,746	–	(1,746)	–
Current tax on shares vesting	–	–	–	–	35	35
Deferred tax on shares vesting	–	–	–	–	(35)	(35)
Value of employee services	–	–	–	–	685	685
Excess tax on share option schemes	–	–	–	–	35	35
Dividends	–	–	–	–	(2,689)	(2,689)
Actuarial losses on pension schemes	–	–	–	–	(11,492)	(11,492)
Tax on actuarial losses on pension schemes	–	–	–	–	3,235	3,235
Movement in period	12	72	(22)	3,296	(4,248)	(890)
At 30 June	**10,587**	**18,089**	**(75)**	**5,098**	**9,718**	**43,417**

Purchase of own shares

The group acquired 645,351 of its own shares during the period through the Brammer plc Employee Share Ownership Trust ("the Trust"). The total amount paid to purchase the shares was £1,767,556 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 658,630 shares were transferred to directors and senior managers in order to satisfy these vestings.

Ordinary shares issued under employee share option schemes

Options exercised during the period under the group's employee share option schemes resulted in 61,425 ordinary 20p shares being issued with exercise proceeds of £84,000.

The number of ordinary 20p shares in issue at 30 June 2008 was 52,939,122 (30 June 2007: 52,865,922; 31 December 2007: 52,877,697).

Dividends

A dividend, amounting to £2,689,000, which relates to 2007 was paid on 4 July 2008 (2007: £2,218,000). In addition, the directors propose an interim dividend of 2.6p per share (2007: 2.1p per share) payable on 7 November 2008 to shareholders who are on the register at 10 October 2008. This interim dividend, amounting to £1,376,000 (2007: £1,110,000) has not been recognised as a liability in these interim financial statements.

Notes to the interim financial information

9 Changes in shareholders' equity

	Share capital £'000	Share premium £'000	Treasury shares £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
For the period ended 30 June 2007						
At 1 January	9,585	3,628	(515)	(1,124)	700	12,274
Shares issued during the period	984	14,357	–	–	–	15,341
Profit for the period attributable to equity shareholders	–	–	–	–	5,005	5,005
Unrealised exchange movement	–	–	–	(197)	–	(197)
Transfer on vesting of own shares	–	–	462	–	(462)	–
Current tax on shares vesting	–	–	–	–	278	278
Deferred tax on shares vesting	–	–	–	–	(278)	(278)
Value of employee services	–	–	–	–	583	583
Excess tax on share option schemes	–	–	–	–	422	422
Dividends	–	–	–	–	(2,218)	(2,218)
Actuarial gains on pension schemes	–	–	–	–	10,982	10,982
Tax on actuarial gains on pension schemes	–	–	–	–	(3,292)	(3,292)
Movement in period	984	14,357	462	(197)	11,020	26,626
At 30 June	10,569	17,985	(53)	(1,321)	11,720	38,900

Placing

On 23 April 2007 the company issued 4,795,000 new ordinary shares at 330 pence per share through a placing with institutional investors, representing approximately 9.9% of the total issued share capital. Proceeds before commissions and expenses were £15.8m. The placing shares rank pari passu in all respects with the existing issued shares

	Share capital £'000	Share premium £'000	Treasury shares £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
For the year ended 31 December 2007						
At 1 January	9,585	3,628	(515)	(1,124)	700	12,274
Shares issued during the year	990	14,389	–	–	–	15,379
Profit for the year attributable to equity shareholders	–	–	–	–	10,448	10,448
Unrealised exchange movement	–	–	–	2,926	–	2,926
Transfer on vesting of own shares	–	–	462	–	(462)	–
Current tax on shares vesting	–	–	–	–	182	182
Deferred tax on shares vesting	–	–	–	–	(182)	(182)
Value of employee services	–	–	–	–	1,191	1,191
Excess tax on share option schemes	–	–	–	–	(279)	(279)
Dividends	–	–	–	–	(3,327)	(3,327)
Actuarial gains on pension schemes	–	–	–	–	8,782	8,782
Tax on actuarial gains on pension schemes	–	–	–	–	(3,087)	(3,087)
Movement in period	990	14,389	462	2,926	13,266	32,033
At 31 December	10,575	18,017	(53)	1,802	13,966	44,307

Retained earnings as disclosed in the Balance Sheet on page 9 represent the retained earnings and treasury shares balances above.

Notes to the interim financial information

10 Acquisitions

Acquisition of Tecnoforniture Srl

The group completed the purchase of 100% of Tecnoforniture Srl, a business based in Porto d'Ascoli, Italy, on 14 May 2008 for an initial consideration of £4.3 million in cash. A further consideration of £4.3 million will be paid in equal instalments over the following two years.

As the date of completion was close to the half year end the assets acquired are included at their carrying values which are deemed to be the provisional fair values at the balance sheet date. The exercise to separately identify acquired intangible assets will be undertaken in advance of the year-end.

The residual excess over the net assets acquired is recognised as goodwill in the financial statements.

	Provisional fair values £'000
Property, plant and equipment	371
Inventories	1,757
Receivables	3,472
Payables	(2,725)
Taxation – current	(154)
Taxation – deferred	151
Cash and cash equivalents	1,653
Total	4,525
Net assets acquired	4,525
Goodwill	4,282
Consideration to be wholly satisfied in cash (including deferred consideration of £4.3 million)	8,807

The outflow of cash and cash equivalents on the acquisition of Tecnoforniture is calculated as follows:

	£'000
Cash consideration	4,279
Expenses and related costs	248
Cash acquired	(1,653)
Total	2,874

Acquisition of CBS Rotary Power Motion

The group completed the purchase of 100% of CBS Rotary Power Motion, a business based in the Midlands in the UK, on 31 March 2008. The consideration comprises an initial payment of £3.5 million in cash with further payments to follow on each anniversary of the completion date for the next three years to 2011. The total consideration, pre-discounting, will be £6.1 million.

The assets acquired are included at their carrying values which are deemed to be the provisional fair values at the balance sheet date. The exercise to separately identify acquired intangible assets will be undertaken in advance of the year-end.

Notes to the interim financial information

10 Acquisitions

The residual excess over the net assets acquired is recognised as goodwill in the financial statements.

	Provisional fair values £'000
Property, plant and equipment	112
Inventories	441
Receivables	1,497
Payables	(1,584)
Taxation – current	(143)
Taxation – deferred	1
Cash and cash equivalents	1,429
Total	1,753
Net assets acquired	1,753
Goodwill	4,325
Consideration to be wholly satisfied in cash (including deferred consideration pre-discounting of £2.3 million)	6,078

The outflow of cash and cash equivalents on the acquisition of CBS is calculated as follows:

	£'000
Cash consideration	3,518
Expenses and related costs	409
Cash acquired	(1,429)
Total	2,498

During the period the group also acquired two small bolt-on businesses, one based in Breda in the Netherlands and the other based in the Voralberg region of Austria. The combined sales of these two businesses in 2007 were €1.35 million.

The results of operations for the group, as if the above acquisitions had been made at the beginning of the year are as follows:

	£'000
Revenue	246,987
Profit after tax	8,124

This information is not necessarily indicative of the results of operations that would have occurred had the acquisitions been made at the beginning of the period presented or the future results of the combined operations.

A final review of the fair value adjustments in respect of the acquisitions of the Fin group, Rotate Ltd, the ZPV group and Mercia Engineering Supplies Limited was completed during the first half of the year. As a result of this review adjustments have been made to increase goodwill by £1,211,000.

Investment in associate

On 18 June the group acquired a 25% minority participation in CN Industrial Group srl, a group based in Romania, operating from five branches in that country, and which had sales of €2.3 million in 2007.

Notes to the interim financial information

11 Related party transactions

Other than the remuneration of executive and non-executive directors, there were no related party transactions during the period.

12 Interim dividend

Relevant dates concerning the payment of the interim dividend are:

Record date	10 October 2008
Payment date	7 November 2008

Brammer and its advisers

Directors

David Dunn
Independent non-executive chairman

Paul Forman
Independent non-executive director

Ian Fraser
Chief executive

Terry Garthwaite
Senior independent non-executive director

Paul Thwaite
Finance director

Bill Whiteley
Independent non-executive director

Company secretary

Chris Short

Registered office

Brammer plc
Claverton Court
Claverton Road
Wythenshawe
Manchester M23 9NE

Registered in England and Wales number 162925

Bankers

HSBC Bank plc
8 Canada Square
London E14 5HQ

Royal Bank of Scotland plc
280 Bishopsgate
London EC2M 4RB

Fortis Bank
8th Floor, Ship Canal House
98 King Street
Manchester M2 4WU

Dresdner Bank AG
Unternehmenskundenbetreuung
60613 Frankfurt
Germany

Registrars

Equiniti
Aspect House
Spencer Road
Lancing, West Sussex BN99 6DA

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

Financial advisers

Dresdner Kleinwort Securities Limited
30 Gresham Street
PO Box 52715
London EC2P 2XY

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Stockbrokers

Dresdner Kleinwort Securities Limited
30 Gresham Street
PO Box 52715
London EC2P 2XY

Principal subsidiaries

Austria
Brammer Österreich Industrie Service GmbH
Karl Mühlbauer +43 1 369 8753

Belgium
Brammer NV (51%)
Rudi Ramaekers +32 3821 0414

Czech Republic
Brammer Czech as (51%)
Radek Sulta +42 049 962 8911

ZPV Group sro t/a ZPA Brammer (52%)
Zdenek Procházka and Petr Vrubel +420 541 420 156

France
Brammer France SAS
Philippe Hervieux +33 3 88 40 40 88

Germany
Brammer GmbH
Jochen Diehm +49 721 7906 503

Hungary
Brammer Magyarorszag Kft
Tamas Lantos +36 53 500 040

Ireland
Rotate Ltd t/a Rotate Brammer (51%)
Chris Davies +353 1 830 5455

Italy
Brammer Italia srl
Domenico Cozza +39 02 9355 0624

Tecnoforniture srl
Mauro Andreani +39 73 57 61 71

Luxembourg
Brammer SA
Rudi Ramaekers +32 3821 0414

The Netherlands
Brammer Nederland BV
Nico Schön +31 23 5 164164

Poland
FIN SA t/a FIN Brammer (51%)
Stanislaw Nowak +48 17 227 0000

Slovakia
Brammer Slovakia sro
Radek Sulta +42 049 962 8911

Spain
Brammer Iberia, SA
Neil Rogers +34 94 457 94 00

Boada Industrial SA t/a Boada Brammer
Josep Boada Valenti +34 90 219 05 00

United Kingdom
Brammer UK Limited
Ian Ritchie +44 (0)161 953 8600

Shareholder information

If you require any information about your shareholding please contact the company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA telephone 0871 3842215.

The registrar has introduced a service for shareholders which gives them on-line internet access to their shareholding. To register please go to www.shareview.co.uk. You will need your shareholder account number and you will be asked to select your own PIN. If you have any further questions about this service please contact Equiniti on the above number.

Our website
You can find out further information about Brammer plc and view company announcements on the Brammer website at www.brammer.biz.

ShareGift scheme
Some shareholders find themselves owning a very small number of shares that would cost them more to dispose of than they are worth. They bring with them a tax liability and unwanted documentation.

The ShareGift scheme is a registered charity run by The Orr Mackintosh Foundation. Any shares donated to the ShareGift scheme are transferred into the name of The Orr Mackintosh Foundation, the shares are sold where possible and the proceeds are donated to charity.

If you would like further information on the ShareGift Scheme please call 020 7930 3737 or visit its website at www.sharegift.org.

Interim report
Current regulations permit the company not to send copies of its interim results to shareholders. Accordingly the 2008 interim results published on 29 August 2008 will not be sent to shareholders. The 2008 interim results are available on the company's website at www.brammer.biz.

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Brammer plc
Claverton Court
Claverton Road
Wythenshawe
Manchester M23 9NE

T +44 (0)161 902 5599
F +44 (0)161 902 5595
enquiries@brammer.biz
www.brammer.biz