Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS as adopted by the EU. The financial statements have been prepared under the historical cost convention. A summary of the more important group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

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 ended 31 December 2007:

- IFRIC 7, 'Applying the restatement approach under IAS 29', effective for annual periods beginning on or after 1 March 2006. This interpretation is not relevant for the group.
- IFRIC 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006. This interpretation has not had any impact on the recognition of share-based payments in the group.
- IFRIC 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1 June 2006. This interpretation has not had a significant impact on the reassessment of embedded derivatives as the group assessed whether embedded derivatives should be separated using principles consistent with IFRIC 9.
- IFRIC 10, 'Interims and impairment', effective for annual periods beginning on or after 1 November 2006. This interpretation has not had any impact on the timing or recognition of impairment losses as the group already accounted for such amounts using principles consistent with IFRIC 10.
- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. IAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. IFRS 4, 'Insurance contracts', revised implementation guidance, effective when an entity adopts IFRS 7. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1 have been given in these financial statements. This standard does not have any impact on the classification and valuation of the group's financial instruments.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ended 31 December 2007 and have not been early adopted:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', effective for annual periods beginning on or after 1 March 2007. Management do not expect this interpretation to have any significant impact on the group.
- 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. Management do not expect this interpretation to have any significant impact on the group.
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. Management are reviewing the group's geographical segments as currently reported. Management do not foresee any changes to the group's business segments
- IAS 23, 'Borrowing costs' (Revised), effective for annual periods beginning on or after 1 January 2009. Management do not expect this interpretation to be relevant for the group.

Group accounting

Subsidiaries are those entities which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity.

Subsidiaries are consolidated from the date on which the group has the ability to exercise control, and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, the accounting policies of subsidiaries have been changed in order to ensure consistency with the policies adopted by the group.

Accounting policies

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange plus costs directly attributable to the acquisition.

Foreign currency translation

Measurement currency

Items included in the financial statements of each entity in the group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements are presented in sterling, which is the measurement currency of the parent.

Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group companies

Income statements and cash flows of foreign entities are translated into the group's measurement currency at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling at the period end. Exchange differences arising from the translation of the net investment in foreign entities and of borrowings designated as hedges of such investments are taken to a translation reserve within shareholders' equity where the hedging criteria are met. The exemption under IFRS 1, allowing these exchange differences to be reset to zero on adoption of IFRS has been utilised. When a foreign entity is sold, these exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Finance costs are not included.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives as follows:

Land and buildings:	
Freehold buildings	Individually estimated subject to a maximum of 50 years.
Leasehold properties	The term of the lease subject to a maximum of 50 years.
Equipment	3-10 years
Land is not depreciated	

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the group. Major renovations are depreciated over the remaining useful life of the related asset.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries occurring on or after 1 January 1998 is included in intangible assets. Goodwill on acquisitions that occurred prior to 1 January 1998 has been charged in full to retained earnings in shareholders' equity; such goodwill has not been retrospectively capitalised.

Accounting policies

Prior to 1 January 2004, (the date of transition to IFRS) goodwill was amortised over its estimated useful life; such amortisation ceasing on 31 December 2003. Goodwill is subject to impairment review, both annually and when there are indicators that the carrying value may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Acquired intangible assets
Acquired intangibles principally comprise customer relationships recognised as separately identifiable assets as part of the acquisition of subsidiaries. Customer relationships are considered to have estimated useful lives of between 5 and 10 years and amortised accordingly.

Computer software
Cost associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable software systems operated by the group and will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of direct overheads.

Expenditure which enhances or extends the performance of identifiable software systems beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 7 years.

Impairment of long life assets
Property, plant and equipment and other non-current assets, including goodwill and intangible assets are reviewed on an annual basis to determine whether events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated as either the higher of the asset's net selling price or value in use; the resultant impairment (the amount by which the carrying amount of the asset exceeds its recoverable amount) is recognised as a charge in the consolidated income statement.

The value in use is calculated as the present value of estimated future cash flows expected to result from the use of assets and their eventual disposal proceeds. In order to calculate the present value of estimated future cash flows the group uses a discount rate based on the Group's estimated weighted average cost of capital, together with any risk premium determined appropriate. Estimated future cash flows used in the impairment calculation represent mangement's best view of the likely future market conditions and current decisions on the use of each asset or asset group.

For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows.

Finance leases where the group is the lessee
Leases of property, plant and equipment where the group is subject to substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Incentives received are recorded as deferred income and spread over the term of the lease on a straight line basis.

Where reference is made in the report and financial statements to finance leases, this includes hire purchase agreements.

Inventories
Inventories are stated at the lower of cost, determined on a weighted average cost formula, or net realisable value. Cost of inventory represents material and a proportion of procurement overheads. Provisions are made for slow moving and obsolete items. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Accounting policies

Trade receivables
Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the directors' best estimate of the amount recoverable.

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Deferred consideration
The amounts recognised for deferred consideration are the directors' best estimates of the actual amounts which will be payable. Deferred consideration is discounted at an appropriate risk-free rate.

Employee benefits
Defined contribution schemes
A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. Contributions are charged to the income statement in the year in which they arise.

Defined benefit schemes
A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. Finance costs are included in distribution costs.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

The amendments to IAS 19 issued by the IASB allowing actuarial gains or losses to be taken directly to reserves, as is required under FRS 17 'Retirement Benefits', are effective for accounting periods commencing on or after 1 January 2006, with earlier adoption encouraged by the IASB. Brammer has adopted these amended provisions from 1 January 2004 (the date of transition).

Curtailment gains in respect of discontinued operations are recognised in the income statement in the year of disposal.

Termination benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Profit sharing and bonus plans
Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Accounting policies

Share-based payments
The fair values of employee share option and share performance plans are calculated using the Black-Scholes model. In accordance with IFRS 2, 'Share-based Payments' the resulting cost is charged to the income statement over the vesting period of the options. The value of the charge is adjusted to reflect expected and actual levels of options vesting for changes in non market vesting criteria.

Treasury shares
The cost of the purchase of own shares are taken directly to reserves and are included in the profit and loss reserve.

Borrowings
Borrowings are recognised as the proceeds received, net of transaction costs incurred, which are then amortised over the expected life of the facility.

Deferred income taxes
Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries, branches, associates and joint ventures, where the group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Provisions
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the best estimate of the amount to be spent and are discounted where material.

Revenue recognition
Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, customer rebates and discounts, and after eliminating sales within the group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, which is usually on dispatch.

Interest
Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is determined that such income will accrue to the group.

Dividends
The final dividend is recognised in the group's financial statements in the period in which it is approved by the group's shareholders. The interim dividend is recognised when paid.

Segment reporting
Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments.

Corporate costs are allocated to segments on the basis of external turnover.

Exceptional items
Exceptional items are those that by virtue of their size and nature are considered to require separate disclosure. These items are usually non-recurring.