

Notes to the accounts

1 Primary segmental reporting – geographic segments

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. Of the acquisitions made during the year all are included within “Other” except CBS Rotary Power Motion and Cumbria Bearings & Transmissions, which are included under “UK”, and Handelsonderneming Otten, which is included under “Benelux”.

Year ended 31 December 2008

	UK £'000	Germany £'000	France £'000	Spain £'000	Benelux £'000	Other £'000	Total £'000
Revenue							
Sales to external customers	133,515	121,794	74,454	42,690	46,269	59,687	478,409
Inter company sales	821	2,100	735	915	1,892	(6,463)	–
Total	134,336	123,894	75,189	43,605	48,161	53,224	478,409
Operating profit before amortisation of acquired intangibles	3,722	9,171	2,883	3,346	3,959	3,072	26,153
Amortisation of acquired intangibles						(848)	(848)
Operating profit	3,722	9,171	2,883	3,346	3,959	2,224	25,305
Finance expense							(6,534)
Finance income							118
Profit before tax							18,889
Tax							(5,925)
Profit for the year							12,964
Segment assets	49,402	39,510	39,272	26,943	27,147	41,175	223,449
Goodwill	6,485	39,181	5,080	5,968	8,924	17,781	83,419
Investment in associate						167	167
	55,887	78,691	44,352	32,911	36,071	59,123	307,035
Cash							21,715
Deferred tax							3,722
Total assets							332,472
Segment liabilities	(32,496)	(17,501)	(26,400)	(15,090)	(12,802)	(13,127)	(117,416)
Current tax							(3,939)
Deferred tax							(8,067)
Deferred consideration							(24,963)
Financial liabilities							(105,664)
Retirement benefit liability							(13,333)
Total liabilities							(273,382)
Net assets							59,090
Other segment items							
Capital expenditure							
– software development	–	173	1	69	74	724	1,041
– property, plant and equipment	1,705	267	405	193	547	684	3,801
Amortisation/depreciation							
– software development	–	(183)	(6)	(77)	(67)	(1,135)	(1,468)
– property, plant and equipment	(1,419)	(209)	(263)	(271)	(455)	(722)	(3,339)
Trade receivables impairment	(136)	(146)	(243)	(191)	(54)	(36)	(806)

Notes to the accounts

1 Primary segmental reporting – geographic segments

Year ended 31 December 2007							
	UK £'000	Germany £'000	France £'000	Spain £'000	Benelux £'000	Other £'000	Total £'000
Revenue							
Sales to external customers	123,142	96,204	58,376	33,948	35,017	32,890	379,577
Inter company sales	444	1,557	670	484	1,522	(4,677)	–
Total	123,586	97,761	59,046	34,432	36,539	28,213	379,577
Operating profit before amortisation of acquired intangibles	2,549	7,180	2,679	3,274	2,580	1,618	19,880
Amortisation of acquired intangibles						(444)	(444)
Operating profit	2,549	7,180	2,679	3,274	2,580	1,174	19,436
Finance expense							(4,611)
Finance income							96
Profit before tax							14,921
Tax							(4,473)
Profit for the year							10,448
Segment assets	43,420	27,011	30,937	22,636	19,735	25,055	168,794
Goodwill	945	29,746	4,073	4,096	6,507	9,097	54,464
	44,365	56,757	35,010	26,732	26,242	34,152	223,258
Cash							10,464
Deferred tax							4,329
Total assets							238,051
Segment liabilities	(28,447)	(9,967)	(18,973)	(11,604)	(9,806)	(6,533)	(85,330)
Current tax							(4,016)
Deferred tax							(5,797)
Deferred consideration							(14,476)
Financial liabilities							(69,868)
Retirement benefit liability							(14,257)
Total liabilities							(193,744)
Net assets							44,307
Other segment items							
Capital expenditure							
– software development	–	278	–	–	77	1,078	1,433
– property, plant and equipment	1,823	331	198	223	735	673	3,983
Amortisation/depreciation							
– software development	–	(229)	–	(70)	(44)	(458)	(801)
– property, plant and equipment	(1,255)	(169)	(237)	(194)	(390)	(462)	(2,707)
Trade receivables impairment	(108)	(123)	(50)	(80)	(37)	11	(387)

Notes to the accounts

2 Secondary segmental reporting – key business areas

	2008 £'000	Revenue 2007 £'000	2008 £'000	Segment assets 2007 £'000	Capital expenditure 2008 £'000	2007 £'000
Key accounts	140,220	109,890	66,026	46,637	511	645
MRO (excluding Key accounts)	239,077	196,490	102,870	82,622	2,938	3,091
OEM (excluding Key accounts)	99,112	73,197	43,172	30,204	496	507
Unallocated	–	–	11,381	9,331	897	1,173
Total	478,409	379,577	223,449	168,794	4,842	5,416

“MRO” refers to the maintenance, repair and operations markets.

“OEM” refers to the original equipment manufacture markets.

3 Finance costs

	2008 £'000	2007 £'000
Finance expense		
Bank overdrafts and short term borrowings	1,306	993
Loans	4,771	3,377
Finance leases	42	24
Deferred consideration – unwinding of discount	415	217
	6,534	4,611
Finance income		
Bank and other short term deposits	(118)	(96)
	6,416	4,515

4 Profit before taxation

	2008 £'000	2007 £'000
The following items have been included in arriving at profit before taxation:		
Staff costs (see note 25)	84,175	69,169
Cost of inventories recognised as an expense (included in cost of sales)	332,356	263,701
Depreciation of property, plant and equipment		
– Owned assets	3,246	2,658
– Under finance leases	93	49
Amortisation of other intangible assets (included in distribution costs)	1,468	801
Amortisation of acquired intangibles (shown separately on the face of the income statement)	848	444
Operating leases on property, plant and equipment	9,232	7,777
Repairs and maintenance expenditure on property, plant and equipment	693	702
Trade receivables impairment	806	387
Gain on disposal of tangible and intangible assets	(363)	(169)
Net exchange gains	(1,167)	(7)
Auditor remuneration		
Services provided by the company's auditors and associates		
Fees payable for audit of parent company and consolidated financial statements	84	82
Fees payable for other services:		
Audit of company's subsidiaries	262	202
Tax services	68	112
Other services	107	164

Notes to the accounts

5 Taxation

	2008 £'000	2007 £'000
Current tax		
Current year	(4,087)	(3,363)
Prior year	318	9
	(3,769)	(3,354)
Deferred tax (note 18)		
Current year	(1,692)	(1,181)
Prior year	(464)	62
	(2,156)	(1,119)
Taxation	(5,925)	(4,473)
Tax on items taken to equity		
Tax on actuarial losses/gains	418	(3,087)
Tax on share options	–	(279)
Factors affecting the tax charge for the period		
The effective tax rate for the period of 31.4% (2007 30.0%) is higher than the standard rate of corporation in the United Kingdom. The differences are explained below.		
Profit on ordinary activities before tax	18,889	14,921
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007 30%)	(5,383)	(4,476)
Effects of		
Expenses not deductible for tax purposes	(463)	(226)
Change in rate of deferred tax	–	448
Different tax rates on overseas earnings	67	(290)
Adjustments in respect of previous periods	(146)	71
Total taxation	(5,925)	(4,473)

6 Dividends

	2008 £'000	2007 £'000
Final 2007 paid July 2008 5.10p (Final 2006 4.20p) per 20p share	2,689	2,218
Interim 2008 paid November 2008 2.60p (2007 2.10p) per 20p share	1,374	1,109
	4,063	3,327

In addition the directors are proposing a final dividend in respect of the financial year ending 31 December 2008 of 5.1p per share that will absorb an estimated £2,700,000 of shareholders' funds. It will be paid on 2 July 2009 to shareholders on the register of members on 5 June 2009.

Notes to the accounts

7 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The only class of potentially dilutive ordinary shares are the company's ordinary shares contingently issuable under the group's long term incentive plan.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Earnings £'000	Earnings per share Basic	Earnings per share Diluted
Average number of shares in issue		52,921,000	53,835,000
Profit for the financial year	12,964	24.5p	24.1p
Amortisation of acquired intangibles	848		
Tax on amortisation of acquired intangibles	(204)		
Earnings before amortisation of acquired intangibles	13,608	25.7p	25.3p
	Earnings £'000	Earnings per share Basic	Earnings per share Diluted
Average number of shares in issue		51,215,000	51,883,000
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

8 Intangible assets

	<i>Goodwill</i>		<i>Acquired intangibles</i>		<i>Software development</i>	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cost						
At 1 January	54,464	39,426	5,727	1,432	8,888	6,492
Exchange adjustments	17,433	4,797	1,487	514	1,592	371
Additions	1,322	148	–	–	1,041	1,433
Acquisitions	10,632	10,093	–	3,781	–	603
Reclassification	(432)	–	647	–	–	–
Disposals	–	–	(728)	–	(121)	(11)
At 31 December	83,419	54,464	7,133	5,727	11,400	8,888
Impairment and amortisation						
At 1 January	–	–	1,294	205	3,875	2,308
Exchange adjustments	–	–	399	97	1,283	349
Charge for the year	–	–	848	444	1,468	801
Acquisitions	–	–	–	548	–	418
Disposals	–	–	(728)	–	(114)	(1)
At 31 December	–	–	1,813	1,294	6,512	3,875
Net book value						
At 31 December	83,419	54,464	5,320	4,433	4,888	5,013

Details of acquisitions are given in note 24 below.

Notes to the accounts

8 Intangible assets

Additions to goodwill reflect the fair value adjustments made during the year following a final review of the acquisitions made in 2007, of the Fin group, Rotate Ltd, the ZPV Group, Mercia Engineering Supplies Limited, Boada Industrial S.A. and Centre Roulement. As a result of this review adjustments have been made to increase goodwill by £1,322,000.

The reclassification from goodwill to acquired intangibles is the separately identifiable intangible assets recognised from the acquisition of Centre Roulement.

Acquired intangibles principally comprise customer relationships which are considered to have estimated useful lives of between 5 and 10 years.

The amortisation of software development expenditure has been charged in distribution costs.

Goodwill is carried at cost less amortisation to the date of transition effective 1 January 2004, subject to review for potential impairment. Impairment testing has been carried out by comparing goodwill plus associated operating assets with the value in use, calculated as the net present value of discounted future cash flows.

The carrying values of goodwill analysed by primary segment is shown in note 1.

Key assumptions used in the goodwill impairment reviews are based on previous experience and are:

- Goodwill is allocated to the group's cash generating units according to country of operation;
- Approved pre-tax budgets have been used for each cash generating unit for 2009. Thereafter a nominal profit growth rate of 2% (2007 4%) per annum has been used. For the established businesses, significantly lower growth rates would support the carrying value of goodwill; and
- The cash flows have been discounted using the estimated pre-tax WACC of 5.9% (2007 7.3%).

9 Property, plant and equipment

	2008			2007		
	Land and buildings £'000	Equipment £'000	Total £'000	Land and buildings £'000	Equipment £'000	Total £'000
Cost						
At 1 January	12,514	27,195	39,709	10,260	23,953	34,213
Exchange adjustments	1,553	4,426	5,979	521	957	1,478
Additions	506	3,295	3,801	1,035	2,948	3,983
Acquisitions	196	1,325	1,521	982	1,953	2,935
Disposals	(549)	(827)	(1,376)	(284)	(2,616)	(2,900)
At 31 December	14,220	35,414	49,634	12,514	27,195	39,709
Depreciation						
At 1 January	5,881	20,578	26,459	5,153	18,955	24,108
Exchange adjustments	701	3,306	4,007	191	824	1,015
Charge for the year	611	2,728	3,339	555	2,152	2,707
Acquisitions	–	902	902	96	1,122	1,218
Disposals	(438)	(825)	(1,263)	(114)	(2,475)	(2,589)
At 31 December	6,755	26,689	33,444	5,881	20,578	26,459
Net book value						
At 31 December	7,465	8,725	16,190	6,633	6,617	13,250
					2008 £'000	2007 £'000
At 31 December						
Assets held under finance leases (land and buildings and equipment included above)						
Cost					2,074	1,621
Depreciation					(1,558)	(1,163)
					516	458

Notes to the accounts

10 Inventories

The group consumed £332,356,000 (2007 £263,701,000) of inventory during this period.

Finished goods inventories of £103,113,000 (2007 £67,926,000) comprise entirely goods for resale. Finished goods inventories of £5,141,000 (2007 £3,190,000) are carried at fair value less costs to sell being lower than cost.

11 Trade and other receivables

	2008 £'000	2007 £'000
Amounts due within one year		
Trade debtors	92,687	75,486
Provision for impairment of receivables	(2,811)	(1,281)
Net trade debtors	89,876	74,205
Other debtors	1,982	1,825
Prepayments and accrued income	2,080	2,142
	93,938	78,172

The movement in the provision for impairment of receivables is analysed as follows:

	2008 £'000	2007 £'000
At 1 January	1,281	1,298
Exchange adjustments	527	91
Income statement charge	806	387
Acquisitions	525	156
Recovered	(35)	(24)
Written off (as uncollectable)	(293)	(627)
	2,811	1,281

Concentrations of credit risk with respect to trade receivables are limited due to the group's customer base being large and unrelated.

Certain European subsidiaries of the group transferred receivable balances amounting to €5.2 million (£5.0 million) to banks, under bills of exchange without recourse, in exchange for cash during the year ended 31 December 2008.

12 Cash and cash equivalents

	2008 £'000	2007 £'000
Cash at bank and in hand	21,321	9,058
Short term bank deposits	394	1,406
	21,715	10,464

Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less at acquisition.

Notes to the accounts

13 Trade and other payables

	2008 £'000	2007 £'000
Trade creditors	92,364	65,772
Other taxes and social security	6,168	4,978
Other creditors	442	279
Accruals	17,412	13,443
	116,386	84,472

14 Financial liabilities – borrowings

	2008 £'000	2007 £'000
Current		
Unsecured bank and other borrowings	3,529	2,525
Unsecured loans less than one year	3,998	5,751
Finance lease commitments due within one year	166	117
	7,693	8,393
Non-current		
Unsecured bank loan repayable		
Between one and two years	1,674	–
Between two and five years	95,896	61,241
Over five years	217	–
	97,787	61,241
Finance lease commitments		
Between one and two years	91	116
Between two and five years	88	104
Over five years	5	14
	184	234
	97,971	61,475

The cash deposit of €1,500,000 held at 31 December 2007 which was subject to a guarantee in favour of a third party was released in 2008.

Bank loans are denominated primarily in euros and bear interest based on euro LIBOR. The effective interest rate on bank borrowings for the year to 31 December 2008 was 7.2% and for the year to 31 December 2007 was 6.9%.

In November 2008 the €66 million Tranche A element of the €165 million central borrowing facility was amended from a 364 day facility to a committed facility until 28 February 2012. As part of the amended terms it was agreed that limited asset security would be provided based on assets of the UK, France, Germany and Spain subsidiary undertakings. This security was put in place on 18 February 2009.

Notes to the accounts

15 Financial liabilities

Fair values of financial 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 31 December 2008 was £87,621,000 (2007 £55,947,000). The foreign exchange loss of £21,965,000 (2007 loss of £5,259,000) on translation of the borrowings into sterling has been recognised in the translation reserve.

Where market values are not available, fair values of financial assets and liabilities have been calculated by discounting expected cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of short-term borrowings approximate to book value and there are no significant differences between the book value and fair value of non-current borrowings.

Maturity of financial liabilities

The maturity profile of the carrying value of the group's non-current liabilities was as follows:

	Debt £'000	Finance leases £'000	Deferred consideration £'000	Total £'000
At 31 December 2008				
In more than one year but not more than two years	(1,674)	(91)	(15,514)	(17,279)
In more than two years but not more than five years	(95,896)	(88)	(1,109)	(97,093)
In more than five years	(217)	(5)	–	(222)
	(97,787)	(184)	(16,623)	(114,594)
At 31 December 2007				
In more than one year but not more than two years	–	(116)	(4,255)	(4,371)
In more than two years but not more than five years	(61,241)	(104)	(10,074)	(71,419)
In more than five years	–	(14)	–	(14)
	(61,241)	(234)	(14,329)	(75,804)

The group's financial liabilities are all at floating rates and comprise drawn sterling and euro bank facilities which are mainly central multi-currency committed lines. The unutilised portion of these central committed lines amounts to £63.8 million (2007 £59.4 million) which is available to the group up to February 2012 and bear interest based on currency LIBOR.

Minimum lease payments

The minimum lease payments under finance leases fall due as follows:

	2008 £'000	2007 £'000
Not later than one year	182	133
Later than one year but not more than five years	187	242
More than five years	6	19
	375	394
Future finance charges on finance leases	(25)	(43)
Book value of finance lease liabilities	350	351

Notes to the accounts

16 Provisions

	Restructuring £'000	Other £'000	2008 Total £'000	2007 Total £'000
At 1 January	147	711	858	850
Exchange adjustment	29	225	254	70
Charged to the income statement in the year	–	–	–	(1)
Utilised in the year	(82)	–	(82)	(61)
At 31 December	94	936	1,030	858

Other provisions relate to warranty claims for the disposal of a discontinued business. These provisions are expected to be utilised within one to two years.

17 Deferred consideration

	2008 £'000	2007 £'000
At 1 January	14,476	3,735
Exchange adjustments	4,291	1,423
Acquisitions	6,868	9,101
Revision in estimate of amounts payable	337	–
Unwinding of discount	415	217
Paid	(1,424)	–
At 31 December	24,963	14,476
Amounts falling due within one year	8,340	147
In more than one year but not more than two years	16,623	14,329
Total	24,963	14,476

Details of acquisitions are given in note 24 below.

The amounts recognised on acquisition are management's best estimates of the amounts which will be payable. Both the amounts and the timing of future payments are uncertain as they are dependent upon the future performance of the businesses acquired.

Notes to the accounts

18 Deferred tax

	2008 Pension liability £'000	2008 Tax losses £'000	2008 Total £'000
Assets			
At 1 January	3,967	362	4,329
Exchange adjustment	52	29	81
Acquisitions	–	11	11
Taken to equity	418	–	418
Income statement charge	(722)	(395)	(1,117)
At 31 December	3,715	7	3,722
Liabilities			
At 1 January			(5,797)
Exchange adjustment			(1,472)
Acquisitions			276
Net amount taken to equity			(35)
Income statement charge			(1,039)
At 31 December			(8,067)
		2008 £'000	2007 £'000
Net total			
At 1 January		(1,468)	4,015
Exchange adjustment		(1,391)	(290)
Acquisitions		287	(526)
Taken to equity		383	(3,548)
Income statement charge		(2,156)	(1,119)
At 31 December		(4,345)	(1,468)

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate applicable to the relevant jurisdiction.

Deferred tax assets have been recognised in full on taxable losses and provisions where realisation of the tax benefit from these items is probable.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and associates as the tax rates in the overseas subsidiaries' countries are higher than the rate in the UK.

Based on current capital investment plans, the group expects to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS) during the period are shown above. Deferred tax falling due after more than one year amounts to £4,345,000 (2007 £1,468,000).

Notes to the accounts

19 Shareholders' funds and statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Treasury shares £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2008	10,575	18,017	(53)	1,802	13,966	44,307
Shares issued during the year	15	75	-	-	-	90
Profit for the year attributable to equity shareholders	-	-	-	-	12,964	12,964
Unrealised exchange movement	-	-	-	8,209	-	8,209
Purchase of own shares	-	-	(2,320)	-	-	(2,320)
Transfer on own vesting of shares	-	-	1,746	-	(1,746)	-
Current tax on shares vesting	-	-	-	-	35	35
Deferred tax on shares vesting	-	-	-	-	(35)	(35)
Value of employee services	-	-	-	-	965	965
Dividends	-	-	-	-	(4,063)	(4,063)
Actuarial losses on pension schemes	-	-	-	-	(1,480)	(1,480)
Tax on actuarial losses on pension schemes	-	-	-	-	418	418
Movement in year	15	75	(574)	8,209	7,058	14,783
At 31 December 2008	10,590	18,092	(627)	10,011	21,024	59,090
At 1 January 2007	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 own vesting of 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 year	990	14,389	462	2,926	13,266	32,033
At 31 December 2007	10,575	18,017	(53)	1,802	13,966	44,307

Cumulative goodwill relating to acquisitions made prior to 1998, which has been written off against the profit and loss account reserve as at 31 December, amounts to £30,470,000 (2007 £30,470,000).

Purchase of own shares

The group acquired 971,914 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 £2,319,954 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 70,425 ordinary 20p shares being issued with exercise proceeds of £89,570.

Notes to the accounts

20 Called up share capital

	2008 Number	2007 Number
Ordinary shares of 20p each Authorised	70,000,000	70,000,000
Allotted, called up and fully paid At 31 December	52,948,122	52,877,697

21 Share based payments

Movements on share options during the year were as follows

Price per share	1 January 2008	Granted	Exercised/ Vested	Lapsed	31 December 2008	Date from which exercisable	Expiry date
Executive share option schemes							
<i>1995 scheme</i>							
380p	50,200	–	–	(50,200)	–	15 Sep 2001	15 Sep 2008
335p	91,500	–	–	(91,500)	–	6 Oct 2001	6 Oct 2008
515p	51,000	–	–	(6,000)	45,000	10 Sep 2002	10 Sep 2009
390p	81,038	–	–	(3,538)	77,500	12 Sep 2003	12 Sep 2010
510p	310	–	–	–	310	16 Mar 2004	16 Mar 2011
142p	44,850	–	(15,250)	(3,700)	25,900	7 Oct 2006	7 Oct 2013
125p	25,900	–	(3,700)	–	22,200	15 Apr 2007	15 Apr 2014
138.5p	217,500	–	(45,000)	(21,000)	151,500	6 Sep 2007	6 Sep 2014
<i>1997 scheme</i>							
380p	24,300	–	–	(24,300)	–	15 Sep 2001	15 Sep 2008
335p	8,500	–	–	(8,500)	–	6 Oct 2001	6 Oct 2008
515p	2,000	–	–	–	2,000	10 Sep 2002	10 Sep 2009
390p	10,738	–	–	–	10,738	12 Sep 2003	12 Sep 2010
510p	2,690	–	–	–	2,690	16 Mar 2004	16 Mar 2011
142p	15,375	–	(2,775)	–	12,600	7 Oct 2006	7 Oct 2013
125p	13,700	–	(3,700)	–	10,000	15 Apr 2007	15 Apr 2014
138.5p	25,500	–	–	–	25,500	6 Sep 2007	6 Sep 2014
Total	665,101	–	(70,425)	(208,738)	385,938		
Performance share plan							
Op	373,481	–	(373,481)	–	–	Spring 2008	
Op	107,677	–	(102,454)	(5,223)	–	Spring 2008	
Op	320,940	–	–	–	320,940	Spring 2009	
Op	149,327	–	–	(19,415)	129,912	Spring 2009	
Op	213,222	–	–	–	213,222	Spring 2010	
Op	169,798	–	–	(14,237)	155,561	Spring 2010	
Op	–	348,766	–	–	348,766	Spring 2011	
Op	–	217,447	–	(5,498)	211,949	Autumn 2011	
Total	1,334,445	566,213	(475,935)	(44,373)	1,380,350		
Share matching plan							
Op	229,148	–	(182,695)	(46,453)	–	Summer 2008	
Op	149,700	–	–	–	149,700	Spring 2009	
Op	156,557	–	–	–	156,557	Spring 2010	
Op	–	293,721	–	–	293,721	Spring 2011	
Total	535,405	293,721	(182,695)	(46,453)	599,978		
Total	2,534,951	859,934	(729,055)	(299,564)	2,366,266		

Notes to the accounts

21 Share based payments

Details of the terms of the Executive Share Option Scheme (“ESOS”) Performance Share Plan (“PSP”) and Share Matching Plan (“SMP”) are disclosed in the remuneration report.

In accordance with IFRS2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the group’s estimate of shares that will eventually vest. The total charge for the year relating to employee share based payment plans was £965,000 (2007 £1,191,000), all of which related to equity-settled share based payment transactions. The fair value is measured using a Black-Scholes pricing model. For the purposes of the fair value calculation for the Share Matching Plan the TSR conditions have been disregarded on the basis of materiality and treated in the same way as a non-market based performance condition. The fair value per option granted and the assumptions used in the calculations are as follows:

	Share Matching Plan		Performance Share Plan
Awards granted in the year ended 31 December 2008			
Grant date	19 March 2008	18 March 2008	08 Sept 2008
Share price at grant date	250p	250p	257.5p
Exercise price	n/a	n/a	n/a
Number of shares under option	293,721	348,766	217,447
Vesting Period (years)	3	3	3
Expected Volatility	0.34	0.34	0.38
Expected option life (years)	3	3	3
Risk free rate	3.68	3.74	4.41
Expected dividend yield	2.88	2.88	2.80
Possibility of ceasing employment before vesting	10%	10%	10%
Expectation of meeting performance criteria	30%	30%	30%
Fair value per option	230p	230p	237p
	Share Matching Plan		Performance Share Plan
Awards granted in the year ended 31 December 2007			
Grant date	24 April 2007	19 April 2007	24 Sept 2007
Share price at grant date	347p	347p	266p
Exercise price	n/a	n/a	n/a
Number of shares under option	175,824	230,185	172,284
Vesting Period (years)	3	3	3
Expected Volatility	0.26	0.26	0.27
Expected option life (years)	3	3	3
Risk free rate	5.34	5.34	5.10
Expected dividend yield	1.73	1.73	2.26
Possibility of ceasing employment before vesting	10%	10%	10%
Expectation of meeting performance criteria	80%	80%	80%
Fair value per option	329p	330p	249p

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life.

Notes to the accounts

21 Share based payments

A reconciliation of option movements over the year to 31 December 2008 is shown below:

	2008	2008	2007	2007		
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence		
Share option and savings related schemes						
Outstanding at 1 January	665,101	261	1,399,277	284		
Exercised	(70,425)	138	(155,495)	224		
Lapsed	(208,738)	334	(578,681)	328		
Outstanding at 31 December	385,938	244	665,101	261		
Exercisable at 31 December	385,938	244	665,101	261		
Performance share plan						
Outstanding at 1 January	1,334,445	–	1,397,683	–		
Granted	566,213	–	402,469	–		
Vested	(478,596)	–	(418,608)	–		
Lapsed	(41,712)	–	(47,099)	–		
Outstanding at 31 December	1,380,350	–	1,334,445	–		
Exercisable at 31 December	–	–	–	–		
Share matching plan						
Outstanding at 1 January	535,405	–	378,848	–		
Granted	293,721	–	175,824	–		
Vested	(182,695)	–	–	–		
Lapsed	(46,453)	–	(19,267)	–		
Outstanding at 31 December	599,978	–	535,405	–		
Exercisable at 31 December	–	–	–	–		
	2008	2008	2007	2007	2007	
Range of exercise prices (excluding performance share plan and share matching plan)	Weighted average exercise price Pence	Number of shares	Weighted average remaining life Contractual Years	Weighted average exercise price Pence	Number of shares	Weighted average remaining life Contractual Years
100p – 200p	137.3	247,700	6.5	137.6	342,825	6.5
200p – 300p	–	–	–	–	–	–
300p – 400p	390.0	88,238	2.7	366.5	266,276	1.4
400p – 500p	–	–	–	–	–	–
500p – 600p	514.7	50,000	1.8	514.7	56,000	1.8

22 Reconciliation of net cash to movement in net debt

	2008 £'000	2007 £'000
Net increase/(decrease) in cash and cash equivalents	9,349	(180)
Net (increase)/decrease in borrowing	(11,332)	2,964
	(1,983)	2,784
Loans acquired	–	(2,845)
Exchange	(22,562)	(5,167)
Movement in net debt	(24,545)	(5,228)
Net debt at 1 January	(59,404)	(54,176)
Net debt at 31 December	(83,949)	(59,404)

Notes to the accounts

23 Cash flow from operating activities

	2008 £'000	2007 £'000
Net profit	12,964	10,448
Tax charge	5,925	4,473
Depreciation of tangible and intangible assets	5,655	3,952
Share options – value of employee services	965	1,191
Gain on sale of software, property, plant and equipment	(363)	(169)
Financing expense	6,416	4,515
Changes in working capital (excluding effect of acquisitions and disposals)		
Increase in inventory	(15,989)	(6,579)
Decrease/(increase) in trade and other receivables	7,643	(8,071)
Increase in trade and other payables and provisions	5,999	6,969
Cash generated from operations	29,215	16,729

24 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.

From the date of acquisition to 31 December 2008, the acquisition contributed £5.7 million to turnover and £0.3 million to profit after tax.

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

	Carrying values pre acquisition £'000	Provisional fair value £'000
Property, plant and equipment	371	371
Inventories	1,757	1,757
Receivables	3,472	3,472
Payables	(2,725)	(2,725)
Taxation		
– current	(154)	(154)
– deferred	151	151
Cash and cash equivalents	1,653	1,653
	4,525	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 fair value adjustments contain some provisional amounts which will be finalised in the 2009 interim accounts.

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)
	2,874

Notes to the accounts

24 Acquisitions

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

	Carrying values pre acquisition £'000	Provisional fair value £'000
Property, plant and equipment	112	31
Inventories	441	406
Receivables	1,497	1,472
Payables	(1,584)	(2,358)
Taxation		
– current	(143)	(143)
– deferred	1	257
Cash and cash equivalents	1,429	1,429
	1,753	1,094
Net assets acquired		1,094
Goodwill		5,042
Consideration to be wholly satisfied in cash (including deferred consideration pre-discounting of £2.3 million)		6,136

The fair value adjustments contain some provisional amounts which will be finalised in the 2009 interim accounts.

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	429
Cash acquired	(1,429)
	2,518

From the date of acquisition to 31 December 2008, the acquisition contributed £5.1 million to turnover and £0.2 million to profit after tax.

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

During the year the group also completed the following acquisitions:

- (i) on 30 September the purchase of the entire share capital of Masterpol Sp. z.o.o., a company based in Poznan in Poland;
 - (ii) on 10 November the purchase of the entire share capital of Cumbria Bearings & Transmissions Limited, a company based in Carlisle; and
 - (iii) 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.

Details of the assets acquired are given in the table below.

Notes to the accounts

24 Acquisitions

Other acquisitions

	Provisional fair value £'000
Property, plant and equipment	217
Working capital	1,826
Taxation	(91)
Cash and cash equivalents	173
	<hr/> 2,125
Net assets acquired	2,125
Goodwill	1,308
Consideration to be wholly satisfied in cash	3,433

The fair value adjustments contain some provisional amounts which will be finalised in the 2009 accounts.

The outflow of cash and cash equivalents on other acquisitions is calculated as follows:

	£'000
Cash consideration	2,776
Expenses and related costs	258
Cash acquired	(173)
	<hr/> 2,861

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

	2008 £'000
Revenue	486,936
Profit after tax	13,383

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

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 accounts

25 Employees and key management

	2008 £'000	2007 £'000
Staff costs for the group during the year		
Wages and salaries	67,384	55,647
Social security costs	14,015	10,675
Pension costs	1,811	1,656
Equity settled share based payments	965	1,191
	84,175	69,169
	Number	Number
Average number of employees, including executive directors		
UK	934	844
Germany	460	415
France	338	320
Spain	255	211
Benelux	220	178
Other	417	254
	2,624	2,222
	2008 £'000	2007 £'000
Key management compensation		
Short term employee benefits	3,805	3,461
Post employment benefits	70	95
Termination benefits	–	195
Share based payments	785	1,041
	4,660	4,792

The key management figures shown above include all the directors together with members of the Brammer executive team as detailed on pages 22 and 23.

	2008 £'000	2007 £'000
Directors		
Aggregate emoluments	1,380	1,201
Aggregate amounts receivable under long-term incentive schemes	378	407
	1,758	1,608

No director has any retirement benefits accruing under money purchase pension schemes or under the company's defined benefit pension scheme.

26 Operating lease commitments – total future minimum lease payments

	2008 £'000	Property 2007 £'000	Vehicles, plant and equipment 2008 £'000	2007 £'000
Commitments under non-cancellable operating leases expiring				
Within one year	6,857	5,234	3,539	2,732
Between two and five years	12,950	9,784	4,661	3,195
After five years	4,134	4,141	–	–
	23,941	19,159	8,200	5,927

Notes to the accounts

27 Future capital expenditure

	2008 £'000	2007 £'000
Commitments for which contracts have been placed	39	20

28 Pension commitments

UK Schemes

The UK group operates the Brammer Services Limited Retirement Benefit Scheme, which until 28 February 2006, provided benefits on a final salary and defined contribution basis. With effect from 1 March 2006, the defined benefit section of the scheme was closed to future accrual. Existing members of the defined benefit section were offered membership of the defined contribution section of the scheme. The defined benefit scheme is funded by the group and contributions are paid as determined by the actuary following discussions with the trustees and the company. The assets of the scheme are held in nominee accounts separate from the group's finances under the control of the trustees. An investment review took place in November 2007 and changes to the existing arrangement were carried out in 2008. The current fund managers are Fidelity Investments, BlackRock Investment Management and Key Asset Management, under a pooled arrangement in each case. Within the pooled fund the trustees have no investment in the share capital of the company.

Company contributions to the defined benefit scheme during the year were being made at the rate of 7.2% of contributory salary up to February 2006. In addition, the company paid £1.5 million in 2006 and have currently agreed to pay £1.95 million, indexed for inflation, per annum in each of the years 2007 to 2017 (inclusive). A full funding valuation of the scheme is being carried out with an effective date of 31 December 2008.

The latest completed actuarial valuation of the scheme was carried out as at 31 December 2005, using the defined accrued benefit method, by an independent actuary employed by Barnett Waddingham LLP. The assumptions, which were agreed between the company and trustees, that have the most significant effect on the results of the valuation are those related to the rate of return on investments and the rates of increase in future price inflation and pensions. Over the long term, the return on investments backing non-retired members was assumed to be 5.55% per annum before retirement and will exceed the increase in future pensions by 1.9% per annum after retirement. For current pensioners, it was assumed that the return on the underlying investments will also exceed future pension increases by 1.9% per annum. Pensions in excess of the guaranteed minimum pension are assumed to increase at 2.6% per annum. The valuation showed that the market value of the scheme's assets was £69.3 million and that the market value of these assets represented 79% of the value of the benefits that had accrued to members.

A defined contribution scheme, the "Brammer Services Defined Contribution Pension Scheme", was launched on 1 January 2002 for new UK employees joining the group and membership of that scheme was offered to existing members of the defined benefit scheme with effect from 1 March 2006, the date at which the defined benefit scheme was closed to future accrual. The charge in the year for this scheme was £1,064,115 (2007 £1,061,301).

Dutch Schemes

The two pension schemes operated by the group in the Netherlands are defined benefit schemes that provide benefits related to service and salary. The scheme based on final pay was closed to new members on 1 January 2003. New members participate in a defined benefit scheme based on average pay. The managing director is entitled to an individual pension plan that is based on final pay. KNS, through its subsidiary AKN Netherlands, funds all these schemes and contributions are paid as determined by the insurance company. The assets of the scheme are held within the insurance company and are separate from the group's finances.

The insurance company has calculated company contributions to the defined benefit scheme during the year. It is not expected for 2009 that company contributions will change significantly. Past service entitlements originating from before 1 January 2000 are not yet fully funded. The funding of these entitlements is included in the contributions.

The latest actuarial valuation of the scheme was carried out as at 31 December 2008, using the projected unit method, by an independent actuary employed by KPMG based on data provided by the plan administrators, Nationale Nederlanden.

Notes to the accounts

28 Pension commitments

Other Schemes

The group operates a number of defined contribution schemes overseas and contributes to the state pension scheme arrangements in a number of European countries. Costs incurred in the year and charges to the income statement in respect of these schemes were £558,000 (2007 £482,000).

IAS 19 retirement benefits

The valuations used for IAS 19 disclosures have been based on the most recent actuarial valuations updated by KPMG to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme.

The principal assumptions made by the actuaries were:

	2008	UK At 31 December 2007	2008	Netherlands At 31 December 2007
Inflation rate	2.95%	3.35%	2.00%	2.00%
Rate of increase in salaries	n/a	n/a	3.00%	3.00%
Rate of increase of pensions in payment	2.95%	3.35%	2.00%	2.00%
Rate of increase for deferred pensioners	2.95%	3.35%	2.00%	2.00%
Discount rate	6.40%	5.70%	5.80%	5.50%
Life expectancy at age 65 for:				
Current pensioners – males	19.70	19.60		
Current pensioners – females	22.60	22.60		
Future pensioners – males	20.90	20.80		
Future pensioners – females	23.90	23.90		

The assets held and the expected rate of return were:

	Long term rate of return expected at 31 December 2008 %	Fair value at 31 December 2008 £m	Long term rate of return expected at 31 December 2007 %	Fair value at 31 December 2007 £m
UK scheme				
Equities	6.80	35.1	7.50	54.2
Corporate bonds	6.40	7.0	5.90	8.3
Fixed interest gilts	3.80	7.1	4.50	8.3
Index linked gilts	3.80	7.2	4.50	8.1
Hedge Fund	6.80	6.8	–	–
Cash	2.00	0.3	5.50	0.2
Total market value of assets	6.06	63.5	6.71	79.1
Present value of pension liabilities		(76.1)		(92.3)
Deficit		(12.6)		(13.2)
Related deferred tax asset		3.5		3.7
Net pension liability		(9.1)		(9.5)
Netherlands scheme				
Fixed interest gilts	4.00	4.2	5.00	2.5
Total market value of assets		4.2		2.5
Present value of pension liabilities		(4.9)		(3.5)
Deficit		(0.7)		(1.0)
Related deferred tax asset		0.2		0.3
Net pension liability		(0.5)		(0.7)

Where investments are held in bonds and cash the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date.

A higher rate of return is expected on equity investments, which is based more on realistic future expectations than on the returns that have been available historically. The overall expected long term rate of return is then the average of these rates taking into account the underlying asset portfolio of the pension plan.

Notes to the accounts

28 Pension commitments

Pensions and other post retirement obligations

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

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Present value of funded obligations	81.0	95.9	100.0	103.5	89.6
Fair value of plan assets	(67.7)	(81.6)	(74.8)	(69.8)	(57.2)
Net liability recognised in the balance sheet	13.3	14.3	25.2	33.7	32.4

The amounts recognised in the income statement are as follows:

	2008 £m	2007 £m
Current service cost	0.2	0.2
Interest cost	5.4	4.9
Expected return on plan assets	(5.5)	(5.0)
Total pension expense included within distribution costs	0.1	0.1

Analysis of the movement in the balance sheet liability

	2008 £m	2007 £m
Opening	14.3	25.2
Exchange adjustments	0.1	0.1
On-going expense as above	0.1	0.1
Employer contributions	(2.7)	(2.3)
Actuarial loss/(gain) recognised as a reserves movement	1.5	(8.8)
Closing	13.3	14.3

The actual return on plan assets was a negative £15.3 million (2007 £6.4 million positive return).

Reconciliation of defined benefit obligation

	2008 £m	2007 £m
Opening defined benefit obligation	95.9	100.0
Exchange adjustments	1.2	0.3
Service cost	0.2	0.2
Interest cost	5.4	4.9
Actuarial gain on defined benefit obligation	(19.3)	(7.3)
Actual benefit payments	(2.4)	(2.2)
Closing defined benefit obligation	81.0	95.9

Reconciliation of fair value of plan assets

	2008 £m	2007 £m
Opening fair value of plan assets	(81.6)	(74.8)
Exchange adjustments	(1.1)	(0.2)
Expected return on assets	(5.5)	(5.0)
Loss/(gain) on assets	20.8	(1.5)
Employer contributions	(2.7)	(2.3)
Actual benefit payments	2.4	2.2
Closing fair value of plan assets	(67.7)	(81.6)

Notes to the accounts

28 Pension commitments

UK Scheme

	31 December 2008	31 December 2007	31 December 2006	31 December 2005	31 December 2004
Details of experience (gains) and losses for the year					
Difference between the expected and actual return on scheme assets					
Amount (£ million)	20.8	(1.4)	(0.4)	(8.6)	(0.3)
Percentage of scheme assets	32.80%	1.77%	0.54%	12.30%	0.54%
Experience losses on scheme liabilities					
Amount (£ million)	-	-	8.0	-	0.1
Percentage of the present value of the scheme liabilities	-	-	8.00%	-	0.12%
Total amount recognised in statement of recognised income and expense					
Amount (£ million)	1.6	(8.3)	(4.4)	0.9	1.9
Percentage of the present value of the scheme liabilities	2.10%	8.99%	4.55%	0.90%	2.19%

Dutch Scheme

	31 December 2008	31 December 2007	31 December 2006
Details of experience (gains) and losses for the year			
Difference between the expected and actual return on scheme assets			
Amount (£ million)	-	-	-
Percentage of scheme assets	-	-	-
Experience losses on scheme liabilities			
Amount (£ million)	-	-	-
Percentage of the present value of the scheme liabilities	-	-	-
Total amount recognised in statement of recognised income and expense			
Amount (£ million)	(0.1)	(0.5)	(0.4)
Percentage of the present value of the scheme liabilities	3.70%	14.29%	11.76%