The BSS Group PLC

Registered Office:
Fleet House
Lee Circle
Leicester
LE1 3QQ
Tel: 0116 262 3232
Fax: 0116 253 1343
email: reception@bssgroup.com
website: www.bssgroup.com
Registered No. 60987 England

Press Release

29 November 2004

THE BSS GROUP PLC

Interim Results for the six months to 30 September 2004

The BSS Group PLC ("BSS", the "Group"), leading distributors of heating, plumbing and pipeline equipment to the industrial and domestic construction and maintenance markets, announces its interim results for the six months ended 30 September 2004.

Financial highlights:

- Sales increased 12.1% to £359.4 million (2003: £320.7million)
- Profits before tax up by 39.4% to £14.5 million (2003: £10.4 million)*
- Earnings per share growth of 44.4% to 34.8p (2003:24.1p)*
- Interim dividend up by 14.5% to 4.75p (2003: 4.15p)

**pre-goodwill and exceptionals basis*

Operational highlights:

- Seventh consecutive half year of sales, profit and earnings increases
- Sales momentum fuelled by strong RMI market and government social spending
- Strong demand in Domestic division from contractor/installer and second tier merchant sector
- Industrial division sees good future prospects from public sector spending on health and education.

BSS' Chairman, Peter Warry, commented:

"The Group's sales momentum was fuelled by the strong RMI market and the Government's continued social spending. The strong demand experienced in the first half has continued into the first six weeks of the second half, which includes the important winter heating season. The Board is confident of the Group's future prospects."

For further enquiries please contact:

The BSS Group PLC
Peter Wood - Chief Executive
Kevin Higginson - Finance Director
Tel: 0207 357 9477 until 2.00pm
Thereafter: 0116 256 7002

Hogarth Partnership Limited
Andrew Jaques
Rachel Hirst
Edward Westropp
Tel: 0207 357 9477

CHAIRMAN'S STATEMENT

INTRODUCTION

I am delighted to report a further very healthy increase in sales, profits and earnings in the 6 months to 30th September 2004. This is the seventh consecutive half year in which the Group has been able to report such increases.

The Group's sales momentum was fuelled by the continued strength of the RMI market with the benefits of the Government's continued social spending offsetting the effects of a sluggish commercial market. Margin expansion has been achieved through improved product mix, tighter controls and rigorous cost management.

FINANCIAL PERFORMANCE

Group sales were increased by 12.1% to £359.4m (2003: £320.7m).
After deducting 2.5% attributable to raw material driven price inflation, the overall sales volume growth (including the effects of the new branch opening programme) was approximately 9.6%. Volume increases were achieved in both the Industrial and the Domestic Divisions.

Profit before tax, goodwill amortisation and exceptional charges was sharply increased by 39.4% to £14.5m (2003:£10.4m). Operating profit before goodwill amortisation and exceptional items was similarly ahead by 34.4% to £16.8m (2003:£12.5m). The operating profit margin, on this basis, was 4.7% compared with 3.9% for the same period in the prior year.

Interest charges of £2.3m compared with £2.1m for the same period in the previous year, reflected interest rate increases which more than offset the reduced level of debt. There were no exceptional items incurred in the period (2003:£1.7m), therefore after goodwill amortisation of £1.4m (2003:£1.4m) and taxation of £4.3m (2003:£2.9m), profit after tax was £8.8m (2003:£4.4m), an increase of 100%.

Net debt has been reduced from March 2004 by £5.3m to £68.7m. Working capital controls are key to ensure that we are able to take maximum advantage of trading opportunities as and when they arise. Working capital has fallen to 16.3% of sales for the 12 months to September 2004 compared with 17.2% for the same period last year.

Your Board has declared an interim dividend of 4.75p (2003:4.15p), an increase of 14.5%.

OPERATING PERFORMANCE

INDUSTRIAL DIVISION

	Half Year to September 2004	Half Year to September 2003	Year to March 2004
Sales	£115.6m	£109.2m	£217.6m
Operating Profit*	£7.0m	£5.4m	£10.0m
Margin	6.1%	4.9%	4.6%

* pre-goodwill and exceptionals basis

During the first 6 months of the financial year the Industrial Division has very successfully increased its operating margin, although this margin has benefited by small one off inflation gains.

Sales in the Division moved ahead by 5.9%. Sales to the public sector market particularly in the health and education sectors have remained buoyant and look set to continue. We are now supplying the largest mechanical and electrical contract in the country at Heathrow Airport Terminal Five and have recently been awarded contracts for 3 new PFI hospitals. However, the poor state of UK manufacturing is reflected in the decline within the process control sector of the business.

The Industrial Division has maintained very firm control over its costs and margin. It is rapidly gaining sales volume momentum which is expected to continue through the second half.

DOMESTIC DIVISION

	Half Year to September 2004	**Half Year to September 2003**	**Year to March 2004**
Sales	£243.8m	£211.5m	£445.2m
Operating Profit*	£9.8m	£7.1m	£18.8m
Margin	4.0%	3.4%	4.2%

***** pre-goodwill and exceptional basis

The 6 months to 30 September 2004 saw stronger demand in both the contractor/installer and the second tier merchant sectors of the business. Sales to the RMI sector, where we are at our strongest, continued to be extremely buoyant. Overall, sales volumes were up some 12.8%. A further 8 branches opened during the half year, taking our total to 186 PTS branches and we remain on track to achieve our target of 200 branches by Spring 2005.

Social housing initiatives continued to be an important part of the growth of our Domestic Division and we believe they offer significant opportunities for further growth during the second half and beyond.

Further progress on the operating margin, aided to a small extent by inflation, has generated strong profit growth. The new higher internal margin target of 5.0% for the Division is now in sight.

CURRENT TRADING AND OUTLOOK

The strong demand experienced during the first half has continued into the first six weeks of the second half which includes the important winter heating season. We remain committed to providing market beating levels of service and support to our customer and supplier partners.

The same six weeks have seen the rate of price increases from our suppliers slowing and indeed, there are some signs that certain prices are beginning to fall. These market conditions provide clear opportunities for the well prepared distributor.

The Board is confident of the Group's future prospects. Our commitment to constantly enhancing shareholder value is paramount and this will be achieved through sustainable, cash generative, profitable growth.

Peter Warry
Chairman
29th November 2004

Consolidated Profit and Loss Account

	Notes	Half Year Ended 30 September 2004 Operations before goodwill amortisation and exceptional items	Goodwill amortisation and exceptional items (note 3)	Total	Half Year Ended 30 September 2004 Operations before goodwill amortisation and exceptional items	Goodwill amortisation and exceptional items (note 3)	Total	Year Ended 31 March 2004
		£m	£m	£m	£m	£m	£m	£m
TURNOVER	2	**359.4**	**-**	**359.4**	320.7	-	320.7	662.8
Gross profit		**82.9**	**-**	**82.9**	73.5	-	73.5	154.8
Operating costs								
Before goodwill amortisation and exceptional items		**(66.1)**	**-**	**(66.1)**	(61.0)	-	(61.0)	(126.0)
Goodwill amortisation		**-**	**(1.4)**	**(1.4)**	-	(1.4)	(1.4)	(2.9)
Exceptional items	3	**-**	**-**	**-**	-	(1.7)	(1.7)	(3.2)
OPERATING PROFIT	2	**16.8**	**(1.4)**	**15.4**	12.5	(3.1)	9.4	22.7
Interest payable and similar charges		**(2.3)**	**-**	**(2.3)**	(2.1)	-	(2.1)	(4.5)
PROFIT/(LOSS) BEFORE TAXATION		**14.5**	**(1.4)**	**13.1**	10.4	(3.1)	7.3	18.2
Taxation		**(4.3)**	**-**	**(4.3)**	(3.4)	0.5	(2.9)	(6.8)
PROFIT/(LOSS) AFTER TAXATION		**10.2**	**(1.4)**	**8.8**	7.0	(2.6)	4.4	11.4
Interim dividend				**(1.4)**			(1.2)	(1.2)
Final dividend				**-**			-	(2.9)
Transferred to reserves				**7.4**			3.2	7.3
Earnings per share	5	34.8p	(4.9p)	29.9p	24.1p	(9.1p)	15.0p	38.8p
Diluted earnings per share	5	34.2p	(4.9p)	29.3p	23.7p	(8.9p)	14.8p	38.2p

Statement of Total Recognised Gains and Losses

	Half Year Ended 30 September 2004	2003	Year Ended 31 March 2004
	£m	£m	£m
Profit after taxation for the year	**8.8**	4.4	11.4
Foreign currency translation differences	**-**	-	(0.1)
Total gains and losses recognised relating to the year	**8.8**	4.4	11.3

Consolidated Balance Sheet

	30 September 2004 £m	30 September 2003 £m	31 March 2004 £m
Fixed assets			
Intangible assets	**44.9**	47.8	46.3
Tangible assets	**20.4**	18.2	19.9
	65.3	66.0	66.2
Net current assets			
Stocks	**98.4**	92.8	87.8
Debtors	**144.9**	124.5	128.4
Current assets	**243.3**	217.3	216.2
Creditors (amounts falling due within one year)			
Finance debt	**(9.9)**	(9.0)	(9.8)
Trade and other creditors	**(126.7)**	(106.3)	(103.4)
	106.7	102.0	103.0
Total assets less current liabilities	**172.0**	168.0	169.2
Creditors (amounts falling due after more than one year)			
Finance debt	**(58.8)**	(67.4)	(64.2)
Provisions for liabilities and charges	**(2.6)**	(2.2)	(2.6)
Net Assets	**110.6**	98.4	102.4
Capital and reserves			
Share capital	**5.9**	5.9	5.9
Share premium account	**27.8**	27.0	27.0
Merger reserve	**12.4**	12.4	12.4
Profit and loss account	**64.5**	53.1	57.1
Shareholders funds - equity	**110.6**	98.4	102.4

Consolidated Cash Flow Statement

	Half Year Ended 30 September		Year Ended 31 March
	2004	2003	2004
	£m	£m	£m
Net cash inflow from operating activities	**15.1**	9.3	23.4
Operating Profit	**15.4**	9.4	22.7
Increase in stock	**(10.6)**	(7.2)	(0.9)
Increase in debtors	**(16.4)**	(10.7)	(15.0)
Increase in creditors	**23.5**	14.8	10.4
Other non cash movements	**3.2**	3.0	6.2
Returns on investments and servicing finance:	**(2.5)**	(2.3)	(3.9)
Interest paid on bank borrowings	**(2.5)**	(2.3)	(3.9)
Issue costs on new borrowings	**-**	-	-
Taxation	**(2.9)**	(2.8)	(6.8)
Capital expenditure	**(2.2)**	0.3	(3.0)
Purchase of tangible fixed assets	**(2.3)**	(2.3)	(5.6)
Sale of tangible fixed assets	**0.1**	2.6	2.6
Acquisitions	**-**	(0.7)	(2.3)
Purchase of subsidiary undertaking	**-**	(0.7)	(0.8)
Purchase of trade and assets	**-**	-	(1.5)
Equity dividends paid	**(2.9)**	(2.5)	(3.7)
Cash inflow/(outflow) before financing	**4.6**	1.3	3.7
Financing:	**(4.6)**	(1.3)	(3.7)
Issue of ordinary share capital	**0.7**	0.4	0.5
(Decrease)/increase in borrowings	**(5.3)**	(1.7)	(4.2)
Increase in cash in the period	**-**	-	-
Cash inflow from decrease in debt and lease financing	**5.3**	1.7	4.2
Change in net debt resulting from cash flows	**5.3**	1.7	4.2
Debt acquired with subsidiary	**-**	-	-
Amortisation of issue costs on borrowings	**-**	-	(0.1)
Movement in net debt in the period	**5.3**	1.7	4.1
Net debt at beginning of period	**(74.0)**	(78.1)	(78.1)
Net debt at end of period	**(68.7)**	(76.4)	(74.0)

NOTES

1 Basis of Preparation

The report for the half year ended 30 September 2004 is unaudited and prepared in summarised form only.
The comparatives for the half year are also unaudited. The comparatives figures at 31 March 2004 are extracts from the audited consolidated accounts of the Group on which the auditors expressed an unqualified opinion.

2 Segmental information

	Half Year Ended 30 September 2004			Half year ended 30 September 2003			Year ended 31 March 2004		
	Industrial Division £m	Domestic Division £m	Total £m	Industrial Division £m	Domestic Division £m	Total £m	Industrial Division £m	Domestic Division £m	Total £m
Turnover	**115.6**	**243.8**	**359.4**	109.2	211.5	320.7	217.6	445.2	662.8
Operating profit	**7.0**	**9.8**	**16.8**	5.4	7.1	12.5	10.0	18.8	28.8
Goodwill amortisation	**-**	**(1.4)**	**(1.4)**	-	(1.4)	(1.4)	(0.1)	(2.8)	(2.9)
Exceptional items	**-**	**-**	**-**	-	(1.7)	(1.7)	(1.5)	(1.7)	(3.2)
Operating profit	**7.0**	**8.4**	**15.4**	5.4	4.0	9.4	8.4	14.3	22.7
Net Assets									
Divisional assets - continuing operations	**52.3**	**86.6**	**138.9**	49.4	80.6	130.0	52.9	81.9	134.8
Goodwill	**0.9**	**44.0**	**44.9**	1.0	46.8	47.8	0.9	45.4	46.3
	53.2	**130.6**	**183.8**	50.4	127.4	177.8	53.8	127.3	181.1
Properties			**2.1**			2.2			2.1
Finance debt			**(68.7)**			(76.4)			(74.0)
Taxation - net debtor/(creditor)			**(5.2)**			(4.0)			(3.9)
Proposed dividends			**(1.4)**			(1.2)			(2.9)
Net assets			**110.6**			98.4			102.4

3 Goodwill Amortisation and Exceptional Items

The charge comprises goodwill amortisation of £1.4m (2003: £1.4m) on which there is no tax relief and the exceptional items set out below:

	Half Year Ended 30 September **2004** **£m**	2003 £m	Year Ended 31 March 2004 £m
Integration of acquisitions	**-**	1.7	3.2
	-	1.7	3.2

Integration costs represent redundancies and the closure of duplicate branches and related expenditure in respect of the acquisition of Tricom Group Limited and the trade and assets of Pegler & Louden.

4 Dividends

The interim dividend of 4.75p per share (2003: 4.15p) will be payable on 12 January 2005 to those shareholders registered on 10 December 2004.

5 Earnings per share

Earnings per share are calculated on a weighted average of the shares in issue during the period.
The diluted earnings per share has been calculated by adjusting the weighted average of the shares in issue during the period for the effects of the future exercise of employee share options. Options are considered to be dilutive when they would result in the issue of ordinary shares for less than fair value.

	Half Year Ended 30 September **2004**	2003	Year Ended 31 March 2004
Earnings per share			
On profits before goodwill amortisation and exceptional items	**34.8p**	24.1p	56.7p
On profits after charging goodwill amortisation and exceptional items	**29.9p**	15.0p	38.8p
Fully diluted earnings per share			
On profits before goodwill amortisation and exceptional items	**34.2p**	23.7p	55.8p
On profits after charging goodwill amortisation and exceptional items	**29.3p**	14.8p	38.2p

Earnings per share and diluted earnings per share have been calculated in accordance with Financial Reporting Standard 14, 'Earnings per Share'.

The calculation of earnings per share pre and post goodwill amortisation and exceptional items is based on the profit after taxation pre and post goodwill amortisation and exceptional items and an average of 29.435 million shares (2003: 29.213 million shares).

The calculation of diluted earnings per share pre and post goodwill amortisation and exceptional items is based on the profit after taxation pre and post goodwill amortisation and exceptional items and an average of 30.015 million shares (2003: 29.645 million shares) including dilutive potential ordinary shares available under share option schemes.