BSS Group PLC - Interim Results

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Interim Results for the half year ended 30 September 2007

The BSS Group plc ('BSS' or the 'Group'), a leading distributor to specialist trades announces its unaudited interim results for the six months ended 30 September 2007.

Financial Highlights

* Revenue increased 31.4% to £624.1m (2006: £475.1m), organic growth 13.0% (2006: 12.2%). Like for like revenue growth is 8.1% (2006: 8.7%)

* Profit before tax increased by 23.5% to £26.3m (2006: £21.3m)

* Earnings per share increased by 23.8% to 15.1p (2006: 12.2p per share)

* Interim dividend up 15.2% to 1.89p per share (2006: 1.64p per share)

* Free cash flow* increased by 18.1% to £17.6m (2006: £14.9m), after doubling capital expenditure.

Operational Highlights

* Both Domestic and Industrial Divisions continue to outperform the market: increasing sales, profitability and cash generation.

* The Domestic Division has benefited from focus on the RMI market, growing share of contract business and broadening product offer. Organic revenue growth was 13.0% (like for like growth 5.6%).

* The Industrial Division has achieved strong growth in sales volume: increasing share of major contract work, both private and public. Like for like sales growth was 14.9%.

* Free cash flow represents cash generated prior to the deduction of dividends paid, cost of acquisitions and proceeds from shares issued.

* Since acquisition Buck & Hickman returned to profit (£1.2m of loss in the prior year), with the branch network being re-established, and the cost base re-aligned to an appropriate level.

* Further improvements achieved in productivity and efficiency:

  - Sales per employee up 6%
  - Strong cash performance: with tight control of working capital
  - Capital expenditure plans accelerated to fully realise growth potential

* Over 350 branches now in operation throughout the UK and Ireland

  - 16 branches opened year to date (on target to open 30 branches this year)

  - National Tube Distribution Centre for 'Big Pipe' opened; has increased Industrial's distribution capability and capacity to serve

- AHED acquisition fully integrated into F & P Wholesale: improved sales effectiveness and productivity

- Trade counter refurbishment programme continues: 19 branches upgraded

Peter Warry, Chairman, stated:

'I am pleased that the Group has enjoyed an excellent first half with record sales, profit and cash flow.

The Board believes the Group has considerable growth potential with a strong strategic position from which it can develop further. The increased investment in the branch network and infrastructure underpins management's plan to fully realise the Group's potential.

We remain positive as to market outlook and expect to at least meet expectations for the second half.'

Gavin Slark, Group Chief Executive, commented:

'The Group has had an encouraging first half with strong growth in sales, profit and cash flow. Both Industrial and Domestic Divisions have continued to achieve double digit organic growth in revenue; have grown market share, improved productivity and profit.

The Group continues to benefit from a robust RMI market and national distribution capability and our growing branch network. We are keeping close to our customers with service, reliability and expertise key to our success.

Buck & Hickman, acquired in April 2007, has been returned to profit. Good progress has been made in a short time but there remains much to do. We are focused on building sales through our branch network and are on track to achieve our earnings objective in the first year.'

For further enquiries please contact:

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Chairman's Statement

I am pleased to report that for the six months ended 30 September 2007 the Group has made considerable progress. Both the Domestic and Industrial Divisions have achieved strong organic growth in revenue, profit and cash flow. Buck & Hickman, acquired in April 2007, has been returned to profit and AHED, acquired in January 2007, has been fully integrated into F & P Wholesale and is making a positive contribution to Group earnings.

Profit before tax increased by 23.5% to £26.3m (2006: £21.3m) on revenue of £624.1m (2006: £475.1m), an increase of 31.4% on the first half of last year.

Excluding the impact of acquisitions, organic revenue growth was a healthy 13.0% (2006: 12.2%), with both Industrial and Domestic Divisions achieving strong growth in revenue, market share and profitability. On a like for like basis, excluding the impact of acquisitions and new branches, revenue increased by 8.1% (2006: 8.7%).

Despite the recent uncertainty in the financial markets, we believe the outlook remains positive with the Group benefiting from its strength in servicing the repairs, maintenance and improvement (RMI) markets with no direct exposure to consumer markets while the new build housing market represents just 5% of Group sales. We remain optimistic about the trading outlook for the second half and the Board proposes to increase the interim dividend by 15.2% to 1.89 pence per share (2006: 1.64 pence per share).

Acquisitions made in 2006 and 2007 continue to enhance the growth potential of the Group. Buck & Hickman and Price Tools make up the Specialist Division, formed in April 2007, which distributes industrial supplies to trade, wholesale and industrial customers. Considerable progress has been made with Buck & Hickman trading profitably following a period of restructuring and re-energising. We are encouraged by the progress made in turning round both the AHED and Buck & Hickman businesses.

The Board believes that the Group has considerable growth potential with a strong strategic position from which to develop the business further. Capital investment in the branch network, associated infrastructure and systems has been increased and underpins management's plan to fully realise the Group's potential.

Financial Results

Revenue increased by £149.0m (31.4%) to £624.1m in the six months ended 30 September 2007 with Domestic Division's sales increasing by 25.2% to £395.4m. Excluding acquisitions, Domestic Division's organic revenue growth, which includes the impact of new branches, was 13.0%, with sales increasing by 5.6% on a like for like basis. Industrial sales increased by 14.9% to £171.6m all of which was through organic growth. The newly formed Specialist Division delivered sales of £57.1m.

New branch openings form a key element of the growth model for the Domestic Division with 16 new branches opened in the year to date. New branches continue to perform ahead of expectations enhancing operating margin, profitability and return on capital employed.

Gross margin of £139.6m was £30.6m (28.1%) up on last year. The acquisition of AHED, a lower margin wholesale business, diluted Group gross margin by 0.5%. Excluding AHED, gross margin was flat against last year at 22.9% of revenue.

Costs of £110.9m were £25.3m (29.6%) up on last year. Excluding the impact of acquisitions, new branches and restructuring costs, like for like costs were 4% up on last year with employee numbers up 2%, payroll inflation up 3% and higher distribution and property costs being the primary drivers. The cost to revenue ratio in the half was 17.8% against 18.0% in the first half of last year, with sales per employee increasing by 6%.

Operating profit increased by £5.3m (22.6%) to £28.7m (2006: £23.4m) with both Domestic Division and Industrial Division delivering strong growth in profitability. Specialist Division contributed £0.3m of profit in the first half, after deducting £0.5m of one off costs for redundancies and restructuring. Operating margin, excluding the impact of acquisitions, increased to 5.0% of revenue (2006: 4.9%).

Net finance costs for the Group increased from £2.1m to £2.4m. Loan and other bank interest, which excludes the interest credit relating to the pension deficit reduction, was £3.5m against £2.4m last year. The increase reflects the cost of funding the acquisition of Buck & Hickman and the impact of higher base lending rates.

Profit before tax increased by 23.5% to £26.3m against £21.3m last year.

The tax charge was £7.9m (30.0% of profit before tax) compared with a £6.6m charge in 2006 (31.0%).

Earnings per share on a statutory basis increased by 23.8% to 15.1 pence per share (2006: 12.2 pence per share). There is no material difference between earnings per share and diluted earnings per share.

Shareholders' Return

Shareholders' equity in the six months ended 30 September 2007 increased by £19.3m (11.2%) to £191.7m (£1.56 per share). The increase principally reflects retained earnings.

Based on operating profit generated in the twelve months ended 30 September 2007, return on capital employed (equity and debt) was 19.6% against 19.8% in 2006. The reduction reflects the dilution caused by the initial impact of the Buck & Hickman acquisition plus a further reduction in the pension deficit. The Board remains confident that the acquisition of Buck & Hickman will deliver an excellent long term return for shareholders.

Cash Flow

Free cash flow generated in the six month period was £17.6m (2006: £14.9m), an increase of 18.1% on last year reflecting higher profits, further working capital efficiencies partly offset by higher capital expenditure, interest and corporation tax.

The working capital to sales ratio decreased from 15.7% to 15.0% of sales in the period. Net working capital decreased by £1.5m against a 13.0% increase in organic sales growth. Further investment in inventory and higher trade receivables have been offset by an improvement to commercial terms.

Capital expenditure in the first half of the financial year was £7.6m (2006: £3.4m) and investment levels have been increased to ensure that the organic growth momentum in the Group is maintained. In the first half 13 new PTS branches were opened, 19 trade counters were refurbished; the National Tube Distribution Centre for 'Big Pipe' was opened and investment continued in core systems as part of a rolling programme to upgrade infrastructure throughout the

Group.

Net debt as at 30 September 2007 was £96.1m, an increase of £14.2m in the six month period. The acquisition of Buck & Hickman for £27.6m more than offset the free cash flow generated in the half.

Business Review

The Group continues to focus on driving profitable cash generative organic growth in existing businesses through superior service. The bolt on acquisitions made have enhanced existing scale and geographic coverage and have opened up new growth opportunities.

The Domestic and Industrial Divisions have continued to perform ahead of the market and have both delivered strong organic growth in revenue and profitability.

Domestic Division

	Half year to September 2007	Half year to September 2006	Increase
Revenue	£395.4m	£315.9m	25.2%
Operating Profit	£17.4m	£14.6m	19.2%
Margin	4.4%	4.6%	

The Domestic Division increased revenue by 25.2% in the first half of the financial year with like for like growth of 5.6%, new branches contributing 7.4% of growth and acquisitions 12.2%.

The Board believes that the RMI market continues to show steady growth (estimated at 2%) and resilience in the present economic conditions. The like for like sales increase of 5.6% reflects a growing share of spend with existing customers, through reliable service, effective trade marketing, competitive pricing, an enhanced product offer and a focused approach to opening new customer accounts.

First half revenue has benefited from 13 new branches opened in PTS and the full year impact of last year's openings. The network of 257 branches has considerable scope for growth and the branch opening programme continues to enhance operating margin and return on capital.

Excluding the impact of the AHED acquisition and amortisation of intangibles, operating margin was flat against last year at 4.6%. The market place remains competitive with the impact on operating margin of further contract gains being offset by improved mix from increased sales of own brand product, better labour productivity and return from the new branches'.

The AHED business has been fully integrated into the F & P Wholesale network. The former Wakefield distribution centre now trades as an F & P Wholesale branch. The integration of the business was completed with the opening of the Orpington branch in early November which provides an additional distribution capacity in the South East and is delivering further synergy savings.

Spendlove C. Jebb, a plumbing and heating merchant based in Northern Ireland, opened its fourth branch at Duncrue in Belfast; this additional capacity has enabled an extension of the product offer and has attracted new customers. A further two new branches are opening in the second half at Newry and Derry. The market in Northern Ireland is strong with considerable development and renewal activity.

Industrial Division

	Half year to September 2007	Half year to September 2006	Increase
Revenue	£171.6m	£149.4m	14.9%
Operating Profit	£13.4m	£10.9m	22.9%
Margin	7.8%	7.3%	

The Industrial Division has had an excellent first half.

Like for like revenue growth was 14.9% and operating profit increased by 22.9%, with operating margin increasing to 7.8% (2006: 7.3%). The sales increase has been sustained throughout the half, is broadly based and reflects the strength of the market, leveraging both the benefit of a national distribution capability and technical expertise to focus on meeting the needs of our customers.

The Division continues to outperform the market and the momentum achieved primarily reflects increased sales volume driven by greater involvement in major project work, capitalising on investment in health, education and major infrastructure projects, both public and private.

The Aspire Project, a programme to refurbish existing and to construct new military accommodation on Salisbury Plain, has picked up momentum and will take at least five years to complete. A number of new PFI projects have been gained relating to schools, hospitals, and prisons. Work still continues on Heathrow Terminal 5 and related infrastructure, albeit at a slower rate and further projects have been gained in the private sector relating to hotels and commercial development. Contract gains have also been achieved with a number of new industrial customers signed up to supply agreements.

The product offer has been expanded and distribution capability enhanced with the set up of the National Tube Distribution facility at Cross Point in Coventry. This major investment provides increased depth to the 'Big Pipe' product range, a central distribution facility and stock holding infrastructure that provides a significant improvement in product availability and service. The facility opened in early August and has increased the sales capacity throughout the Division's branch network and provides a platform for further growth.

Specialist Division

	Half year to September 2007	Half year to September 2006
Revenue	£57.1m	£9.8m
Operating Profit*	£0.8m	£0.6m
Margin	1.4%	6.1%

The Specialist Division incorporates Buck & Hickman Limited (acquired in April 2007) and Price Tools Limited (acquired in March 2006). The comparative results for the first half of 2006 reflect Price Tools only.

Price Tools is being refocused on the wholesale channel distributing power tools and personal protective equipment and forms an integral part of a segmented market strategy for the Specialist Division. The Price Tools business has had a solid first half.

Buck & Hickman has been returned to profit with considerable progress having been made in the first six months of ownership, following an operating loss of £1.2m on revenue of £99.8m in the year ended 28 January 2007. However, there remains much work still to be done but Buck & Hickman remains on course to be earnings neutral to the Group after financial costs in its first full year of ownership.

The recovery plan for Buck & Hickman has three stages: firstly, to improve efficiency and sales effectiveness, reducing cost to serve and refocusing the resources of a slimmed down business on to a sounder basis. Stage two is to implement branch based operating and trading systems that underpin running the existing network. The third stage is to rebuild the trade and develop the branch network to realise the full potential of Buck & Hickman as a maintenance, repair and overhaul (MRO) business focused on the end user market.

The first stage of the plan is progressing at pace: the sales team has been reorganised and re-energised; a branch based network is being re-established with seven trade counters reopened in the year to date, the cost base has been reduced and employee numbers have been reduced by 11%. Sales have not been adversely affected during this period of change and there has been considerable support within the Division to get the business back on to a profitable footing.

Stage two involves implementing branch based systems: the project has been resourced, fully scoped and the core systems, a packaged branch based solution, selected. The limited development work required is well underway. The systems will be implemented following completion of the current financial year.

* Before one off costs of £0.5m relating to redundancy and reorganisation.

Market Outlook and Principal Risks for the six months to 31 March 2008

The uncertainty that has existed in the financial sector recently has not had any tangible impact on the Group's underlying trade year to date. The focus on the RMI market places the Group in a position where a large element of its revenue is directly related to non-discretionary spend. The Group has limited direct exposure to consumer markets and sees the new build housing market as a growth opportunity given its current limited exposure to that segment of the market.

Further details of the Group's risk profile can be found in our 2007 Annual Report and Accounts. In the view of the Board this has not changed.

Economic growth and its positive impact on Government revenues remains an important driver to the Industrial Division. The outlook for the Group remains positive, the second half has started well and further new business has been won.

In terms of revenue and profit, October and November are the most significant months for the Group reflecting the seasonality of sales of the Domestic Division. Trading performance to date for these two months has been encouraging and is in line with our expectations.

The Board remains confident as to the Group's future growth prospects and expects to at least meet expectations for the second half.

Consolidated Income Statement
of The BSS Group plc for the six months ended 30 September 2007

	Notes	Six months ended 30 September 2007 (Unaudited) £m	Six months ended 30 September 2006 (Unaudited) £m	Year ended 31 March 2007 (Audited) £m
Revenue	3	624.1	475.1	1,012.1
Gross profit		139.6	109.0	227.5
Staff costs		(61.1)	(48.5)	(98.7)
Depreciation		(3.0)	(2.2)	(4.5)
Amortisation of non-current assets		(0.6)	(0.3)	(1.2)
Other operating charges		(48.1)	(35.6)	(75.6)
Other operating income		1.9	1.0	3.8
Operating profit	3, 4	28.7	23.4	51.3
Finance income	6	1.3	0.5	1.4
Finance costs	6	(3.7)	(2.6)	(5.4)
Profit before taxation	3	26.3	21.3	47.3
Taxation	7	(7.9)	(6.6)	(14.5)
Profit after taxation for the period attributable to equity shareholders	3	18.4	14.7	32.8

All results derive from continuing activities.

	Notes	Six months ended 30 September 2007	Six months ended 30 September 2006	Year ended 31 March 2007
Earnings per share	9	15.1p	12.2p	27.1p
Diluted earnings per share	9	14.9p	12.0p	26.7p
Dividend per share				
Paid in the period	8	4.55p	3.53p	5.17p
Proposed dividend for the period	8	1.89p	1.64p	4.55p

Consolidated Statement of Recognised Income and Expense
of The BSS Group plc for the six months ended 30 September 2007

	Notes	Six months ended 30 September 2007 (Unaudited) £m	Six months ended 30 September 2006 (Unaudited) £m	Year ended 31 March 2007 (Audited) £m
Profit after taxation for the period		18.4	14.7	32.8
Foreign currency translation differences		0.2	-	(0.2)
Actuarial gains on defined benefit pension schemes	5	5.7	16.9	27.8
Deferred tax movement associated with actuarial gain		(2.0)	(5.1)	(8.4)
Gains on cash flow hedges		0.2	0.7	1.7
Deferred tax on cash flow hedge gain		(0.1)	(0.2)	(0.5)
Total recognised income for the period		22.4	27.0	53.2

Consolidated Balance Sheet
of The BSS Group plc as at 30 September 2007

September September March

	Notes	(Unaudited) 2007 £m	(Unaudited) 2006 £m	(Audited) 2007 £m
Assets				
Non-current assets				
Goodwill		69.7	69.3	67.1
Intangible assets		25.1	5.4	12.8
Property, plant and equipment	10	36.6	26.9	32.2
Deferred tax asset		5.4	10.9	8.1
		136.8	112.5	120.2
Current assets				
Inventories		161.8	125.6	131.6
Trade and other receivables		250.5	197.2	211.4
Financial assets				
- Cash		2.4	3.0	8.3
- Derivative financial instruments		2.2	0.5	1.6
		416.9	326.3	352.9
Liabilities				
Current liabilities				
Financial liabilities				
- Borrowings		(16.7)	(9.4)	(18.3)
- Derivative financial instruments		(0.2)	-	-
Trade and other payables		(237.9)	(170.6)	(179.0)
Current tax liabilities		(4.8)	(6.8)	(4.7)
Provisions		(0.7)	(0.4)	(0.6)
		(260.3)	(187.2)	(202.6)
Net current assets		156.6	139.1	150.3
Non-current liabilities				
Financial liabilities				
- Borrowings		(81.8)	(71.9)	(71.9)
Deferred tax liabilities		(6.3)	(2.1)	(6.2)
Retirement benefit liability	5	(11.0)	(29.6)	(18.3)
Provisions		(2.6)	(1.3)	(1.7)
		(101.7)	(104.9)	(98.1)
Net assets		191.7	146.7	172.4
Shareholders' equity				
Share capital		6.1	6.1	6.1
Share premium		32.3	30.8	30.9
Other reserves		13.5	12.7	13.4
Retained earnings		139.8	97.1	122.0
Total equity	12	191.7	146.7	172.4

Consolidated Cash Flow Statement
of The BSS Group plc for the six months ended 30 September 2007

	Six months ended 30 September 2007 (Unaudited) £m	Six months ended 30 September 2006 (Unaudited) £m	Year Ended 31 March 2007 (Audited) £m
Cash flows from operating activities			
Cash generated from operations	34.7	26.9	52.0
Interest paid	(3.3)	(2.8)	(5.5)
Interest received	0.2	0.3	0.6
Issue costs on new borrowings	-	(0.6)	(0.6)
Tax paid	(6.6)	(6.4)	(13.9)
Net cash from operating activities	25.0	17.4	32.6
Cash flows from investing activities			
Acquisition of subsidiaries	(27.6)	(12.5)	(27.9)
Cash acquired with subsidiaries	-	0.7	6.6
Purchase of property, plant and equipment and intangible assets	(7.6)	(3.4)	(10.2)
Sale of property, plant and equipment	0.1	0.4	1.8
Net cash used in investing activities	(35.1)	(14.8)	(29.7)
Cash flows from financing activities			
Issue of ordinary share capital	1.4	1.4	1.5
Proceeds of borrowings	8.5	72.1	72.1
Repayment of short term borrowings	-	(70.0)	(59.7)
Repayment of borrowings acquired with acquisition	-	(0.3)	(3.5)
Capital element of finance lease			

payments	(0.2)	(0.1)	(0.4)
Dividends paid	(5.5)	(4.3)	(6.2)
Net cash from financing activities	4.2	(1.2)	3.8
Net (decrease)/ increase in cash and cash equivalents	(5.9)	1.4	6.7
Cash and cash equivalents at 1 April	8.3	1.6	1.6
Cash and cash equivalents at 30 September & 31 March	2.4	3.0	8.3

NOTES

1 Basis of Preparation

The financial information comprises the consolidated interim balance sheets as at 30 September 2007, 30 September 2006 and 31 March 2007 and related consolidated statements of income and cash flows for the periods then ended of The BSS Group plc.

The condensed consolidated financial information for the half year ended 30 September 2007 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority using accounting policies consistent with International Financial Reporting Standards and IFRIC interpretations in issue and also in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', as adopted by the European Union.

The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2007, which have been prepared in accordance with IFRS as adopted by the European Union.

These interim financial results do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The interim results to 30 September 2007 and 2006 are neither audited nor reviewed. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 March 2007. The audit report on the 2007 Annual Report and Accounts, which have been filed with the Registrar of Companies, was unqualified and did not contain a statement under either s237(2) or s237(3) of the Companies Act 1985.

2 Accounting Policies

The condensed financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items as required by IFRS.

The accounting policies adopted in these condensed consolidated financial statements are consistent with those of the annual statements for the year ended 31 March 2007, as described in those financial statements. No new standards, amendments or interpretations which will have a material impact on the interim financial statements have been adopted in the period.

3 Segmental Information

Primary Reporting Format- Business Segments.

The Domestic Division supplies a comprehensive range of bathroom, heating and plumbing products to a variety of customers, both public and private sector, from large national contractors to the sole trading plumber and heating engineer through its extensive branch network.

The Industrial Division is the market leader in the UK supply and distribution of pipeline, process, heating and mechanical services equipment. Its customers range from large national contractors to local independents.

The Specialist Division supplies a range of power tools, hand tools, maintenance and health and safety products to three principal market sectors: the manufacturing industry, wholesale and trade customers. The Division uses its key capabilities, industry leading catalogues, web and vendor managed inventory solutions, in order to maximise service to its customers.

The Domestic and Specialist Divisions' segmental information has been restated for the 6 month period ended 30 September 2006 and the year ended 31 March 2007, excluding Price Tool Sales Ltd from the Domestic Division and including it in the Specialist Division to reflect the formation of the new Specialist Division.

	Six months ended 30 September 2007				Six months ended 30 September 2006				Year ended 31 March 2007			
	Industrial Division £m	Domestic Division £m	Specialist Division £m	Total £m	Industrial Division £m	Domestic Division £m	Specialist Division £m	Total £m	Industrial Divi sion £m	Domestic Division £m	Specia list Division £m	Total £m
Revenue	171.6	395.4	57.1	624.1	149.4	315.9	9.8	475.1	298.6	693.9	19.6	1,012.1
Segment Result	13.4	17.4	0.3	31.1	10.9	14.6	0.6	26.1	19.8	34.7	1.0	55.5
Unallocated charges				(2.4)				(2.7)				(4.2)
Operating profit				28.7				23.4				51.3
Net finance costs				(2.4)				(2.1)				(4.0)

Profit before taxation				26.3				21.3				47.3
Taxation				(7.9)				(6.6)				(14.5)
Profit after taxation for the period				18.4				14.7				32.8
Segment assets	127.4	275.5	37.2	440.1	113.1	225.4	6.2	344.7	112.2	247.6	6.9	366.7
Acquired intangibles	1.3	4.8	12.0	18.1	-	2.7	2.0	4.7	1.5	5.0	2.0	8.5
Goodwill	10.9	51.6	7.2	69.7	12.1	52.8	4.4	69.3	10.9	51.8	4.4	67.1
	139.6	331.9	56.4	527.9	125.2	280.9	12.6	418.7	124.6	304.4	13.3	442.3
Unallocated assets												
Deferred taxation				5.4				10.9				8.1
Cash				2.4				3.0				8.3
Derivative financial instruments				2.2				0.5				1.6
Intangibles - software				7.0				0.7				4.3
Properties				6.8				2.1				6.8
Group property, plant and equipment				2.0				2.9				1.7
Total assets				553.7				438.8				473.1
Segment liabilities	(68.8)	(148.5)	(20.6)	(237.9)	(56.0)	(113.3)	(2.5)	(171.8)	(54.6)	(121.7)	(2.7)	(179.0)
Unallocatedliabilities												
Retirement benefit liability				(11.0)				(29.6)				(18.3)
Onerous lease and property dilapidation provision				(3.3)				(1.7)				(2.3)
Derivative financial instruments				(0.2)				-				-
Borrowings				(98.5)				(81.3)				(90.2)
Tax liabilities				(11.1)				(8.9)				(10.9)
Total liabilities				(362.0)				(293.3)				(300.7)
Other segment items												
Capital expenditure- Property, plant and equipment												
Segment	1.5	2.6	0.1	4.2	0.7	2.2	-	2.9	0.8	5.1	0.1	6.0
Group				0.6				0.3				-
Capital expenditure- Intangibles												
Group				2.8				0.2				4.2
				7.6				3.4				10.2
Depreciation												
Segment	0.6	1.5	0.6	2.7	0.6	1.1	0.1	1.8	1.2	2.5	0.2	3.9
Group				0.3				0.4				0.6
				3.0				2.2				4.5
Amortisation of non-current assets												
Segment	0.1	0.2	0.1	0.4	-	-	0.1	0.1	0.3	0.2	0.2	0.7
Group				0.2				0.2				0.5

0.6	0.3	1.2

There are immaterial sales between the business segments and all inter-segment transfers are transacted on an arms length basis. Unallocated costs represent corporate and head office costs. Segment assets include property, plant and equipment, goodwill, inventories and trade receivables and exclude deferred taxation. Segment liabilities comprise operating liabilities and exclude taxation, borrowings and retirement benefit liability.

Secondary Reporting Format - Geographical Segments

The Group manages in what it considers to be one economic environment being the UK and Ireland. The UK is the home country of the parent. All of the Group's sales, segment assets and capital expenditure are made in this segment.

NOTES

4 Operating profit

The following items of unusual nature have been charged to the operating profit during the first half year period:

	Six months ended 30 September 2007 £'m	Six months ended 30 September 2006 £'m	Year ended 31 March 2007 £'m
Income from compulsory purchases	(0.8)	-	-
Restructuring	0.6	-	0.7
Excess of acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities over cost	-	-	(0.8)

5 Pension scheme

	£'m
Gross deficit 1 April 2007	18.3
Current service costs	1.2
Contributions	(1.8)
Other finance costs - interest cost	4.3
Other finance income - expected return on scheme assets	(5.3)
Actuarial gain	(5.7)
Gross deficit 30 September 2007	11.0
Deferred tax asset	(3.1)
Net deficit at 30 September 2007	7.9

The change in the scheme deficit is primarily due to the increase in discount rate which is in line with movements in the market.

6 Finance income and finance costs

	Six months ended 30 September 2007 £'m	Six months ended 30 September 2006 £'m	Year ended 31 March 2007 £'m
Deposit account interest	0.2	0.2	0.6
Other net finance income - pension schemes	1.0	0.2	0.6
Other finance income - revaluation of financial instruments	0.1	0.1	0.2
Finance income	1.3	0.5	1.4
Loan and other bank interest	3.7	2.6	5.4
Other finance costs - pension schemes	-	-	-
Other finance costs - revaluation of financial instruments	-	-	-
Finance costs	3.7	2.6	5.4
Interest cover (times)	7.8	9.8	10.7

Interest cover is calculated by dividing operating profit by loan and other bank interest.

During the period an additional £10 million overdraft facility was authorised, increasing the available overdraft facility to £30 million.

7 Taxation

Tax for the six month period ended 30 September 2007 is charged at 30.0% (six month period ended 30 September 2006: 31.0%; year ended 31 March 2007 30.7%) representing the best estimate of the average annual effective corporation tax rate expected for the full year, applied to the pre-tax income of the six: month period.

On 26 June 2007, the House of Commons approved the Finance Bill which reduces the UK standard rate of Corporation tax from 30% to 28% with effect from 1 April 2008. This reduction in rate results in a deferred tax credit of £0.5 million in the current year charge.

8 Dividend

The final dividend of £5.5 million for the year ended 31 March 2007 equates to 4.55 pence per share on 121.926m shares (2006: 3.53 pence per share on 120.470m shares) and was paid on 27 July 2007 to shareholders registered on 29 June 2007.

In addition the Directors are proposing an interim dividend in respect of the six months ended 30 September 2007 of 1.89p per share (2006: 1.64p per share) which will absorb an estimated £2.3 million of shareholders' funds. It will be paid on 9 January 2008 to shareholders who are on the register on 7 December 2007.

NOTES

9 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 period excluding those held as Treasury shares 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 Group has one class of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

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

	30 September 2007			30 September 2006			31 March 2007		
	Earnings	Weighted average number of shares	Per-share amount	Earnings	Weighted average number of shares	Per-share amount	Earnings	Weighted average number of shares	Per-share amount
	£m	millions	pence	£m	millions	pence	£m	millions	pence
Statutory Basic EPS Earnings attributable to ordinary shareholders	18.4	121.903	15.1	14.7	120.460	12.2	32.8	121.017	27.1
Effect of dilutitive securities Options	-	1.247	-	-	1.645	-	-	1.725	-
Diluted EPS Adjusted earnings	18.4	123.150	14.9	14.7	122.105	12.0	32.8	122.742	26.7

10 Capital expenditure

	Six months ended 30 September 2007 Property, plant and equipment £m	Six months ended 30 September 2006 Property, plant and equipment £m	Year ended 31 March 2007 Property, plant and equipment £m
Opening net book amount	32.2	25.2	25.2
Additions	4.8	3.2	6.0
Acquisitions	2.7	1.0	6.6
Disposals	(0.1)	(0.4)	(1.1)
Depreciation and other movements	(3.0)	(2.1)	(4.5)
Closing net book amount	36.6	26.9	32.2

11 Acquisitions

During the period the Group purchased the trade and assets of BuckHickman InOne for a cash consideration of £27.6 million. This resulted in goodwill and intangibles of £12.5 million.

Due to the date of the acquisition, the fair value adjustments are provisional and will only be finalised after detailed investigations are completed.

	Book Value	Adjustments	Fair Value Acquired
Net assets acquired:	£m	£m	£m
Intangibles	-	10.1	10.1
Property, plant and equipment	3.4	(0.7)	2.7
Inventories	13.1	(2.0)	11.1
Trade and other			

receivables	16.5	(0.1)	16.4
Cash and cash equivalents	-	-	-
Borrowings	-	-	-
Trade and other payables	(14.4)	(0.2)	(14.6)
Provisions	(1.2)	-	(1.2)
Tax liabilities	-	0.7	0.7
	17.4	7.8	25.2
Goodwill			2.4
			27.6
Satisfied by:			
Cash			27.0
Directly attributable costs			0.6
			27.6

Since the date of the acquisition (10 April 2007) to 30 September 2007, Buck & Hickman has contributed revenue of £48.7m and operating profit of £0.033m after one off costs of redundancy and reorganisation. If the acquisition had occurred on 1 April 2007, the Group revenue would have been £625.6m and operating profit would have remained £28.7m.

The intangible assets are primarily the Roebuck brand name and the customer relationships. The goodwill arising is attributable to the anticipated profitability of the acquisition and the future operating synergies arising in the enlarged Group.

12 Reconciliation of Movements in Total Equity

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Opening total equity	172.4	122.0	122.0
Profit after taxation for the period	18.4	14.7	32.8
Foreign currency translation differences	0.2	-	(0.2)
Dividends paid	(5.5)	(4.3)	(6.2)
Issue of shares	1.4	1.4	1.5
Cost of equity share based payments	0.8	0.5	0.8
Actuarial gains on defined benefit pension schemes	5.7	16.9	27.8
Tax on share options	0.2	0.1	1.1
Deferred tax movement associated with actuarial gain	(2.0)	(5.1)	(8.4)
Gains on cash flow hedges	0.2	0.7	1.7
Deferred tax on cash flow hedge gain	(0.1)	(0.2)	(0.5)
Closing total equity	191.7	146.7	172.4

13 Related Party Transactions

There were no material related party transactions, in the view of the Directors, requiring disclosure.

14 Seasonality

The sales and profit for both the Domestic and Industrial Divisions are subject to seasonal fluctuations, with peak demand for Domestic heating products seen in quarter three and peak demand for Industrial supplies seen in quarter two. These peaks coincide with seasonal weather conditions and factory shut down periods. The effect on sales is historically that the six months ended 30 September produces approximately 47% of the annual sales of the Group and marginally less than half of the profit before tax.

15 Free cash flow

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Opening net debt	(82.0)	(77.9)	(77.9)
Closing net debt	(96.1)	(78.3)	(82.0)
Decrease in cash	(14.1)	(0.4)	(4.1)
Cash acquired with subsidiaries	-	(0.7)	(6.6)
Debt acquired with subsidiaries	-	0.6	3.6
Cost of acquisitions	27.6	12.5	27.9
Cash generated excluding acquisitions	13.5	12.0	20.8

Issue of ordinary share capital	(1.4)	(1.4)	(1.5)
Dividends paid	5.5	4.3	6.2
Free cash flow	17.6	14.9	25.5

Statement of Directors' Responsibilities

The directors' confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors are listed in the Annual Report and Accounts for 31 March 2007. A list of current directors is maintained on The BSS Group plc website: www.bssgroup.com.

By order of the Board

Gavin Slark
Group Chief Executive
26 November 2007

Roddy Murray
Group Finance Director
26 November 2007

Independent Review Report to The BSS Group plc

Introduction

We been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only

for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants, East Midlands
26-Nov-07

Notes:

(a) The maintenance and integrity of The BSS Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.