

27 May 2009

Preliminary Results for the year ended 31 March 2009

The BSS Group plc ('BSS' or 'the Group'), a market leading distributor to specialist trades, announces its audited preliminary results for the year ended 31 March 2009.

Financial Highlights

- Revenue increased by 4.0% to £1,340.6m (2008: £1,289.0m)
- Like for like revenue decreased by 0.7% in the year (2008: +8.5%)
- Gross margin increased to 22.9% (2008: 22.5%)
- Operating profit before amortisation of intangibles and exceptional charges up £2.7m (4.1%) to £68.1m (2008: £65.4m)
- Profit before tax ('PBT') £57.8m (2008: £58.3m). Adjusted^{*1} PBT £61.5m (2008: £60.3m)
- Earnings per share ('EPS') 33.3p (2008: 33.3p)
- Final dividend held at 5.54p per share (2008: 5.54p), total dividend 7.43p (2008: 7.43p).
- Free cash flow £27.9m (2008: £30.7m). Focus on cash has reduced net debt by 18% to £86.0m (2008: £104.3m). Net debt / EBITDA 1.2 times
- Return on capital employed (ROCE) 20.3% (2008: 21.4%)

Operational Highlights

- Market share gains for both Domestic and Industrial Divisions
- Focus on repair and maintenance ('R & M') market continues to underpin trading resilience
- 30 new branches opened, ROCE remains attractive
- Industrial Division diversifying into new markets
- Acquisitions made in the last four years are continuing to provide enhanced shareholder value
- Direct Heating Spares acquired to increase share of the growing parts market

^{*1} Adjusted PBT is after adding back exceptional charges for redundancy costs of £1.2m (2008: £0.4m comprising: redundancy costs £1.2m offset by £0.8m of income from compulsory purchases) and amortisation of intangible of £2.5m (2008: £1.6m).

- In response to market slowdown:
 - Headcount reduced by 300 (6%)
 - Annualised cost savings of £12m achieved
 - Sales per employee increased by 3%
 - Procurement / sourcing gains contributing £6m to gross margin

Gavin Slark, Group Chief Executive, commented:

“The results reflect the Group’s resilience with earnings and revenue holding up well despite a contracting economy and continuing uncertainty.

The challenges have increased as the year has progressed but we have adapted well: scaling down the business where appropriate, identifying new growth opportunities and picking up new revenue streams in adjacent markets.

The new financial year will be no easier. We are focused on winning new business and growing market share in more challenging trading conditions.”

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Chairman's Statement

The BSS Group has faced challenging trading conditions throughout the financial year with a number of our principal markets contracting in reaction to the financial crisis followed by the impact of the recession in the wider economy. The Company has reacted well to these challenges, scaling back the business where appropriate, but continuing to pursue growth opportunities.

I am pleased to report that we have had a successful year with revenue and earnings showing resilience and underlying growth despite the adverse economic environment. The Group continues to benefit from being conservatively financed with net debt reduced to £86m (2008: £104m) and new borrowing facilities were put in place to provide secure funding of £162m for the next three years.

Demand for our product is primarily driven by repair and maintenance ('R & M') activity, much of which is considered essential. We expect the continuing recession will impact on our core markets in 2009/10, as funding becomes tighter in both the public and private sectors. The Group continues to win new contracts and has identified new growth opportunities that are being pursued. We believe that BSS remains well placed to trade through recessionary markets and to take advantage of the economic recovery but we expect a tougher year ahead.

Results and Dividend

Profit before tax for the financial year ended 31 March 2009 decreased by 0.9% to £57.8m (2008: £58.3m), after charging exceptional costs of £1.2m (2008: £0.4m) and amortisation of intangibles of £2.5m (2008: £1.6m), on revenue of £1,340.6m (2008: £1,289.0m), an increase of 4.0%.

Earnings per share was in line with the prior year at 33.3p (2008: 33.3p) and the Board, in recognition of the resilient earnings performance, proposes to maintain the final dividend at 5.54p per share (2008: 5.54p) with a total dividend of 7.43p per share, in line with last year.

Strong cash performance is reflected in free cash flow of £27.9m (2008: £30.7m); after capital investment of £15.4m (2008: £15.6m) in new branches, infrastructure and systems that have enhanced growth potential.

Operating Performance

Both the Industrial and Domestic Divisions have delivered organic revenue growth of 3.9% and 3.3% respectively, increasing market share in tighter markets.

The Industrial Division has had another strong year with growth in revenue and operating profit increasing to record levels. The Division has benefited from investment in infrastructure, stock and people and its enhanced competitive position has been applied to good effect. Improved service and product availability, supported from 63 branches and specialist sales teams, has resulted in increased sales to existing and new customers. The Division continues to successfully support projects to refurbish existing and build new

schools, hospitals and prisons as well as support core customers maintaining manufacturing and processing facilities. New adjacent markets have been identified that are being developed that will provide new sources of revenue and growth.

The Domestic Division has absorbed the impact of a sharp slowdown in residential new build activity, which cost in excess of £35m in revenue, but also a tightening of its core R & M market. The Division has continued to expand and grow revenue and share of the R & M market with 30 new branches opened in the financial year taking the PTS branch network up to 307 branches. New growth opportunities are being pursued with the opening of our first dedicated renewables branch and the acquisition of Direct Heating Spares ('DHS') in April 2009 to enhance our offering of spare parts. The F & P Wholesale ('F & P') business has enjoyed a successful year; its business model is to provide next day delivery from stock to the independent merchant sector and this proposition has strengthened as credit availability has tightened in the wider market.

Within the Specialist Division, Buck & Hickman ('B & H') has increased profitability despite tighter maintenance, repair and overhaul markets ('MRO') as end user customers have cut back orders in recessionary markets. Further improvements have been made in operating efficiency and procurement and the second stage of the recovery plan was completed in December 2008 with the successful replacement of B & H's trading, operating and financial systems. We remain confident that B & H continues to provide excellent long term value for our shareholders.

With effect from 1 April 2009, the wholesale businesses of Price Tools and Birchwood Products were merged to form one company: Birchwood Price Tools ('BPT'). The combined business provides a stronger product offer to our customers with greater geographic sales coverage at less cost. The Specialist Division continues to offer good growth potential despite a recessionary market.

People

As the economic outlook has deteriorated, there has been a need to reduce the number of people employed in the Group to match the requirements of a contracting market. Wherever possible employees have been re-deployed and staff numbers reduced through natural wastage in order to avoid compulsory redundancies. We are grateful for the support and understanding shown.

In the last year, there have been no changes to the Board or the Executive Committee that manages the Group. This continuity has helped the business navigate through more challenging times, and has enabled the Company to remain close to its customers and suppliers in a changing and uncertain market place. The experience, knowledge and skills of all our employees continues to be a crucial element in the success of the Group. I take this opportunity to thank all our employees for their hard work and dedication throughout a challenging year.

The health and safety of our employees continues to be of great importance to the Board. Individual incidents are investigated and lessons learned documented and discussed at each Board meeting. Our aim continues to be to eliminate all lost time accidents and to ensure that the workplace is safe for all

our employees with the emphasis on awareness and prevention. We continue to strive to achieve our objective.

Outlook

The Group anticipates that calendar year 2009 will be a year of slowing demand. Although a large element of the Group's revenue is directly related to repair and maintenance activity, much of which is essential, the tightening of company budgets and uncertainty in the jobs market has had a negative impact on core demand in the Domestic, Industrial and Specialist Divisions. It is anticipated that this reduction will be partly offset by major contract wins relating to fully funded projects and a number of growth initiatives.

The Board remain confident that the Group can outperform the market but we expect revenue and earnings to be lower in 2009/10 than the prior year and have planned on this basis. The Company continues to keep close to its customers and the market place and continues to pursue new opportunities. Economic recovery is anticipated in 2010; the Group is conservatively financed and is well positioned to take advantage of that upturn.

Peter Warry
Chairman
27 May 2009

Business Review – Group Chief Executive

The BSS Group plc has shown resilience with revenue and earnings holding up well despite the impact of a financial crisis and a contracting economy. The challenges have increased as the year has progressed but we have adapted our plans: scaling down the business where appropriate, identifying new growth opportunities and picking up new contracts and revenue in adjacent markets.

Revenue growth:

+4.0%	Group
+3.7%	Domestic
+4.3%	Industrial
+5.6%	Specialist

The Group went into the recession in good shape with a strong balance sheet, limited exposure to residential new build and revenue primarily driven by essential repair and maintenance activity. We had a solid first half to the financial year but business got tougher as the year progressed, recessionary conditions took hold and markets tightened. In response, we have adapted our plans, repositioned resources in order to reduce our cost base but have continued to invest to support a number of organic growth initiatives.

Group revenue in the year increased by 4.0% against last year with operating profit before amortisation of intangibles and exceptional charges, increasing by 4.1% to £68.1m (2008: £65.4m).

New revenue streams are being pursued and gross margin enhanced with the benefits of a direct sourcing capability acquired with Birchwood Products.

Costs have been reduced as the business has been set up to meet the challenges of a contracting market. Employee numbers have been reduced by 6% as market circumstances have been re-assessed.

The Group extended its committed banking facilities in April 2009. The revolving credit facility was re-negotiated for £90m on a three year term with a syndicate of banks comprising: HSBC, Barclays and Lloyds TSB. In addition to the £72m US Private Placement, this gives the Group the capacity, flexibility and longevity of funding needed to take advantage of any development opportunities that may arise in the near term. With net debt of £86m at year end, the Group remains well positioned.

Despite the turmoil in the wider economy our strategy has remained unchanged; we continue to drive for profitable, cash generative organic growth in the existing businesses through superior service and continue to deliver good shareholder value. The business remains resilient as a specialist distributor with revenue primarily driven by R & M activity much of which is non-discretionary. Our strategic focus remains on four core elements:

- Consistently delivering excellent customer service
- Strong leadership and sensible business practices
- Profitable organic growth and value enhancing acquisitions
- Results driven culture

Our success is underpinned by keeping close to our customers and the market and we continue to see growth opportunities, despite the recession.

Like for like sales increased by 3.3% in the first half but were 4.2% lower in the second half, a decrease of 0.7% in the year. The decrease in like for like sales in the second half reflects the impact of reduced new build housing activity and a tightening in R & M spend.

Gross margin improved to 22.9% of revenue (2008: 22.5%) reflecting the benefits of better commercial terms, direct sourcing and selective price improvement. The costs to sales ratio increased to 18.0% (2008: 17.6%), with like for like costs up 2.0% in the year but down 1.9% in the second half. As a result of action taken, annualised costs have been reduced by £12m. Operating margin, before exceptional costs and amortisation of intangibles, was 5.08% (2008: 5.07%) with the improvement in gross margin more than offsetting the increase in the costs to sales ratio. Productivity continues to improve with sales per employee up +3% (2008: +4%) with investment in infrastructure and systems supporting the improvement achieved.

Domestic Division

	2009	2008	Increase / decrease
Revenue	£871.1m	£840.1m	+3.7%
Operating Profit	£35.8m	£42.1m	-15.0%
Margin %	4.1%	5.0%	

The Domestic Division increased revenue by 3.7% in the financial year against 2008 with like for like revenue decreasing by 1.5%, new branches contributed 4.8% of growth and an additional working day a further 0.4%. The weakening trend in sales in the second quarter of the financial year, caused by a sharp contraction in domestic new build activity, continued into the second half. As the recession took hold the repairs and maintenance market tightened as some end user customers deferred boiler replacement and opted to repair existing facilities. This shift in the market place accelerated our decision to acquire our parts partner: Direct Heating Spares ('DHS').

Total sales in the second half were 1.8% lower than last year and like for like sales were down 5.0% against last year. The primary driver for sales of boilers, radiators, pipes and accessories remains replacement on a repair and maintenance basis of existing housing stock. Despite some marginal loss of volume the core boiler market has continued to hold up well and our boiler sales volume increased by 3.9%.

The Domestic Division has continued to grow market share, this growth has been achieved by focusing on improving customer service, maintaining good product availability, retaining competitive terms and having knowledgeable staff that assist our customers. The Division has increased the number of active customer accounts and we have invested in new products and improved stock efficiency. Being flexible and keeping close to our customers through enhanced service remains key to the success of the Division.

During the year, PTS opened 30 new branches which takes the total number of trading locations across PTS and Jebbs to 307. The new branches continue to

add value and variation of the new branch proposition to meet the opportunities offered in local markets has underpinned the solid returns achieved.

Four of the 30 new branches opened in the year were contract branches making six in all. These branches offer commercial sanitaryware and allow the business to take advantage of the strong market demand for these products which was historically dominated by independent merchants. Sales across all contract branches have been strong with contract gains to refurbish schools, hospitals and hotels. The contract branches enter 2009/10 with good order books.

Sales reduction within the new build segment of the market has cost PTS in excess of £35m in lost revenue. This has been primarily due to the curtailment of new building activity in the year. The business has however seen growth in its small installer sales and has secured contract gains to refurbish housing stock and recruited new customers from our competitors. The social housing market continues to hold up and PTS continues to enjoy a strong market position.

The Division has continued to invest in new growth streams which have partly offset contraction in traditional market segments. Renewable technology continues to become a core part of our future strategy. PTS now supplies a complete range of solar, heat pump and bio mass technology. Sales continue to increase across all sectors including new build and local authority specifications. To this end we opened Aylesford in the year, a 22,000 sq ft branch and warehouse with the ability to distribute across the whole of the south east. Sales for the Group of renewable products have exceeded £10m for the first time in the financial year.

Spare parts continue to deliver excellent growth. PTS now has 90 locations selling spares and in 2008/09 PTS exceeded its annual sales budget with over £10m of sales. The spares market, estimated to be in excess of £200m, has strong market dynamics during economic downturns. Contracts recently awarded gives PTS confidence it will continue to take market share and grow in a sector which has considerable growth potential. The acquisition of Direct Heating Spares Limited ('DHS'), a leading wholesaler and distributor of spare parts to the heating industry, on 2 April 2009 will further enhance spares profitability and significantly improve market penetration.

The Domestic Division has worked closely with its supplier base to improve commercial terms and to develop further growth through creating 'win win' trading strategies. Gross margin has been enhanced by direct sourcing commodity product from low cost countries which has supported own brand margins.

Spendlove C. Jebb, the Northern Ireland based merchant has had a good year, despite economic difficulties in both the north and south of Ireland. Like for like sales were 8% up on last year, a new branch was opened at Naas, west of Dublin, taking the total number of branches in Ireland up to seven: six in the north and Naas in the south. We continue to see opportunities to grow share in Ireland despite the market downturn.

F & P distributes heating plumbing and bathroom products nationally to independent merchants, fire and bathroom showrooms. Our delivery promise of 'one tomorrow' means one of anything we sell, delivered within 24 hours, applies across most of the UK and is valued by our customers at a time when many of them have reduced their working capital investment. The core business is distribution of branded boilers complimented by F & P's own brand, Procombi boilers, which increased volume sales by 26%. A range of own brand bathroom products under the banner of 'Fresssh' have been introduced in the last year and sales are well ahead of our expectations. The business currently operates from 10 branches nationally with a new branch opening in Scotland in August 2009.

As markets have tightened in the second half, action has been taken to reduce costs throughout the Division to reflect deteriorating economic conditions. A programme of cost reduction has continued throughout the half with PTS headcount down 7% on last year on a like for like basis. Both PTS and F & P Wholesale enter the new financial year well positioned to meet the challenges of a recessionary market.

Industrial Division

	2009	2008	Increase
Revenue	£351.6m	£337.2m	+4.3%
Operating Profit	£29.4m	£25.1m	+17.1%
Margin %	8.4%	7.4%	

The Industrial Division has had a good year. Like for like revenue increased by 3.9% (2008: 12.9% growth) with operating profit increasing by 17.1%, the operating margin increased to 8.4% (2008: 7.4%). Sales growth slowed in the second half of the year, as expected, with like for like revenue flat, against first half growth of 7.6%. Sales volume growth has been sustained throughout the financial year but price deflation on copper and steel in the second half has slowed momentum.

The Division continues to outperform the market and to build on its reputation for service, reliability and technical expertise. Major project work remains key to the Division's success, capitalising on investment in health, education and infrastructure projects both public and private. The Division benefits from its national distribution capability, from investment in stock, with experienced management maintaining strong customer relationships.

Many of our customers have strong order books and although we recognise that secure funding is key to maintaining the flow of new project work we are encouraged by the level of new contract business that is being secured. Olympics related business has commenced and we continue to build revenue beyond our market leading position in the heating and ventilation sector.

The Division has continued to expand its added value offering in technical and support services through its own brands.

A major investment has gone into Manor Plastics with a new logistical platform being put into Magna Park which provides a next day service direct to the customer for all industrial plastic products, both fittings and tube. AMS Pumps

was awarded, for the second year running, 'Pumps Distributor of the Year' and was recognised for the work completed on energy surveys that help our clients to reduce their energy requirements by replacing inefficient pumps.

On-going repair and maintenance work continues to grow in importance, sales focus has been improved and work completed to drive sales of controls and heating spares through the launch of our Havelock website complemented with dedicated sales focus. This trading platform has been well received by our customers and supports sales growth on the Havelock brand. This sales initiative, not only provides full technical details of all stocked parts, but also allows orders to be placed and card purchases to be accepted over the web.

Further investment has been made in our branch network with the opening of the first new Industrial branch in ten years in Portsmouth. We are encouraged by customer reaction in the local market and are reviewing the opportunities to open additional branches with variation in the proposition to fit with local needs.

A number of new sectors have been targeted. The Industrial Division recognises the need to diversify and a number of opportunities are being pursued that offer new revenue potential.

Major investment is being undertaken under the Asset Management Programme ('AMP') to improve water treatment and environmental standards in the water industry. The Division is well positioned to support major investment in capital works and has been successful in securing a number of framework agreements with tier one contractors working in the sector.

In addition, above ground drainage is a £200m market that offers considerable growth potential for the Industrial Division. A new 'implant' branch has been opened within existing industrial premises at Chessington, west of London. Early results are encouraging, necessary expertise has been acquired and a further five 'implant' branches are being opened in the first half of the new financial year.

The Division continues to seek to improve the breadth and quality of earnings. The current pipeline of work remains strong but the inherent risks are recognised in the need for our customers to have secure funding. Diversification into new market sectors is being pursued aggressively to improve the mix of sales and the spread of funding sources recognising that Government sourced finance will in due course be significantly reduced.

Specialist Division

	2009	2008	Increase
Revenue	£117.9m	£111.7m	5.6%
Adjusted Operating Profit* ₁	£4.7m	£2.9m	62.1%
Margin %	4.0%	2.6%	

*₁ operating profit prior to amortisation of intangibles £1.5m (2008: £0.4m) and redundancy costs £0.1m (2008: £1.2m)

The Specialist Division serves the maintenance, repair and overhaul ('MRO') market which is estimated to be worth in excess of £3bn. The market includes power tools, hand tools, personal protective equipment, janitorial product and

general industrial supplies. Buck & Hickman sells to end user industrial customers and Birchwood Price Tools sells predominantly to trade customers.

Buck & Hickman has made considerable progress in its second full year of Group ownership despite like for like revenue being 3.8% down on last year, better gross margin, cost savings and further operating efficiencies resulted in profit increasing by 25%.

There has been significant change in the B & H business as the second stage in the recovery plan was successfully completed with replacement of the trading, operating and financial systems in December 2008. This investment was essential and provides B & H with branch based customer facing systems that are geared to supporting a network of local branches with MRO product.

B & H sales proposition supports large end user customers with their general maintenance and overhaul procurement requirements and is geared to meet their needs in a 'cost down' environment. B & H continues to have an attractive offer and sales have remained stable despite a number of customers cutting back production activity.

B & H has commenced the third stage of the recovery plan, which is focused on growth. The wider economic environment is now more challenging than two years ago but significant market opportunities remain. We are targeting recruitment of new customers and new sectors, including construction.

The trade counter offer has been developed with the introduction of 'Tooltastic' which allows B & H to take its service levels and product range into the trade and construction markets. The Tooltastic brand is also supported by its own website www.tooltastic.com. 28 trade counters have now been launched under the Tooltastic banner.

A number of major contracts were successfully renegotiated during the course of the year with B & H securing three year agreements which provide continuity and opportunity into the medium term for in excess of 30% of sales.

Price Tools and Birchwood Products were merged on 1 April 2009 to form Birchwood Price Tools (BPT). The new company is focussed on the wholesale market distributing power tools, hand tools and site equipment in the UK. The integration creates a powerful product proposition through the combination of leading manufacturer and proprietary brands. The new product offer, taken to market via a comprehensive catalogue and the national sales force, represents a considerable cross-selling opportunity.

Trading conditions in 2008 for Birchwood Products and Price Tools have been difficult as whilst there is a healthy spread of sales to a variety of sectors some have been adversely affected by the economic slowdown. The outlook for 2009 will remain challenging but the new business is well positioned post integration with a lower cost base, and an exciting product development plan.

The IT systems have been merged and the business has been restructured with the Nottingham site now the head office and main distribution centre. The Birmingham trade counter has been developed into a major branch to further support local independent dealers.

Market Outlook and Economic Risk

In February 2009, a limited liability partnership was formed called Construction Site Solutions made up of Speedy Hire, Lavendon, Hewden and BSS. This consortium has been put together to maximise revenue generating opportunities from major infrastructure projects. The first location will be in east London.

The Group has a broad spread to its business with over 61,500 customers serviced from over 400 branches, located the length and breadth of the UK and Ireland. Its exposure to any individual customer is limited; the largest customer represents around 4% of revenue and the top ten customers by value account for just 10% of Group revenue.

The relationship with our customers and our competitive position is anchored primarily on service, availability of product and cost to serve.

As a specialist distributor the primary driver for our products is the repair and maintenance of existing facilities. The element of our revenue driven by 'improvement' projects has a broad spread to both the nature of the projects and their source of funding. Major project work has held up well. Work with the MOD, local authorities, health authorities and commercial projects are underpinned by programmes that run in many cases for a number of years.

Economic activity has slowed with the recession and we expect a further degree of contraction in a number of market segments in 2009 and have planned on this basis. We have experienced a tightening in the domestic R & M market in the second half and we anticipate that this will continue throughout 2009. For the Industrial Division we anticipate there will be a slowdown during 2009. Despite slowing markets, new growth opportunities have been identified and are being pursued with energy and purpose. We remain focused on being competitive and are keeping close to our customers and the market and remain optimistic that the Group can continue to outperform the market and pick up new business.

Gavin Slark
Group Chief Executive

27 May 2009

Financial Review

Despite the turmoil of the last 12 months in the financial markets, the recession and a contraction in credit availability, the Group remains well positioned. The Board has sought to ensure that the Group is conservatively financed, that management are focused on cash generation and that debt raised to fund investment and acquire businesses is repaid. During the financial year ended 31 March 2009, net debt reduced from £104.3m to £86.0m. The Group was refinanced on 29 April 2009 with a new £90m facility on a three year term to add to the £72m US private placement maturing in 2013 and 2016. The Group has £162m of committed debt facilities for the next three years providing funding capacity and flexibility for the medium term.

Profit before tax in the year was 0.9% below last year after deducting exceptional costs of £1.2m (2008: £0.4m) and amortisation of intangibles £2.5m (2008: £1.6m). Earnings per share is in line with the prior year and action has been taken to reduce costs by an annualised £12m. The BSS Group plc remains financially secure and the finances of the Group remain strong.

Our views on the creation of long term value for our shareholders have not changed in the last year. We believe long term value is achieved by sales growth, improved profitability, cash generation and strong return on capital employed. These shared views drive decision making and behaviour in the Group with the financial objectives aligned to this end and focused on four key objectives:

- Increasing revenue
- Improving operating margins
- Maximising return on capital employed
- Maximising free cash flow

The five year record for financial measures used by the Group is set out below:

	2009	2008	2007	2006	2005
Revenue growth	4.0%	27.4%	17.2%	15.7%	12.6%
Operating margin	4.80%	4.92%	5.07%	4.80%	5.11%
Earnings per share	33.3p	33.3p	27.1p	21.0p	19.7p
Free cash flow	£27.9m	£30.7m	£25.5m	£10.3m	£15.2m
Return on capital	20.3%	21.4%	20.1%	20.7%	24.9%
Net debt	£86.0m	£104.3m	£81.9m	£77.9m	£62.3m
Net debt / EBITDA	1.18 times	1.49 times	1.44 times	1.70 times	1.49 times

Financial Results

For the year ended 31 March 2009, Group revenue increased by 4.0% to £1,340.6m (2008: 1,289.0m). Like for like revenue, which excludes the impact of acquisitions and new branches decreased by 0.7% (2008: 8.5% increase), with a 4.2% decrease (2008: 9.9% increase) in the second half of the year. Both the Domestic and Industrial Divisions showed growth in revenue, with Industrial revenue increasing by 4.3% and Domestic by 3.7%. On a like for like basis both

Industrial and Domestic Divisions continue to outperform the market but as the year progressed, the impact of the recession became more evident: there has been some tightening of repair and maintenance spend plus deflation on copper and steel prices. In reaction, the cost base of the Group has been managed down with headcount reduced by 300 (6%) and annualised cost savings of £12m have been achieved.

Revenue growth on an organic basis, which includes the benefit of new branches, was up 2.3%, with bolt on acquisitions contributing a further 1.3% of growth.

New branches contributed 3.0% growth to Group revenue with a further 30 branches opened in the year. New branches continue to provide a satisfactory return on capital with their performance closely monitored against expected returns and they continue to represent a good use of shareholder capital.

Gross profit of £306.6m was £16.5m (5.7%) up on last year. The gross margin percentage was 22.9%, up 0.4% on 2008, contributing incremental margin of £5.1m. Improved sales mix, commercial negotiation, plus the direct sourcing capability of Birchwood Products has assisted the Group achieve gross margin improvement.

Costs of £242.2m were £15.5m (6.8%) up on last year. Excluding the impact of acquisitions and new branches, like for like costs were 2.0% up on last year with bad debts accounting for 1.1% of the increase. Bad debts cost £6.9m (0.51% of revenue) an increase of £2.5m on the prior year. An exceptional charge of £1.2m (2008: £0.4m) was made for redundancy costs and amortisation of intangibles cost £2.5m (2008: £1.6m).

Operating profit increased by 1.6% to £64.4m (2008: £63.4m) with the Industrial Division showing strong growth and the Specialist Division achieving an adjusted operating margin of 4.0% (2008: 2.6%) in its second full year post acquisition.

Operating profit of the Domestic Division was £6.3m (15%) lower than 2008 reflecting the impact of lower sales as new build revenues contracted and R & M markets tightened plus increased bad debts. Action taken on costs resulted in a 7% reduction in Divisional headcount. Group costs to sales ratio prior to exceptional costs and amortisation of intangibles, was 17.8% against 17.4% in 2008.

Group interest charges (gross) decreased from £7.6m to £7.1m reflecting the reduction in LIBOR in the second half partly offset by higher average net debt due to the acquisition of Birchwood Products in March 2008. Interest cover was a healthy 9.1 times (2008: 8.6 times) and gearing closed the year at 37.1% (2008: 49.3%).

Profit before tax decreased by 1% to £57.8m (2008: £58.3m). Earnings per share on a statutory basis was held flat at 33.3 pence per share (2008: 33.3 pence). There is no material difference between earnings per share and the diluted earnings per share.

The tax charge for the year was £16.8m (29.1% of profit before tax) compared with a £17.5m charge in 2008 (30.0%). The total tax charge is above the basic rate due to expenditure not eligible for tax relief.

Shareholders' Return

Total equity has increased in the year by £20.1m (10%) to £231.6m (2008: £211.5m).

The share price on 31 March 2009 was 288 pence (31 March 2008: 390.5 pence), having been at a high in the year of 402 pence and a low of 185 pence. The share price on 22 May 2009, the latest practical day before the publishing of these accounts was 289.25 pence. At the year end the market capitalisation was £355.7m (2008: £479.8m), which represents 1.5 times (2008: 2.3 times) shareholders' funds.

Based on operating profit generated in the year, return on capital employed (equity and debt) was 20.3% against 21.4% in 2008.

Given that earnings per share is flat year on year and that dividend cover remains satisfactory, the Board recommend that the final dividend is held at 5.54 pence per share, making a total for the year of 7.43 pence (2008: 7.43 pence).

Cash Flow

Free cash flow in the year of £27.9m (2008: £30.7m) was £2.8m lower than last year reflecting higher operating profit offset by increases in working capital. The working capital to sales ratio at year end was 14.0%, in line with the prior year.

Working capital in the year, excluding acquisitions, increased by £5.3m (2.9%) against 4.0% revenue growth. Tight control of working capital has been maintained and in-take of stock has been carefully managed to meet sales expectations.

Net debt decreased in the year by £18.3m (18%) to £86.0m (2008: £104.3m). Borrowings and interest cover continue to remain at comfortable levels relative to the earnings and cash flow of the Group.

Debt Facilities

The Group has a mixture of unsecured bank borrowings, unsecured loan notes at fixed and floating rates and retained profits to fund its day to day activities. The \$125m of US loan notes are repayable in 2013 (\$75m) and 2016 (\$50m) and are used to fund the core debt of the Group. The loan notes were swapped into sterling at \$ 1.73 = £. There is no currency risk. We have a new £90m Revolving Credit Facility (RCF) provided by a syndicate of banks which is used to fund bolt on acquisitions and supplementary working capital requirement. The £90m RCF was entered into on 29 April 2009 and is repayable in April 2012. In addition, there is a £35m overdraft facility with HSBC Bank plc which is used to fund the Group's short term fluctuations in working capital.

The Group had unutilised credit facilities in excess of £110m as at 31 March 2009. The ratio of net debt to earnings before interest tax depreciation and amortisation (EBITDA) was 1.18 times (2008: 1.49 times) at year end.

Capital Expenditure

During the year the Group invested £15.4m (2008: £15.6m) in capital expenditure of which £4.6m was invested in opening new branches and £7.4m on upgrading IT systems. IT investment included £4.5m to replace Buck & Hickman's operating, financial and branch based systems.

Capital expenditure and significant disposals are subject to capital appraisal reviews with clear authority levels in place throughout the Group.

Pension Funds

The Group have three closed final salary pension schemes. The total Group pension deficit calculated on an IAS 19 basis for the defined benefit schemes was £30.9m at 31 March 2009 (2008: £13.1m). Although the risk of economic slow down has had an adverse effect on the equity values of the assets of the schemes, this reduction has been partly offset by lower liabilities as inflation rates on payroll have been reassessed. The Group has applied a higher discount rate reflecting the higher AA corporate bond rate that is used to value the future cash flows at today's value. The pension deficit is manageable and we expect the assets to appreciate in value when the economic recovery takes effect. At year end, the deficit represented 9% (2008: 3%) of Group market value. As at 30 April 2009, the pension assets had increased in value by £10.2m (9.7%) in the month.

Financial Risk Management

The Group Treasury team continues to co-ordinate the Group's banking and borrowing requirements, and controls exposure to foreign exchange and interest movements. The aim is to minimise the effect of changes in external and internal conditions on the financial performance and net assets of the Group. The Group manages these risks using Board approved policies and procedures and does not enter into speculative contracts. Derivative instruments are used but only to manage our exchange and interest rate exposure.

Interest Rate Risk

At the year end, around 84% of the Group's net debt is subject to interest rate fixing through swap transactions. The Group uses these interest rate swaps to manage its exposure to variable interest rates.

Liquidity Risk

The Group finances its operations through a mixture of retained profits, bank borrowings and private placement finance. The borrowings are denominated primarily in Pounds Sterling and the private placement debt is denominated in US Dollars. Cash deposits are placed with banks at floating rates on periods ranging from overnight to monthly depending on forecast cash flow

requirements and earn interest at prevailing rates in the money market. The maturity profile of borrowings is set out in the financial statements. The Group maintains the mixture of long term, medium term and short term committed facilities as part of its liquidity risk management, which enables the Group to ensure that it is able to meet the funding needs of the business.

Currency Risk

The Group's exposure to foreign currency risk is minimal. The Group's wholly owned Irish subsidiary's revenues and expenses are denominated in Euros. The Group faces currency exposure on the translation of profits earned within the subsidiary, and is subject to currency exposure on the translation of its net assets. The Group finances its investment in this subsidiary by means of borrowings in Pounds Sterling, together with a Euro overdraft facility. Dividends are paid by the Irish subsidiary to the Group at spot exchange rates. The Group does not consider it appropriate to hedge its net investment due to the materiality of the Irish operation. The Group's trade purchases from overseas suppliers are either purchased in Pounds Sterling or in the relevant foreign currency. The Group enters into finance contracts to buy foreign currency forward to lock input costs at levels that enable the commercial teams to price and trade effectively. The Group's balance sheet transaction exposure relates primarily to foreign currency trade creditors and is not material to the Group. Furthermore the Group's US denominated borrowings have been converted to Sterling using currency swaps.

Credit Risk

The Group has no significant concentration of credit risk and limits the amount of credit exposure to any particular customer across all trading Divisions via credit insurance and a Group wide credit limit. It has policies in place to ensure that sales of product are made to customers only with an appropriate credit standing and history. Regular credit review meetings are held to manage key debtors and overdue debts. Consequently, management believe that no further credit risk provision is required in excess of normal provision for doubtful debtors.

Roddy Murray
Group Finance Director

27 May 2009

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge this preliminary consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority, International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretation Committee (IFRIC) interpretations, as endorsed by the European Union (EU).

The accounting policies applied are consistent with those described in the Annual Report and Accounts 2008. In preparing the preliminary consolidated financial information, the Directors have also made reasonable and prudent judgements and estimates and prepared the preliminary consolidated financial information on the going concern basis. The preliminary consolidated financial information and management report contained herein give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.

The Directors are listed in the Annual Report and Accounts for 31 March 2008. 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
27 May 2009

Roddy Murray
Group Finance Director
27 May 2009

Consolidated Income Statement

of The BSS Group plc for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Revenue	3	1,340.6	1,289.0
Gross profit		306.6	290.1
Staff costs before redundancy costs		(132.0)	(121.6)
Redundancy costs		(1.2)	(1.2)
Staff costs		(133.2)	(122.8)
Depreciation		(5.8)	(5.1)
Amortisation of non-current assets		(2.5)	(1.6)
Other operating charges		(104.5)	(99.7)
Other operating income		3.8	2.5
Operating profit	3, 4	64.4	63.4
Finance income	6	0.1	0.4
Pension scheme net finance income	6	0.5	2.1
Finance costs	6	(7.2)	(7.6)
Profit before taxation	3	57.8	58.3
Income tax expense	7	(16.8)	(17.5)
Profit after taxation for the year attributable to equity shareholders	3	41.0	40.8

All results derive from continuing activities.

Earnings per share	9	33.3p	33.3p
Diluted earnings per share	9	33.2p	33.0p

Dividend per share

Interim dividend	8	1.89p	1.89p
Proposed final dividend	8	5.54p	5.54p
Total dividend for the year	8	7.43p	7.43p

Consolidated Statement of Recognised Income and Expense

of The BSS Group plc for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Profit after taxation for the year		41.0	40.8
Foreign currency translation differences		-	0.9
Actuarial (losses)/ gains on defined benefit pension schemes	5	(19.2)	2.7
Deferred tax movement associated with actuarial (losses)/ gains		5.4	(1.1)
Gains on cash flow hedges		1.0	1.4
Deferred tax on cash flow hedge gain		(0.3)	(0.4)
Total recognised income for the year		27.9	44.3

Consolidated Balance Sheet

of The BSS Group plc as at 31 March 2009

	Notes	March 2009 £m	March 2008 £m
Assets			
Non-current assets			
Goodwill		79.9	82.0
Intangible assets		45.6	36.4
Property, plant and equipment		41.1	39.1
Deferred tax asset		9.8	5.3
		176.4	162.8
Current assets			
Inventories		172.6	169.1
Trade and other receivables		239.6	253.5
Financial assets			
- Cash and cash equivalents		10.8	4.1
- Derivative financial instruments		4.3	3.3
		427.3	430.0
Liabilities			
Current liabilities			
Financial liabilities			
- Borrowings		-	(11.6)
Trade and other payables		(224.6)	(241.5)
Current tax liabilities		(7.0)	(6.0)
Provisions		(0.9)	(0.9)
		(232.5)	(260.0)
Net current assets		194.8	170.0
Non-current liabilities			
Financial liabilities			
- Borrowings		(96.8)	(96.8)
Deferred tax liabilities		(9.7)	(8.1)
Retirement benefit liabilities	5	(30.9)	(13.1)
Provisions		(2.2)	(3.3)
		(139.6)	(121.3)
Net assets		231.6	211.5
Shareholders' equity			
Share capital		6.2	6.1
Share premium		33.6	32.4
Other reserves		15.1	14.4
Retained earnings		176.7	158.6
Total equity	11	231.6	211.5

Consolidated Cash Flow Statement

of The BSS Group plc for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Cash flows from operating activities			
Cash generated from operations	12	66.0	68.5
Interest paid		(7.8)	(7.1)
Interest received		-	0.2
Tax paid		(14.9)	(15.5)
Net cash from operating activities		43.3	46.1
Cash flows from investing activities			
Acquisition of subsidiaries		(1.0)	(44.9)
Net of cash and overdraft acquired with subsidiaries		-	(1.9)
Purchase of property, plant and equipment and intangible assets		(15.4)	(15.6)
Sale of property, plant and equipment		-	0.2
Net cash used in investing activities		(16.4)	(62.2)
Cash flows from financing activities			
Issue of ordinary share capital		0.6	1.5
Proceeds of borrowings		-	18.6
Repayment of short term borrowings		(11.2)	-
Capital element of finance lease payments		(0.4)	(0.4)
Dividends paid	8	(9.2)	(7.8)
Net cash from financing activities		(20.2)	11.9
Net increase/ (decrease) in cash and cash equivalents		6.7	(4.2)
Cash and cash equivalents at 1 April		4.1	8.3
Cash and cash equivalents at 31 March		10.8	4.1
Free cash flow is defined as:			
Net cash from operating activities		43.3	46.1
Purchase of property, plant and equipment and intangible assets		(15.4)	(15.6)
Sale of property, plant and equipment		-	0.2
Free cash flow		27.9	30.7
Net cost of acquisitions		(1.0)	(46.8)
Issue of ordinary share capital		0.6	1.5
Dividends paid		(9.2)	(7.8)
Movement in net debt		18.3	(22.4)
Opening net debt		(104.3)	(81.9)
Closing net debt		(86.0)	(104.3)

NOTES

1 Basis of Preparation

The financial information comprises the consolidated balance sheets as at 31 March 2009 and 31 March 2008 and related consolidated statements of income and cash flows for the year then ended of The BSS Group plc.

The Group's financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued for use in the European Union and on a basis consistent with that adopted in the previous year.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS this announcement does not itself contain sufficient information to comply with IFRS. The full IFRS compliant statutory accounts for the year ended 31 March 2009 will be filed with the Registrar of Companies in due course.

The financial information in this preliminary announcement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 March 2008, which have been filed with the Registrar of Companies. The auditors have reported on the statutory accounts for 2009 and 2008, and their reports were unqualified and did not contain statements 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 2008, as described in those financial statements.

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2008 and have been adopted in the financial statements for the first time this year.

IFRIC 12, 'Service concession arrangements', applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The application of the standard has had no material impact on the Group's accounts.

IFRIC 14, IAS 19, 'The Limit on a Defined Benefit Asset', (effective for annual periods beginning on or after 31 December 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19, Employee benefits on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The application of the standard has had no material impact on the Group's accounts. The Group early adopted the standard from 1 April 2008.

NOTES

3 Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Board to allocate resources and assess their performance. After review of the segments identified by the previous standard, IAS 14 “Segment Reporting”, the Board believe that the current segments still apply under IFRS 8. The business is organised around differences in products and services. Where areas of the business have common characteristics, segments have been aggregated appropriately.

The Group's reportable segments and their activities are listed below:

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.

NOTES

3 Segmental information continued

	2009				2008			
	Industrial Division £m	Domestic Division £m	Specialist Division £m	Total £m	Industrial Division £m	Domestic Division £m	Specialist Division £m	Total £m
Gross revenue	352.1	873.3	122.2	1,347.6	338.1	843.0	113.9	1,295.0
Inter-segment sales	(0.5)	(2.2)	(4.3)	(7.0)	(0.9)	(2.9)	(2.2)	(6.0)
Revenues from external customers	351.6	871.1	117.9	1,340.6	337.2	840.1	111.7	1,289.0
Segment result before redundancy costs	29.7	36.4	3.2	69.3	25.1	42.1	2.5	69.7
Redundancy costs	(0.3)	(0.6)	(0.1)	(1.0)	-	-	(1.2)	(1.2)
Segment result	29.4	35.8	3.1	68.3	25.1	42.1	1.3	68.5
Unallocated charges				(3.9)				(5.1)
Operating profit				64.4				63.4
Net finance costs				(6.6)				(5.1)
Profit before taxation				57.8				58.3
Income tax expense				(16.8)				(17.5)
Profit after taxation for the year				41.0				40.8
Segment assets	119.9	282.2	44.0	446.1	120.0	287.3	45.9	453.2
Acquired intangibles	0.9	4.2	22.3	27.4	1.2	4.6	20.3	26.1
Goodwill	10.9	51.6	17.4	79.9	10.9	51.6	19.5	82.0
	131.7	338.0	83.7	553.4	132.1	343.5	85.7	561.3
Unallocated assets								
Deferred tax asset				9.8				5.3
Cash				10.8				4.1
Derivative financial instruments				4.3				3.3
Intangibles - software				18.2				10.3
Properties				6.8				6.8
Group property, plant and equipment				0.4				1.7
Total assets				603.7				592.8
Segment liabilities	(64.5)	(140.4)	(19.7)	(224.6)	(66.6)	(150.2)	(24.7)	(241.5)
Unallocated liabilities								
Retirement benefit liabilities				(30.9)				(13.1)
Onerous lease and property dilapidation provisions				(3.1)				(4.2)
Borrowings				(96.8)				(108.4)
Tax liabilities				(16.7)				(14.1)
Total liabilities				(372.1)				(381.3)

NOTES

3 Segmental information continued

Other segment items	Industrial Division £m	Domestic Division £m	Specialist Division £m	Total £m	Industrial Division £m	Domestic Division £m	Specialist Division £m	Total £m
Capital expenditure- Property, plant and equipment								
Segment	1.0	6.1	0.8	7.9	1.8	6.4	0.6	8.8
Group				0.1				0.4
Capital expenditure- Intangibles								
Group				7.4				6.4
				15.4				15.6
Depreciation								
Segment	1.1	3.5	0.7	5.3	1.1	3.0	0.5	4.6
Group				0.5				0.5
				5.8				5.1
Amortisation of non- current assets								
Segment	0.3	0.4	1.5	2.2	0.3	0.4	0.4	1.1
Group				0.3				0.5
				2.5				1.6

All inter-segment sales/transfers are transacted on an arms length basis. The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of corporate and head office costs, investment revenue and finance costs and income tax expense as reported to the Board. The Board monitor the tangible and intangible assets and working capital of each segment. 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 liabilities.

Geographical information

The Group operates in one principal geographical area, the UK and Republic of Ireland. The Industrial and Specialist Divisions sell products to overseas countries but these operations of the Group are not monitored by the Board for allocating resources or performance purposes as a separate function. Information on the split of external revenue to overseas countries is shown below, no information on the allocation of assets is available.

	2009 £m	2008 £m
UK and Republic of Ireland	1,338.0	1,286.2
Other	2.6	2.8
	<u>1,340.6</u>	<u>1,289.0</u>

Sales to any individual country outside of UK and Republic of Ireland are not material and therefore are not disclosed separately.

Information about major customers

The Group does not rely on any individual customer. Included in revenues arising from the Domestic Division are revenues of approximately £50.5m (2008: £35.5m) which arose from sales to the Group's largest customer.

Information on products and services

Each division supplies a distinct set of products and services. The Group's revenues from its major products and services and allocation of its assets are shown by individual segments above.

NOTES

4 Operating profit

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

	Year ended 31 March 2009	Year ended 31 March 2008
	£m	£m
Income from compulsory purchases	-	(0.8)
Restructuring	1.2	1.2

5 Pension schemes

	Year ended 31 March 2009	Year ended 31 March 2008
	£m	£m
Gross deficit 1 April 2008	13.1	18.3
Current service costs	3.2	2.4
Contributions	(4.3)	(2.9)
Other finance costs - interest cost	9.7	8.7
Other finance income - expected return on scheme assets	(10.2)	(10.8)
Foreign exchange retranslation	0.2	0.1
Actuarial losses/(gains)	19.2	(2.7)
Gross deficit 31 March 2009	30.9	13.1
Deferred tax asset	(8.7)	(3.7)
Net deficit at 31 March 2009	22.2	9.4

The change in the scheme deficit is primarily due to the fall in the market value of the mainly equity investments, which has been partially offset by the increase in discount rates.

NOTES

6 Finance income and costs

	Year ended 31 March 2009	Year ended 31 March 2008
	£m	£m
Deposit account interest	-	0.2
Other net finance income - pension schemes	0.5	2.1
Other finance income – revaluation of financial instruments	0.1	0.2
Finance income	0.6	2.5
Loan and other bank interest	(7.1)	(7.6)
Unwind of discount on Birchwood acquisition deferred consideration	(0.1)	-
Finance costs	(7.2)	(7.6)
Interest cover (times)	9.1	8.6

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

During the year an additional £5 million overdraft facility was authorised, increasing the available overdraft facility to £35 million. On 29 April 2009, the £100 million five year unsecured revolving credit facility was replaced with a £90 million three year unsecured revolving credit facility.

7 Income tax expense

	2009 £m	2008 £m
Analysis of charge in year:		
Current tax		
United Kingdom corporation tax payable at 28% (2008: 30%)	16.5	17.0
Prior year adjustment	(0.5)	-
Overseas taxation	0.1	0.1
	16.1	17.1
Deferred taxation - origination and reversal of timing differences	0.7	0.4
Income tax expense	16.8	17.5

NOTES

7 Income tax expense continued

	2009		2008	
	£m	%	£m	%
Profit on ordinary activities before taxation	57.8		58.3	
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2008: 30%)	16.2	28.0	17.5	30.0
The tax for the year is higher than (2008: equal to) the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:				
Adjustments in respect of prior year	(0.7)	(1.1)	(0.5)	(0.9)
Adjustments in respect of foreign tax rates	(0.1)	(0.1)	(0.1)	(0.2)
Change in tax rate for deferred tax	-	-	(0.2)	(0.3)
Expenses not deductible for tax purposes	1.4	2.3	0.8	1.4
	16.8	29.1	17.5	30.0

The increase in expenses not deductible for tax purposes include £0.3m (2008: £nil) for share based payments.

8 Dividends

	Year ended 31 March 2009	Year ended 31 March 2008
	£m	£m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for year ended March 2008: 5.54p per share (2007: 4.55p per share)	6.8	5.5
Interim dividend for year ended March 2009: 1.89p per share (2008: 1.89p per share)	2.4	2.3
	9.2	7.8

In addition the Directors are proposing a final dividend in respect of the financial year ending 31 March 2009 of 5.54 pence per share which will absorb an estimated £6.8 million of shareholders' funds. It will be paid on 24 July 2009 to shareholders who are on the register of members on 26 June 2009.

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 year 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.

	31 March 2009			31 March 2008		
	Earnings	Weighted average number of shares	Per-share amount	Earnings	Weighted average number of shares	Per-share amount
	£m	millions	pence	£m	millions	pence
Statutory						
Basic EPS						
Earnings attributable to ordinary shareholders	41.0	123.250	33.3	40.8	122.320	33.3
Effect of dilutive securities						
Options	-	0.370	-	-	1.025	-
Diluted EPS						
Adjusted earnings	41.0	123.620	33.2	40.8	123.345	33.0

At 31 March 2009 867,302 (2008: 439,875) share options had an exercise price in excess of the market value of the shares on that day. As a result for 2009 and 2008, these options were excluded from the calculation of diluted earnings per share.

NOTES

10 Acquisitions

On 1 March 2008, the Company acquired 100% of the issued share capital of Birchwood Group Holdings Limited for a cash consideration of £19.7 million. This resulted in goodwill and intangibles of £20.6 million.

	Book Value	Adjustments	Final Fair Value Acquired
Net assets acquired:	£m	£m	£m
Intangibles	0.9	11.5	12.4
Property, plant and equipment	0.9	-	0.9
Inventories	3.7	(0.1)	3.6
Trade and other receivables	6.1	-	6.1
Cash and cash equivalents	2.1	-	2.1
Financial instruments	-	0.2	0.2
Borrowings	(4.0)	-	(4.0)
Trade and other payables	(5.6)	(0.2)	(5.8)
Tax liabilities	(0.8)	(3.2)	(4.0)
	3.3	8.2	11.5
Goodwill			8.2
			19.7
Satisfied by:			
Cash			16.0
Deferred consideration			3.3
Directly attributable costs			0.4
			19.7

The intangible assets are primarily brand names 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.

The final fair value adjustments made in the period relating to the acquisition of Birchwood are £0.1m stock and £0.2m accruals. These changes are not considered significant and therefore the prior year balance sheet has not been restated.

Post year end acquisitions

On 2 April 2009, the Group acquired 100% of the share capital of Direct Heating Spares Limited for a cash consideration of £6.2m, leading to provisional goodwill and intangibles of £5.5m. Direct Heating Spares Limited is a leading wholesaler and distributor of spare parts to the heating industry and will form part of the Domestic Division.

At the current time both the cost of acquisition and fair value of assets and liabilities are estimates based on information available to the Group at the date of approval of these financial statements. Further adjustments may be necessary when full information is available.

Due to the proximity of the acquisition to the date of approval of the 2009 financial statements, it has not been possible to disclose all information required under IFRS 3 "Business combinations" in respect of this acquisition.

NOTES

11 Reconciliation of movements in total equity

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Opening total equity	211.5	172.4
Profit after taxation for the period	41.0	40.8
Foreign currency translation differences	-	0.9
Dividends paid	(9.2)	(7.8)
Issue of shares	1.3	1.5
Cost of issue of Performance Share Plan shares	(0.7)	-
Cost of equity share based payments	1.1	1.3
Actuarial (losses)/ gains on defined benefit pension schemes	(19.2)	2.7
Tax on share options	(0.3)	(0.2)
Deferred tax movement associated with actuarial (losses)/ gains	5.4	(1.1)
Gains on cash flow hedges	1.0	1.4
Deferred tax on cash flow hedge gain	(0.3)	(0.4)
Closing total equity	231.6	211.5

12 Cash flow from operating activities

Reconciliation from operating profit to net cash inflow from operating activities

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Operating profit (before interest and tax)	64.4	63.4
Adjustments for:		
Depreciation and amortisation of intangibles	8.3	6.7
Changes in working capital:		
Increase in inventories	(3.3)	(22.5)
Decrease/ (increase) in trade and other receivables	13.6	(20.4)
(Decrease)/ increase in trade and other creditors	(15.6)	38.7
Decrease in provisions	(1.1)	(0.1)
Other non-cash movements	(0.3)	2.7
Cash generated from continuing operations	66.0	68.5

NOTES

13 Related party transactions

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

Appendix

A description of the principal risks and uncertainties that the Group faces

PRINCIPAL RISKS AND UNCERTAINTIES	MITIGATING STRATEGIES
Economic Development	The Group has exposure to the risks of deterioration or downturn in the UK economy but continue to grow share of the R&M market. The Group does not, however, have a direct exposure to consumer spending and a high proportion of Group revenue is generated from non discretionary purchasing.
Health and Safety	Ensure awareness and understanding of the risks within our trading and distribution operations. The emphasis is on prevention: training all our employees, making people aware how to approach daily tasks, monitoring, recording incidents that do occur and learning from our experiences.
Customer Risk	The Group has a broad customer base that is spread throughout the UK and Ireland. The largest single customer represents around 3% of Group sales and is covered by a three year contract. Credit insurance is in place to minimise the exposure to bad debts, and credit vetting and control procedures are applied to minimise risk.
Supplier Risk	The Group has a number of major suppliers who work in partnership with BSS to deliver value to our customers. The Commercial teams within our Divisions monitor supplier performance and are aware of the financial position of our suppliers. This understanding forms part of the negotiations process in setting commercial terms. To ensure that best value is achieved, alternative sourcing strategies are considered and pursued where appropriate.
Technology and Systems	The Group is reliant on its trading and operating systems. Considerable investment has been made in upgrading the hardware, network and infrastructure that hosts the Group's systems. The systems platform that underpins the Group is reliable and robust. The systems are run from the Group's Head Office and full disaster recovery procedures are in place and have been tested to ensure that they provide a reliable fall back position. The Group will continue to invest in modernising its systems.
Employees	Retention and development of our employees is a key feature in ensuring the continued success of the Group. Staff turnover of 17% is low relative to the industry and the Group places emphasis on identifying the individuals developing in the Company that have the aptitude and ability to grow within the Group. A number of senior executives, within the Group, commenced their employment with the Company serving on trade counters, and their understanding of our customers' needs is of great benefit to the management of the business.
Acquisitions	Acquisitions are formally assessed prior to the Company committing funds. This involves a process that includes setting out the financial criteria against which the acquisition is targeted and judged, plus a due diligence process that covers commercial, financial and legal aspects of the target company. The Group uses external advisers to support the Company through the due diligence process. Return on capital employed represents a key measure against which investment decisions are assessed
Defined Benefit Pension Scheme and Funding	The Group is required by law to maintain a minimum funding level in relation to its ongoing obligation to provide current and future pensions for members of its pension schemes who are entitled to defined benefits. If any scheme of the Group is wound-up the Group could become statutorily liable to make an immediate payment to the trustees to bring the funding of these defined benefits to a level which is higher than this minimum. Some of the issues which could adversely affect the funding of these defined benefits include poor investment performance of pension fund investments, which is substantially weighted towards equity markets, and longer life expectancy of members. The three Group defined benefit schemes have been closed to new members since 2002. Assumptions in respect of expected costs are set after consultation with qualified actuaries.
Litigation Risk	During the past year there has been no significant litigation against the Group and the Directors are not aware of any pending action.

