

RNS Number : 4641M
BSS Group PLC
25 May 2010

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Preliminary Results for the year ended 31 March 2010

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 2010.

SECTOR LEADING RESULTS - FINAL DIVIDEND INCREASED BY 10% - STRONG START TO 2010/11

Financial Highlights

- Revenue increased by 0.9% to £1,352.4m (2009: £1,340.6m). Second half revenue up 7.2% to £701.8m (H2 2009: £654.7m). LFL revenue up 6.6% in Q4 (Q3: -2.6% LFL).
- Like for like costs reduced by 5.6% (2009: +2.0%).
- Profit before tax ('PBT') £44.2m (2009: £57.8m). Adjusted* PBT £49.6m (2009: £61.2m). Adjusted* EPS 28.5p (2009: 35.2p).
- Final dividend increased by 10% to 6.09p (2009: 5.54p), total dividend 7.98p (2009: 7.43p).
- Free cash flow £21.4m (2009: £27.9m). Net debt £85.3m (2009: £86.0m). Net debt / EBITDA 1.47 times.

Operational Highlights

- Revenue trend improved as the year progressed.
- Core repair and maintenance markets remained resilient throughout the financial year.
- New revenue streams generated £54m, 76% growth on 2009.
- Early cycle recovery in Domestic Division has commenced.
- Market share gains in Industrial Division underpin second half improvement.
- Specialist Division is through the worst and its recovery is underway.
- Continuing to invest in new branches (18 opened); 439 branches now trading. Further organic growth targeted.
- Direct Heating Spares ('DHS') performed ahead of expectations (35% ROCE in year one).
- Focused on growing existing new revenue streams plus new opportunities identified and being pursued.

Outlook

- Strong start to 2010/11: underlying business building momentum - dividend increase reflects confidence.

* Adjusted profit before tax after adding back exceptional redundancy costs of £3.1m (2009: £1.2m) and amortisation of acquired intangibles of £2.3m (2009: £2.2m).

Gavin Slark, Group Chief Executive, commented:

"BSS has delivered sector leading results with revenue growth and earnings resilience despite the toughest year for the economy in more than 70 years.

A robust balance sheet and strong cash flow has underpinned continued investment in the business throughout the recession. We remain well positioned to take advantage of economic recovery.

Quarter four results were encouraging and the new financial year has got off to a strong start. Like for like revenue in the first seven weeks of the new financial year is 9.7% up on last year.

Our confidence in our future performance has increased and we are pleased to recommend a 10% increase in the final dividend."

For further enquiries please contact:

The BSS Group plc
Gavin Slark, Group Chief Executive
Roddy Murray, Group Finance Director
T: 0116 256 7038

Hogarth
Andrew Jaques
Rachel Hirst
Tel: 0207 357 9477

Chairman's Statement

BSS has had a successful year. The Group has navigated its way through the most challenging economic conditions experienced for many years to deliver revenue growth, resilient earnings performance and strong cash flow.

Profit before tax at £44.2m (2009: £57.8m) was less than we would have liked but an excellent outcome compared to our industry peers in a period that has seen many stop paying dividends and undertake rights issues to repair their balance sheets. We actually increased sales over the year as we have each year throughout this recession and our market share has grown significantly. Domestic heating and plumbing is benefitting from early cycle recovery with strong quarter four performance and is well positioned to grow further. The Domestic Division has become a major force in the industry from small beginnings some 10 years ago.

During this period our Industrial Division has maintained its number one market position and has sustained a healthy operating margin. Our newer Specialist Division, although remaining profitable, has had a tougher time but is well placed with a number of initiatives that will increase revenue.

The year has seen the successful development of our above ground drainage centres in the Industrial Division and in February 2010 the acquisition of UGS to spearhead our development into below ground drainage. We are confident that these product extensions will replicate the success of our move into the 'Big Pipe' facility in Coventry a couple of years ago. In the Domestic Division the move into spares distribution through the acquisition of DHS in April 2009 has exceeded our profit expectations and there is considerable scope to grow this offering further. During 2010 we have targeted a number of adjacent markets where we can develop profitable businesses leveraging existing knowledge and expertise in the Group. These growth opportunities utilise BSS' proven skills in plumbing and heating distribution enabling us to reach a broader group of trade customers.

During the economic downturn we have not had the need to close a single branch through poor performance and during the year we opened a further 18 new branches. The Group has remained strongly cash generative and is conservatively financed with year end net debt of £85.3m (2009: £86.0m) after investment of £22m. In recognition of this strong financial position and the positive trends in revenue and earnings, the Board is pleased to recommend a final dividend of 6.09p per share (2009: 5.54p) which represents a 10% increase on last year.

Of course none of this would be possible without the effort and commitment of the best team in the industry, from trade counter to boardroom, I would like to thank them all for another year of exceptional performance. In December 2009, we were delighted to announce the appointment of Frank Elkins, Managing Director of BSS Industrial to the Board.

It is difficult for companies to forecast when economists and politicians cannot agree about the economic outlook. However, the Group has already demonstrated its ability to outperform in an adverse market and, on the back of the recent small economic upturn, Group sales for the latest three month period (February, March and April) are 10.9% like for like up on the same period last year. This excellent result gives support to the Board's belief that as the economic situation improves the Group's focus on growth will enable it to disproportionately outperform any rising market.

Peter Warry
Chairman
25 May 2010

Chief Executive's Review

INTRODUCTION

BSS Group has delivered sector leading results with revenue growth and earnings resilience despite the toughest year for the economy in more than 70 years.

The business has demonstrated its ability to "navigate the icebergs", handling well the short term tactical issues, whilst remaining strategically strong.

The teams within the business have shown true strength of character, maintaining a positive attitude whilst having to remain flexible and in some cases redeploying or reducing manpower.

The culture within the Group is a key component as we continue to identify new growth opportunities in adjacent markets whilst at the same time recruiting new customers and winning new contracts in our core businesses.

The Group is in good shape with a strong balance sheet and resilient revenue that is primarily driven by essential repair and maintenance activity. Revenue has held up well throughout the financial year as BSS has absorbed the worst of the recession and returned to growth in the fourth quarter of the financial year. 2009/10 has been a busy year for the Group: we have repositioned resources and reduced our cost base whilst continuing to invest to support a number of organic growth initiatives. Two new businesses were acquired, DHS and UGS, and they offer tremendous growth potential in new markets.

The resilience of underlying revenue has been partly due to a keen focus on keeping close to our customers, serving their needs and recognising the pressures they faced in the recessionary market of 2009. Being flexible to changing customer requirements has been key to our success.

New revenue streams have taken root and gross margin has been supported with the benefits of a direct sourcing capability acquired with Birchwood Products in 2008. The leverage that Birchwood has provided in this area has been essential to us remaining competitive. Costs have been reduced as the business has met the challenges of a contracting market. Like for like employee numbers have been reduced by 222 (4.5%) as market circumstances have been re-assessed.

The Group remains well funded with 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 £85.3m at year end (2009: £86.0m), the Group remains well positioned with available funding of £127m above year end debt.

STRATEGY

Despite the recession in the wider economy throughout most of 2009 our strategy has remained unchanged; we continue to drive for profitable, cash generative organic growth in the existing businesses and continue to look for opportunities in adjacent markets where we have knowledge and expertise and where we believe we can add 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
- A results driven culture

The challenge throughout the last year has been to reposition BSS during a period of contracting markets and competitive pressures, to scale down resource, to change the mix of skills in the business in support of the drive into new revenue streams in anticipation of further change in the market place.

BSS is evolving at pace. There is a sense of urgency within the Company to reshape the Group to be more flexible and to recognise the changing needs of our customers to secure, new market opportunities and to acknowledge that beyond the general election public finances will be tighter. Government funded capital expenditure represents about 10% of Group revenue but we continue to seek new growth from other sources and sectors that will provide attractive revenue opportunities that should more than offset the anticipated reduction in public sector investment.

New employees have joined the Group in the last year with skills, knowledge and customer relationships geared to delivering new revenue streams. Spares, renewables, drainage and water generated revenue of £54m, year on year growth of 76%. Further upside in new revenue streams is targeted.

RESULTS

New revenue contributed to total revenue growth of £11.8m (0.9%) to £1,352.4m (2009: £1,340.6m). Group revenue in the second half was up 5.5% on an equivalent trading day basis with LFL revenue up 1.8% (against a 6.8% decline in the first half).

Revenue performance in all divisions has improved as the year progressed, with the Domestic Division benefiting from early cycle recovery in the broader economy. Core repair and maintenance revenue remained resilient throughout the financial year despite the level of change in the business and a severe recession throughout most of 2009. LFL growth in quarter four of the financial year was 6.6% against a 2.6% LFL decline in quarter three, with clear signs of recovery in all three divisions.

Gross margin reduced to 21.2% of revenue (2009: 22.9%) reflecting competitive market conditions and mix dilution, as relatively lower margin businesses out performed. Competitive pressures have been intense throughout the year, though there have been signs of stability in recent months with price inflation feeding through on copper and steel. Stronger contract sales and excellent performance from F & P Wholesale ('F & P') have contributed to overall margin dilution.

Gross margin recovery in 2010/11 is a key objective and we remain confident that progress can be made as the broader economy improves.

The costs to sales ratio decreased to 17.5% (2009: 18.0%), with like for like costs down 5.6% in the year. As a result of action taken, annualised costs have been reduced by £13.4m. Operating margin, before exceptional costs and amortisation of intangibles, was 4.07% (2009: 5.06%) with the reduction in gross margin partly offset by a reduction in the costs to sales ratio. Productivity continues to improve with sales per employee up +3% (2009: +3%) with investment in infrastructure and systems supporting the improvement achieved.

Adjusted operating profit before amortisation of acquired intangibles and exceptional charges decreased by £12.8m (19%) to £55.0m (2009: £67.8m).

New sectors, new markets and new customers have been targeted and the business reorganised to improve focus and deliver growth. The acquisitions of DHS and UGS open up new potential for BSS and we believe we have bought well. DHS achieved a 35% ROCE in its first full year of Group ownership and UGS, acquired on 5 February 2010 for £5.2m, provides the Group with a major player in the underground drainage market. Both companies provide BSS with significant new growth potential in markets that have robust dynamics.

Domestic Division

	2010	2009	Increase/decrease
Revenue	£916.4m	£871.1m	+5.2%
Operating Profit	£32.6m	£36.8m	-11.4%
Margin %	3.6%	4.2%	

The Domestic Division increased revenue by 5.2% in the financial year against 2009 with like for like revenue increasing by 0.8%, new branches contributed 4.4% growth and Direct Heating Spares a further 0.4%. Total sales in the second half were 11.2% higher than last year and like for like sales were up 5.3% against last year following a 4.3% decrease in the first half. The strengthening trend in sales in the second half of the financial year reflects: the beneficial impact of early cycle economic recovery, market share gains through improved sales effectiveness, a sustained period of cold weather and some stimulus from the Boiler Scrappage Scheme.

The primary driver for sales of boilers, radiators, pipes and accessories remains replacement on a repair and maintenance basis of existing housing stock. The core boiler market has continued to hold up well and our boiler sales volume increased by 6.3%. The Domestic Division continued to grow market share with new revenue initiatives in spares and renewables contributing to the growth achieved.

The new build market remained challenging with completions down year on year, however in the last six months of the financial year house builders opened sites and started to increase build programmes again. As a result of this, PTS increased turnover in this area by £11.5m to £26.9m, an increase of 75% on the previous year as we take advantage of this early cycle recovery. PTS has increased its market share by securing trade terms with a number of national house builders. Social and affordable housing has also contributed as we increased the number of framework agreements we are involved in.

During the year, PTS opened 15 new branches which takes the total number of trading locations to 322, there were no branch closures. The new branches continue to add value with variation to the proposition

offered to meet the needs of local markets. This flexibility underpins the solid returns achieved. Our customer base continues to grow as does our national spread with in excess of 400 PTS branches targeted.

Renewable sales in the year were £16.1m, up 124% on the prior year. Awareness and understanding of renewable technology continues to increase at pace. PTS is supplying solar, heat pumps and biomass technology through its commercial branches which provide national distribution coverage. Further contracts have been won and the Division is benefiting from the investment made in stock, infrastructure and specialist staff. Renewable technology continues to be a core part of our future growth strategy and we remain confident that renewables offer further significant potential.

Spendlove C. Jebb the Northern Ireland based merchant has continued to gain market share in a difficult economic climate. In 2009/10, Jebbs increased sales and remained profitable.

Direct Heating Spares ('DHS') was acquired in April 2009 for a consideration of £6.2m. The spares market has strong growth dynamics and DHS has had an excellent first year under Group ownership performing ahead of expectations and achieving a ROCE of 35%. Around 80% of DHS sales are through PTS' 129 spares branches. DHS has achieved contract gains, is broadening its product offer and has recruited several major customers. In April 2010 DHS moved to working seven days a week with an overnight next day delivery service. Further new revenue is targeted and we are confident that the DHS acquisition in partnership with PTS and F & P offers substantial new growth for the Group.

F & P Wholesale ('F & P') distributes plumbing, heating and bathroom products nationally to independent merchants, fire and bathroom showrooms. Through a network of 11 branches, the latest opened in Scotland in August 2009, we provide a national service with next day delivery of leading brands. This 'one tomorrow' service enhanced by our competitive prices on own branded Pro and Fresssh products leads to a highly competitive model serving the independent trade. The core business is distribution of branded boilers complemented by F & P's own brand, Procombi boilers, which increased volume sales by 200%. F & P has had a good year with like for like sales up 2.9% and a strong second half with like for like revenue up 8.7% on 2009. F & P continues to benefit from scale advantage.

We believe the Domestic Division is well positioned for growth in 2010/11 with the pricing environment and broader economic outlook expected to improve.

Industrial Division

	2010	2009	Increase/ (decrease)
Revenue	£332.4m	£351.6m	-5.5%
Operating Profit	£25.1m	£30.0m	-16.3%
Margin %	7.6%	8.5%	

The Industrial Division has responded well to the challenges of tighter market conditions and slower commercial new build activity. Considerable progress has been made in repositioning the Division to broaden the spread and mix of business to build greater revenue resilience with new growth sectors targeted. The Division continues to win new business and grow market share, its strong strategic position in heating and ventilation is based on a nationwide branch infrastructure, a reputation for service and technical expertise.

Like for like revenue for the Division was down 6.8% on the prior year reflecting the late cycle nature of the Division's core activity but performance improved as the year progressed with second half revenue down 4.9%, like for like, against a 9.0% decline in the first half. Core repair and maintenance work has been resilient throughout the financial year and the price environment has improved in the second half with copper inflation a factor.

The Division continues to increase market share. The onsite facility at Stratford supporting the build programme for 2012 Olympics has proved to be of great benefit. We have secured a number of the key stadium and infrastructure projects with our ability to manage timed delivery slots, helping to reduce labour down time and increase project efficiency. BSS Industrial is directly involved in eight projects on the Olympics site, revenue from Olympics work will peak in 2010/11.

Industrial's share of the repair and maintenance market continues to grow and brands such as Havelock Controls, who supply heating control solutions, and AMS, who supply pumps, have seen good growth during the year.

In order to capitalise on the opportunity that the industrial market presents, particularly in the repair, maintenance and operational sectors, BSS Industrial has restructured the Division and now has an external sales force that is purely responsible for driving growth in this industrial market sector. This

provides an excellent platform to sell the specialist brands within the Division and to grow future revenue.

Government funded work in the current financial year has remained solid with a broad spread of projects covering defence, schools, hospitals and prisons. In the short term, we anticipate that this work will remain but that the level of investment beyond 2010 will be curtailed. The urgency to develop new revenue streams in adjacent markets is driven by recognition of significant reduced public sector investment. This reduction has been anticipated and is manageable. The above ground drainage market is a key area of opportunity. The UK market is substantial and BSS has the potential to establish a major presence in this market. This has led to investment in the opening of two dedicated branches at Canning Town and Bellshill plus a further 16 implant branches across the whole of the UK. The growth in sales in our implant and dedicated branches is extremely encouraging.

We have further augmented this offering by the acquisition of UGS which is an underground specialist business turning over circa £36m through 10 branches across the UK. The below ground drainage market offers BSS considerable scope for growth by providing an opportunity to expand both the product range and national coverage. UGS adds a new customer base to BSS of both civil contractors and builders which provides both UGS and BSS with the ability to share project information and also sell a wider range of products to each others' customer base.

The Division has identified the water utilities market as offering significant growth potential. The Asset Management Plan ('AMP5') has now been approved with £26bn being invested over the next five years into drinking water infrastructure, waste disposal and processing. In order to capitalise on this investment programme, BSS has created a dedicated water distribution centre providing a next day service to all branches on a broader range of carbon steel and API product used predominantly in the water market. The acquisition of UGS also offers opportunities to supply both above and below ground product to this growing market.

The next 12 months is likely to remain a challenging period with an inherent uncertainty over the timing of Government investment reductions. The Division is however well positioned to capture significant market share in new sectors that will help to offset any downturn in its traditional markets.

Specialist Division

	2010	2009	Increase/decrease
Revenue	103.6m	£117.9m	-12.1%
Operating Profit	£2.0m	£4.7m	-57%
Margin %	1.9%	4.0%	

The Specialist Division serves the maintenance, repair and overhaul ('MRO') market which is worth in excess of £3bn. The market includes power tools, hand tools, personal protective equipment, janitorials product and general industrial supplies. Buck & Hickman sells to end user industrial customers and Birchwood Price Tools sells predominantly to trade customers.

The Division contributed revenue of £103.6m (2009: £117.9m) and generated a profit of £2.0m (2009: £4.7m), prior to amortisation of acquired intangibles of £1.4m (2009: £1.5m) and redundancy costs of £1.0m (2009: £0.1m). Like for like revenue for the Division improved as the year progressed with quarter four sales 0.8% below last year after an 11.9% decline in quarter three.

2009 has proven to be an extremely challenging year for the B & H business with many of its manufacturing and engineering customers being severely hit by the recession, leading to major cut backs and lower usage of consumable products. To counteract revenue pressures B & H has taken swift action on its cost base with headcount reduced by 12% from 562 to 494 and surplus warehouse capacity adjacent to the NDC in Coventry exited.

The management team has been strengthened with a new Managing Director and Commercial Director appointed. Further structural changes were made to the business to ensure that there is a clear focus on operational excellence and sales effectiveness. New and experienced National Account and Regional Managers have been recruited and many sales representatives have been replaced. B & H now has a strongly motivated and high calibre team, focused on growth and profit delivery.

B & H will continue to develop its sales proposition to its large end user customers and has invested in industrial vending solutions which complement its line side cribs and batch scanning processes. These new systems offer its customers secure control of consumables on the shop floor and provide the opportunity for B & H to grow share of business with our major customers. A number of new customers have been recruited on the back of investment made.

B & H has invested in e-trading with major enhancements to its website and this will continue with further upgrades to ensure ease of shopping, improved product data and imagery plus a first class customer

experience. Internet sales showed 25% growth in quarter four of the financial year.

B & H has also developed a stronger proposition in two of its key markets, PPE / Health & Safety and Janitorial, with new catalogues launched to complement the main catalogue and many new lines have been added to ensure a complete and competitive offer is available to all our customers. We remain confident that a more focussed sales proposition will deliver growth in 2010 and beyond.

The Tooltastic trade counters have made good progress during 2009 and a major re-launch is planned for 1 June 2010, which will include a stronger stock profile, focussing on Hand and Power Tools / PPE and Fasteners and Fixings. This will be backed up with a mini catalogue and a custom built web site. The target for Tooltastic will be the construction sector.

Birchwood Price Tools ('BPT') (formed by merging Birchwood Products and Price Tools on 1 April 2009) is focused on the wholesale market distributing power tools, hand tools and site equipment in the UK. The new proposition combining leading manufacturers of hand and power tool brands with the proprietary site equipment brands, taken to market via a national sales force and integrated marketing campaigns, has been well received by customers.

Trading conditions in 2009 for BPT have continued to be difficult with some customer sectors having been adversely affected by the economic slowdown. New product developments and major marketing campaigns featured heavily in the plan to combat the challenges of a flat market and created sales growth of 10.4% in the final quarter of the year. We are confident that BPT will have a better year in 2010/11.

BPT has also been developing new profit streams including the sale of proprietary brands on an international basis, and supporting the wider BSS Group with its procurement objectives, both of which are producing encouraging results.

Market Outlook and Economic Risk

The strength of the Group is evident in the results to 31 March 2010, which are sector leading.

BSS has grown revenue when many other companies in our sector have been in decline. We have delivered £44.2m of profit in the worst year for the economy in many years. This has been achieved by focusing on and listening to our customers, keeping close to our suppliers, through tight management of cost and through careful investment.

We recognised some time ago that public sector investment was unlikely to continue at the current levels after the General Election, as part of the rebalancing of the UK economy and took early positive steps to address this.

We are in the positive situation that around 90% of our revenue is not reliant on Government capital expenditure and with the significant progress that we are making in areas such as spares, drainage, renewables and the water industry, coupled with an early cycle recovery in house building, the BSS Group is exceptionally well positioned to achieve profitable growth in the years to come.

We are confident in our ability to outperform the market, to develop further new revenue streams and to invest in organic growth and appropriate acquisitions.

We believe that the proposed increase in the final dividend of 10% is reflective of that confidence.

Gavin Slark
Group Chief Executive
25 May 2010

Financial Review

The financial strength of the Group has improved significantly despite a period of economic turmoil that stretches back to 2008. BSS has coped well in difficult trading conditions: with resilient revenue, a strong trading ethos and careful management of resource, cost and investment. We have absorbed the worst of the recession and are well placed to meet the challenges of 2010/11 and beyond.

We are encouraged that in the worst year on year reduction in economic activity in more than 70 years, the BSS Group has delivered revenue growth, profit before tax of £44.2m and free cash flow of £21.4m. The 10% final dividend increase reflects our confidence in the future outlook.

The challenge of the last 24 months has been to ensure that BSS anticipates the impact of change in the markets we serve ahead of demand slowing and to act ahead of the downturn in order to protect earnings and cash flow. Cost and resources employed have been scaled down across the business in the face of recessionary markets. Like for like costs were reduced by 5.6% in the financial year ended 31 March 2010, saving £13.4m, compared to a 2.3% reduction in like for like revenue. The exceptional cost of this change, £3.1m, relates to a reduction in like for like employee numbers of 222 (4.5%).

Cash generation throughout this challenging year has been positive with free cash flow in the year of £21.4m, from which dividends of £9.2m have been paid and £12.4m invested primarily in acquiring two businesses, DHS and UGS. Both businesses have significant growth potential.

Long term value for our shareholders is achieved by focusing on delivering sales growth, improved profitability, cash generation and a solid return on capital employed. These shared goals drive decision making and behaviour in the Group with the financial objectives aligned to this end.

Key to delivering revenue growth and strong returns for our shareholders is identifying opportunities where BSS can bring added value. Investment decisions are made in the context of a clear plan. We aim to build the specialist distribution capability of the Group in the UK through organic growth complemented with selective acquisitions that take the business into adjacent markets. This development can be achieved by leveraging existing knowledge and skills within the business to better effect and at manageable risk.

We have continued to selectively invest throughout the economic downturn and are confident that the Group will make further progress in 2010/11 with new growth opportunities targeted.

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

	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006
Revenue growth	0.9%	4.0%	27.4%	17.2%	15.7%
Operating margin*	4.07%	5.06%	5.10%	5.14%	4.80%
Earnings per share*	28.5p	35.2p	34.7p	27.5p	21.0p
Free cash flow	£21.4m	£27.9m	£30.7m	£25.5m	£10.3m
Return on capital	14.5%	20.3%	21.4%	20.1%	20.7%
Net debt	£85.3m	£86.0m	£104.3m	£81.9m	£77.9m
Net debt / EBITDA	1.47 times	1.18 times	1.49 times	1.44 times	1.70 times

*calculated after adding back exceptional costs and amortisation of acquired intangibles

Financial Results

For the year ended 31 March 2010, Group revenue increased by 0.9% to £1,352.4m (2009: £1,340.6m). Like for like revenue, which excludes the impact of acquisitions and new branches, decreased by 2.3% (2009: 0.7% decrease), with a 1.8% like for like growth (2009: 4.2% decrease) in the second half of the year. As the year progressed the business became stronger with like for like revenue growth in quarter four of the financial year of 6.6% against a 2.6% decrease in quarter three.

The Domestic Division has shown resilience throughout the key winter months of the 'heating season', benefiting from sustained cold weather and a strong final quarter, despite January's snow disruption. There are clear signs of an 'early cycle' recovery with new build residential activity picking up and the price environment improving.

The Industrial Division has absorbed the impact of a reduction in commercial new build activity but both government spend and core repair and maintenance work has held up well. Diversification and new growth opportunities should cushion the impact of reduced public sector investment in future years.

Both Buck & Hickman and BPT have faced tough trading conditions with their manufacturing and construction customers facing the full impact of the recession. Revenue trends improved in the second half as both businesses have made progress in recruiting new customers in preparation for growth.

Revenue growth on an organic basis, which includes the benefit of new branches, was up 0.6%, with bolt on acquisitions contributing a further 0.7% growth. The Group acquired Direct Heating Spares Limited ('DHS') in April 2009 at a cost of £6.2m and Underground Supplies Limited ('UGS') in early February 2010 for £5.2m (including acquired debt). DHS achieved a 35% ROCE in its first year of Group ownership.

New branches contributed 2.9% growth to Group revenue with a further 18 branches opened in the year. New branches continue to provide a satisfactory return on capital with their performance closely monitored. New branches continue to represent a good use of shareholder capital.

Gross profit of £286.6m was £20.0m (6.5%) down on last year. The gross margin percentage was 21.2%, down 1.7% on 2009. The reduction in gross margin percentage reflects competitive market conditions, increased contract sales and adverse mix from strong trading performance from F & P Wholesale. The underlying gross margin differential narrowed in quarter four of the financial year relative to last year reflecting signs of price stability in the market place and improving economic conditions.

Costs of £237.0m were £5.2m (2.1%) down on last year. Excluding the impact of acquisitions and new branches like for like costs were 5.6% down on last year. Bad debts written off cost £7.3m (0.54% of revenue) an increase of £0.4m on the prior year. An exceptional charge of £3.1m (2009: £1.2m) was made for redundancy costs and amortisation of acquired intangibles cost £2.3m (2009: £2.2m).

Group cost to sales ratio, prior to exceptional costs and amortisation of intangibles, was 17.1% against 17.8% in 2009. Adjusted operating profit of £55.0m was £12.8m (19%) down on the prior year (2009: £67.8m). The impact of the like for like sales decrease and lower gross margin percentage was partly offset by costs savings and contribution from new branches and businesses acquired. Based on adjusted operating profit, operating margin in the year was 4.1%, 1.0% below prior year (2009: 5.1%).

The adjusted operating profit reduction in the Domestic Division of £4.2m (11.4%) reflects the impact of competitive price conditions and adverse sales mix through the recessionary months partly offset by cost savings and a £2.2m contribution from DHS. Industrial Division operating profit was down £4.9m (16.3%) reflecting slower commercial new build activity, competitive conditions and poor trading in Southern Ireland. Specialist Division made £2.0m against £4.7m in 2009. The Division absorbed the full impact of the contraction in manufacturing activity in 2009.

Group interest charges decreased from £6.6m to £5.4m reflecting the reduction in LIBOR against the prior year. Interest cover was a healthy 10.8 times (2009: 9.1 times) and gearing closed the year at 33.3% (2009: 37.1%).

Profit before tax decreased by £13.6m (23%) to £44.2m (2009: £57.8m).

The tax charge for the year was £12.8m (29.0% of profit before tax) compared with a £16.8m charge in 2009 (29.1%). The total tax charge is above the basic rate due to expenditure not eligible for tax relief.

Earnings per share were 25.4 pence (2009: 33.3 pence). Adjusted EPS is 28.5 pence (2009: 35.2 pence) based on adjusted earnings after adding back exceptional costs and amortisation of acquired intangibles. There is no material difference between earnings per share and fully diluted earnings per share.

Shareholders' Return

Total equity has increased in the year by £24.3m (10.5%) to £255.9m (2009: £231.6m).

The share price on 31 March 2010 was 285 pence (31 March 2009: 288 pence), having been at a high in the year of 328 pence and a low of 238 pence. The share price on 21 May 2010, the latest practical day before the publishing of these accounts was 310 pence. At the year end the market capitalisation was £354.4m (2009: £355.7m), which represents 1.4 times (2009: 1.5 times) shareholders' funds.

Based on operating profit generated in the year, return on capital employed (equity and debt) was 14.5% against 20.3% in 2009.

Given the positive trends in revenue and earnings and a more optimistic assessment of outlook, the Board recommends that the final dividend is increased by 10% to 6.09 pence per share (2009: 5.54 pence), making a total for the year of 7.98 pence (2009: 7.43 pence).

Cash Flow

Free cash flow in the year of £21.4m (2009: £27.9m) was £6.5m lower than last year reflecting lower profits partly offset by lower capital expenditure. The working capital to sales ratio increased from 14.0% to 14.4% of sales during the year.

Working capital in the year, excluding acquisitions, increased by £6.3m (3.3%) against 6.6% like for like revenue growth in the final quarter of the year. 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 £0.7m to £85.3m (2009: £86.0m) with free cash flow of £21.4m offset by the cost of acquiring DHS £6.2m and UGS £5.2m plus dividends of £9.2m. Borrowings and interest

cover remain at comfortable levels relative to earnings and the free 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 = £1. There is no currency risk. In April 2009 the Group refinanced its Revolving Credit Facility (RCF) replacing the existing £100m facility with a £90m facility which is repayable in April 2012. This facility is provided by a syndicate of banks which is used to fund bolt on acquisitions and supplementary working capital requirement. In addition there is a £50m overdraft facility that was renewed in December which is used to fund the Group's fluctuations in working capital as part of short term borrowings.

The Group had unutilised credit facilities of £127.3m as at 31 March 2010. The ratio of net debt to earnings before interest tax depreciation and amortisation (EBITDA) was 1.47 times (2009: 1.18 times) at year end.

Capital Expenditure

During the year the Group invested £10.0m (2009: £15.4m) in capital expenditure of which £2.2m was invested in opening new branches, £4.4m on upgrading IT systems and £3.4m upgrading branches, trade counters and warehouse facilities. IT investment reflects upgrade to existing networks and infrastructure as part of a staged implementation to improve core 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 has three closed final salary pension schemes. The total Group pension deficit calculated on an IAS 19 basis for the defined benefit schemes was £26.2m at 31 March 2010 (2009: £30.9m).

Despite a reduction in the AA long bond yield from 6.6% to 5.6%, which has added £28m to pension liabilities in the year, the three Group schemes have benefited from a relatively high level of its asset base (90%) being held in equities. As the equity markets have recovered the appreciation in assets has exceeded the increase in liabilities. The Trustees of the three schemes take comfort from the strong financial covenant of the Group and the Board's prudent financial management. At the year end, the deficit represented 7% (2009: 9%) of the Group market value.

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 of this team 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 exposure.

Interest Rate Risk

As at the year end, 85% of the Group's net debt is subject to interest rate hedging through swap transactions. The Group uses these interest rate swaps to manage its exposure to variable interest rates. Further information is set out in the notes to the full financial statements.

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 notes to 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 increasing as direct sourcing actively increases. The

Group's wholly owned Irish subsidiary's revenues and expenses are denominated in Euros. The Group faces minimal currency exposure on the translation of profits earned within this subsidiary and its related net assets. 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 which stand at £7.9m (2009: £8.0m) at 31 March 2010.

Roddy Murray
Group Finance Director
25 May 2010

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 2009. 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 2009. 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
25 May 2010

Roddy Murray
Group Finance Director
25 May 2010

Consolidated Income Statement*of The BSS Group plc for the year ended 31 March 2010*

	Notes	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Revenue: Group and share of joint venture		1,352.5	1,340.6
Less: Share of joint venture		(0.1)	-
Revenue	3	1,352.4	1,340.6
Gross profit		286.6	306.6
Staff costs before redundancy costs		(123.8)	(132.0)
Exceptional redundancy costs		(3.1)	(1.2)
Staff costs		(126.9)	(133.2)
Depreciation		(6.0)	(5.8)
Amortisation of non-current assets		(3.2)	(2.5)
Other operating charges		(102.6)	(104.5)
Other operating income		1.7	3.8
Group operating profit	3, 4	49.6	64.4
Share of operating profit in joint venture		-	-
Operating profit	3,4	49.6	64.4
Finance income	6	0.3	0.1
Finance costs	6	(5.3)	(7.2)
Pension scheme finance (costs)/ income	5,6	(0.4)	0.5
Profit before taxation	3	44.2	57.8
Income tax expense	7	(12.8)	(16.8)
Profit for the year attributable to equity shareholders	3	31.4	41.0

All results derive from continuing activities.

Earnings per share	9	25.4p	33.3p
Diluted earnings per share	9	25.3p	33.2p
Dividend per share			
Interim dividend	8	1.89p	1.89p
Proposed final dividend	8	6.09p	5.54p
Total dividend for the year	8	7.98p	7.43p

Consolidated Statement of Comprehensive Income
of The BSS Group plc for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £m	Restated Year ended 31 March 2009 £m
Profit for the year		31.4	41.0
Foreign currency translation differences		0.8	-
Actuarial gains/ (losses) on defined benefit pension schemes	5	2.0	(19.2)
Deferred tax movement associated with actuarial gains/ (losses)		(0.6)	5.4
Fair value (loss)/ gain on derivatives designated as cash flow hedges		(4.0)	10.0
Amounts recycled to income statement		1.9	(9.0)
Deferred tax on cash flow hedge (losses)/ gains		0.6	(0.3)
Total comprehensive income for the year		32.1	27.9

Consolidated Statement of Changes in Equity
of The BSS Group plc for the year ended 31 March 2010
Year ended 31 March 2010

	Share capital £m	Share premium £m	Hedging reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2009	6.2	33.6	2.7	12.4	176.7	231.6
Profit after taxation for the year	-	-	-	-	31.4	31.4
Foreign currency translation differences	-	-	-	-	0.8	0.8
Actuarial gains on defined benefit pension schemes	-	-	-	-	2.0	2.0
Deferred tax movement associated with actuarial gains	-	-	-	-	(0.6)	(0.6)
Fair value loss on derivatives designated as cash flow hedges	-	-	(4.0)	-	-	(4.0)
Amounts recycled to income statement	-	-	1.9	-	-	1.9
Deferred tax on cash flow hedge losses	-	-	0.6	-	-	0.6
Total comprehensive income for the year	-	-	(1.5)	-	33.6	32.1
Transactions with owners:						
Issue of shares	-	1.8	-	-	-	1.8
Dividends paid	-	-	-	-	(9.2)	(9.2)
Cost of issue of Performance Share Plan shares	-	-	-	-	(0.9)	(0.9)
Cost of equity share based payments	-	-	-	-	0.4	0.4
Tax on share options	-	-	-	-	0.1	0.1
Balance at 31 March 2010	6.2	35.4	1.2	12.4	200.7	255.9
Year ended 31 March 2009						
	Share capital £m	Share premium £m	Restated Hedging reserve £m	Merger reserve £m	Retained earnings £m	Restated Total equity £m
Balance at 1 April 2008	6.1	32.4	2.0	12.4	158.6	211.5
Profit after taxation for the year	-	-	-	-	41.0	41.0
Foreign currency translation differences	-	-	-	-	-	-
Actuarial losses on defined benefit pension schemes	-	-	-	-	(19.2)	(19.2)
Deferred tax movement associated with actuarial losses	-	-	-	-	5.4	5.4

Fair value gain on derivatives designated as cash flow hedges	-	-	10.0	-	-	10.0
Amounts recycled to income statement	-	-	(9.0)	-	-	(9.0)
Deferred tax on cash flow hedge gains	-	-	(0.3)	-	-	(0.3)
Total comprehensive income for the year	-	-	0.7	-	27.2	27.9
Transactions with owners:						
Issue of shares	0.1	1.2	-	-	-	1.3
Dividends paid	-	-	-	-	(9.2)	(9.2)
Cost of issue of Performance Share Plan shares	-	-	-	-	(0.7)	(0.7)
Cost of equity share based payments	-	-	-	-	1.1	1.1
Tax on share options	-	-	-	-	(0.3)	(0.3)
Balance at 31 March 2009	6.2	33.6	2.7	12.4	176.7	231.6

Consolidated Balance Sheet
of The BSS Group plc as at 31 March 2010

	Notes	March 2010 £m	Restated March 2009 £m
Assets			
Non-current assets			
Fixed asset investment			
- Share of gross assets		0.4	-
- Share of gross liabilities		(0.1)	-
Goodwill		88.0	79.9
Intangible assets		50.6	45.6
Property, plant and equipment		41.7	41.1
Financial assets			
- Derivative financial instruments		17.1	25.5
Deferred tax assets		7.9	9.8
		205.6	201.9
Current assets			
Inventories		179.4	172.6
Trade and other receivables		275.7	239.6
Financial assets			
- Cash and cash equivalents		10.3	10.8
- Derivative financial instruments		-	0.1
		465.4	423.1
Liabilities			
Current liabilities			
Financial liabilities			
- Borrowings		(14.1)	-
Trade and other payables		(259.8)	(224.6)
Current tax liabilities		(6.4)	(7.0)
Provisions		(1.1)	(0.9)
		(281.4)	(232.5)
Net current assets		184.0	190.6
Non-current liabilities			
- Borrowings at contracted rates		(81.5)	(96.8)
- US \$ Loan note fair value adjustment		(14.7)	(21.3)
Financial liabilities		(96.2)	(118.1)
Deferred tax liabilities		(9.2)	(9.7)
Retirement benefit liabilities	5	(26.2)	(30.9)
Provisions		(2.1)	(2.2)
		(133.7)	(160.9)
Net assets		255.9	231.6

Shareholders' equity

Share capital	6.2	6.2
Share premium	35.4	33.6
Other reserves	13.6	15.1
Retained earnings	200.7	176.7
Total equity	255.9	231.6

Consolidated Cash Flow Statement

of The BSS Group plc for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Cash flows from operating activities			
Cash generated from operations	11	49.5	66.0
Interest paid		(5.2)	(7.8)
Tax paid		(13.0)	(14.9)
Net cash generated from operating activities		31.3	43.3
Cash flows from investing activities			
Acquisition of subsidiaries	10	(8.1)	(1.0)
Net of cash and overdraft acquired with subsidiaries	10	(4.0)	-
Share of joint venture		(0.3)	-
Purchase of property, plant and equipment and intangible assets		(10.0)	(15.4)
Sale of property, plant and equipment		0.1	-
Net cash used in investing activities		(22.3)	(16.4)
Cash flows from financing activities			
Issue of ordinary share capital		0.9	0.6
Proceeds of borrowings		40.0	-
Repayment of short term borrowings		(41.1)	(11.2)
Capital element of finance lease payments		(0.1)	(0.4)
Dividends paid	8	(9.2)	(9.2)
Net cash used in financing activities		(9.5)	(20.2)
Net (decrease)/ increase in cash and cash equivalents		(0.5)	6.7
Cash and cash equivalents at 1 April		10.8	4.1
Cash and cash equivalents at 31 March		10.3	10.8

Free cash flow is defined as:

Net cash from operating activities	31.3	43.3
Purchase of property, plant and equipment and intangible assets	(10.0)	(15.4)
Sale of property, plant and equipment	0.1	-
Free cash flow	21.4	27.9
Net cost of acquisitions	(12.4)	(1.0)
Issue of ordinary share capital	0.9	0.6
Dividends paid	(9.2)	(9.2)
Movement in net debt	0.7	18.3
Opening net debt	(86.0)	(104.3)
Closing net debt	(85.3)	(86.0)

NOTES

1 Basis of preparation

The condensed consolidated financial information comprises the consolidated balance sheets as at 31 March 2010 and 31 March 2009 and related consolidated statements of income, of comprehensive income, changes in equity and cash flows for the years then ended of The BSS Group plc.

The condensed consolidated financial information 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 ("IFRSs") and IFRIC interpretations issued for use in the European Union and on a basis consistent with that adopted in the previous year.

The Group has restated financial assets and borrowings for March 2009 to include the impact of derivative financial instruments in conjunction with the US \$ Loan notes on a gross basis from a net basis.

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 2010 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 434 of the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 March 2009. The audit report on the 2009 Annual Report and Accounts, which have been filed with the Registrar of Companies, was unqualified and did not contain an emphasis of matter paragraph and did not contain a statement under either s237(2) or s237(3) of the Companies Act 1985.

The Board approved the condensed consolidated financial information on 25 May 2010.

2 Accounting policies

The condensed consolidated 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 2009, as described in those financial statements. The following interpretations of existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2009 and have been adopted in the financial statements for the first time this year.

IAS 1 (Revised) 'Presentation of Financial Statements', details the requirement to aggregate information in the financial statements, introduces a statement of comprehensive income and changes in titles of some of the financial statements.

IAS 32 (Amendment) 'Financial Instruments: Presentation', requires a financial instrument to be classified as a liability if the holder of that instrument can require the issuer to redeem it for cash.

IFRIC 18 'Transfers of Assets from Customers', clarifies the treatment of IFRS, particularly IAS 18 'Revenue' for agreements in which an entity receives an item of property, plant and equipment from a customer to connect to an ongoing supply of goods and services.

Amendment to IFRS 7 'Improving Disclosures about Financial Instruments', clarifies that fair value disclosure are required for each class of financial instruments separately.

IFRIC 15 'Agreements for the Construction of Real Estate', standardises accounting practice across jurisdictions for the recognition of revenue among real estate developers for sale of units, such as apartments, or houses.

Amendments to IAS 27 'Consolidated and Separate Financial Statements', responds to queries regarding initial measurement of cost in separate financial statements of a new parent formed as a result of a specific type of reorganisation.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation', provides guidance on identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation

IFRIC 13 'Customer Loyalty Programmes', addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services.

Amendment to IFRS 2 'Share-Based Payment: Vesting Conditions and Cancellations', clarifies the term 'vesting conditions' and provides the accounting treatment for non-vesting conditions and cancellations.

Amendment to IAS 23 'Borrowing Costs', removes the option of recognising immediately as an expense those borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

3 Segmental information

The Chief Operating Decision Maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. 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. 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 sanitaryware, 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.

	2010				2009			Restated Total £m
	Industrial Division £m	Domestic Division £m	Specialist Division £m	Total £m	Industrial Division £m	Domestic Division £m	Specialist Division £m	
Gross revenue	332.9	931.5	113.1	1,377.5	352.1	873.3	122.2	1,347.6
Inter-segment sales	(0.5)	(15.1)	(9.5)	(25.1)	(0.5)	(2.2)	(4.3)	(7.0)
Revenues from external customers	332.4	916.4	103.6	1,352.4	351.6	871.1	117.9	1,340.6
Adjusted segment result	25.1	32.6	2.0	59.7	30.0	36.8	4.7	71.5
Amortisation of acquired intangibles	(0.4)	(0.5)	(1.4)	(2.3)	(0.3)	(0.4)	(1.5)	(2.2)
Exceptional redundancy and restructuring costs	(1.2)	(0.8)	(1.0)	(3.0)	(0.3)	(0.6)	(0.1)	(1.0)
Segment result	23.5	31.3	(0.4)	54.4	29.4	35.8	3.1	68.3
Unallocated charges (including redundancy costs)				(4.8)				(3.9)
Operating profit				49.6				64.4
Net finance costs				(5.4)				(6.6)
Profit before taxation				44.2				57.8
Income tax expense				(12.8)				(16.8)
Profit for the year				31.4				41.0
Segment assets	126.7	321.2	40.7	488.6	119.9	282.2	44.0	446.1
Acquired intangibles	3.1	4.7	20.9	28.7	0.9	4.2	22.3	27.4
Goodwill	14.2	56.4	17.4	88.0	10.9	51.6	17.4	79.9
	144.0	382.3	79.0	605.3	131.7	338.0	83.7	553.4
Unallocated assets								
Fixed asset investment				0.3				-
Deferred tax assets				7.9				9.8
Cash				10.3				10.8
Derivative financial instruments				17.1				25.5
Intangibles - software				21.9				18.2
Properties				6.8				6.8
Group property, plant and equipment				1.4				0.4
Total assets				671.0				624.9
Segment liabilities	(71.7)	(169.6)	(18.5)	(259.8)	(64.5)	(140.4)	(19.7)	(224.6)
Unallocated liabilities								
Retirement benefit liabilities				(26.2)				(30.9)
Onerous lease and property dilapidation provisions				(3.2)				(3.1)
Financial liabilities				(110.3)				(118.0)
Tax liabilities				(15.6)				(16.7)
Total liabilities				(415.1)				(393.3)
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	0.8	3.3	1.2	5.3	1.0	6.1	0.8	7.9
Group				0.1				0.1
Capital expenditure- Intangibles								
Group				4.6				7.4
				10.0				15.4
Depreciation								
Segment	1.1	3.8	0.6	5.5	1.1	3.5	0.7	5.3
Group				0.5				0.5
				6.0				5.8

Amortisation of non- current assets								
Segment	0.4	0.5	1.4	2.3	0.3	0.4	1.5	2.2
Group				0.9				0.3
				3.2				2.5

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. 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.

	2010	2009
	£m	£m
UK	1,338.7	1,322.9
Republic of Ireland	11.2	15.1
Other	2.5	2.6
	<u>1,352.4</u>	<u>1,340.6</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 £57.8m (2009: £50.5m) 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.

4 Operating profit

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

	Year ended	Year ended
	31 March 2010	31 March 2009
	£m	£m
Redundancies	3.1	1.2

5 Pension schemes

	Year ended	Year ended
	31 March 2010	31 March 2009
	£m	£m
Gross deficit 1 April	30.9	13.1
Current service costs	2.7	3.2
Contributions	(5.7)	(4.3)
Other finance costs - interest cost	9.0	9.7
Other finance income - expected return on scheme assets	(8.6)	(10.2)
Foreign exchange retranslation	(0.1)	0.2
Actuarial (gains)/ losses	(2.0)	19.2
Gross deficit at 31 March	26.2	30.9
Deferred tax assets	(7.4)	(8.7)
Net deficit at 31 March	18.8	22.2

The change in the scheme deficit is primarily due to an increase in inflation and decreasing AA corporate bond yields. This has been offset by a better than expected investment performance driven by the recovery in the equity markets. Gross assets of the pension scheme increased by £51.3m (48%) to £158.0m at 31 March 2010.

6 Finance income and costs

	Year ended 31 March 2010 £m	Restated Year ended 31 March 2009 £m
Other net finance income - pension schemes	-	0.5
Other finance income - fair value gains/ (losses) on financial instruments	(4.4)	18.1
Other finance income - fair value adjustments to borrowings	4.7	(18.0)
Finance income	0.3	0.6
Loan and other bank interest	(4.6)	(7.1)
Amortisation of bank arrangement fees	(0.6)	-
Other net finance costs- pension schemes	(0.4)	-
Unwind of discount on Birchwood acquisition deferred consideration	(0.1)	(0.1)
Finance costs	(5.7)	(7.2)
Interest cover (times)	10.8	9.1

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

During the year an additional £12 million overdraft facility was authorised, increasing the available overdraft facility to £50 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

	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Analysis of charge in year:		
Current tax		
United Kingdom corporation tax payable at 28% (2009: 28%)	12.6	16.5
Prior year adjustment	(0.3)	(0.5)
Overseas taxation	-	0.1
	12.3	16.1
Deferred taxation - origination and reversal of temporary differences	1.5	0.7
Prior year adjustment	(1.0)	-
Income tax expense	12.8	16.8

	Year ended 31 March 2010 £m	%	Year ended 31 March 2009 £m	%
Profit on ordinary activities before taxation	44.2		57.8	
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2009: 28%)	12.4	28.0	16.2	28.0

The tax for the year is higher than (2009: higher than) the standard rate of corporation tax in the UK of 28% (2009: 28%).

The differences are explained below:

Adjustments in respect of prior year	(1.3)	(3.0)	(0.7)	(1.1)
Adjustments in respect of foreign tax rates	-	-	(0.1)	(0.1)

Expenses not deductible for tax purposes	1.7	3.9	1.4	2.3
	<u>12.8</u>	<u>28.9</u>	<u>16.8</u>	<u>29.1</u>

The increase in expenses not deductible for tax purposes include £0.1m (2009: £0.3m) for share based payments.

8 Dividends

	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for year ended March 2009: 5.54p per share (2008: 5.54p per share)	6.8	6.8
Interim dividend for year ended March 2010: 1.89p per share (2009: 1.89p per share)	2.4	2.4
	<u>9.2</u>	<u>9.2</u>

In addition the Directors are proposing a final dividend in respect of the financial year ending 31 March 2010 of 6.09 pence per share which will absorb an estimated £7.6 million of shareholders' funds. It will be paid on 30 July 2010 to shareholders who are on the register of members on 2 July 2010.

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 2010			31 March 2009		
	Earnings £m	Weighted average number of shares millions	Per-share amount pence	Earnings £m	Weighted average number of shares millions	Per-share amount pence
Statutory						
Basic EPS						
Earnings attributable to ordinary shareholders	31.4	124.062	25.4	41.0	123.250	33.3
Effect of dilutive securities						
Options	-	0.198		-	0.370	
Diluted EPS	31.4	124.260	25.3	41.0	123.620	33.2
Basic EPS	31.4	124.062	25.4	41.0	123.250	33.3
Restructuring costs and acquired intangible amortisation	5.4	-		3.4	-	
Tax credit	(1.5)	-		(1.0)	-	
Adjusted Basic EPS	35.3	124.062	28.5	43.4	123.250	35.2

At 31 March 2010 836,314 (2009: 867,302) share options had an exercise price in excess of the average market value of the shares in the year. As a result for 2010 and 2009, these options were excluded from the calculation of diluted earnings per share.

10 Acquisitions

On 2 April 2009, the Company acquired 100% of the issued share capital of Direct Heating Spares Limited for a cash consideration of £6.2 million. This resulted in goodwill and intangibles of £5.8 million.

	Book Value	Adjustments	Final Fair Value Acquired
	£m	£m	£m
Net assets acquired:			
Intangibles	-	1.0	1.0
Property, plant and equipment	0.2	-	0.2
Inventories	0.5	(0.1)	0.4
Trade and other receivables	2.5	-	2.5
Cash and cash equivalents	0.3	-	0.3
Trade and other payables	(2.6)	-	(2.6)
Tax liabilities	(0.2)	(0.2)	(0.4)
	0.7	0.7	1.4
Goodwill			4.8
			6.2
Satisfied by:			
Cash			6.0
Directly attributable costs			0.2
			6.2

The intangible assets are primarily 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.

On 5 February 2010, the Company acquired 100% of the issued share capital of UGS Limited for a cash consideration of £0.9 million. This resulted in goodwill and intangibles of £5.9 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
	£m	£m	£m
Net assets acquired:			
Intangibles	0.1	2.5	2.6
Property, plant and equipment	1.4	(0.2)	1.2
Inventories	2.1	(0.3)	1.8
Trade and other receivables	4.7	(0.5)	4.2
Borrowings including HP	(4.3)	-	(4.3)
Trade and other payables	(5.0)	(1.0)	(6.0)
Provisions	-	(1.2)	(1.2)
Tax liabilities	-	(0.7)	(0.7)
	(1.0)	(1.4)	(2.4)
Goodwill			3.3
			0.9
Satisfied by:			
Cash			0.8
Directly attributable costs			0.1
			0.9

Since the date of acquisition to 31 March 2010, Direct Heating Spares Limited has contributed £16.4m of gross revenue, £3.0m of net revenue to the Group and operating profit before intangible amortisation of £2.2m. UGS Limited has contributed revenue of £6.0m and an operating loss of £0.2m since the date of acquisition. As Direct Heating Spares Limited was acquired on 2 April 2009, the additional day of revenue and profits would not alter the disclosed revenue and profits of the Group as disclosed in these financial statements. If UGS Limited had been acquired on 1 April 2009, the Group's revenue would have been £1,381.8m and operating profit would have been £48.3m.

11 Cash flow from operating activities

Reconciliation from operating profit to net cash generated from continuing operations

Year ended

Year ended

	31 March 2010	31 March 2009
	£m	£m
Operating profit (before interest and tax)	49.6	64.4
Adjustments for:		
Depreciation and amortisation of intangibles	9.2	8.3
Changes in working capital:		
Increase in inventories	(4.6)	(3.3)
(Increase)/ decrease in trade and other receivables	(29.4)	13.6
Increase/ (decrease) in trade and other creditors	28.9	(15.6)
Decrease in provisions	(1.1)	(1.1)
Other non-cash movements	(0.1)	0.8
Pension scheme contributions in excess of charge	(3.0)	(1.1)
Cash generated from continuing operations	49.5	66.0

12 Related party transactions

The Group has a related party relationship with its subsidiaries and with its directors. Transactions between group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no material related party transactions with directors. The Group contributed £0.27m to its joint venture partnership Construction Site Solutions LLP (CSS LLP) during the period. Operating transactions with CSS LLP were not significant in the period. Sales and purchases to and from CSS LLP were carried out on commercial terms and conditions at market prices.

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