OUR FOCUS IS ON IMPLEMENTING THE STRATEGY AND MAINTAINING THE GROUP'S FINANCIAL STRENGTH

Helmut Mamsch
Chairman

Introduction
The Group faced markedly different trading conditions between the first half and the second half of the year. In the first half the Group achieved sales growth, cost leverage and profit growth. During the second half general macroeconomic conditions deteriorated significantly, and this adversely impacted the Group's performance. However, throughout the year cash delivery has been strong with free cash flow representing 118% of profit after tax.

The management team responded decisively to these changing trading conditions, implementing actions during the second half which will reduce operating costs by around £18m p.a. In addition, the Group's second half gross margin improved on the first half of the year.

In the current economic environment it is important to note the robust financial metrics and continued strength of the Group's balance sheet. Interest cover was 13 times and the net debt to EBITDA ratio was 1.7 times. At 31 March 2009 the Group had £314m of committed bank facilities, the vast majority of which do not mature before September 2012.

Strategy
In May 2008, the outcome of the Board's review of its strategy was announced. This identified four key areas to drive the Group's future performance:

- Focus on International markets
- Accelerate the development of the Group's electronics and maintenance offers
- Exploit the full potential of e-Commerce
- Leverage the Group's global infrastructure and increase operating margins

We have made significant progress in each of these four areas during the year, this is explained in more detail in the Chief Executive's review.

Dividends
In keeping with the announcement in May 2008, the Board intends to recommend the payment of a final dividend of 6p per share, payable in July 2009, which combined with the interim dividend of 5p per share, paid in January 2009, would give a total ordinary dividend for the financial year of 11p per share.

In the current difficult economic environment our focus is on maintaining the Group's financial strength. Therefore, as was previously announced, the Board decided that it would not be appropriate to pay the special dividend of 7.4p per share, originally proposed in May 2008.

People
We are reliant on all our people to meet our customer needs and expectations and strive to improve our business. This support and dedication is all the more important when trading conditions are difficult, as they are at the moment. On behalf of the Board, I wish to thank everyone for their continued hard work.

Unfortunately we have had to make a significant number of roles redundant during the year and I regret the impact that this has had on our employees and the communities in which we operate. We have made every effort to provide support to those affected by these actions. These difficult decisions were taken in the light of the severe economic downturn and its effect on our business.

The Board
As we previously announced, Tim Barker and Les Atkinson will both be retiring at the Annual General Meeting after nine years on the Board. The Board is grateful for their significant contributions to the business over the years. With effect from their retirement, Rupert Soames will be appointed Chairman of the Remuneration Committee and Senior Independent Director and Paul Hollingworth will be appointed Chairman of the Audit Committee.

Adrian Auer has been appointed to the Board as a Non-Executive Director and will join on 1 July 2009. Adrian is Chairman of both Shanks Group plc, a leading provider of sustainable waste management solutions, and Readymix plc. He is also a Non-Executive Director of Filtrona plc. Adrian is an experienced Non-Executive Director with a strong international background across a number of different industry sectors, which will be of great benefit to the Board.

Current trading and outlook

In the first eight weeks of the new financial year the sales trend has been similar to the final quarter of last year. Year on year Group revenue has declined by around 17%, the UK by around 14% and the International business by around 19%. Within International, Continental Europe has declined by around 17%, North America by around 23% and Asia Pacific by around 15%. The Purchasing Managers' Indices in our major markets have shown some stability in recent months, albeit at low levels.

Our strategy remains unchanged. We will continue to strengthen our electronics and e-Commerce offers to better serve customers' needs and drive our market leading offer for maintenance customers. An increasing number of strategic initiatives will be introduced into the market as the investments we have made over the past few years deliver.

The Group is well positioned for the future with a broad spread of international businesses, extensive product range and customer base, high service offer and realigned cost structure.

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