

# Chairman's statement

After the strong second half of last year, I am pleased to report further improvement in the Group's performance, which reflects improved trading conditions and consistent investment in developing our businesses. Adjusted sales grew by 5.8% to £379.5m and profits before tax and goodwill amortisation (£4.8m) grew by 13.7% to £51.5m. Earnings per share before amortisation of goodwill increased 13.5% to 8.4p. Cash flow also remained strong. Free cash flow of £28.3m was slightly above last year despite the stock build to support our sales growth.

All of our regions shared in the sales growth, which is particularly encouraging, with highlights being:

- a) the high growth in Allied of over 20% and Japan of 30%
- b) the return to growth of our UK business to over 2%
- c) good growth in the Rest of Europe apart from France
- d) the exciting early results of our same day offer in Shanghai generating almost 40% sales growth
- e) the continued success of e-Commerce with growth of 42%, constituting 20% of Group sales in September up from 15% last year.

In the second half and next year we will bear higher costs from the implementation of our Europe-wide enterprise business system project in the UK, including our world-wide Processes, which should be complete by the end of calendar 2005. From our knowledge of using the system, gained in France and Asia, I have every reason to believe that we will thereafter increasingly generate benefits from improved stock management, operational efficiencies, eliminating costs in legacy systems and, fundamentally, by providing greatly improved services to our customers.

We are clear that more work needs to be done to raise our sales growth in the UK, but I remain confident in the long term prospects for our business, based as it is in the world's key markets. The positive profit performance in the first half demonstrates clearly the profit potential that there is for us from increasing sales. We are continuing to invest to realise this potential.

## Interim Dividend

The Board has decided to increase the interim dividend by 3.6% to 5.8p from 5.6p.

## Board

Following the retirement of David Winterbottom at the Annual General Meeting I am delighted that Kevin Abbott has joined the Board as a Non-Executive Director. Kevin is CEO of Alpha Airports Group Plc and brings a wealth of international experience to the Board.

## Current Trading and Outlook

In October our sales growth has been about 5% with a regional pattern similar to the first half.

Management's priorities remain to drive sales growth and to manage successfully the major changes in systems that will occur during the coming year. The Purchasing Managers Indices have weakened in recent months and we remain cautious on the trading backdrop in our major markets.

The half year performance demonstrates the sales and profit potential of the Group and our continued investment underlines our confidence in our long term prospects.



**Bob Lawson, Chairman**

9 November 2004